

Research Report on Kawartha Credit Union

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Summary:

At the request of the Kawartha Credit Union (KCU), the Trent Centre for Community-Based Education (TCCBE) asked a group of students to conduct a study to determine the feasibility of opening a KCU branch at Trent University's main campus. Would students, staff and faculty at Trent want to use this bank? Are there specific services that would help convert them to this branch? Five business students conducted an online and paper survey for the students, staff and faculty that would help answer some of these questions for KCU. After surveying 890 students and 108 staff and faculty, the results showed they were not interested in a KCU branch. Approximately 50% of the respondents said no to the branch and many needed more information. However, there are other services that KCU could offer to students, staff and faculty. Many of the respondents said they were interested in ATM, credit cards and loans. KCU needs to advertise more to Trent students to inform them of these services and their community involvement to gain more business from the Trent community.

Introduction

This study was conducted to determine the feasibility of opening a Kawartha Credit Union (KCU) branch at the main campus at Trent University. A market research study was conducted by surveying students, faculty and staff to determine the level of interest for an on campus bank. Is there enough interest to support a financial institution at Trent? What products and services would students, staff and faculty require to convert them to an on-campus KCU branch? This market research was conducted using two formats, a paper survey and online survey to ask questions to determine the level of interest. The results of this survey will provide KCU with information to make an informed business decision whether to open a KCU branch at Trent University.

Background

The banking industry is competitive so, entering a new market can present challenges. Some of these challenges at Trent University include the size of the customer base, financial limitations of the customer base and the limited business year because of summer months. In 1974, a CIBC branch opened on campus but eventually closed from lack of interest and the low profit from the summer months. During, the last five years there was a Bank of Montreal ATM machine on the West bank of campus. However, this machine folded because of complaints from students concerning a lack of availability of cash and high service charges. Currently, there are two Cash-and-Go machines on campus on a three-year contract.

Methodology

At Trent University there are over 7900 full time students, 1000 part-time students, 300 faculty and 500 staff. The objective of the study was to have a sample size of 1000 students and 200 Staff and Faculty. In order to achieve this sample size the researchers went to various locations around campus, dropped off surveys at various departments, visited classes at all levels and sent out an online survey.

The survey was structured to determine the student, staff and faculty's preferences at their current bank; in order to discover what services KCU needs to offer to convert the Trent community. After input from Professor Ed Ng, Professor Kimberly Bates and staff members at KCU, the survey was revised to its final format. The survey used in the study can be found in Appendix A. The online survey is the exact format as the paper survey.

With any survey, it is important to try to provide an incentive to try and increase the amount of participation. An incentive for this study was a raffle of four, twenty-five dollar Chapter's gift cards. Also throughout the survey researchers gave out Kawartha Credit Union pens to respondents that were interested.

Results

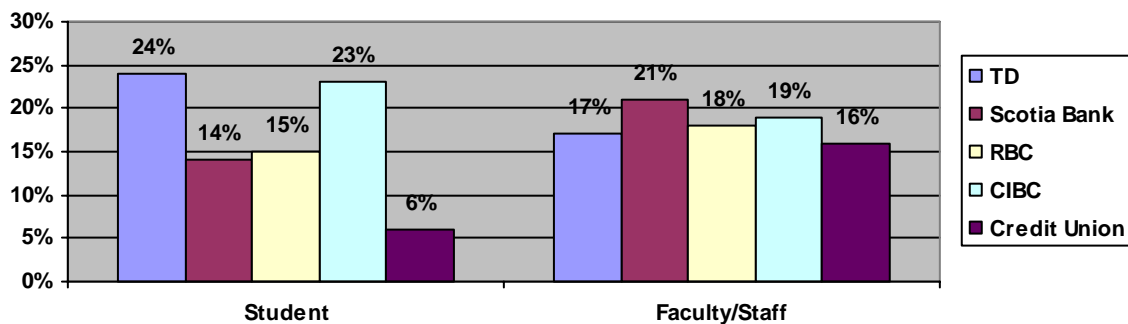
The total number of students who completed the survey was 890 and 108 staff and faculty. It is difficult to determine the exact response rate for students because surveys were distributed in classes and in various locations around campus. So, the amount of students that chose not to participate is difficult to measure. The surveys that were distributed to departments had very few that came back completed. The response rate for staff and faculty was around 40%.

The results of the demographics portion showed that 71% of students and 67% of the staff and faculty surveyed were female. The number of students aged 16 to 24 years old was 91% and 47% of the Faculty/staff were 46-65. Many of the students (94%) responded that they earn less than \$20,000 annually whereas 52% of the Faculty/staff earn \$20,000 to \$50,000 annually. Although these results show that students, staff and

faculty do not support a KCU branch opening on campus, other recommendations can be made to ensure that KCU expands their business into the Trent community.

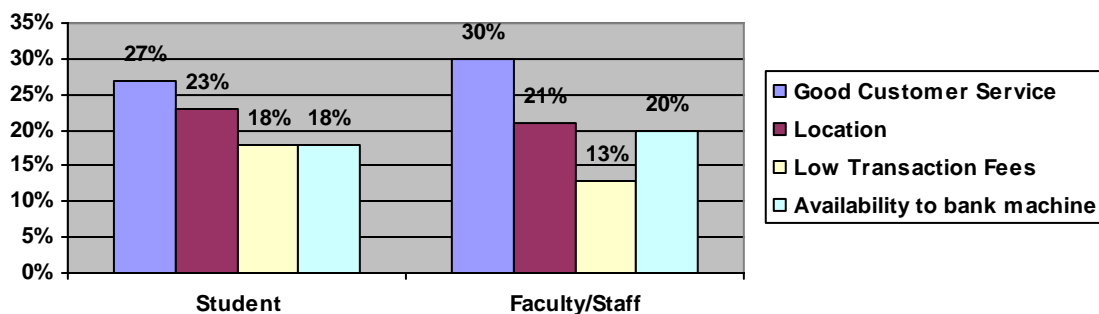
After tabulating the results from question one, it was discovered that 24% of students bank with TD Canada Trust, 23% are with CIBC, and 15% with Royal Bank. Whereas, the Faculty and Staff results showed that 21% bank with Scotia Bank, 19% with CIBC and 18% with Royal Bank. Table 1 shows the clear difference between the amount of respondents that bank with banks versus credit unions. From these results, we have a vivid picture of KCU competitors.

Table 1: Who are you currently banking with?



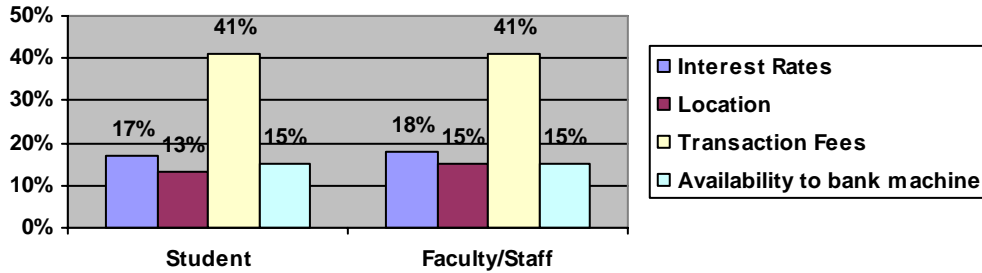
The results of question two (Table 2) show that good customer service is the feature that students, staff and faculty all valued most about their financial institution. The chart shows that location, low transaction fees and the availability of a bank machine all ranked closely as features they value at their banks. The faculty and staff ranked location and availability to a bank machine quite closely in importance.

Table 2: What do you like most about your financial institution?



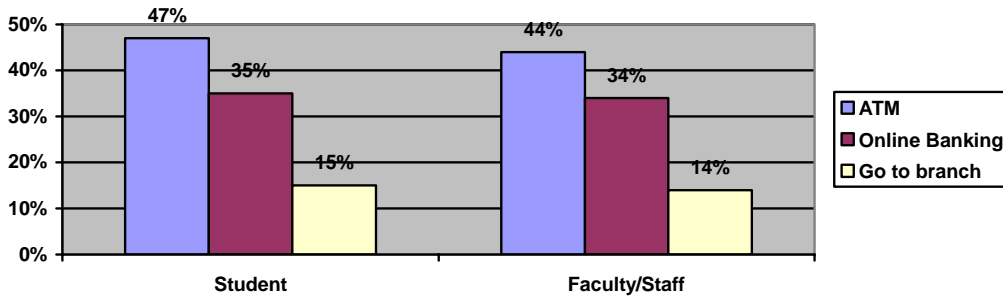
The results of questions three (Table 3) show us that transaction fees are what students, staff and faculty all dislike most about their bank.

Table 3) What do you NOT like most about your financial institution?



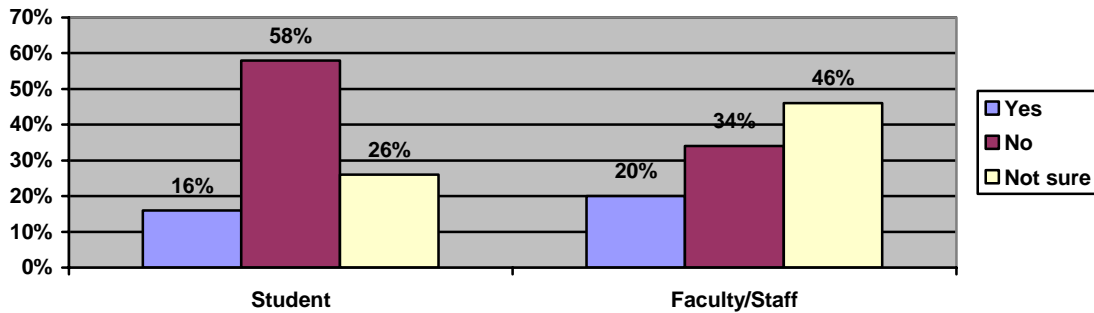
The form of banking used most by students, staff and faculty is the ATM. Table 4 shows that for students, staff and faculty online banking is the second in importance and visiting a branch they use least. These statistics are a clear indication of the importance and value of ATM on and off campus.

Table 4: What form of banking do you use the most at your financial institution(s)?



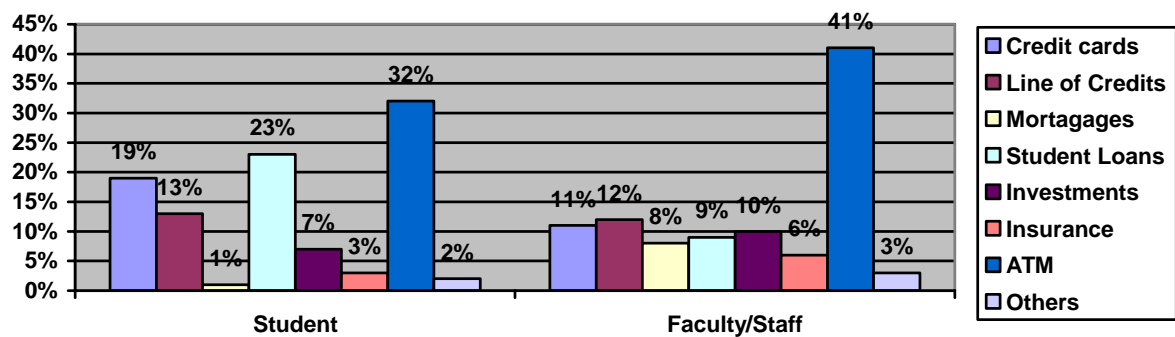
After through examination of all the surveys received and completed, Table 5 shows us 58% of the students said no to switching their current bank to KCU and 26% were not sure. On the other hand, 34% of staff and faculty said no to switching their current financial institution whereas, 46% were not sure if they wanted to switch.

Table 5: Would you bank with another financial institution (other than your own), if it were on campus?



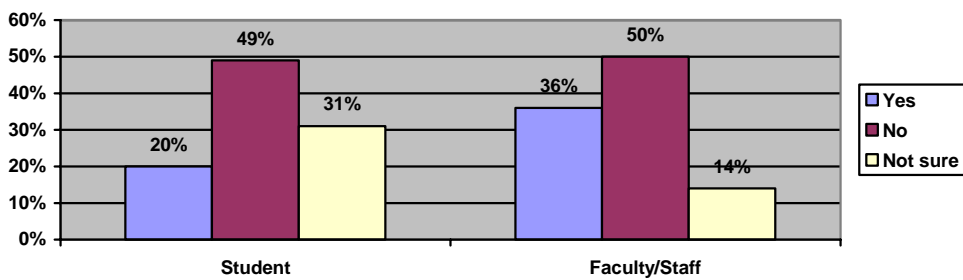
The majority of students (32%) would like KCU to offer an ATM on campus. The results from the staff and faculty indicated that they prefer KCU to offer credit cards. Table 6 shows what services they are most interested in for KCU to offer.

Table 6: What products and services do you want KCU to offer on campus?



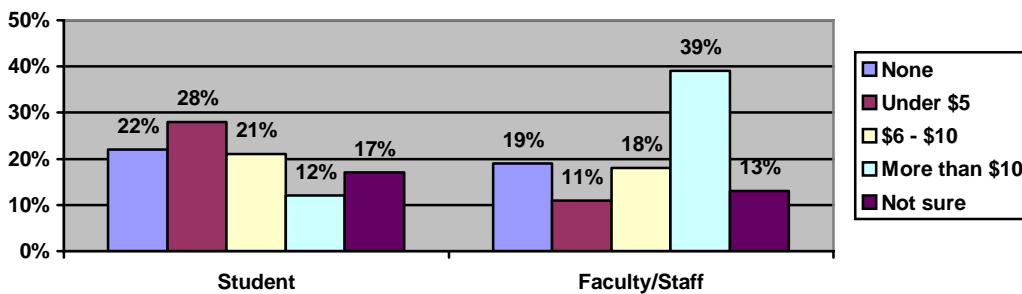
Most of the respondents (50% of the staff and faculty and 49% of students) are satisfied with their current financial institution services. Therefore, students, staff and faculty would still not choose to switch from their current financial institution but they may still be interested in some of the services KCU has.

Table 7: If these products and services were offered on campus, how likely would you bank with KCU?



The amount of monthly fees is an important factor for many. Table 8 shows that 28% of students surveyed are paying under five dollars a month at their current financial institution. Staff and faculty are paying more, 39% are paying more than ten dollars a month. Therefore, although the respondents have clearly said they are not interested in a KCU branch on campus there are still services KCU can market to the Trent community.

Table 8: How much is your monthly fee with current financial institution?



Limitations

▪ Low Participation rate

The sample size for this project was fairly small compared to the total population of Trent University; there is always a possibility of unfair representation of the population involved. This could have led to a certain degree of bias and inaccuracy in the findings. The researchers were able to survey 890 students; however, only 108 staff and faculty were surveyed. There is a possibility of inaccuracy of fair representation of data since lower number of staff and faculty participated in the survey.

The registrar's office and the communication office actually refused to participate in the survey due to confidentiality issues and the fairness to other project teams. It was extremely difficult to get any office to e-mail our survey out to students, staff and faculty. Many staff and faculty found it difficult to find time to fill out the survey. This is evident with the low response rate from the faculty and staff.

▪ Restrictions on Trent statistical information

There was a restriction in the availability of information to the researchers. At Trent there were no departments that would grant access to statistics of Trent students, staff and faculty. As a result, it was challenging to distribute surveys evenly to students, staff and faculty. It was quite difficult to find any assistance from staff at Trent to e-mail the survey to staff and faculty.

▪ Online survey vs. paper survey

The online and paper surveys were identical; however, more than three quarters of the survey results were from the paper format. It could be argued that the results of a paper survey are harder to interpret partially because respondents may take less time to fill them out because they are in a hurry.

Analysis

Through our analysis of the KCU surveys at Trent University, the students, staff and faculty expressed little interest in a KCU branch opening on campus. Presently financial institutions in Peterborough are limited with how much they cater specifically to students and student organizations. Financial institutions offer broad services for students but are not advertising to students or offering hours to accommodate student's needs. KCU need to direct an area of their business to students in Peterborough and especially at Trent University.

Student Market

KCU currently offers a variety of services for everyone's banking needs. However, they need to diversify and advertise their services to penetrate the student market. Our results indicate students are interested in credit cards, student lines of credit and student loans. KCU currently has a "Student Service plan" account that offer great features for students, and a student MasterCard. Presently, KCU do not offer any student loans or student lines of credit, furthermore their website has limited information on services for students. Given the large student body at Trent, Fleming and local high schools, it would be beneficial for KCU to consider expanding their product line for students. Many students do not qualify for OSAP; and are interested in finding other financial alternatives to finance their education. Offering student lines of credit to Trent University students will encourage a total bank experience for the duration of a student's term of study.

Student plans

Many survey respondents mentioned that they like their current bank because of the level of customer service. Nevertheless, it is extremely important for people to have a financial institution that has great interest rates, low monthly charges and several ATM locations. Appendix D illustrates KCU's major competitors as TD Canada Trust, Royal bank and Bank of Montreal. This table also illustrates the differences between KCU and their competitors with their services, fees and interest rates they provide. In order to be competitive in the student market, KCU needs to offer a student line of credit with a larger limit. Currently, KCU's student lines of credit have a high interest rate and are only for five thousand a year. In addition, to persuade students to bank with KCU, they need to lower the costs on their student account plans. The results from the survey indicated that 28% of students pay fewer than five dollars to bank with their current financial institution. KCU's student account is five dollars with an additional two dollars a month for online banking. Many students were interested in credit cards. KCU has a student MasterCard that has an interest rate that is only .4% higher than the competition's MasterCard and is lower than the competitor's Visa. KCU should inform the students of their rates and try to increase market knowledge about their MasterCard.

ATM

Trent Students also expressed that ATM cards are a major form of banking and they would be inclined to switch banks or use the ATMs if KCU opened a branch at Trent. Trent currently has a contract with Cash-and-Go for three years, due in spring 2008. If KCU provided an ATM machine at Trent, it would be potentially a good investment. This could also help increase the amount of students opening a bank account with KCU.

Increase Awareness of KCU

Even though it is not feasible to opening a KCU branch on campus, it is important for KCU to promote themselves in the Trent Community about what they do for the community of Peterborough. KCU currently advertises on CHEX TV and on the radio. However, to ensure that Trent students hear about KCU, more direct advertisements

aimed at Trent students are needed. In September, it would be beneficial to go to Trent and set up a table to inform students and especially international students about the services offered by KCU. Presently, MBNA is the only company that comes to Trent to promote their Visa cards. They promote themselves by giving Trent University T-Shirts or Thermos Mugs to students who complete applications. KCU should follow MBNA's lead and provide an incentive to students who fill out MasterCard applications. Many students are interested in getting a credit card, so KCU should try to be on campus to explain details about their MasterCard.

KCU needs to create a reputation for themselves in the Trent community. They can do this by having a presence at Trent's job fairs and provide internships to students. They can distribute flyers or pamphlets to all first year students to receive when they first get to Trent. Depending on the role that KCU wants to have with Trent, they could eventually offer scholarships or bursaries to students. This would spread the word on how wonderful KCU is and would enhance KCU's image at Trent University

Conclusion

After surveying a sample of the Trent population of students, staff and faculty it was evident that there was not enough interest to support a KCU branch at Trent University's main campus. Approximately 50% of the students, staff and faculty said they would not switch to a KCU on campus. The products and services that each segment requires for an on-campus branch were ATM, loans and credit cards. Although, students, staff and faculty would not switch banks, they did show interest in these services. KCU needs to spread awareness about the services they offer, what they do for the community and potentially offer promotions to gain market share in this area of the Peterborough market.

Appendix A:

This study is commissioned by Kawartha Credit Union (KCU) to determine the feasibility of a KCU branch opening at Trent University. Profits from a Trent branch will benefit the Trent Community.



1) Who are you currently banking with?

Bank of Montreal (BMO)
 Toronto Dominion (TD)
 Royal Bank (RBC)
 CIBC
 Scotia Bank
 A Credit Union

Others: _____

2) What do you like most about your financial institution?

Low transaction fees
 Interest rates
 Location
 Good Customer service
 Availability to bank machine

Others: _____

3) What do you NOT like most about your financial institution?

Transaction fees
 Interest rates
 Location
 Customer service
 Availability to bank machine

Other: _____

4) What form of banking do you use the most at your financial institution(s)?

Go to branch
 ATM
 Online Banking
 Telephone Banking

5) Would you bank with another financial institution (other than your own), if it was on campus?

Yes
 No
 Not sure

6) What products and services do you want KCU to offer on campus? (Check your top 3 choice)

| | |
|----------------|---------------|
| Credit cards | Investments |
| Line of Credit | Insurance |
| Mortgages | ATM |
| Student Loans | Others: _____ |

7) If these products and services were offered on campus, would you bank with KCU?

Yes
 No
 Not sure

Why no or not sure? _____

8) How much is your monthly fee with current financial institution?

None
 Under \$5
 \$6 - \$10
 More than \$10
 Not sure

Trent Status:
 Full time Faculty / Staff
 Part time Faculty / Staff
 Student
 Student Organization

Student:
 1st
 2nd
 3rd
 4th
 Other: _____

Gender:
 Male
 Female

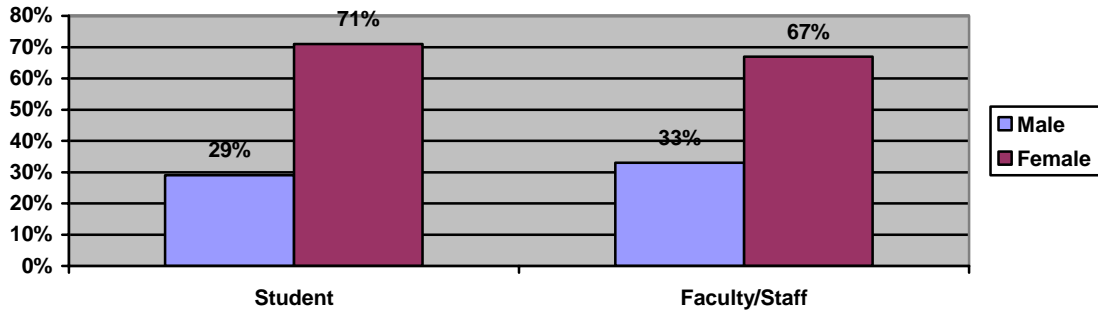
Age:
 18 - 24 30 - 45
 25 - 30 46 - 65
 65 +

Income:
 0 - \$ 20,000
 \$ 20,000 - \$ 50,000
 \$ 50,000 - \$ 80,000
 \$ 80,000 or more

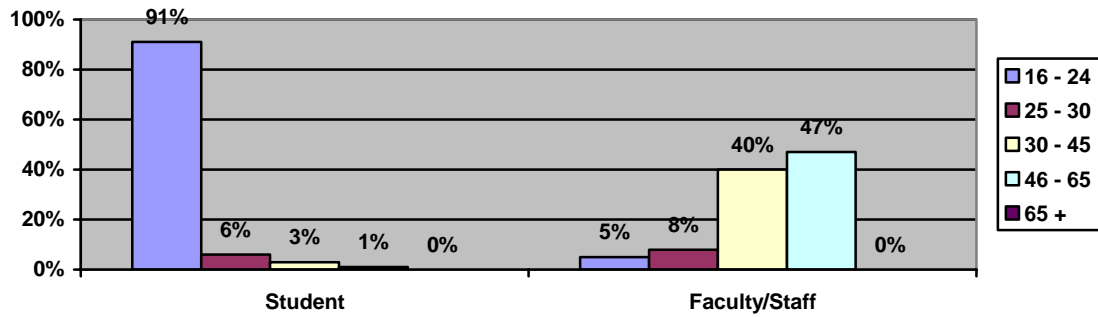
Appendix B:

Results charts

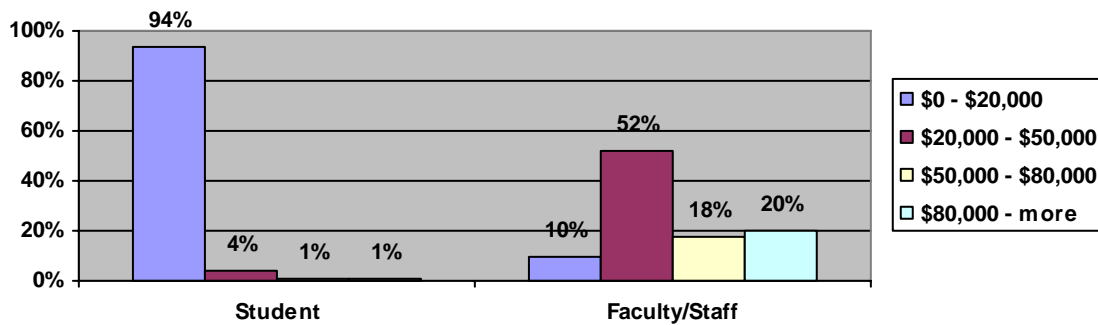
Demographics



Age:



Income:



Appendix C:

| Survey Questions | Student | Faculty/staff |
|--|---|--|
| Who are you currently banking with? | TD (24%), CIBC (23%), RBC (15%) | Scotia Bank (21%), CIBC (19%), RBC (18%) |
| What do you like most about your financial institution? | Good customer service (27%), Location (23%), Low transaction fees (18%), Availability to bank machine (18%) | Good customer service (30%), Location (21%), Availability to bank machine (20%) |
| What do you NOT like most about your financial institution? | Transaction fees (41%), Availability to bank machine (15%), Interest rates (17%) | Transaction fees (41%), Interest rates (18%), Location (15%), Availability to bank machine (15%) |
| What form of banking do you use the most at your financial institution(s)? | ATM (47%), Online banking (35%), Go to branch (15%) | ATM (44%), Online banking (34%), Go to branch (14%) |
| Would you bank with another financial institution (other than your own), if it were on campus? | No (58%) | Not sure (46%) |
| What products and services do you want KCU to offer on campus? (Check your top 3 choice) | ATM (32%), Student Loans (23%), Credit cards (19%) | ATM (41%), Line of credit (12%), Credit cards (11%) |
| If these products and services were offered on campus, how likely would you bank with KCU? | No (49%) | No (50%) |
| How much is your monthly fee with current financial institution? | Under \$5 (28%) | More than \$10 (39%) |

Appendix D:

Comparison Chart

| Financial Institution | Line of Credit Rates / (maximum availability of fund per year) | Account Fees (Monthly) Number of transactions, additional transactions Cost for full service | Credit Cards Interest Rate | Operating hours |
|------------------------------|---|---|-----------------------------------|--|
| RBC | Prime (5.5%)+1%, \$5,000 per year for undergrad/ \$10,000 per year post grad | \$3.50 25 self serve \$0.50 additional What does it cost for full service | 18.5% Visa | Monday- Friday 9:30-4:30 |
| TD | Prime (5.5%) +1.5% \$8,000 per year | \$3.45 (50% off) - 20 self serve \$0.50 for additional, \$1.00 for full service | 19.75% Visa | Monday-Friday 9:00-6:00 Saturday 9:00-3:00 |
| BMO | Prime (5.5%)+1% \$10,000 per year for undergrad/grad | Free 20 self serve \$0.60 for additional, \$85 for full service | 18.5% Master Card | Monday-Friday 9:30-4:00 |
| KCU | Prime (5.5%)+2% \$5,000 per year for undergrad/grad | \$5.00 (add \$2 for online banking) 40 self serve \$0.50 for additional, \$0.55 for full service | 18.9% Master Card | Monday-Wed 9:30-5:00 Thursday – Friday 9:00-5:30 Sat 9-2pm |