

# Credit Union **BUSINESS**

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THE CFO ISSUE

APRIL 2018 | VOLUME 13 | ISSUE 4

## Mapping the Member Journey

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# Credit Unions Need to Go With the Tide or Get Swept Up In It

**A**s we all know, credit unions are one of the last bastions of the local community, now that the local hardware and bookstore have gone the way of the pay phone. So what's keeping credit unions in the game?

By their very nature, credit unions are the non-profit neighborhood bank that has the interest of the community at their core. That means fees are usually lower and quality of service is higher than that of the big banks. The Credit Union National Association (CUNA) found that the number of members throughout the country grew to 110 million in 2017, a record high. One reason: credit union members tend to be more satisfied with the quality of their service. The American Customer Satisfaction Index Finance and Insurance Report for 2017 found that credit unions beat banks, with customers rating their overall satisfaction at a score of 82 out of 100, one point greater than the banking average. This usually translates into credit union member loyalty. One recent study found that 93% of community bank customers and credit union members say they trust their institution, whereas one out of three megabank customers don't trust their own bank.

So if we have all that going for us, why are our members being wooed—and in some cases, won—by bigger banks that are muscling into our neighborhoods and challenging our base?

First, big banks are—well—big. They have massive marketing resources—online, in print, in the media—



social and otherwise. It's hard to ignore their messaging. Big banks have ATMs and branches everywhere. They have online and mobile banking. They have links to credit cards and incentives to use those cards. And they offer attractive rewards for using their mortgage and loan departments.

### *And it's working.*

A recent study of people looking to finance a major purchase (like a home or car) found that over 50 percent of those surveyed went with a different institution than their primary bank because an enticing offer was presented elsewhere.

### *So how do credit unions fight back?*

We go with what we know, and adapt where we don't.

### *What do we know?*

1. We know our members. Our communities. Because, literally, we grew up with them. Community Choice Credit Union headquartered in Farmington Hills, Mich., was started by neighbors in a Redford Township community who pooled \$5 each into a bowl which any neighbor could

borrow from when the need arose. As a state-wide bank, Community Choice Credit Union has not shed its roots and continues to give back enormously to the community. Community Choice rightfully touts their products and services while reminding members of a charitable program they're sponsoring or a scholarship they're offering. All credit unions would be well-advised to do what Community Choice does: remind their members and neighbors how they were founded and how they're staying true to their roots.

2. We're not-for-profit. We have members, not customers. What does that mean? Typically it translates into higher rates for savings accounts and lower rates for mortgages, car loans, etc. In other words, the money we save by being not-for-profit is passed along to our members and communities—not our marketing departments! Here are some examples:

**Community restoration and awareness**—Head to the Sigsbee Playground in Grand Rapids, Mich., and you'll find a marvelous story of a playground in need of upgrading and the credit union that came in to help fund it. The Lake Michigan Credit Union help fund, build and maintain this community playground by partnering with other local organizations and sending out volunteers to set up the equipment and clean it up. The result: the neighborhood notices, families come together, and Lake Michigan Credit Union is thriving by showing how they invest back in the community (and not professional sports). Lake Michigan Credit Union posted a short video about this endeavor and their name was consistently seen and associated with the playground every time a child and a parent visited. The media exposure from local news stations brilliantly put the credit union into countless homes without the cost of advertising.



**Financial Literacy** – Roughly 70 percent of Americans are financially illiterate and 52 percent of Millennials suffer from financial stress. Nuvision Credit Union in Huntington Beach, Calif., has recognized the importance of financial education and recently developed a program to bring financial literacy into public schools to ensure students know their options when it comes to investing, savings and credit. Along with this program, which has started funding financial literacy in schools, Nuvision Credit Union rewards students with scholarships. This provides young men and women with a community banking experience built on trust.

**Community Giving**—Financial institutions of all sizes give to charity. But a credit union has the unique ability to address the immediate charitable needs of the community on a most personal level, offering donations to local organizations in need—organizations they know personally—to help them and win members' hearts. The Bowater Credit Union in Calhoun, Tenn., asks its members to nominate their favorite nonprofit as part of a Pay It Forward program first implemented in 2010. The recent recipient, and first of five winners for 2018, is the Charleston/Calhoun Hiwassee Historical Society which received a \$1,000 award. This is just one of many ways that Bowater Credit Union shows

the community that they truly care and listen to the needs of its 18,000 members. It's hard to imagine a medium-sized bank, let alone a major bank, taking interest in a local historical society but Bowater Credit Union consistently proves its commitment to helping its neighborhood. Donating \$1,000 to a local cause goes far in exposure and appreciation. It's not always the dollar amount, but rather, the thought that counts.

What don't we know? Where can we do better?

Whether we like it or not, financial technology is changing our landscape. Big banks (like Bank of America) are adding hundreds of new branches, to "think global, act local," and some large banks have no branches at all. Without a brick-and-mortar presence and with fewer faces to pay, those banks can devote all of their resources to marketing and servicing their offerings:

- online and mobile banking for up-to-the-second checking and savings activity
- online links to investing services
- online financial planning services
- individualized "microsites" for each and every member

#### **Why can't we?**

If the CO-OP ATM network includes almost 30,000 surcharge-free cash machines and more than 5,000 shared branches around the country, why can't we build on that base? With 110 million members (something to build on with integrated tech services), credit unions have a large, loyal and powerful base that would be attractive to financial tech developers. If we focus our efforts and resources we could offer online and mobile banking capabilities, links to investing and planning services—and developers that cost-effectively create individualized microsites for each member, as well as cross-marketing and onboarding programs. The technology is there if we choose to use it. And the more it develops, the more accessible it becomes, the more the costs drop. Think of what it cost you to buy your first PC or printer. What do they cost now?

In short, to maintain the "local" advantage (and our history), credit unions can "flip the script" on the big guys by acting local—and global—at the same time!

At the end of the day, it's not just about lowering fees, offering better rates or convenience, or even knowing your members by their first names that makes the difference. Everything we do should tell our members that, not only are we there for them—we're keeping up with them. We see what's happening and we're adapting to it. We can offer the same services the biggest guys do—at competitive rates and savings—and still greet you by your first name when we see you at the local branch or the supermarket.

And when those big banks merge with even bigger banks—with names and faces we no longer recognize—who'll be there for our members?

#### **We will.**

Because we'll beat the big guys at their own game—without losing our identity or souls.

Bank on it.



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