HOW to GET MORE of your MEMBERS TO DO MORE of their BANKING with YOU!

A Marketing Manual for Credit Unions

CREDIT UNION EXECUTIVES SOCIETY

Opportunity. Education. Excellence.

Get MORE of Your Members to do MORE of their Banking With You!

Hey, this book is a collector's item! Which simply means it's out-of-print. It was published and distributed by the Credit Union Executives Society... publication date was April, 1993. It's the third book I did for CUES.

The first was **"A Marketing Manual For Credit Unions."** That one even included full-color *photos* of various credit union promotions and campaigns, including the "roll-out" marketing program my agency developed for CUNA back in 1978 to introduce Share Drafts to a national credit union audience.

The second, **"Marketing Is Everybody's Business"** reflected the expanding role of marketing within credit union circles, and attempted to encourage a stronger market-based orientation among credit union decision-makers at every level. But that, alas, is an objective still waiting to be achieved.

With this one I had to wrangle with CUES to get the title accepted (see opening paragraph re the "B" word!). Even though it's on its way to being a decade old, the title still speaks directly to *the biggest challenge credit unions face today*.

Occasionally we look at this book with an eye to up-dating or eliminating stuff that is short of relevance or usefulness. Things are changing so fast— both in Marketing and within the collective world of consumer banking— that it's foolish to think such a book has much long-time lasting power. But as enough of what's here still "works", we wanted to make it available to anyone who might find it useful.

So here it is, free for the taking. If you want to give something back, send us any of your own thoughts or wisdom, along with permission to publish it/them to the web. We'll make sure you are credited for your contribution.

Other than that, just do what you can to make your credit union a "high performing" success. And maybe think of us when you're ready to do your next member survey!

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CHAPTER ONE

Riding The “B” Word Into The Next Century

Can you imagine? Right on the front cover of a book about credit unions, in big, bold, black type: The "B" word!

This word, *BANKING*, is quite troubling for too many credit union people. Shouldn’t be, but it is. And therein lies the vexatious problem, for any book that portends to explain the myriad mysteries of marketing must, by definition, correlate the reader’s perspective with the world “out there.”

And out there are a whole lot of people, including many who happen to belong to credit unions, who do *banking* on a routine, everyday basis.

For the record, I know all about the “B” word and all the political and philosophical concerns that attend it. I first came face to face with it as a “no-no” word way back in 1975, when the Washington Credit Union League first approached my advertising agency about helping them develop a comprehensive program of marketing concepts and promotional tools for their member credit unions. This was back when marketing was just beginning to gain momentum as a new but fairly important discipline within the national credit union community. A certain very dedicated member of the League’s staff took me aside and gave it to me straight. "Please, young man (hey I *was* young back then), you *must* understand this — we're not banks. We're different from banks. We're *credit unions*. And the people we serve— they're not customers, they're *members*. Whatever you do, always be sure to make those important distinctions!"

It’s Banking, Pure And Simple

Banking— the verb, refers not to entities but to actions…behaviors. When those of us who identify with credit unions use this word, we‘re not referring to what we *are*…but rather, to what people *do.* And the mainline business of marketing is that of influencing particular behaviors and causing or generating certain buying actions among specified consumer audiences. So the last thing we want to do as credit unions is create some artificial distinction in members’ minds between their normal, routine banking activities and whatever it is they do at the credit union. What we definitely do not want is for them to be members of the credit union, to be “*…Part Of The Family: 60 Million Strong…*” and do their *banking* somewhere else. So when it comes to talking about marketing, about operating our credit unions more successfully— not only is it wholly appropriate that we use this word, but to deny it is to do ourselves and our institutions a gross disservice.

It’s odd that long-time credit union managers and directors have so much trouble with this. Members don’t. Ask *them* about banking…about *when, how or where* they do it, they'll understand the question right away. And they'll say they do banking, in one form or another, on at least a once-a-week basis. They do it at banks. They do it at grocery stores and at cash machines here, there and everywhere. They do it at S&Ls (still)…and at Sears, K-Mart, and with Ma Bell. They also do some of it at local car dealerships and at many other non-bank sources. They do it with Merrill Lynch and other brokerage houses. They even do it through the mail— often with near-anonymous sources.

Some of them even do it at their credit unions. Those among us who are the staunchest advocates of credit unions as the banking option to be preferred over all others, are likely to say that *more* people *should* do their banking at credit unions. These are the many who prod their own credit unions to *grow*, to expand their common bonds and diversify their membership bases. Many have aspired to bank-like “community” charters; so many others routinely scour their neighborhoods for “SEGs” (Small Employee Groups) to recruit into the fold.

Needed: More Users

There is, however, something not quite 100% solid about this “expansion” inclination. While the objective of extending credit union membership to all citizens is admirable in principle, it misses the point on two scores. One— growth of this sort, often seen as the salvation for a sluggish revenue circumstance, is seldom as productive as anticipated. Acquiring new members is costly in both time and money, and generally it takes considerable time before these new sheep to the fold are productive contributors to the financial health of the organization. Two— this preoccupation with acquiring new members diverts us from the prime objective which is at the very heart of the credit union intention… doing *more* for members— for *existing* members.

It is a fact, over 63 million people— fully 25% of the total U.S. population— already belong to credit unions. This is an enviable "share of market" in anyone's terms. And while many are avid, active users of their credit unions, the statistics show that far too many of them are not. A large number are merely casual or occasional users, and sadly, a perplexing number at every credit union must inevitably be listed as inactive members.

Dare we say— more of these folks should do more of their banking at their credit unions! Certainly they would be better off if they did, and so, of course, would their credit unions. So it gets down to this— ***credit unions already have tons of members; what credit unions don't have…is enough users.*** We desperately need to get more of our present members using our credit unions more, much more, than they do!

We know, for instance, that almost half of all the credit union members throughout the nation have consumer loans at any given point in time. Indeed, industry statistics indicate that credit union members tend to borrow more frequently and more consistently than non-members. Yet our own research data tells us that— even though consumer lending is our main bread-and-butter…*and*…even though we generally have the best loan rates, terms, services and options— ***fewer than half of these borrowing members are getting their loans from their credit unions.***

Similarly, we know that close to 95% of our members have checking accounts. But again, the numbers show that, after almost two decades of touting the many advantages of share draft accounts over ordinary checking— ***only about four out of every ten members have their checking accounts with their credit unions.***

So it would appear that the real danger in avoiding certain words or hiding behind semantic facades is that we're missing the boat in terms of what it is we're really all about. We're supposed to be *out there*, with our members, helping them to do *their* thing. We shouldn't presume to force terminology upon them that has little direct relevance to their everyday lives.

One more point— when we think so forcefully of "members" and vociferously deny any implication of "customers," we tend, in oh such subtle ways, to get a bit lax. We let ourselves slip into the assumption that members, after all, are *committed*, *loyal*, t*rue-blue*. It's *their* credit union we say, they "*belong*." So of course they support us, they're all for us, we can count on them.

Customers, on the other hand, are people who shop around. While they do have certain sources they like better than others, loyalty isn't something that locks them in. There's no felt obligation. Mostly they look for good deals and check out the various options at different sources. And the stores, restaurants and other vendor sources, in turn, struggle to hold on to existing customers even as they advertise and promote to gain new ones. They never lose sight of the fact that competitors are out there preying on those same customers.

The reality is that credit union members are, indeed, *customers*. They shop a number of different sources and respond to attractive market offerings. And even among the most committed of them, loyalty is anything but absolute. It's there, like a very light line that holds a sailboat to a pier. Things may seem secure enough in times of calm, but don't count on anything so frail when the fierce storms of competition begin to blow.

So there's something quite limiting in the language that the credit union community is somewhat inclined to chain itself to. It's like wearing blinders. Like it or not, reality prevails. To play successfully in the real world is first to understand and accept the fact that *market forces* dictate the rules. People…consumers…members— don't think the way we want them to think. They think the way they do. It's imperative that we accept that, and play the game that way!

A Most Essential Rule

Something that every marketer must know— is that when it comes to communicating effectively, there is…first…this single, most essential rule:

> **Always communicate** in terms and contexts that are particularly meaningful and most relevant to your audience.

It's the first rule of writing good copy. Relate your intentions to *your listeners'* interests and needs…use words and ideas which have *direct relevance to them and their everyday lives*. Don't expect them to understand your perspective, your terminology, your priorities, your objectives. Translate all of it into simple, singular, meaningful terms which fit comfortably and directly into their lifestyles. Focus on, and emphasize those things which they see as personal benefits.

Confirm The Credit Union Difference

This book is about that. It's base premise is that there is an important *benefits*-based distinction between the credit union brand of banking services and banking services that everyone else offers. And the difference is *not* philosophical. In fact, it must not, *cannot,* be just words and intentions. While it may very well be based upon…or better yet, driven by… philosophical intentions— the difference itself must be *real*, *tangible*, *specific*. It must be meaningful to members and non-members alike, must make a difference in terms that are specifically relevant to actual needs, interests and concerns. It must be represented by hard, specific benefits and advantages that have solid payoffs for members.

The credit union difference is a distinction that must be developed, reinforced and forcefully, enthusiastically promoted.

For those who represent credit unions— this is more than a mere marketing task; it is, rather, an inherent responsibility. Credit unions do good things for people, things that need doing, things that other banking sources…no matter who/what they are…simply don't do. And never will. Credit unions, therefore, deserve to be represented honorably…forcefully… enthusiastically…effectively!

Getting Reflective For Perspective

This is actually version number two of the *Marketing Manual For Credit Unions*. The first rolled off the press some twelve years ago, right when a number of other very interesting things were happening within our industry.

Back then— it was 1981— "Marketing" was still evolving as a major theme for those who worked within the retail banking arena. It had, in fact, been coming on as a priority concern throughout the national credit union community all during the 70's. CUNA had developed it's National Advertising Program which featured very strong radio and television commercials which were run on network as well as local spot schedules…and some darn good print ads well placed in a number of the popular general interest magazines. CUES, in turn, was drawing record crowds to its annual Marketing Conference to hear top industry leaders on the credit union front and from the broad advertising community talk about how to promote credit union services most effectively. State leagues were developing a variety of support programs, and individual credit unions were beginning to establish marketing budgets and seek out qualified candidates for the totally new in-house position of "Marketing Director."

The combination of two other occurrences changed forever the nature of traditional credit union operations. One was the legalization of share drafts, a move which shifted credit unions into the role of dealing with members on an everyday, full-service , cash-in/cash-out basis, *quite* different from the more passive month-end loan payment and payroll-deduction routines of prior times. The other was that Congress, in one fell swoop, deregulated the retail banking industry which eliminated all rules pertaining to dividend limits and qualifications of sources, thereby opening the floodgates of competitive forces. From that point forward, anyone who wanted to, could provide any and all kinds of financial services to the consumer market…and the "customer" would determine which way the industry would turn.

A Decade Of Major Progress

Other things happened, too. As predicted, the number of credit unions declined— from a high of 23,000 in 1980, to approximately 13,000 just twelve years later. Membership in credit unions, on the other hand, continued to climb and the number of credit union branches or service outlets increased. And as both cause and effect of the latter point, ***the number of members who now see their credit union as their main banking place increased fourfold.***

In 1980, fewer than 10% of all members identified their credit union as their main source for financial services. Today, according to CUNA's National Member Survey, 44% of all members do. This fact is extremely significant, for it is the strongest indicator of the real place of credit unions in the national retail banking arena. And— it reflects the huge amount of earnest effort and strong commitment to marketing, promotion, sales and satisfying members among credit unions throughout the country.

In short, we have very definitely been doing something right!

But as Marketing became one of the elements of managing the credit union, it still remained just one of many. It was an add-on function. Marketing Directors were hired, marketing departments created. And to the extent we saw it this way, and still do, we miss the point.

It is the marketing function that links the credit union to its members…and…vice-versa. So marketing isn't an additional dimension— alongside Planning and Human Resources and Operations and Training and Facilities and Asset/Liability Management. Rather, it is the management discipline that incorporates all of these dimensions into a meaningful program. Too many credit unions today are still driven by the accountant's intention of maintaining financial stability as their first-priority concern. But— credit unions that don't provide needed services and benefits to members are, in fact, quite unnecessary, no matter how financially stable they are., no matter how solid their NCUA ratings, no matter how much political clout their officials have within their respective leagues or chapters.

So Much Change

Every aspect of the marketing function is undergoing dramatic and fundamental change. The planning process, R&D and product development, market research, market segmentation strategies, sales orientations, communication processes and utilization of different media, even the basic disposition of decision makers to the management function The book we wrote on how-to-promote twelve years ago doesn't apply all that much today.

But then, banking has changed every bit as much as well. The level of technology driving back office operations and delivering services to members has grown geometrically. Yet as per the familiar caution of things still to come— "you ain't seen nothing yet". Computers will continue to change every aspect of what we do and how we do it. Related digital technology will continue to have a huge impact on products, services and delivery systems. The marketing implications are equally ominous. We'll be doing far more with our computers than we ever imagined. Desktop publishing is already a common, almost universal, practice. What we are about to see is the innovative use of multimedia hardware and software in delivering financial information and assistance as well as products, services, features benefits to our members.

Still So Far To Go

So things are no longer the same. And they're never gonna' be! For credit unions, in fact for anyone in the banking business, the marketing dimension has moved well beyond that of simply another function or department within the organization. Marketing, today, is what being a credit union is all about. But just as we see that so much has changed over the past ten years, so can we worry about so little that has changed… in some of the more critical areas.

First, we're not yet fully committed to marketing as the facilitating force that makes things happen. If we were, we'd be spending more to get members to do more banking business with us. Consider this— a dozen years ago, in this very book, we made the bold suggestion that credit unions ***spend as much as $5 per member per year on promotion and information efforts***. And that was stepping waaay out on the limb, for, at the time, the average expenditure was something in the neighborhood of $1.73 per member. While marketing budgets have indeed increased since then, as have the number of credit unions with in-house marketing personnel and organized promotional programs, they have not increased all that much. Today we *do* see many credit unions spending $7, $10, even $12 or more per member each year. Yet the large majority are still at spending levels far below these. $3-to-$4 per member is more representative of today's spending reality, and that's an indication of our real inclination regarding promotion in the collective scheme of things. It is, indeed, time to pick up the pace!

Nothing Is New Under The Sun

It is exciting to watch the credit unions around the country that *are* market-driven. They are ambitious, they are aggressive, they are imaginative, they have intentions. And all of it pays. These credit unions achieve impressive results! They are not necessarily the biggest with multiple branches and monstrous budgets. They are, however, out to do good work in a driven, determined way. To the extent that credit unions are becoming a stronger factor in banking today, it's because of these guys in particular. These are the ones pushing the envelope and we are all indebted to them— for their ideas, for their discoveries and solutions, for the validation they offer that things do work, and…in the overall…for the fine example they set.

One of the hardest things to do, in this marketing arena, is keep up. Things keep changing…so much and so fast. And it's not just the bits and pieces. It's the overall orientation. First we were heavy into promotion, into learning to use advertising skills effectively. Then the thrust was selling, and adopting an internal "sales culture" throughout the organization. Now in the new age of "Total Quality" wherein the customer is king and/or queen, there seems to be a whole new agenda to pursue.

And while it may seem that way, if we look carefully we find that not to be the case. In all of these dimensions, the principles are the same. They come with new focus, new emphasis, new vocabularies— but always the common essence is there. And it is the exact same set of theories and postulates upon which our credit union movement is based— serving people effectively.

Credit Union Marketing Manual 2.0

There are far more pages in this book devoted to planning, programming, budgeting and the strategy side of credit union marketing than to designing and creating brochures, newsletters and such. That's intentional. You can buy brochures. You can hire people to write, design and publish your newsletter. But the business of clarifying and setting goals, of strategizing, planning, budgeting and recording achievements, and of stoking the fires of intention…is what marketing— as a manager's concern— is all about. The real trick is in putting the tools and techniques together in the most skillful ways and making them pay off. This is what will spell success for people who run credit unions now and into the future. The basic premise that underlies all that is in this book is that the marketing way is the best way to run a credit union.

Notice, too, that the same ideas keep repeating themselves and reinforcing each other as you read through the pages and chapters of this manual. You'll soon begin to realize that good marketing develops out of some very basic considerations of how people behave, how they gather information and form attitudes, how they communicate. And remember, too, that repetition is one of the keys to marketing effectiveness! You may want to read the last sentence a dozen times.

There's a problem with this manual, however— same one we had twelve years ago. It's already out-of-date. Things continue to move so fast— both in advertising and in the realm of credit unions— that much of what is said today should be revised before it can be repeated tomorrow. It is impossible to include tight costs, performance ratios, research findings or any of the particulars that help put meaningful meat on conceptual bones, as these things change as fast as the prime rate in a tight money market…or maybe because of it!

There's a considerable amount of instructional preaching on the pages that follow…lots of do-it-this-ways. So we'll say up front that there is no one right way to do things, ever. There are, of course, correct principles to apply. But beyond that, whatever works is good for you. And if it works once, it's probably worth trying again. By the way, things that are supposed to work and don't are probably worth trying once again, also.

Creative brilliance, after all, is only that which takes a fresh— sometimes even contrary— approach in order to achieve wondrous results. And often those fresh approaches, or at least the opportunities for them, are sitting right under our respective noses.

But the one thing that sets the pros apart from the pretenders is their appreciation of the fact that real creativity comes from knowing *how* things work, and *why*. In playing the marketing game the object, after all, is to eliminate the guesswork… to get oneself in control. Then, with all the basics down pat, you're ready to try anything your clever self comes up with…that you'd be willing to sign your own name to, that is.

The only way we can possibly be successful at running our credit unions in today’s market— is to have an intense awareness of…and sensitivity to…every aspect, trend, innovation, and nuance of modern retail banking. If we’re afraid to even use the appropriate words, we’re in deep, deep trouble.

So dare to use the "B" word. Dare to read this book. And…dare to step forward to see that your credit union moves beyond mere hollow claims, and delivers on the basic, essential Credit Union distinction in ways that are meaningful and very real to members. Only then will you do the one thing that credit unions are supposed to do, the thing which is the true measure of any credit union's effectiveness— get more of your members to do more of their banking with you!

Oh, and one more thing…good Luck!

CHAPTER TWO

What Marketing Means to Credit Unions

We must begin this particular discussion by making one very, *very* important distinction.

Marketing is not what most credit union people think it is. That is— marketing is *not* promotion. They are two very different things. In credit union circles (as in too many others) the words are used interchangeably, as if they were synonymous. They are not.

The distinction is important, for to be doing newsletters and brochures and other promotional stuff, and assuming from this that the marketing concerns of the credit union are being covered— is to fall far short of what credit unions must do to achieve success in today's retail banking arena.

Promotion is, essentially, a *support* activity. It facilitates things, causes other things to happen. Marketing, on the other hand, is a *primary,* direction-setting activity. Taken collectively— **it is *the essential behavior* involved in running a strong, healthy, effective credit union operation.** Marketing is the comprehensive effort of coordinating a number of sub-disciplines— promotion being but one of them— into a tightly-focused program of intentions. Achieving certain results or producing certain outcomes is the key objective. "But wait," you say, "that's *management*." That's right. That's it exactly. Marketing is nothing more nor less than a particularly effective style of leadership, of running an operation. In today's world, marketing is essential to the very survival…and success…of credit unions.

The Classical Definition

Let's start with a firm grasp of the classical definition of the marketing process, for it is a fool-proof formula which absolutely guarantees success. It is a simple ONE-TWO-THREE-step embellishment of the trite-but-true "Find A Need And Fill It" axiom, but as a practical postulate, it is absolutely "right on":

- ONE: Identify a particular consumer need. Find out what people want (want *more* of…want *better versions* of…) and aren't getting (or aren't *getting enough* of…) at present.
- TWO: Come up with an answer…a solution…a new version…a new or better way of filling that need…one with a *discernible difference*. Do this by presenting *new*, *different*, *better* features with positive consumer benefits.
- THREE: Communicate. Generate awareness. Let people know what you offer and why it is the best answer to their particular needs (*features*)… why it is better than other options…what it will do for them (*benefits*).

It's that simple. If your marketing program is not working…if the credit union isn't thriving and growing…if members aren't using the products and services you offer— all you have to do is determine which of these three factors is off track.

Suppose that, a few days ago, a few people got together, put some money in an envelope with the understanding that they would each be able to draw from it from time to time. Suppose they asked you to take charge and make it work. And suppose that the only way it would maintain any sort of momentum as a workable idea, was that *they all take advantage of it on a regular on-going basis*. In fact, if they didn't use it, it simply would not generate the necessary momentum to sustain itself and expand its capabilities, for built into the system is the understanding that people would pay a slight fee for services which would cover the costs of operating the program (including a little bit for you). Simple, right? Beautiful, right? All you've got to do is get them to use the system they set up…to their own advantage.

The Credit Union Definition

For credit unions, marketing, in it's most practical sense, is the collective process of getting members to *use* the credit union. More specifically, **marketing is getting *more* members to use *more* credit union products and services *more* often to fulfill *more* of their personal financial needs**… thereby causing the credit union to operate *more* effectively, in a *more* cost-efficient manner. It includes all that is involved in structuring policies, products, services, facilities and programs— and guiding employees, volunteers, etc.— to do all of what it takes to get members to do more of their banking at the credit union.

Again, that's what this book is about— getting members to *use* the credit union. So the business of running an effective credit union is, essentially, marketing. Success in this context requires hard-driven intention. It requires aggressive, proactive behavior.

How to do it? Simple. First, make it as easy to use and accessible to members as possible. Convenience (with a capital "C") is the prime factor in choosing and using one financial services source over another. Second, make it worthwhile…make sure you know what their needs are, what they're looking for— then make sure your offerings fit the bill. And be sure what you do and the way you do it includes some value-added features that set you apart from the crowd. Then (and only then!), give members good *user* information. Describe features, promote *benefits*. Do it over and over. Add some attractive visual flavor and appeal to your message. Draw all this into a program…by setting some performance (sales) goals, and scheduling all of these activities accordingly.

That is it in a nutshell!

Here's the consideration that goes with the credit union definition of marketing: Whatever you do that gets *more* members to use *more* of your services — is probably good marketing. Of course, it's also up to you to make sure that it's ethical and in good taste! And conversely, ***whatever you do in the name of marketing that doesn't get members to use the credit union more— should be reconsidered and, more likely than not, stopped.***

So now, how many ball-point pens, ice scrapers and key chains does it take to get members to come in for loans or additional share deposits? Or, how much additional business is generated by the elaborate— and rather expensive— annual meeting? How much of your marketing budget, then, is committed to these hoakey giveaway items and elaborate social events…and why?

Or take it one more step. Does your newsletter generate new business for you each time it is published and distributed? If not, look at it with a critical eye. Does it provide your members with new reasons to come to the credit union. If not, don't publish another issue…until you've figured out how to see that it does!

And directors, are more and more of your members using more and more of your credit union services? If not, why not? What would you want to see happen in order to generate more of this? Are you advocating, and supporting, more "sales" performance? Are you supporting the marketing effort (insisting on, and approving, strong, well-spent budgets)?

So one more way to distinguish between promotion and marketing — is to hold true to the difference between simply doing things on one hand…and achieving your desired results on the other.

Multiples of "P"

If you're looking for a more comprehensive representation of the marketing "bag," here it is. Sign up for "Marketing 101," and one of the first things the professor is sure to talk about— is the "P" perspective. This is the lesson that introduces the multiple elements of the total marketing concept. There are a number of different configurations of this particular presentation, but for who-knows-what-reason, they all happen to feature elements that start with the letter P. One version, the standard, lists "Product—Price—Promotion" as the principal elements in the marketing mix. Another will emphasize "Positioning" as a vital consideration. Others stress the importance of the sales team under the heading "People," or the immensely critical "*location…location… location*" factor under the category "Place." Indeed, it's positively peccant how prolonged this particular perspective can be perceived..

The usefulness of this presentation, however, lies simply in the powerful point it makes about marketing. Not only does it show that promotion is but one of many aspects of marketing, it reinforces the critical significance of all the others. If you plan to be on top of your credit union's marketing, make sure each of these elements is considered.

Credit unions are the only agencies within the financial industry that presume to operate not only *for*, but wholly *within* the tight little circle of their own memberships. Everybody joins up and pools money together so that all can borrow to suit their needs. The critical premise is that promoting thrift— or in today's terms, getting members to save— is as important a part of our total function as is providing easy access to reasonably-priced credit. Yet how easy— and inevitable— it is that too few of our members end up owning too many of our total share dollars (the familiar 80/20 ratio). All it takes is a little tightening of the economy, a little rise in interest rates of a down money market, to remind us how vulnerable our operations become when we let them seek their own levels.

So getting your members to use the credit union effectively— to their advantage and to yours— is what really defines success in terms of credit union management. And that's what credit union marketing is all about.

Mind your Marketing Ps and Q!

Planning	• The essence of marketing is planning. *Strategic* planning, driven by market factors. (*Marketing* and *Strategic Planning* are one and the same!) The objective is to sell enough of the right products, at the right price, to the right people, at the right time, so that the system "works" and the mission of the organization is fulfilled!.
Positioning & Perception	• People identify with sources as much as they do with specific products. They do it in relative terms— which means they select a favorite source in light of all of the known sources. How members perceive the CU directly affects their behaviors.
Projections, Plan & Program	• Your marketing intentions are reflected in your annual performance (sales) program. The more focused you are (the more specifically *quantified* your objectives)... the more you are likely to achieve.
Products	• What do you offer...what do people need? Are you full-service? Are you *competitive*— do your products and services compare favorably with what else is available in your market? Do you measure the appeal of your products in terms of features...and most specifically... *benefits*? Do you constantly fine tune your offerings?
Price & Packaging	• When making "buying" choices— all else being equal— price is the deciding factor. But people want, *and will pay for*, value— so lowest price is not the sole determinant. The challenge is to provide the most value for the best (lowest) price. Offer "packages" of multiple accounts at reduced prices.
People	• No matter how you cut it, it's the people who deliver services to members, and the others who back them up, who are going to make it for you. If your people aren't ready (trained, knowledgeable, focused and on-target in their intentions) and motivated, none of the other factors will matter much. In the credit union, marketing is *everybody's* business. Get your people, all of them, directly involved!
Place	• *Where* is the credit union and *what* is the credit union? Location-wise, people generally prefer their banking sources to be close to *home*. Also, the feelings people have about the credit union...the image of it in their minds... is largely a reflection of the physical structure and appearance. But "place" will require whole new considerations as remote access (phone, computer, kiosk, in-store banking) becomes more prevalent.
Promotion	• It's what you say, how you say it, how many times you say it, how much you relate "it" to members' interests and concerns. Promotion creates awareness and provides consumer information— members don't buy what they don't know!
Personal Selling	• Selling is learning to identify members' needs and getting them to use more of the credit union's services to their personal financial advantage. In this sense, *selling is a service*— it is what the credit union is all about!
Publicity & Public Relations	• Third party endorsement— from positive portrayal in the news/feature side of the media— is generally worth it's weight in gold. Civic involvement and community relations activities generate ample rewards; spread the participation opportunities around, encourage all staffers to "get involved" and back them up when they do!
Quality	• Quality— as it pertains to banking services— is measured by the extent to which we exceed members' expectations. It's the "value-added" aspect that sets credit unions apart. No longer simply assumed, "Quality" is now a marketing element which helps to differentiate you from other banking sources and sustain the long-term connection between members and their credit union. Formalize,structure and measure the quality of your services on an on-going basis.

A Four-Step Progression

If you're still at the point of initiating marketing and promotional efforts, don't worry about having all your guns blazing right from the start. It's easy to slide into the process. And it's just as easy to expand your efforts gradually, over time.

First, if you're doing nothing now, start doing *something*. Anything. Start writing letters to your members. At first, go ahead and put them in with your quarterly statements. Make them personable and interesting. Remember your objective is to get members to use the credit union more.

Second, if you are doing something now, try and do it better. Improve on it. Make sure what you're doing is aimed at achieving results. Then do a little homework to find out the current state-of-the-art about whatever it is you're doing. Don't try to be clever or artistic; be as straight and direct to your purpose as possible. Figure out how to measure the effectiveness of your efforts; keep track of response rates and actual "sales".

Third, once you've got some good things going, tie them together into a program. See them in light of a twelve-month schedule.

Relate them directly to what it is you hope to accomplish by year's end. Assign some dollars to each of them with the understanding that you will generate more than this much new operational expense money if/when/ you meet your year-end goals.

Fourth, with a good strong selling program going for you, look around to see what you can do about some media advertising. The easiest, most cost-efficient (and therefore most sensible) way to approach this is on a shared-cost basis. It simply makes much more sense for most credit unions to join forces and get more for the bucks by using mass media resources than it does for any of them to go it alone. There are many exceptions to this, of course, but the general rule still holds.

"What is the best promotional technique?" "Should I mail out brochures, or run ads in the paper?" "Are premium promotions good or bad?" "Should I spend more time on my newsletter, or should I get out in the field more to talk with members face-to-face?" There's a single answer to all these questions. It is, of course…*yes*!

Your central message should remain constant. Your principal theme should be singular and consistent. Don't confuse members by hitting them with different or conflicting positioning statements. But when it comes to *delivering* the credit union's message, no one technique or approach is necessarily better than all the others. In fact, the best results will come only when you use a variety of media…and a variety of approaches. People gather information about their circumstances from a broad range of sources. In fact, they generally look to second and third sources to verify and confirm the information gathered from the first source. So you want to get your particular message out to your members utilizing as many different channels and methods as are available.

Work From The Inside Out

When planning any promotional strategy, work from the inside out. Think first of direct face-to-face sales… then telephone and mail promotions…then mass media advertising… and finally publicity and promotion.

Direct sales are the interactions you— your staffers, actually— have with members. Your service style speaks for you. So does the quality of your everyday performance. *Sales*…is filling needs. People talking with people is absolutely the most powerful form of communication that exists! Everything else is but a less-effective substitute for this. Before you design mailers and elaborate promotional campaigns, gather your member-contact staffers together and ask them to talk about what promotional tools they need, what specific things would help them be more effective as they work with members in the everyday, routine context.

Sales promotion is the support promotion generated by the credit union and directed straight to members. Newsletters, brochures, direct mail packages, contests and premium promotions, statement stuffers, posters, lobby displays, teller cross-selling, field reps. etc., etc. And remember, in all your promotional efforts, give members an easy way to respond, and always ask for the order!

Media advertising is the sponsored message in magazines, newspapers, radio, television, billboards, hot-air balloons, T-shirts, etc., etc.…which serve to build broad public awareness, position your credit union(or credit unions in general) effectively alongside competitors within the financial arena, and provide general product and services information.

Advertising builds awareness for the product and its sponsor-source, and provides important consumer information. On the consumer's side, this function must happen first, before they are ready to act in response to a direct sale request. But this action alone will seldom generate significant results. After all, knowing about something…and doing something about what you know…are two different things. And for credit unions, nothing really counts until members follow through on new information, follow through on intentions…and actually *do* something. So get a strong direct-sales marketing program going first, then look for ways to amplify and complement it through mass media techniques.

Promotion and publicity are those efforts such as the distribution of news releases, participation in fairs, community events and trade shows (auto shows, home shows, boat shows, etc.), the arrangement of special public events such as Fourth of July celebrations, fund-raising marathons and such…all of which attempt to broaden visibility and build goodwill for credit unions in specific instances and/or among specific audiences.

Promotion and publicity together rank third in terms of generating specific member response, and therefore, should not be substituted for the more direct marketing approaches. Their respective reinforcement functions, however, are not to be denied; so these, too, are essential for a complete and thorough marketing effort.

Marketing Is Everything

Finally, a slightly different look at this business of marketing.

Think of marketing more as an attitude, a management perspective. Think that it's not what you do— but how you see the entire credit union operation. When we get to talking about how to make marketing and promotion work for the credit union— we quickly see that success has less to do with what you do and how it’s done, and much more to do with what priority you give it, how much intensity you put into it. Think of it also as a matter of personality and style. And most of all…*purpose*.

If there's a reason marketing ideas and practices are slow to expand throughout the national credit union community, it is only that, by nature, it runs in direct contrast to what management's inclinations are. Marketing implies new, quick-to-the-starting line, extended cause-effect, even risk taking.

The objective is to generate more business by identifying and satisfying customer needs. Today that translates directly into satisfying customers. Selling is part of marketing. When it comes to selling, the objective is twofold: 1.) Be more helpful to members by encouraging them to exercise useful financial behaviors to their personal benefit…*and*…2.) Continually improve the credit union’s capacity to increase its usefulness to members, enhance it’s ability to deliver even more and better services increase (increase working revenue by increasing volumes).

So marketing isn't promotion, it’s everything the credit union does. Promotion is one of the elements of marketing. Marketing is really the way to manage a credit union most effectively to it's original…and now, today, it's renewed purpose.

The marketing challenge of the 90's is to sell more in an era of less, deliver ever-better quality at reasonable (competitive) prices, constantly develop and incorporate added features and benefits…and thereby do an ever-better job of meeting member’s needs. That might well be the secret to success for the nation’s businesses as they march toward the 21st century, but it is also pretty much what credit unions promise to do for members the day they first open their doors!

CHAPTER THREE

Image, Positioning and Marketing Identity

If there is one intention that preoccupies credit unions, it is that of being different from banks. Indeed, it has grown into a full-blown concern among most credit union leaders, for over the past decade the walls of solid distinction have, to a very large extent, crumbled. There are two reasons why marketing-conscious folks should dwell on this particular concern. One is the *positioning* significance of the critical credit union "Point of Difference"— or "POD" as we've come to call it— that defines our particular market advantage. The second is that it also provides the impetus, the energy force, for all that we do.

So positioning, for credit unions, is an important issue, for here's where the philosophical rubber hits the hard, bumpy surface of the overly-congested road.

The Cats On The Fence

Imagine a fence…a backyard fence. There, at least a dozen cats sit, all in a row. These are loud, bold cats. Picture them as Garfield-like tomcats, and see how they all howl so wickedly into the night. They are advertising, of course; each is selling exactly the same thing. Their intentions are strictly feline, all they want you to do is to get up and let your sweet Miss Boots out…to share, with them, the sweet temptations of that electrified evening.

But for Miss Boots, assuming you do let her loose to her pleasures, the situation poses a hard dilemma. To which of these handsome toms does she sidle up? The competition is hot. How can she possibly choose?

Now hold that picture, but do this quick imaging switch. Imagine for a moment that all of these "cats" are different banking sources. All are shouting into the night, all howling exactly the same things, over and over, again and again: "Greatest Checking Ever"…"VISA With Value"…"Loans You Can Count On"…"Service With A Warm And Friendly Smile".

The dilemma, not for Miss Boots now, but for people who need banking services, is again— which to sidle up to.

This cats-on-a-fence thing we're talking about here— it's the positioning side of the marketing equation. It picks up the concept of *image*— every source has, to one extent or another, its own distinct identity or image— and turns it into a strategic consideration.

The premise is that image is not so much an arbitrary matter (or a designer's creative whim); rather, it *must* be a competitive consideration, structured to specifications dictated by the market.

For starters, it's the simple acknowledgement that there are banking *options* out there, tons of them. Like it or not, your credit union is just one of those cats on that fence…one of many. And, your members are being bombarded with all of those multiple source "come-ons"…*over…* and *over…*and *over again…* every single day.

W-S-I-D-M-B-W-Y?

When it comes to financial sources, members have so many options to choose from that they are, at times, dizzy from the choices. In the face of this marketplace reality, the underlying question in the mind of every consumer…every member…is— "*Why-Should-I-Do - My -Banking-With-You?*"

When the reasons are rock-hard and the differences definite, the issue is easily settled. "We offer these loans and they don't…so if you want one, you (have to) come see us." But in today's full-service banking situations in which all products are likely to be available at all sources and the differences between them are essentially indiscernible, marketing strategies based on particular product advantages will have relatively short shelf lives. Something else is required. Product manufacturers use media advertising to develop emotional bonds between consumers and their brand offerings. Service providers seek to build lasting relationship connections between consumer and source.

A Two-Fold Promotional Objective

So while we need to promote and sell products and services, we also need to promote and sell "The Credit Union Difference". The one responds to specific "need" motivations of members. The other answers the critical W-S-I-D-M-B-W-Y? question…provided, of course, that we've done a proper job of *clarifying* the essential and relevant credit union difference.

It's an issue which calls for a considerable amount of attention. Two reasons. First, if we get it right it can make all the difference in the world in terms of its positive promotional effect; getting it right can provide credit unions with a powerful competitive advantage. As for reason #2, without a sharp determination to the "market-driven" aspect of this point of clarification, we're not at all likely to get it right.

Needed: Specific Benefit Distinctions

Get a roomful of credit union managers and directors together and ask them to list the critical difference(s) between banks and credit unions. You'll be surprised… perhaps even somewhat *alarmed…* to see the lack of specific *consumer benefits* factors mentioned. The group will quickly come up with a list of familiar phrases, but most of these will fall far short of stating sharp, clear-cut reasons for members to do their banking at the credit union. (Note: If you're wondering if this can be true, why not…just for curiosity sake,…try it yourself; take a time-out minute to write down your own answers before reading on.)

Here's what the list is likely to include:
"We're member-owned and operated."
"We're people helping people."
"We're non-profit…we're a co-operative!"
"Members have a say in what we do."
"We're *different* from banks."
"At the credit union, we're family!"

All these statements are, indeed, true. But see that, in terms of beating out the competition— and pulling members away from other sources and to the credit union— they don't quite cut it. To any or all of them, a member (or potential member) could as easily as not respond with "So what?…Where's the actual *benefit* of that?…What's in it for *me*?"

So when it comes to clarifying an identity and developing a strong market position, the need is to hit upon, and develop, a most forceful and convincing *perceived difference*. The key here is that the determined point of difference must have *particular relevance to the receiver*. Make sure to see that it's not a particular fact you're after, it's the *benefit* of the fact. People seek out, and select, *benefits*. And again— benefits are only benefits when they are seen as such by *them*. By customers. By members!

Now, Why Credit Unions?

Any discussion of marketing carries the heavy implication of pushing ahead…of advocating and promoting services, generating activity, causing actions, being *proactive*. Question is— what is the base motivation for this? What the heck is it that gets us, and keeps us, going? What Nike-type impetus impells us to *"Just Do It!"*? After all, all of it requires huge amounts of energy and effort. What energizing force fuels this effort, gives it urgency, sustains it? In short, what is the *'why'* of credit unions…of *your* credit union?

Those other places, the banks and other for-profit financial service sources, have a built-in *why*. To make money, pure and simple. Stockholders are waiting, expecting solid return on their dollars. Making a profit is the base intention, and— make sure it's *more* rather than less…and *sooner* rather than later. The profit motive is the factor that drives employers to start the workday early, to push people in the endless search for bigger, better, faster ways to build more, sell more, do more, earn more. It was for this reason alone that the entire concept of marketing evolved, over time, into the sophisticated, multi-dimensional discipline it has become today.

But over here on the not-for-profit side, what is the *why* reason for credit unions?

We know that back in the earliest days it was because ordinary folks needed credit. They desperately needed, but were generally denied, access to the basic economic resource which would leverage their purchasing power. They were unable to buy the big-ticket stuff, like autos, furniture, appliances and so on. The irony was that they were the ones who built all of it; their sweat and toil was in every bit of it. But unless they had the necessary cash in hand, they couldn't buy it. Some of them— let's say some of *us*— decided to correct that situation and we developed a convenient little lending system that worked outside the basic profit-oriented principle. In fact, we did so well that ***the original need is long gone. It no longer exists, at least not in it's absolute form.***

Now when it's time to borrow, people can get money from any number of sources. And largely because of our huge success over the years, and the eventual deregulation of the retail banking industry in the early 1980s, most people can readily obtain just about every other sort of financial product or service… competitively priced, loaded with features and benefits, presented with enthusiasm and delivered in a pleasing and generally satisfying manner.

So again, what's the *why* factor for credit unions? Is there that much of a need for more places for people to do banking, more different sources? Indeed not, as industry figures indicate. Even with all of the new non-bank players now operati
ng within the retail arena, the number of different banking sources is down by almost half from the high point of the mid-70s. And as the intense pressure of the competitive market indicates, the last

thing anyone in this country needs is just one more place to bank.

Opportunity: The As-Yet Unmet Need

Yet there is still a need. In fact, it's an expanded need…an even more significant need which, for the most part, *is still not being met*. It is this need which gives us new answers…new, extended dimensions…to the "why" question.

Today people need more than just convenient, readily-available credit at reasonable cost.

Today, people need financial wisdom, financial direction, financial advice, financial insights…and encouragement to activate it all in ways which work in their personal best interests.

They need particular banking resources, structured in the most appropriate, sensitive contexts, which will guide them into taking direct, active control of the entire complicated financial aspects of their personal lives. In a society which is based primarily on economic considerations, where people are measured, evaluated, categorized and relegated to their various stations in life primarily on the basis of their personal financial standing, people must become skilled financial programmers on their own behalf.

America, the land of freedom and opportunity, is also— in terms of personal economics— the land of self-determination and self-sufficiency. Our up-and-down, spend-or-save, have-or-have-not economy expects people to provide for themselves and their own personal futures. For this they need tools and resources. They need products and services. They need insight and guidance. They need assistance. And to activate it all, they need some institutional force that cares enough, in a genuine sort of way, to seek their individual success as it's own end.

Banks don't do this. Government does not. Who does it? *Credit unions* do! In fact, credit unions represent the only institutional source within our current social system that exists specifically and primarily to serve this vital personal financial assistance purpose!

So as every non-profit operation must have its own driving intention to substitute for the motivating force of *profit*, credit unions see the economic success of so many individual human beings as their purpose. And to measure it in philosophical terms, it is a purpose that is much, much too important to ever be ignored.

So— provide low-cost easy-access to credit? Of course. Promote thrift? You bet! Advocate the personal financial well-being of every individual who joins a credit union? *This* is truly why credit unions exist. And— this is also the critical market need today, and it fits our philosophical disposition to perfection. With this in mind, we have a better understanding of what the message is. The marketing effort now will be just that much easier.

The Motivating Force Of Your Mission

We must, however, bring this understanding down from the clouds, and translate it into a form that has direct, practical benefit for our marketing purpose. The most succinct declaration of *WHY* your credit union exists is (or should be) your mission statement. Consider it the most important piece of "copy" you'll ever write, for it performs two critical functions:

One— it provides you with the *WHY* for working so hard. In declaring a vivid, need-fulfilling intention, it gives meaning to your very existance, focus for your aspirations and urgency to your intentions. It establishes and clarifies the reason for everyone to push so determinedly to make the operation a success.

Two— for members it confirms the tremendous advantage of credit unions… *your* credit union in particular…over other banking places. Most specifically, it answers the burning question which underlies their choice of financial sources— "Why Should I Do My Banking With You?"

Therefore, the more vivid, the more specific, the more practical, rather than philosophical, your statement of mission— the more likely it is that people within the organization, and those who use its products and services and enjoy the benefits of its function, know what it is about…and why. So if you want avoid becoming side-tracked, if you want to keep your credit union on target and pushing hard to the proper objectives, the specific *market-based* clarity of your mission is absolutely critical. This point cannot be emphasized enough!

Let's say again— the function of a mission statement is to clarify an organization's purpose— to singularize what the organization is out to accomplish. It provides the basis for justifying key decisions. A good mission statement must be direct, to the point, non-philosophical, down to earth, understandable, meaningful and…inspiring.

The Member-Focused Mission

Having said all that, let's now make a proclamation that is generally a bit unsettling to many in the biz: There is really only *one* mission for credit unions…one single universal purpose for *all* credit unions. It is expressed in a simple statement that holds focus on exactly what the credit union is really there to do, and includes within it the inspirational basis for getting on with things. While general enough to cover a great deal of territory, it provides enough of the necessary indicators to let us determine whether or not we're getting the job done.

Here it is, then…the all-time, now-and-forever, *universal* credit union mission statement:

> The mission of
> (*your CU's name here*)
> is to provide a variety
> of financial services
> which deliver ***BENEFITS*** and
> ***ADVANTAGES*** over
> those generally available from
> other banking sources…and
> *encourage* their use… with
> the specific intent of ***HELPING MEMBERS IMPROVE THEIR PERSONAL FINANCIAL STATUS!***

For the credit union— this mission clarifies the essential task in the most specific, down-to-earth terms. It states exactly what it is that everybody within the organization is there to do. *How* they do it can be determined in any number of ways, and at any number of times, by whomever might be allowed in on the decision-making process. But this definition tells the organization and its people what things to track and measure in order to know whether the system is working and the real job is getting done.

Hang It Over The Door

For members— this statement speaks very specifically to *benefits*. It tells, in up-front, no-nonsense terms, what they should expect from the credit union as a source of banking services. It tells them why they should do their banking at the credit union. And the bottom-line promise is very powerful. Not only is it tremendously appealing, but it answers, for them, a personal necessity…a heart-felt matter of everlasting concern!

Which of our member would not want these intentions working on his/her behalf? Who would not want to do his/her banking at *this* banking place? And…talk about the ultimate competitive distinction! ***There is no other banking source that even begins to fill this need;*** certainly not one able to do so apart from an undeniable self-serving intent.

This is the message that should hang over your front door. Better yet, display it across your entire main lobby wall. These are also the words that should go directly above the masthead of your newsletter and be emblazoned on your credit union's VISA card. Many credit unions have, in fact, taken these clarifying steps.

There are heavy-duty implications locked within this *universal* credit union mission. Not the least of these is that, if we hope to see members move forward from wherever they are at present to an enhanced position sometime in the future— the obvious presumption is that we will stay with them from now through that future time. And conversely, that they will stay with us. This, we hope, is one of the practical aspects of membership— the built-in concept of "staying with" the program. And the inclination we want to forever move away from, is that of doing just a single piece of business with a member. What we want, instead, is to build multi-account, multi-service *relationships* with each of our members that builds and expands over the years.

Start With The "PBR"

Every credit union marketer should, by now, be quite familiar with the concept— and the extremely critical significance— of Primary Banking Relationships ("PBRs").

We know, for instance, that people invariably develop various banking connections, in the form of different account relationships, with a variety of sources over time. But *one* of these is always more central to their day-to-day activities and behaviors than any other. And because this "main" banking connection is generally more profitable and, in terms of generating follow-on business, far more influential than any of the others, our vital strategic goal is to develop these particular core account connections with our members. In other words, we want to convert all of our memberships into Primary Banking Relationships. How? By getting members to have their main checking accounts— the ones they use for depositing and disbursing their everyday spending dollars— at the credit union.

***Primary Banking Relationship*:** This is the main banking connection between consumer and source— based upon where the consumer has his/her *main* checking account— the one into which his/her main income flow (paycheck, etc.) is deposited on a regular, recurring basis.

Because checking is the central element of most peoples' financial activities— 95% of retail "banking" centers around depositing and cashing checks, withdrawing funds, making payments, etc.— the main checking relationship tends to be the strongest influence factor in terms of how, when, where, why and with whom people will do other banking business.

In short, if you want more of your members to borrow more from you— get them to open checking accounts with you…and equally important…deposit their paychecks into these accounts. If you want more members to save more with you, have their credit card accounts with you, do other banking business with you…then, one way or another, get them checking with you and— capture their paychecks!

This is the base theory about consumers and banking behaviors that everyone in the banking business must know and understand. This was the lesson credit unions came to terms with throughout the '80s as they brought their share draft programs on line and won members over to these. This, more than anything else, is what has kept us healthy, growing and prospering throughout the tumultuous years following bank deregulation.

Still Not There Yet

Take it one more step. Use these descriptions as the heart of your next market research study of member attitudes and opinions. Come up with qualitative scores and values for each theme (what is the collective measure of members' perceptions at present) and determine what scores you should expect to see next time. Then go to work. Write your copy, publish your communications, enhance your products, deliver your special brand of service to members. Then measure these perceptions again in six-to-twelve months to see if you have, in fact, enhanced the picture of the credit union in the eyes of its members.

The trouble with the particular track we're on here is that, to one degree or another, everyone else is on it, too. See that all of these attributes are "right"

But it's not enough for CEOs alone to understand this concept. Everyone who is part of the credit union should have a direct sense of it as well. We have made tremendous strides in terms of getting members to switch to their credit unions as their primary banking sources. But in too many cases, too many of our members maintain only *one* account at the credit union (see chart on next page, then note chart on page 29).

not only for credit unions, but for every other player in the consumer banking arena as well, and all of them are now pumping hard down this collective road. Maybe not all to the same degree, but is the difference merely one of degree? Is it that we just do everything that other banking sources do, only in a nicer, friendlier, more caring manner? If that's the case, we might have a real problem. We have always claimed that ours is an absolute, not a relative, difference!

The Critical "POD"

Not to worry, for we do have our own ace-in-the-hole. It is that tremendous advantage of purpose which is exclusively ours… provided, of course, we choose to exercise it. And by "exercise" we mean "exploit." We're referring, of course, to the key *definitive* difference between credit unions and other banking sources— the underlying functional purpose …as stated in our universal mission… which sets us apart from the crowd. The others are in it for the money. We're in it *only* for service to members…only to help them get *more* for themselves than they'd get elsewhere (or not get at all), only to help them do good things that they might not… *probably wouldn't*…do unless we guided, pushed, promoted, assisted, coerced, enticed and nudged them to it.

The essential difference between credit unions and other banking places is singularly clear and simple— our total role-mission-function-objective is to help our members get ahead financially!

Since we're the only ones who presume to do this as a first-order priority, we should be the only ones to claim it as our particular Point Of Distinction ("POD"). And since it is something which people…members in particular…want (*need*) and don't really get from any other source, and would therefore cause them to go out of their way to do their banking with us— we should exploit the bloody heck out of this particular market advantage!

The Positive Impact of Checking Account Relationships

Average Credit Balance By Household…

	with checking accounts:	*without* checking accounts:
For all borrowing households:	$7,278	$5,290
For all households with consumer loans:	$8,285	$5,987
For all households with credit card accts:	$5,327	$3,638
For all households with Home Equity Loans:	$33,207	$25,971

Detailed Account Use…

Total HouseHolds		HouseHolds With Checking			Non-Checking HouseHolds		
Deposit Accts	**# of Accts**	**# of Accts**	**%**	**Average Bal/Acct**	**# of Accts**	**%**	**Average Bal/Acct**
Shares	33,081	9731		$1,461	23,350	100%	$951
Checking Accts	9731	9731	100%	$1,156	0	0%	$0
CDs	162	62	-1%	$11,934	100	-1%	$16,063
MMAs	3,665	1,742	17.9%	$16,979	1,923	8.2%	$17,616
IRAs	1,254	631	6.5%	$6,135	623	2.6%	$5,949
Credit Accts							
Consumer Loans	6,017	2,247	23%	$6,415	3,770	14%	$5,625
Credit Cards	7,736	3,663	37.6%	$1,474	4,073	17.4%	1,660
HELOC	916	573	5.8%	$31,268	343	1.5%	$25,132

NOTE: Data from credit union with 38,000^{+} members (33,000^{+} households)

There's one other reason to be driven by this intention: It is the promise we make. It is what "…not for profit, not for charity, but for *service*…" means!

Time now, to test some mettle..The question is— to what extent are we ready to stand up to this claim? Are we know by words…or by deeds. Do we, in fact, practice what we preach? Beyond counting the number of transactions performed in a day, or showing the number of loans made to members, can we provide ready evidence of the helping side of our function? Sure, meeting members' immediate needs *is* definitely a way of helping them. But how does this translate into "moving people ahead financially?" It does, actually, but it's not easily translated into words. Our challenge is to (learn to) do a better job of clarifying, documenting and extolling the ways in which we specifically help members improve their personal financial status.

Tracking Accomplishments Not A Priority

One reason we have such a tough time coming to terms with this is— it doesn't usually occur to us to do so. We're too busy doing what everyone else does…promoting our products and services. When we do good stuff for our members it's generally in the course of providing them with one or more of our basic services in a routine, everyday sort of way.

The other reason is— describing this side of our role…putting the financial progress "thing" into words is not easy to do. It takes much more work, promotionally speaking, and it calls for some definitions that are not readily come by. What, for instance, is it to help someone get ahead financially? How do we know if and when we've really helped someone. And— at what point is all the helping we do add up to something really worth bragging about? Isn't most of it just little stuff that hardly warrants making major positioning claims about?

But— every single credit union teller, every member-contact person who has ever worked at a credit union— can recount case after case of helping one member or another… truly *helping* someone… with important financial matters. Each of them can recall occasions of really being profoundly useful to members.

Credit Unions

Help Members Get Ahead Financially By…

• Charging them less (lower fees and loan interest rates).
• Paying them more (higher dividends on savings and etc.).
• Providing many free, no-fee services.
• Urging them to save regularly.
• Urging them to develop a saving mindset…habit…inclination.
• Urging them to use credit skillfully.
• Urging them to develop and maintain a strong credit standing.
• Urging them to repair a damaged credit status.
• Urging them to develop a personal (or family) budget and on-going budgeting behaviors.
• Urging them to develop a financial plan structured around personal goals and ambitions.
• Urging them to save on little things.
• Urging them to think about their futures…their medium to long-term financial needs.
• Urging them to expand their savings behaviors— move into CDs, IRAs, etc.
• Urging them to be informed about financial options…to seek out consumer-based financial information.
• Urging them to do smart financial things *sooner*, rather than later or not at all.
• Urging them to discriminate, shop wisely, deal from strength, negotiate for the best deals.
• Urging them to leverage financial resources to improve their personal net worth.

Some Of The Ways We Do It…

• Provide members with competitive products and services which include benefits not available from other banking sources.

• Provide state-of-the-art products and delivery systems which make it easier for members to do *more* banking.

• Provide comparative data about the features and benefits of competitive financial services.

• Provide newsletters, pamphlets and brochures that are filled with sound, useful financial information.

• Provide tools and materials— computers, software programs, videos, workbooks, budget sheets, instructional guides, etc.— which help members do routine financial planning and budgeting.

• Provide reference materials— magazines, journals, books, tapes, auto price guides, newspaper and magazine articles, etc.— for members to use to make smart money moves.

• Sponsor and conduct workshops, presentations, seminars, etc.— on financial matters of interest to the membership.

• Develop case study examples— show members what someone else did to improve his/her financial circumstance. Show how the credit union's particular products and services have worked to members' advantage.

• Provide special financial programs for children, teens, seniors, single women, retirees, others.

• Remind members over and over again that the credit union exists specifically to help them gain financial advantages… and do everything possible to deliver on that promise!

• Provide low-cost (or no-cost!) one-on-one access to qualified and knowledgeable financial planners as part of the credit union's standard service pagkage.

Our problem, if we have one, is that we simply don't identify these, and document them. We don't position our operations on this clear-cut intention. And— definitely— we should!

The Financial Advisory Role

But again, what, *exactly*, does it mean to "…help members improve their personal financial status?" On what basis dare we be so presumptious? Before you dart too quickly from this intention, thinking it can only mean "Financial Planning" and knowing that— one, financial planning is a complex, involved business and therefore not at all a reasonable intention for credit unions, strictly in terms of cost— and two, very few credit union people are qualified to fill, and assume the attending responsibilities of, that role— consider:

1. Helping people improve their financial circumstance does not imply the need to assume a full-blown financial planning role.
2. Members tend to need *and want* help in the form of *very basic* sorts of information about *very basic* financial matters which we are both quite knowledgeable about and readily qualified to offer.
3. We do, already— as we have for years— provide gobs of advice, help, information and assistance. Think of credit counseling, consolidating loans, reducing borrowing costs, etc. Think of urging members to save, to invest in IRAs and CDs. Think of the useful information in our newsletters; think of the industry's own "Everybody's Money" quarterly advisory publication. Think of the advice on buying cars wisely and the price guides and videos we urge members to use. Think of the evening workshops and financial seminars we often conduct for members. Remember some of the words credit unions often used back in the good old days. We talked, years ago, of helping members learn to "…use credit wisely" and "…to borrow for prudent purposes". We also extolled the wisdom of saving…and of doing it the painless, never-even-notice way— through the credit union's exclusive Payroll Deduction service!
4. And now, with a fresh intention, and a more focused, determined objective in mind, we'll find it a relatively simple task to achieve this objective in ways which we are more than able to fulfill

So the fact is, we *do* serve this important function in so many ways. And in spite of the need to deliver efficient, super-quick, "don't-make-'em-wait" service, we look for opportunities to take time with members, talk with them about their financial affairs. We provide them with tools, materials and information which helps them make better decisions and take actions which will benefit them in both the short and long run. But we must do more of it. We must formalize our commitment and structure more highly-focused programs to this porpose. And— we must promote the living daylights out of this very critical POD function we fulfill!

The Consumer Advocacy Role

An extension of the "Financial Advisory" role is one we call the "Consumer Advocacy" role. This, too, is an appropriate intention for credit unions, and one we have all "worked" to one degree or another over the years. But, as with the former theme-concept, this one, too, needs to be sharpened, formalized and structured more deliberately.

If our performance as financial advisors is that of gathering and delivering useful financial information to members, this added role gets us one step closer to declaring a particular promotional style. Think about it, the difference between banks and credit unions *should* include a difference in marketing approaches. A self-serving operation tends to push it's own product lines, and use a myriad of adjectives to make it's case. "Best ever"…"easiest, most convenient service"… "absolutely the best rates in town"… "can't beat our VISA"…are the all-too-familiar phrases eminating from these sources. But sources that focus singularly on benefits for the consumer are much more likely to provide a different kind of information. In this case the message is written in an attempt to clarify the "noise" created by the other sources. It is stated in informative, instructional terms— "When you need this service, look for these factors, these features, these characteristics…compare these items…rate this element over that."

This function is less suited to the promotional style epitomized by flashy brochures and catchy copy-lines, and more appropriately represented by a "journalistic" style which describes account features and benefits in analytic terms. "COMPARE" is a headline filled with promotional power, but one quite fitting of our credit union functional distinction. The follow-on obligation is that we do, indeed, parpare ourselves to both be compared, and to guide, and provide the data for the comparing process. This is where rate boards which show not only our rates, but rates of other financial sources, provide members a vital "additional" benefit…as they, by their very nature, serve to set us apart from other banking places. In this case, the quarterly 'COMP-SIT" analysis which helps us to hone our competitive edge, becomes a critical part of our positioning and promotional strategies (see Chapter x).

The Need To Get Selective

All of this "POD" market positioning carries a heavy-duty implication that cannot be overlooked. It's a touchy one, though. Being a particular kind of place that does things in different, particular ways…is the opposite of being a standard place that does things in ordinary, general ways. Performing in a *distinctive* manner…catering to a *particular* kind of market need…runs directly counter to trying to do everything and satisfy everyone. Essentially, to "take position" in the market, to identify a market opportunity "niche" and play to it in the most forceful manner—is to give up the chance to be "all things to all people". To the extent our positioning presents such a particular "point of distinction" purpose to members, we must be ready to accept the fact that there are undoubtedly some who will not want what we're selling.

The more we focus our efforts on clarifying the credit union difference… our "POD"…the more we should expect to find people who say, "I thought you guys were more or less like banks, but if *that's* what you're about— no thanks, I don't want it!"

O.K. so far. But what if some of these folks are *existing* members? Sure, we might lose a few members because of the kind of banking we do after we do a better job of clarifying ourselves…aren't we essentially implying we might actually want to discourage people from being members? Could that possibly be?

Most hard-line credit union types cringe at the very thought of ever cashing members out, turning them away. What about the inactive member with one or two minimum balance accounts that the credit union loses money on…or the member who comes in to cash checks and does little else? "Hey, if we don't keep those members on the roster, how are we ever going to win them over, get their business when they do decide to turn on?" What about members with a half-dozen banking relationships all over town, who shop around for the absolute lowest-cost loan or highest dividend rate. "How can we ever convert that person to the credit union way?…We should *never* push people out, *never* let members go. *Never* …*never* …*never* !"

This position is, of course, a cop-out. Members speak by their actions. Either they bank at the credit union or they don't…and if they don't, they bank elsewhere. They may be on our rosters, but in their own minds, they cashed out a long time ago. Every credit union has non-accounts of this sort on the books. And, every credit union has a portion of its membership that is somewhere between active-user and "missing member" status.

Wrong. The idea is to work with those people who help make the system work, who want what credit unions can do, and who cost

Defining the market.: Being more definitive about who customers are…and who they are not… and then catering to the former and even dismissing the latter— results in a reduction, not of users, but of names on the membership list. On the up side, those who remain will benefit more, will know and understand the advantage they enjoy from their more intense user relationship, will be more loyal, more committed, and will become even stronger, more outspoken proponents of the credit union.

It's critically important that marketers search out and identify all the "connections" between member use behaviors. Too many credit unions have discovered, much to their dismay, that imposing stiff new pricing policies on certain kinds of low-balance accounts of certain inactive members can sometimes generate a terrible backlash in the form of very disgruntled relatives who just happen to be active big-balance members who suddenly wonder out loud if they want to continue to do their banking as a place that treats their kin in such a shabby manner.

This is one circumstance in which marketing database systems have proven so valuable. By running searches of members by household (all secondary members who relate to a prime member or all members who live at a single address) marketers are able to identify connections between multiple accounts and multiple users. These insights become the basis for identifying additional promotional opportunities and designing effective strategies targeted to generate more full-service use of the credit union by the inactive or under-users.

Things Credit Unions Do For Members…

- Generally pay higher dividends on deposits.
- Generally charge lower loan rates.
- Charge lower fees than do other financial sources.
- Provide many free services.
- Require lower minimum balances to open and maintain most accounts.
- Pay dividends on funds in checking accounts.
- Receive and deposit paychecks, Social Security checks and other recurring checks automatically (no charge).
- Collect funds from members' paychecks and deposit into savings or loan payments. automatically.
- Provide comprehensive, all-at-one-source, life-long banking services.
- Retain highly-knowledgeable employees with strong "here-to-help-you" attitude.
- Present members with a wide variety of financial products, services and options.
- Offer special banking programs for seniors.
- Offer special banking programs for children, teens.
- Strong "beat-the-competition" intention to provide members with better financial products.
- Convenient "bank-from-wherever-you-are" service capability.
- Provide sweep accounts which automatically transfer amounts over specified balances and pay higher dividends on deposits.
- Easy, convenient loan application process.
- Quick-turn approval on loans.
- A wide variety of loan packages (including down-payment and no-down-payment options).
- Provide pre-approved loans for autos, other items, to facilitate "best-deal-for-cash" shopping.
- Equity Line-of-Credit lending.
- Offer bill consolidation loans.
- Make loans by phone.
- Skip payment loans (in December...during summer for teachers, etc.).
- Loan rate discounts for "full-service" members (with VISA, checking accounts, etc.).
- Student loan programs.
- Offer low-cost mechanical break-down insurance for auto.
- Provide free or low-cost tax preparation assistance.
- Provide "Smart Money" newsletters.
- Offer free or discount subscriptions to "Money", "Fortune" and other popular financial magazines and journals.
- Provide free notary service.
- Offer financial planning services and assistance for individuals, families, seniors, etc.
- Offer credit counseling support and assistance.
- Help members gain access to personal credit reports.
- Provide "Car Facts" information to help members deal effectively with car dealers.
- Offer low-cost insurance to cover borrowed funds.
- Provide access to low-cost (group) legal services.
- Provide access to computerized programs to help members prepare wills, do personal asset inventories, etc.
- Provide auto leasing services.
- Bi-weekly mortgage loans.
- Member-service hotline.
- Constant quality improvement and product-service enhancement to provide more and better services for members.
- Offer new state-of-the-art financial services as they become available.
- Utilize latest technology to provide members with high quality, automated services.
- Solicit member input on services, policies, new product offerings, etc.
- Encourage members to participate as volunteers in the credit union.
- Provide credit union services on the job site.
- Offer Price Club memberships, theater ticket discounts, other shopping services.
- Advocate and lobby for policies, laws, rulings and regulations which best serve the financial interests and well-being of members— at local, state and national levels.
- Funeral Planning
- Variable rate lease
- Financial Planning videos
- Provide special "Gift Checks"
- Audio response bill-payer system
- Offer electronic tax-filing services.
- Present auto buying seminars
- Provide no-charge check cashing
- Provide direct account access via home computer.
- Offer popular check-writing, bookkeeping and financial planning software for home computers at special discount prices.
- Provide in-lobby access to popular financial software programs.
- Provide Consumer Reports and "Blue Book" price guides for shoppers.
- Conduct financial planning classes, budgeting workshops, etc.
- Provide members with financial planning and "Smart Money" advisory information.

CHAPTER FOUR

A Market-Based Corporate Strategy For The New Century

Since the very nature of the marketing function is to look ahead, to anticipate— ever so optimistically— future happenings, outcomes and such, it is appropriate at this point to do that very thing.

If we're willing to climb just a little way out on the limb, there are any number of indicators which can tell us what we can expect to see more of in the weeks and months ahead.

Trends In Marketing:

- **Shift from "mass media" to "direct response" advertising:** Over the past ten years, throughout the advertising industry, the word "direct" has come to precede "marketing". The various forms of mass media advertising have traditionally been employed mainly to generate awareness— on the assumption that this would eventually translate into increased sales, and when those who authorized marketing budgets asked, "What did we get for our bucks," their marketing people told them to take note of the overall increase in business, or— after a particular product-specific campaign— the higher-than-average number of accounts that had opened since the promotion had run. Beyond that, specific accountability was just not readily determined. But with our computer-generated ability to manipulate tremendous amounts of data in a manner that transposes a mass audience into hundreds or thousands of "individual" action-takers, accountability not only became possible, it quickly became the desired norm. Direct Marketing now is used to generate specific leads and actual sales. Direct Marketing is not direct mail. It is, rather, the process of employing *any* medium…in any manner…to achieve specific *measured* response.

It's a mistake, however, to separate the two— general and direct response advertising— and to walk away from one in favor of an exclusive commitment to the other. The view of the future is that both approaches will continue to be employed in a strongly integrated way. But now, when people talk about promotion and costs, they expect to see these correlated directly with specific, tangible results.

- **Computer-based target marketing:** Banks, like other successful users of direct marketing, now rely heavily on database files as the catalyst for their promotional efforts. Our industry has given a particular name to this resource— we call it Marketing Consumer Information File (MCIF) and we're learning to use it to hone our promotional skills and activities to a point of fine-tuned perfection. Just as direct marketers can identify people in the western part of Pennsylvania who make more than $50,000, voted in the last three national elections, have a decided preference for domestic automobiles and collect stamps as a hobby— so can competitors in the banking arena focus on likely credit card candidates who warrant a $10,000 pre-approved line-of-credit as a mere enticement to switch their existing banking behaviors. From now on, instead of thinking of our membership as a single collective group, we will see, instead, an unlimited number of sub-groups, each with its particular needs, behaviors and desires, each inclined to respond to slightly different offers and appeals.

- **Use of the telephone as a marketing tool.** In 1991, according to *Direct Marketing* magazine, the total amount spent on direct mail was $24.3 billion. The amount spent on telephone marketing, however, was $66.4 billion. This, of course, only substantiates what we've all come to sense over the past few years— used correctly, the telephone is a powerfully effective marketing tool! Banking sources, in particular, are finding this to be true; the trend is now to more "back-office" telemarketing centers, manned 24 hours a day, all of them delivering the full slate of financial service functions— loans, CDs, new accounts, everything— with a tremendous amount of efficiency and a very personalized style of user-friendliness. As this trend continues to develop— and it will— expect to see a strong shift to "do-all-your-banking-by-phone" relationships, along with the the idea that the "bank" can actually be located many miles from its customers, yet it's never more than a toll-free phone call away. Among credit unions, Virginia-based Pentagon FCU developed a "branch" in Nebraska to handle record volumes of phone and mail transactions for members who are stationed, literally, throughout the world.

- **New (electronic) channels of (new) communication:** Not only are we totally committed to telephones, but now we're all becoming very familiar, and increasingly more comfortable, with computers. Computers, in turn, are getting to be more technologically sophisticated on a daily basis.

Well over 10% of all U.S. households are said to be set up with computers and *modem connections* which will facilitate direct "plug-into-my-own-account" banking. Even as we speak credit union members are accessing their credit union accounts, while sitting at home, through the PRODIGY network. They pay PRODIGY's standard monthly fee (under $10). And we're only at the very beginning of this particular jaunt along the technological highway. In months, expect to see a proliferation of small, hand-held devices, with built-in modems, fax and cellular telecommunication capabilities; these will soon be as common, and as inexpensive, as calculators have become over the past two decades.

- **"Total Quality" is redefining the marketing game:** Over the past several years, the inclination of organizations to jump on the "TQ" bandwagon has been just short of overwhelming. And this collective move is causing a total rescripting of organizational performance as all businesses, but particularly those in the service sector, vie for competitive advantage. And while so many of these "new age" themes and paradigms tend to blow over soon after they are introduced, this one is likely to be with us for the long haul as consumers sharpen their own definition of "value" and, correspondingly, their expectations about the policies, procedures, attitudes and manner of services they receive from their many source choices. (See chapter five.)
- **Stronger, deeper relationships with customers:** The airlines, hotels and rental car companies have their "Frequent Traveler" programs. Large supermarkets with 8,000 to 25,000 repeat shoppers each week, promote memberships in "Shoppers Clubs" Regular customers present "membership" cards at checkout and receive automatic discounts on featured items, maybe even a free grocery "gift" of the day. The card also takes the place of coupons; no clipping and collecting for shopper and sales clerk…it's all done automatically.

The store gains a wealth of consumer information from each transaction. There is first the demographic data provided at the initial point of issuing the card, then more about shopping habits— such as days and hours of each visit— and finally the extensive record of purchasing behaviors which can, in turn, be shared with food suppliers who help underwrite the cost of the program. One day soon shoppers can expect to receive letters from the store, written to them personally, and tailored to their particular shopping proclivities. How is all this possible? The laser barcode scanner which records purchases in the blink of an eye, and the computer that links purchases to consumers with the help of mag-striped cards. This program is still very new for the industry and there are justifiable concerns about matters of privacy, as well as much confusion about how to bring all the analytical capabilities on-line.

- **Decline of local ownership among banks:** More and more of the major banking corporations merge together to form mega-banks with head offices not only out-of-town, but often at the far end of the continent.

Never-Ending Flow Of New Products

- **Credit cards** will continue to evolve…with added features, benefits and come-on enhancements; expect more non-bank sources to venture into the market with new iterations of this basic cash management tool. Soon cards will incorporate keys; ID; driver's license; medical histories; even photos of the kids; all of which will be readable on small pocket computers about the size of a wallet. These little flat-screen devices will carry personal codes to open locked doors; do banking transactions at automated tellers; provide passport or drivers ID; hold daily schedules, phone numbers and addresses and electronic messages. Eventually, everything— music, faxes, phone messages, videos— will be digitized to accommodate this technological capability.
- **A variety of new *mortgage products*** and programs will make the scene— 5/10/15 year mortgages (in addition to the standard 20 and 30-year mortgages), new kinds of adjustable-rate and reverse mortgages. Mortgage processing and refinancing will expand as a primary service function, aided by new computer-based tools, new rules, and more sensitivity to consumer processes and options. Expect consumers to get smarter and, in the process, more demanding in terms of what and how mortgage products and services are provided.
- **Debit Cards** are now in the pockets and pocketbooks of 10% of the consumer audience. Slow to catch up with the popularity of credit cards, debit cards are nevertheless being promoted by the major card providers looking for a competitive angle, by retailers (especially gas stations, grocery stores and fast-food outlets) and by forces within the financial community.
- **New *investment-based savings* programs:** More likely than not these will be based on mutual funds which will be purchased not through brokers, but obtained directly. Concern grows among the now-aging baby boom population that higher-than-passbook retirement savings are a vital necessity, especially in an age when the future of both corpo-

rate and government retirement benefits are in question. IRAs which saw a market decline in the mid-80's (their tax-deferring powers were greatly reduced by the 1986 changes to the tax code) show strong signs of coming back into favor. Company-sponsored 401k retirement savings plans are growing dramatically— both in number and in balance amounts— each year.

- **Auto Buying Services:** The days of consumers haggling with auto salesmen are dwindling as car-buying services are stepping forward and, for a fee, shop the market for car buyers. About 11% of all 1992 auto purchases (578,000 vehicle sales) involved such brokers or buying services. These sources obtain quotes from local dealers and provide these, along with an indication of manufacturer's suggested retail price, dealer invoice price (for the base car plus factory-installed options), estimated trade-in value of present car and even a bit of buying advice to each customer. The services are marketed by banks and credit unions, as well as by warehouse discounters, AAA and others.
- **Much More Automated and Remote Access:** The trend in service delivery is definitely in favor of automated and remote access services as an alternative to in-person teller transactions. Driven by the convenience factor as well as the increased sophistication of the technology which includes interactive, user-friendly approaches by phone, touch-screen video and voice response systems. ATMs, once intimidating to approach and use and somewhat limited in function, now are so easy, friendly, personable (stick your card in and they immediately recognize you by name), and quite casually guide users through processes as complicated as a loan application.

As of 1992, says *Bank Network News,* more than 83,000 ATMs are operational throughout the country. These…most, anyway…are linked together by 85 national and regional networks (with the larger ones even providing round-the-world services). The number of machines is growing by 10% every year. Besides dispensing cash, taking payments, transferring funds, cash machines now can do 90% of what a live teller can do. The typical stand-alone, full-service ATM costs about $45,000— the equivalent of 2-3 tellers for a year. A live teller handles up to 200 transactions a day, works 30-to-40 hours a week, gets sick leave, paid vacations and benefits; cash machines handle up to 2000 transactions a day, 168 hours a week and, except for an occasional down-time for loading, fixing or maintenance, don't need vacations or other benefits. The average card-holder makes 38 automated transactions each year, but this figure, too, is climbing.

There's even talk of using ATMs for advertising, delivering short spot announcements, even printing coupons, like receipts, which, besides offering discounts to shoppers for both local and national products and services, would allow a direct indication of who, how many and when— in terms of respondents. Commercial messages might be varied, depending on one's account status— a large deposit base might trigger one or more up-scale messages. Proponents of such an idea see the advertising, not as an intrusion, but as welcome additional benefits that come with the ATM experience.

- **More In-Lobby Automation:** A more personalized, upscale version of the standard cash machine is taking the place of one or two (or more!) teller stations in lobbies and at the drive-through lanes in a growing number of banks and credit unions. User-friendly to the extreme, they do everything tellers do— dispense up to $1,000 per daily to-the-penny withdrawal, sell traveler's checks and even cross-sell other services. Some sell stamps (in Seattle), travelers checks (in California), metro tickets (in Washington D.C.), state motor vehicle stickers (Texas) and dispense cash advances for corporate travel and related business expenses (many of the major employer-sponsored credit unions). The more advanced high-tech credit unions are seeing 65%-to-70% of their monthly transaction volumes shift to the automated form.
- **More "Hidden" Automated Services:** Credit unions, for so many years, provided a relatively unique service that members both appreciated and benefited from— Payroll Deduction. It was the easy, painless "do-it-and-forget-it" way to save or pay off loans. Trouble is, we never did really promote it as the value-added feature it was. This function will continue to be a strategic part of the product line-up, but now in the expanded context of "Paycheck Direct Deposit". Electronic bill-paying and software-aided tax filing continue to generate entusiastic users as consumers expand their use of high tech telephone systems and computers. Also, expect to see a demand for more in the way of sweep accounts and other automated deposit or fund-transfer services.
- **Multimedia Promotion:** No doubt about it, marketers must become familiar with the potential of computer-based "multimedia". The term refers to the use of desktop computers to manipulate sound, video, graphics, animation, text, music, photography to produce highly-stylized (highly-professional)

forms of interactive communication. Already desktop publishing has expanded our ability to produce high quality promotion and communication tools and materials “at home” in a fraction of the time and at a fraction of the cost of earlier routines. One day you'll place all your promotional information, along with the various charts, forms, etc, on computer disks and send these to members. They'll fill in and mail or modem these back… and you'll do more business.

A 90’s Game Plan For Credit Unions

Given these many considerations, the question is— what to do? What particular things must credit unions plan for, anticipate, and act on in the near-to-mid-term future? Here are but a few:

- **Stronger, more distinctive “Point Of Differentiation” (POD):** It seems odd to say it, but credit unions must put much more effort… and far more focused attention…on making themselves clearly and distinctively *different* from other banking sources. The reason it seems so odd is that— *of course* we’re different…how can anybody *not* know that? But the issue requires clarification. Our difference is generally deliniated in terms of people becoming *members* rather than customers, members being *owners*, credit unions being friendlier and far more caring than other sources …and…paying more and charing less. There are three problems with these kinds of distinctions: 1. They are not necessarily *strong* enough and/or no longer *different* enough to affect people’s choice decisions. 2. Other sources are gaining ground in terms of friendliness, helpfulness and quality of services and added-value provided. 3. There is now so very little difference in most products offered, even as number of sources increases almost daily.
- **Stronger “Proactive” Performance Intentions:** The traditional regimen for credit unions has been to make good banking services available and deliver them to members upon request. The presumption is that members will come to the credit union when they need to do so. Credit unions do a lot of business with those members who use the credit union, which turns out to be but a fraction of the whole membership. But this passive approach causes us to *lose* a significant amount of their members’ banking business to other…more aggressive…sources. Reality says that members *do* need and *do* use more services than they have in place with the credit union at any given time— and if the credit union doesn’t step forward, in a very deliberate way, to ask for the additional business…and fill the additional needs… some other source will.
- **Shift to More Automated and Remote-Access Services:** On the surface this intention may seem somewhat contradictory, for if, as we keep saying, we want to do *more* for members, don’t we want to get more of them into the credit union so that we can sell and do more with and for them? Of course. But a parallel objective is to find more ways for members to access the credit union and make use of its multiple services— *without ever having to come in!* Our goal is to increase the convenience factor for members while reinforcing their connection with the credit union. We want much of what we do for them— direct deposit, payroll deduction, revolving lines of credit, sweep savings and automatic transfers happening “in the background.” We want to take care of most of what members come in for— the typical two-minute teller transaction— in easier, less costly, more convenient ways…*and then*…give them entirely new reasons for coming into the credit union.
- **More Active Telemarketing:** We tend to be nervous about this one because we’re so inclined to see telemarketing as a negative, slightly distasteful practice— pushy, intruding and quite annoying. It is the disturbing sales call that comes just as we’re sitting down to dinner— the attempt by some outfit we’ve never heard of to sell us magazines, long distance phone services, landscaping, roofing or something else we don’t want. Heaven should keep us from letting our credit unions fall into this nefarious practice. But it need not be this. It can be, and for many enlightened banking sources, it is an extremely cost-efficient way of serving customers more effectively…by identifying their needs and providing them with immediate solutions.
- **Stronger Proactive Financial Planning Role:** In keeping with our unique mission, and with the on-going— and indeed, *expanding*— need among members for more in the way of financial help, advice, assistance and direction, we want to develop new programs for meeting this important need. And of course, we want to use these value-added efforts to further clarify our “POD” and play out our particular competitive advantage over other banking sources.
- **More direct correlation between marketing and operations:** Marketing, for credit unions, is still a “down-the-hall” activity. Staffers fulfill member needs. The marketing team designs promotional stuff, sends out mailers and newsletters,

and carries on the “rah-rah” side of things. With the understanding that “Marketing Is *Everybody’s* Business” the new objective is to have the marketing team drive the broad process which structures and maintains a high-performance sales culture and the theme and focus for everything that happens within the credit union. With the annual set of sales goals as the central objective, the question from directors to operations and marketing is “Hey guys, how can we achieve these?” And the follow-up question from marketing to the rest of the team is— “Hey guys, what do you need in the way of specific promotional support and assistance to help you meet your various sales objectives?” When we’re playing it this way, we’re in tune with each other, the parts are working togerher, complementing one another, and synnergy reigns! Another way to look at it is marketing controls the objectives, not the systems or limitations of the operation.

Whole New Intention: Go For Results

Does your credit union have specific performance goals? It should. Most don’t. But now a key idea that is changing the way credit unions perceive themselves and their functional processes— is the very simple intention of setting annual performance goals, and *going for results*. As obvious as this appears and as basic as it is to success in most circumstances, it is not something credit unions have ever really thought, or done, much about.

The more common orientation has been to "be there" to serve members in a friendly, caring manner, maintain financial stability and stay the heck out of trouble. Seldom did anyone stop to project results in terms of "here's what we're trying to do this year." Rather, the general tendency was to run for twelve months, then assess things at year’s end or favorable signs of progress. "How'd we do?" "We grew in members, and in the number of dollars on deposit and dollars out on loans, and we put some dollars into reserves." "Well, how about that! Let’s sum it all up in our annual report. Wasn't such a bad year, was it?"

But were we *successful* in all of it? If success is simply a matter of remaining steady, paying bills, keeping things going, we were. But if success is to be measured by how many members really used the credit union and, because of this, gained financially, then we didn't necessarily do all that well. Or if success was a matter of holding our own in the market or pulling in a larger share of our members' banking business, then, in fact, too many credit unions were actually falling behind.

But the reason this didn't show was because we didn't measure success in these terms. For want of better criteria, success was generally viewed as a matter of size— the ever-lovin’ "bigger must be better" axiom. But as the role of the credit union is to serve the financial interests of its members, the measure of a credit union's success should be the degree to which it gets members to use the credit union to full advantage…theirs, and the credit union’s!

The irony is that we don't work this issue enough. The most important examination of CU performance is the annual CAMEL appraisal conducted by NCUA (and the equivalent grading processes for state-chartered CUs). We weigh everything on these grades. CEOs are praised, criticized, rewarded or replaced on the basis of annual CAMEL gradings. Yet nowhere in the entire CAMEL system is there a single attempt to measure the extent to which the credit union is providing either short, or long term financial benefits and advantages to members.

A practical consideration is that of determining how to monitor that factor. How in the world can we determine how well a credit union is actually benefiting its members? The good news is we are heading in that direction. NCUA continues to upgrade it's CAMEL rating system and add new elements to the grading criteria. And now the word is— let's shoot for specific year-end results. And by results, we're talking net revenues.

Breaking Even Is Losing Ground

Question: Are we talking about "making a profit" here? And if so, isn't that so contrary to our basic tenant as to come close to blasphemy?

Answer: No, absolutely not. Credit unions *must* make money— only because it takes more today than it did yesterday just to do routine business and to keep up with the demands of tomorrow. And this, you must see, is a direct reflection of our non-profit perspective.

In the private sector, when it takes more money to do more things, the general practice is to borrow the needed capital. Commercial banking evolves around this simple premise. Yet credit unions don't borrow. They do business with cash. In the ultimate irony, the most avid credit granters don't rely on credit; they simply don't spend what they don’t have. If they don't have the funds on hand, they can't buy new computers, new ATM machines, new service delivery systems. They can't pay employees more. They can't open new branches. They put it off 'til next year.

So maximizing net revenue is an important objective…for strictly practical reasons. And given the challenge of competing in the retail banking arena of today, no credit union is going to maximize net revenue without trying. Hard. Without holding this as a very specific performance objective.

But working harder makes things easier. Working with intent, as the private sector is well aware, is the best way (the only way) to achieve the sort of forward progress that's necessary for continued growth and success.

Relationship Building

Now, however, we should extend our horizons. With the strong come-on of "Total Quality" concepts, the notion of relationship building has grown in significance. Sources striving to achieve ever-higher levels of Customer Satisfaction have come to realize the common-sense advantage of doing more business with existing customers over the often compelling inclination to go get new people to sell something to.

Good customers— that is, customers of long-standing duration— are far easier, less expensive, and more productive to do business with. It is expensive to attract the attention, and win the interest of new people. And it always takes time for a new member to begin to pay his/her way. It's much easier to continue to serve a happy, satisfied member, easier for them to keep coming back, and easier to cross-sell other services. And again, it's only through the on-going connectedness of a long term relationship that we can be truly useful to members in the fullest extent, that we can help them, over time, enhance their financial well-being.

So the new marketing objective for credit unions goes beyond the establishment of primary banking relationships with members (although that is still of utmost importance, and the most direct route to the rest of it)— to that of cementing a "total financial source" connection which grows stronger, over time, as a life-time banking relationship. We want to achieve multiple account relationships with members. To put it bluntly— "we want it all!"

But if we've done a good job with our credit union, we've created a financial source that should do it all…on the basis of better products and services, better features and benefits, better service and a total commitment to see our members gain significant financial advantage for themselves and their families through our help and assistance.

Here our intention is, very simply, to expand the connection between the credit union and each of its members. We want to counter our inclination to see growth as the matter of acquiring more members and, instead, grow by doing more business with each of our established members.

The marketing mandate for the 90's is— learn everything possible about your members. Make them love you, do whatever it takes to *keep* them…for the long haul. It's called "relationship marketing" and it refers to the development of long-term bonds with customers by making them feel good about how the organization does business and by giving them some kind of personal connection to it. How? With high-tuned friendliness and personalized approaches, unique services, helpful information, VIP membership programs, full-refund (no questions asked) performance guarantees, "frequent buyer" discount programs, toll-free hotlines, etc., all designed to convince members you care about them as individuals, not just someone to sell products to.

Picture it. Whether the member is attempting to obtain a loan at the time of joining or not, the CU staffer who is signing him/her up can point to that part of the worksheet and say, "You'll undoubtedly be ready to borrow money sometime soon…for a car or boat or something new at home or whatever. So now that we're signing you up for membership in the credit union, we'll setting things up for you whenever you want to take that step. In fact, as of this moment you've already got a loan application on file here at the credit union with your name on it. Just call or stop by, any time, we'll activate the process and turn your loan around for you in short order. Also, keep in mind that at those times when you might want two or three loans at once, we'll be ready for that too. We do this for members all the time. And for the most part, it shouldn't be a problem."

The "Lifetime Value" Perspective

If there's a need for additional rationale to support the movement toward more "relationship" banking, we can find it in a concept which is key to business success for the many diverse players in another market-driven business category— the catalog industry. While catalogs have, in fact, been around for decades, the catalog craze, as we know it, is a phenomenon of the '80s.

In this particular business, catalog marketers literally pay to acquire first-time customers. In fact, it often costs them more actual dollars to acquire a first-time buyer than the gross amount of the first purchase. For

The Positive Impact of Multiple Account Relationships

Member Households With Multiple Accounts…

	Percent of Member Households	Average HH Deposit Balance	Average HH Credit Balance (borrowers only)*	Average Credit Balance (all HHs)
Households with share account only:	44.9%	$973	$0	$0
Households with share account plus **one** other:	32.1%	$3,982	$4,403	$2,665
Households with share account plus **two** others:	15.4%	$6,916	$6,484	$3,890
Households with share account plus **three** others:	6.2%	$9,606	$9,296	$5,578
Households with share account plus **four** others:	1.3%	$15,805	$16,679	$10,007

NOTE: Data from credit union with 38,000^{+} members (33,000^{+} households)
*Applies only to households with one or more active credit relationships among their multiple accounts.

these players, the profitability factor is measured by something called the "lifetime value". Catalogers understand that their profits come from repeat sales to established buyers over time.

Here's how we might apply this perspective. Pick a member, any member. How old is he/she? What's his/her personal or family circumstance? Demographic profile? Given these considerations, what are the likely financial implications. Go ahead, you can do it— predict that member's future borrowing, savings and related financial needs. One thing you know for sure, whatever they are coming to the credit union for at the present time, they will need more of it, and a great deal else, over the years to come.

Suppose, for instance, the next person to join the credit union is there to get an auto loan. Based on averages, that member will own and drive the new car for three-to-five years. Then what? In three-to-five years, that member will sell or trade that auto, and…buy another. Which means another auto loan. And there's the start of the cycle. Step back for an overview look, and count as many as five to ten auto loans over time. Add one, two or more checking accounts, one, two or more credit cards, several different savings commitments and you begin to draw the comprehensive picture of an extended banking relationship based on a typical person's total financial service needs.

Run this through a cost/revenue analysis and what do you get? Well, a $20,000 auto loan, at 7.5% interest extending over 60 months— amounts to an average annual gross return of $809.12 (interest paid on the amount borrowed) for each of the five years of the loan, assuming the loan goes to term. If the same member has at least one credit card with an average monthly credit balance of $1,500, at 13.9%, add another $115.32 to that. Figure an additional $45/year from fees and charges (from checking, etc.), we're now looking at $969.44 in revenue to the credit union from that member in one year…and that, of course, is taking nothing else…no deposits, no other banking activity…into account.

Wow! Think if every member were to be at least that active, that productive, at/with/for the credit union. At the time of this writing, the average annual revenue contribution of members is more in the neighborhood of $250-to-$350.

Yet over the course of a "lifetime" we can imagine a member needing one or more checking accounts, one or more credit cards, a minimum of five-to-seven auto loans, loans for furniture, boats, vacations, home repairs, appliances, perhaps an equity-based line-of-credit for some larger-scale borrowing (major remodeling, kids' college expenses, vacation property, RV, etc., etc.) and any number of additional financial services. Most families have first mortgages, and many have second mortgages. In other words, there is a lifetime of financial needs looking for fulfillment in every member. And each of those "lifetimes" represents significant long-term revenue for the credit union, and an endless number of opportunities to help a member achieve his/her financial objectives.

The “lifetime value” perspective is the one to develop as the new performance objective among all staffers. We should hope to

The New WOO

As far as we’ve come, we’re still not there yet. Almost, but not quite. We’re on the brink of a new “WOO”…a genuine “Window Of Opportunity” for credit unions! We still want to move one more major step forward…to a market position which puts us in a special place wherein we can play from absolute strength and deliver on the credit union promise like never before!

It is, however, easy to trace the progression. We have come so far, from quiet little non-marketing entities…to fairly sophisticated “full-service” financial service promoters… to skillful “High Performance” sales-oriented operations. So what’s the next dimension for us? We are now ready to gather together all of our many acquired skills, combine them with our own long-standing organizational attributes and— in keeping with the popular “Total Quality” themes of the 90’s— move on to the age of VALUE-ADDED performance.

All the parts and pieces are in place. It is, on one hand, nothing more than a natural progression along our own, well-established road. The elements, the criteria, the implication— are all familiar to anyone who has ever promoted the credit union “for service” concept. To get slightly dramatic about it (and what bunch of marketing people worth their salt would not!), we’d see it as the next derivation, “The New Wave” for our credit unions. Take a look at the accompanying chart.

Strategic Intentions Of Credit Unions…

The Past… "Before Dereg"	The Present… "Sales Culture"	The Future… "The New WOO" (the new "window of opportunity" for CUs)
Mission:		
"To meet the needs of our members while utilizing safe and sound business practices in order to ensure the financial stability and operational security of the credit union".	"…provide and *promote* a variety of financial services which feature benefits and advantages over those from other financial service sources…"	"(…provide and *promote* a variety of financial services…etc.) *with the specific intent of helping members improve their personal financial status!"*
Success is Measured…		
… by asset size, C.A.M.E.L. rating, rate of growth of the credit union, amount of reserves, etc.	… by increased use of services by (more) members—Primary Banking Relationships, Loan/Share ratio, etc.	… by how many useful services are provided to (more) members…and…what kinds of advancements members are making re their personal financial affairs.
Promotional Emphasis Is On…		
…being a member, CU philosophy, Common Bond connection, special CU benefits (Payroll Deduction, etc.), friendliness, not-for-profit orientation.	…individual products and services and specific features and benefits, with special attention given to competitive advantage (rates, terms, fees, dividends, benefits, etc.) offered.	…members and their particular financial needs, objectives, goals, etc, with a strong focus on how members will specifically benefit from using CU's financial products and services.
Promotional Strategy		
Very limited marketing effort, keep costs to minimum, do basic stuff (newsletters, annual reports, annual meetings, etc.), use "All-Members-Are-Equal" pricing strategy, take business as it comes.	Aggressive marketing program to support sales effort, quality sales materials distributed frequently, special product promotions throughout the year.	Aggressive promotion aimed at developing extended, full-service (multi-account) relationships with members, focus is on direct sales to provide individual members with more of what they need at any given time.
Operational Approach		
Open doors, wait for members to come in, help them with financial transactions in special caring manner.	High-energy emphasis on promotion (newsletters, mailers, etc.), target marketing and cross-selling of products and services by staff.	Emphasis on getting members to see finances in a "Big Picture" perspective…how the CU is trying to help them get ahead financially.
Set-Up		
…is traditional banking context, but with friendly, low-key atmosphere…with teller counters for routine transactions, separate area for loan officers, another area for Member Services.	…is "Sales" environment with posters, displays of products and services; loan officers and member service personnel combined into "Member Service Executives"	…is "Financial Planning" environment…with tools and resources to provide financial information and advice, more self-help materials and facilities (in-lobby computers, etc.)
Staff Orientation		
Friendly, personable, highly credible, anxious to please, reluctant to sell or "push" members into new or different services. Tellers, loan officers and member service reps all in different departments, geared to different functions. Personal contact ("human touch") stressed over automated services.	Skilled and eager to sell CU's products and services to members; knowledgeable about all products offered (able to cross-sell well); motivated by incentives for sales efforts and achievements. Tellers sell separate but Loan Officers and Member Service reps combined. 24-hour telemarketing for full "Bank-By-Phone" service.	Reduce over-the-counter transactions (promote ATMs, other automated services), member-contact personnel are "Member Service Reps" knowledgeable about wide range of financial information, able to talk about "smart financial moves" that will benefit members; staffers work with lists of members as "personal clients", give them direct, ongoing attention.

CHAPTER FIVE

The Quality Imperative

Ten years ago you did not find a chapter with this heading in a book about marketing. Today you're not likely to find such a book without it. As a management theme, "Quality" has a great deal to do with marketing…or more correctly, with *success* in marketing…and it would appear that everyone in the world of business has become aware of it.

One of the more visible forces driving this turn is the nation's business press. Fortune Magazine calls the 1990s the "Value Decade." BusinessWeek has published special annual issues devoted exclusively to *The Quality Imperative* along with the admonition that "…companies that hope to survive into the 21st century must launch a 'Total Quality Initiative' soon." Harvard Business Review, ever watchful of emerging trends within the world of business, takes it one more step— "During the 1980s the *quest for quality* was the focus of efforts geared to improving organizational performance. But what quality was for the 80s, *customer satisfaction* will be for the 1990s!"

Another highly effective force advocating for an all-out shift in the way business does business is none other than our own federal government. Every year the U. S. Department of Commerce selects up to six private sector companies— two each from manufacturing, service organizations and independently owned small businesses (less than 500 employees)— to receive its prestigious Malcolm Baldrige National Quality Award for delivering products or services of outstanding quality to their customers.

The Baldrige Badge of Quality

From its relatively obscure start in 1987, the annual Baldrige Presidential citation has become a highly desired prize among CEOs who mark it as a sign of outstanding performance (…a reflection of their own personal management abilities) and see it, too, as a strong indication of a decided competitive advantage.

Just the mere fact of the annual competition is having a profound affect on American business; each year well over 200,000 organizations obtain copies of the Baldrige application and guide themselves through an intense review of its seven central performance categories (see chart on next page).

By this means, the program has helped to influence corporate performance within U.S. business, as companies throughout the nation test themselves against its set of common quality standards. While much of the actual judging of applicants is done in utmost secrecy…to protect the significant amounts of proprietary information that must accompany each entry…one of the staunch rules of the program is that winners must share their knowledge and quality strategies with other organizations.

Our own credit union industry should find a useful lesson in this program. By definition of our base intention ("Not for profit, not for charity, but for *service…*") we should be driven to the achievement of only the highest measures of performance in terms of retail banking services on our own behalf (since members and owners are one and the same)…with the complete and total satisfaction of our members' financial services needs as our one overriding objective. But much to our collective chagrin, our own, and *only*, serious evaluation process, NCUA's C.A.M.E.L. rating system, does not even begin to touch on factors which mark the degree to which we achieve…or even aspire to…ever-higher levels of product/service quality or any of the attending benefits. Nowhere, in any of the C.A.M.E.L. criteria, is there any evaluation of whether or not credit unions *are doing anything particularly useful…or special…for members*.

There is certainly nothing stopping us, however, from doing what so many of our competitors do to up-grade the level of their performance. The beauty of the Baldrige Award criteria is that they focus specifically on matters of quality performance as a benefit or payoff to all concerned— those served as well as those performing the duties and functions of the organization. These standards would work well as a basis for incorporating high-quality behaviors into any credit union's operation.

Quality Pays

Do improvements in quality translate into productivity gains? Baldrige award winners are certainly convinced of it. GM expanded its warranty on all new cars sold— from one year/12,000 miles to 5 years/ 50,000 miles— still managed to reduce warranty costs by 29%. IBM reported that revenue-per-employee increased 30% between 1986 and 1989 and the time needed to develop a new mid-range computer was reduced by half. In the small business division the Wallace Company, a Houston-based supplier of valves and fittings to petroleum refining plants, saw

Baldrige Award Criteria

Applicants are expected to follow stringent specifications in responding to an extensive list of questions covering the following seven categories:

- Leadership: Document senior management's program for creating and sustaining a quality culture within the organization.
- Information and Analysis: Show samples...and describe the use of...systems, procedures, models, charts, matrices for collecting, analyzing and displaying information relating to planning and to the achievement of higher quality performance.
- Planning: Indicate the ways in which improving performance and incorporating quality behaviors have been integrated into the organization's planning processes and its annual business plans.
- Human Resources: Describe the ways in which the organization utilizes the full potential of all employees in efforts to improve quality.
- Quality Assurance: Describe the methods and systems for assuring quality control in all operations.
- Performance Results: Document particular achievements and benefits derived from improvements in the quality of the organization's performance.
- Customer Satisfaction: Describe the methods used by the organization to determine customer requirements... and...to measure its on-going success in meeting them.

Note: Heavy emphasis is placed on achieving new quality levels and in improving quality over time—as substantiated by quantitative data which is expected to accompany each entry.

sales increase by 69% and profits grow by 700% over the two years it worked its "TQM" program!

So we've seen a sea change in the way business conducts its affairs, a change that is prodded and supported by the professional journals, the management gurus, the consultants, and even good old Uncle Sam.

Credit Unions Have The Edge...For Now

But on what basis is all of this "quality" stuff anything more than just the latest of the endless stream of faddish themes? Why make such a total fuss of it, especially when things are in pretty good shape to start with? What does it really mean to credit unions?

Among service industries, quality equates directly with *Customer Satisfaction*. But hasn't this, for years, been the province of credit unions? By its very nature, our business has been particularly considerate, "user-friendly" and caring in ways that no other financial services provider could begin to match. With "people helping people" as the credo, credit union employees have been performing to superior levels of thoughtfulness, sensitivity, friendliness and genuine concern almost as a natural inclination. CUNA's National Member Surveys reflect the fact of this performance pattern, and with considerable added irony, even the American Banking Association's national surveys confirm this circumstance most forcefully. Indeed, credit union members (who represent 25% of all users of consumer banking services) repeatedly show up as Cadillac division and the Wallace Company were three of the winners in 1990. Cadillac noted that far and away the *most satisfied* in their recurring studies of financial customers.

But lest we smirk too much, and before we assume that first place on the satisfaction chart is a permanent "given," we must awake to the conscious realization that *every other competitive force in the market* is restructuring its programs and its behind-the-scene operations in order to achieve ever higher levels of customer satisfaction…in order to win and hold greater shares of the market. In other words, the rest of the world is out to beat us at our own game…out to out-perform credit unions in the "Customer Satisfaction" department.

Is it possible? Can it be done? To the extent that satisfaction factors can be formalized, documented, monitored, evaluated, enhanced, rewarded, confirmed, taught and learned— it certainly can. And those who are really "into " this quality business, see it not as a quest for some sort of theoretical perfection, but as a vital competitive strategy.

Without a doubt, we have definitely arrived at the age of ***Total Quality Management,*** in which ***Value-Added behaviors*** and ***Customer-Focused considerations*** are incorporated within everyday routines in order to gain stronger competitive position in the marketplace. Indeed, stores, banks, airlines, insurers and countless other service providers now view their stock-in-trade as *making…and keeping…customers happy*. It should come as no surprise, then, that measuring ***Customer Satisfaction*** has become the newest wrinkle in improving organizational effectiveness.

So definitely, there is reason to "sweat the details", if only for the fact that not to do so is to lose ground in a race that is critical to our future success.

Start By Considering The Payoffs

There is the other side of the coin, of course. There are many practical benefits to be gained from this particular management orientation. One of the first steps in incorporating a "TQM" culture within an organization is to specify, in no uncertain terms, exactly what outcomes— what particular benefits— are to be expected. After all, we're talking change…*major* change… in perspective, procedures, policies, attitudes, and mindset. We know, up front, that this sort of change won't come easy. It won't happen by someone simply announcing, "O.K. everyone, from now on we're going to do things differently…from now on 'Quality' is the watchword for everything we do!"

Needed first— is a clear and exact picture of the benefits that are expected from the commitment to these new behaviors. Two things will come of this. One— it well keep "Quality" from becoming an end in and of itself ("TQM" must be seen only as a means of fulfilling the credit union's basic purpose). And two— it will provide the motivating force which will hold the commitment steady, keep it on track and assure all concerned that this shift in perspective will continue on as something much more than just another of the many passing fads.

So what payoffs should be expected?

Members, of course, should benefit directly from any efforts on the part of their credit union to enhance products, upgrade the level of services provided and improve the satisfaction quotient by any other means. And for the credit union? For starters, two vital by-products of doing things better are, 1.) lower costs and, 2.) higher productivity. Again and again we've seen the healthy gains in efficiency that come when people seek ways of working smarter, rather than harder.

Of specific relevance to the retail banking community is what the experts speak of as "long-term value of bank relationships." They note that customers who stay with their institutions for as long as 20 years are worth 85% more to the bottom line than do those whose connection runs half that long. Correspondingly, boosting the customer retention rate by a mere 2% can have the same effect on profits as cutting costs by 10%! Why? Long-term members tend to do more business, by geometric proportions, than do short-term, single-purpose/single-account users.

Here, then, are the kinds of benefits to expect from shifting to a highly-focused "Member Satisfaction" intention:

- Gain distinct competitive advantage: A focus on member satisfaction causes people to perform in a manner that is noticed, that is appreciated, that is talked about as "above and beyond" expectations. Better service is a definite consumer benefit…and therefore a strong reason for choosing one particular banking source over another.
- *Increased use of services:* Better service tends to confirm members' selection of, and commitment to, their banking source and over time, generates a significant increase in the number of account "connections" (number of accounts or services held or used by each member). Correspondingly, friendliness and a genuine commitment to help members is the best opening to additional "sales" opportunities.
- *Hold on to present members longer:* High satisfaction levels and multiple-account connections generate positive consumer habit patterns which, along with the sort of first-name rapport which generally develops over time, evolves into "locked-in" loyalty and life-time relationships.
- *Fewer errors, defects and mistakes:* Quality programs tend to focus on eliminating the cause of problems, rather than fixing them after they occur. When staffers are given an opportunity to control and direct their own work activities, they tend to take much greater interest in what they do and how well they perform. And when their good performance is measured, noted and appreciated, they continue to increase their personal effectiveness on an on-going basis.

- *Fewer member problems and complaints:* When things are done better, more efficiently, fewer things go wrong. And when members receive good service from people who are friendly, who pay attention to them and who are genuinely anxious to please, not only do they find less to complain about, but their inclinations towards the credit union are more positive, more understanding and accepting.
- *More productivity from staffers:* One of the most effective ways to improve quality and satisfaction levels— is to speed up the delivery of services to members. When staffers are allowed to develop the best systems for pleasing members, they tend to speed up routine procedures, do away with unnecessary steps and cut through institutional log jams in order to deliver a "quick-response, can-do" style of performance.
- *Improve promotional cost-effectiveness:* People automatically pay more attention to the sources they are most strongly "connected" with; the more satisfied and committed they are to doing their banking at the credit union, the more they notice, "hear" and respond to its promotional messages. By increasing the level of satisfaction among members, credit unions can achieve greater "sales" results with lower promotional costs.
- *Positive word-of-mouth promotional benefit:* Remarkable service is something worth talking about. When people are treated in ways that particularly please them or exceed their expectations, they definitely talk about it. Positive word-of-mouth endorsement is the most powerful promotional force any source could ever have!

Quality— What IS it?

The undeniable intention in business today, especially in the area of consumer goods and services, is to pack products and services with *value.* Value, in this particular context, is the combination of product reliability (which means the product does what it is supposed to do without failing or breaking down, with back-up tech support if needed, and quick-response return policies and/or warranties)…and price. In short, consumers want more for less. And more doesn't simply imply bells, whistles and fancy frills. *More* means that customers' needs are understood and filled, that basic expectations are met or exceeded. People turned into very sophisticated shoppers during the boom years of the 80's; high levels of affluence encouraged people to shop and purchase freely, but competitive forces caused retailers and service providers to *do* more and *give* more in order to get a share of the business. Nowhere was this more apparent than in retail banking— as credit cards, loan and investment products were improved, enhanced, re-priced, embellished and accessed in the most sophisticated, most convenient ways. As a result, consumers' ideas of what they should reasonably expect to get for their money rose to unprecedented heights.

Value, these days, does not mean cheap or low-price. Rather, it means *fair* price, which is, of course, a matter of consumer perception. In the auto market, the Hyundai's, Isuzus and others that are positioned at the rock-bottom end of the price scale have not sold well. On the other hand, the relatively new Lexus and Infiniti cars that were developed to provide luxury and high performance at a lower price than the "over-priced" German sedans have seen very favorable market acceptance and strong sales. As a result— both BMW and Mercedes have introduced new competitively priced models to meet this competitive threat. A common factor among all of these, however, is that many features which once were presented as options, at additional cost, now come as standard features and part of the base price.

So luxury still sells; people are very definitely willing to pay higher amounts for goods and services. But— they insist that value be delivered.

Similarly, today's trend is shifting from the yuppie-driven, "let's-buy-everything" volume purchasing, towards a more conservative, carefully-considered consumerism which favors a definite value consciousness.

For example, people are buying townhouses and condos and learning to live in half as much space as in the past. But the quality of their furnishings and the sophistication of their kitchens and bathrooms is anything but sparse. Many of the big-name grocery chains are playing to this trend by adding gourmet-type products.

The Credit Union View of Quality

One problem for credit unions— when grappling with this "Quality" issue— is trying to get a meaningful handle on it in order to make it specifically relevant to the overall operation. The problem, of course, is that Quality is a concept with multiple dimensions. How do we know what we mean? What is it we're reaching for? Let's start with three basic considerations.

- Consideration #1: Quality— in terms of delivering services— is best defined as *exceeding expectations*.

Quality Attributes For Service Organizations

- **Quickness**: Responsiveness, fast approvals, fast service, quick in-and-out, short (or no...) waiting, items on hand, 24-hour convenience, 24-hour by-mail turn-around, etc.
- **Convenience**: How easy is it to do business— location, accessibility, parking, days/hours of operation, telephone access, availability of individuals, automated services, remote access services, etc.
- **Less Bureaucracy**: Short/easy forms, minimum of paperwork, processes, approvals, etc.
- **Friendliness**: Cheerfulness, “human” touch, personable personnel.
- **Empathy**: Ability to listen...hear...pay attention to what is said. Care about the customer (rather than the sale). Sensitive to feelings (non-verbal communication).
- **Helpfulness**: “Can-do” attitude,...“above-and-beyond” willingness to help. Problem-solving (“If we can’t take care of it, we’ll definitely find someone who can.”), make-it-happen (“Let us have someone stop by and pick it up from you; we can get things moving along a bit faster...”).
- **Reliable**: Do the right thing, do it correctly, provide useful, honest service.
- **Knowledgeable**: Straight, correct answers, really knows the business, sharp enough to figure/anticipate/solve whole problem.
- **Style**: Genuine, unstuffy, low-key, imaginative, clever, creative, fun, professional, respectful, appreciative, attentive, responsive, elegant, no-frills, clean, attractive, etc.
- **Mission Focus**: Particular (distinctive) purpose...different from other sources...provides particular reason for doing business there.
- **Information**: The more customers know/understand about products and services, the more comfortable they feel as consumers. People want *facts* more than they want adjectives... and...they want to be able to understand things in their own terms (translate technical data into meaningful information).
- **Follow-up:** “Is everything to your satisfaction?...Did it all work out all right?...Is there anything more we can do ?”
- “**We’re Winners Here” Culture:** Morale is definitely higher in organizations that generate a sense of excitement about their purpose and the fact that they are achieving their intentions, reaching their goals, producing results. People like to belong to winning teams. Winners feel better about themselves...and...perform better as a result.

People *expect* friendliness and courtesy. They *expect* to be treated fairly. They *expect* not to be cheated, to have the bill added correctly, They *expect* the proper change back. They *expect* their funds to be deposited into the correct accounts. They *expect* doors to open on time, things to happen when promised. They *expect* people on the source side to know what they are talking about. To assume that any of this or anything similar is the mark of quality service…is to miss the point. Quality, then, must be an on-going intention, a persistent striving to go beyond present performance levels. The concept of quality implies that things can, and therefore should, *always get better!*

- Consideration #2: Quality— as a factor of customer satisfaction— *can only be defined by customers*. Decision-makers cannot sit in back rooms and decide how members should be treated, how best to go about delivering services. Members, on the other hand, are more than ready to say, both directly (*ask* them) and indirectly (*watch* them), what they want or need; often their suggestions are quite simple but tremendously potent. Imagine how surprised the owners of trendy restaurants were to learn that many customers *did not* enjoy the hard-driven, super-friendly first-name come-ons they required their waitpersons to employ.

Quality Is…

Doing the right things: On-target Mission, Needs Properly Identified, On-target Products, Services & Delivery Systems. Solid Strategies, Aggressive-Proactive Actions.

Doing things right: Pleasant Style, Smooth Policies-Process-Routines-Performance, Track & Measure Valid Criteria, Reward Performance & Accomplishment

• Consideration #3: As Quality improves— people's expectations rise accordingly. For instance, if calling the cross-town store on a customer's behalf to see if the desired size of a particular item was available there was, at one time, considered exceptional…it is no longer so today. Word gets around. If one store adopts a new service behavior as a matter of policy, it isn't long before another picks up and follows suit. And once several stores have committed to this new move on an on-going basis, people come to expect it and soon it becomes the new—*universal*— norm.

In the past, quality was often measured by the way retailers dealt with problems. What was their return policy? How did they resolve customer complaints? But that's now seen as only half the issue, and a lesser half, at that. The question today is— how well can they anticipate possible problem situations and eliminate the possibility (the causes) of mistakes, distinctions and complaints.

Quickness— A Strategic Factor

Speed, as it turns out, is one of the key issues in improving quality of service. Speeding products to market, shortening approval times, delivering checks and cards quickly, getting people in and out fast, responding immediately to questions, requests, comments and complaints— these are all must-do steps to higher levels of member satisfaction.

But— the way to faster service is not to put the existing processes on double-time. Rather, the better, more effective solution is to eliminate all but the most necessary steps in internal policies and procedures. Reengineer the routines, say the consultants. Change the established protocols. Don't work harder or faster, work more efficiently. Work *smarter*!

Two ways of going about this. First step— get staffers directly involved in the performance enhancement process. *Don't tell them* how things will be done or how routines will be changed. *Let them tell you*. Get them to figure out how to eliminate problems and holdups in the system, how to speed things along (…and, by the way, how to also make sure new mistakes don't happen and new routines don't fall apart or cause whole sets of new problems!). Second— start from the end of the line (the member) and work backwards. Review each and every step of present procedures, and eliminate the parts that do not, in some definite way, add value to existing processes or intended outcomes.

To Gain The Advantage, Add Value

Having competitive products and services is one thing. But delivering them with significant "value-added" benefits in a satisfaction-generating manner is crucial to locking in long-term banking relationships between the credit union and its members.

Management consultants talk of this as the difference between base products and "augmented" products. In banking, base products are the bare-bones versions of checking and credit card accounts, car loans, savings accounts and such. An augmented product is the base product and all of what the provider adds to it to make it *more*, *different*, *unique*, *better*. Included here are the tangible features— such as rates, terms, minimum balance requirements, fees and "extras" which are offered as part of the deal. But just as important to the finished offer are the intangibles: attitude…service style… corporate intention… back-up support… delivery systems…and related "value-added" elements which validate its worth in the eyes of the consumer.

It is important to understand that, for consumers, some (often significant) portion of the overall value factor is directly attributed to the source. People tend to assess products or services not only with regard to their respective integrity (in the specific sense), but also to the overall *corporate* intention and quality orientation (in the *total* sense).

For instance, what the credit union stands for is a very key factor— particularly to the extent that it presents itself as a different (different kind of) banking place with clearly distinctive intentions or offerings. In marketing terminology, this is the critical "Point Of Distinction" (POD) which provides the important value-added reason for members to do their banking at your credit union. And here again, the special "Credit Union Advantage", as reflected by the member-oriented mission statement, shows its particular usefulness.

Climbing The Quality Ladder

Check to see how your credit union is progressing towards a "Total" commitment to quality.

	Level I	Level II	Level III
How the organization encourages quality through its **Employees**	• Staff training • Teamwork • Resolve member complaints	• Employee opinion surveys • Participate in operational planning • Involved in eliminating problems, improving efficiency	• Self-managed work teams • Teams set own goals • Teams involved in recruiting, hiring new members
How the organization tracks and measures **Performance**	• Measures against averages • Measures against peers • Measures against local competition	• Seeks out other (outside) leaders and high achievers to measure performance against	• Constantly questions all existing achievement "ceilings" • Considers maximum possibilities • Sets own challenging achievement standards
How the organization enhances its **Products & Services**	• Stays closely tuned to market • Offers what everyone else offers • Does best to stay very competitive	• Uses focus groups; probe members about needs, preferences, behaviors, etc. • structures/modifies products and services based on member comments, feedback	• Performs trend analysis; matches with broad market research; predicts future (emerging) needs and develops innovative services and product enhancements
How the organization embraces **Technology**	• Monitors industry trends; works for efficiency and cost reduction	• Streamlines operation for maximum flexibility	• Creates strategic partnerships with other credit unions
How the organization deals with **Vendors**	• Selects on basis of price and reliability	• Selects on added basis of quality certification	• Seeks strategic win-win partnerships with vendors and outside service providers
How the organization views **Compensation**	• Attracts & retains quality people with above-market salaries/wages • Rewards front-line people for sales efforts and achievements	• Recognizes/rewards all employees for any/all quality-based performance • Rewards managers for achieving desired results	• Identifies/coordinates marketing, strategic planning and profit objectives • Bases top management compensation on levels of achievement of qualified corporate goals
How the organization achieves and maintains **Quality Control**	• Concentrates on fundamentals • Simplifies procedures • Improves convenience factors • Improves response times • Emphasizes friendly service	• Measures annual sales as indicator of effectiveness • Measures on-going "customer satisfaction" level among members • Constantly refines practices based on survey findings • Constantly seeks higher levels of service to members (do *more* for members)	• Draws/promotes strong correlation between sales and CU's bottom line • Draws/promotes correlation between "customer satisfaction" and bottom line • Draws/promotes correlation between improved bottom line and additional services/benefits to mbrs
What the organization looks for in the way of **Payoff**	• Competitive operation • Annual net ROA: 0%-to-1.0%	• Highly energized credit union • Strong membership growth • Annual net ROA: 1%-to-1.5%	• Exceptional level of service to members • Better-than-market deals on all product offerings • Exceptional levels of customer satisfaction among members • Annual net ROA: 1.5%-to-2+%

In short, the member says, “I need a checking account (or loan or credit card or etc.) and I want the best I can get (in terms of price, value, features and benefits)…why should I get it from *you*?”

The “you” aspect becomes a very important part of the selection consideration, especially when the other base or augmented elements are similar to other competitive offerings. If all products and services are more or less alike, there’s nothing more to say, no way of distinguishing one choice from another, no where else to go with the question. But if even one source (credit unions, for instance) can say “There is a definite point of difference between us and other sources— we do *this* for you and they don’t!”— that’s the value-added factor which will cause people to select that source. Keep in mind— the difference must be “real” in the sense that it must be both vivid and meaningful to members. They are the ones who perceive and identify the added value advantage. If it’s not both “real” and “there” for them, if it’s not something that they consider substantive or genuine, it is not a relevant choice factor, no matter how much anyone on the source side would like to make it such.

When credit unions say that people are *members*, rather than *customers*, this statement had better have particular, measurable relevance. Otherwise, “so what?” might be the most appropriate response. When credit unions say “our services are better” or “our rates are better” they must be sure that members agree with those claims. When they say “people helping people” is the significant difference between themselves and other banking sources, they need to know that the difference is specific (rather than rhetorical), that the helping does, in fact, go beyond the norm in ways that members can readily recount. Again, the bottom line is— it’s the customer (member) who defines the quality or value factor. It’s the credit union’s job to find out what members perceive as true indicators of outstanding value, exceptional performance and distinctive service(s)…and deliver it to them.

The “Member Satisfaction Factors” chart on the following page emphasizes once again the tremendous value-added advantage credit unions have over other sources of retail banking services. The five “factors” list the basic augmenting characteristics relating to financial services. Four of the five might well be (and often are) featured by any bank or financial source. The fifth includes the key value-added element— the critical credit union mission intention— which is both high on the list of “needs” of by far the majority of financial services consumers…and…is the exclusive functional jurisdiction of credit unions.

Getting Down To It: Customer Satisfaction

O.K., so we’re doing it again; we’re slipping back to those troubling words. This time it’s the “C” word.

Indeed, we’re quick to say that in credit union circles they’re not *customers…* they’re *members*! Yet it is useful, at least in the context of this particular discussion, to hold to the idea of “customers”. For one thing, all of the current literature concerning this relatively new management theme double-whams the “C” word in absolute, no-nonsense terms. For another, we want to hold strong to the ever-pressing reality that our members are, indeed, *customers* of other banking sources…and that these sources are working hard to break down any distinction, real or theoretical, which might preclude them from switching habits, commitments and inclinations regarding where, or with whom, they conduct their banking activities.

> ***Customer Satisfaction*** equals the perceived service that is delivered (received)…minus the customer’s basic expectation(s).

Notable levels of customer satisfaction occur as a reaction to a service experience… only when customers’ expectations have been exceeded.

Think about it. People generally have a basic set of expectations about a service encounter or, in the case of credit unions, the transaction experience. Most of the time these are met. And that’s it. Wasn’t bad…wasn’t great…it just— *was.* In fact, “…not particularly remarkable one way or another” is the likely response to the majority of service encounters. And with ever-climbing expectations, this is the case even when the level of service was particularly friendly, courteous and attentive.

Think about your stop at the coffee shop this morning…or the last time you filled up the gas tank. Anything remarkable come to mind from either of those experiences? Probably not.

So, what is it to “exceed expectations”? There’s only one proper way to determine this— ask *them*. The answer to this question will change and evolve over time, so it's important to revisit these discussions on a routine basis, but with a fresh, open "let's-discover-something-new-this-time" attitude.

Customer satisfaction is the objective. But not as an absolute— as in satisfied, yes or no. Rather— satisfied in a relative sense, as in more or less. "They do so much more for you there"…"they just couldn't be nicer"…"She was one of the most thoughtful, caring people who has ever helped me!" And the ultimate— "I can't imaging going anywhere else and being treated in a more genuine, complete, thoughtful way!"

Today the challenge for every service-related business is to create a "customer-focused" company. The challenge for credit unions, in the face of this national obsession, is to figure out what to do about it. "We've always been member-focused," we say. But from now on, we must try even harder, and focus even more specifically, more precisely, on this intent.

Member Satisfaction Factors

"Convenience" Factor	"Personality" Factor	"Value" Factor	"Professional" Factor	"POD" Factor
Quick Efficient Responsive Convenient Location Convenient hours Quick & easy forms & apps User-friendly policies Remote access capabilities Parking & accessibility Full service banking Automated services Etc.	Cheerful Considerate Courteous Accommodating Down-to-earth approach Friendly Genuine Personable Respectful Sensitive Thoughtful Nice Etc.	Competitive Secure Best rates Lowest fees Best prices Best terms Free services Special features User benefits Bonus factors Provides useful information Exceeds Expectations "Gives More For My Money" "Above-and-beyond" service Delivers on all promises Shows Me All Options Tells me about other products & services Etc.	Accurate Competent Careful Correct Skillful Attentive Helpful Knowledgeable Professional Respect privacy Sensitive Thorough Trustful Solved problem Good Listener Explains Things Well Includes everything (all necessary parts) as part of the service package Accessibility of management Etc.	Cooperative nature of ownership (Members get benefits that stockholders would otherwise receive). Offer services not provided by other sources. Offer a (more) comprehensive package of services from a single source. Unique service function: Help members gain some particular measure of financial gain, benefit, advantage, progress, order, soundness, well-being, fulfillment, etc., etc., etc.

It's More Than Just Being Friendly

In the early days of the quality movement, pleasing customers was equated with friendliness. There wasn't an eating establishment opened in the past decade that didn't insist that it's waitpeople get straight to a level of first name familiarity with every party that partook of its fare. Today, however, friendliness is seen only as a mild, sub-element consideration of the satisfaction factor at best. It's important— definitely. But it's far from being directly synonymous with quality service.

Generally, people *are* friendly. It's nice to be friendly, it produces very positive responses and rewards. All things being equal, people are more likely to be friendly than not. Credit union employees are *particularly* friendly. It has to do with the idea of helping people as an alternative to making as much money as possible. Friendliness is inherent in the non-profit distinction of credit unions.

No longer is it enough to gather the member contact staffers together and urge them to smile more, be friendlier, and try to use people's names. To understand the quality imperative for what it is (as a management perspective) and what it accomplishes (as a means of fulfilling the true mission/purpose of CUs)— is also to know the need for internalizing it as a permanent on-going commitment to be substantially different…and…to maintain this difference with a structured and programmed day-in, day-out commitment to constantly do better.

Two management keys to the quality imperative are teamwork and empowerment. The implication that *people working together in highly-tuned cooperative harmony produces quality* correlates directly with the new "liberated management" view which promotes employee empowerment and direct staff involvement in the structuring of work processes and routines.

Quality Must Be Formalized

Here's something that happened recently at a strategic planning workshop for an aggressive, market-driven credit union. The directors were meeting by themselves first to chart out the particular directives for the coming year, before getting into strategic details. One of the issues on their list that was given a relatively high priority was the inevitable "Improve The Quality Of Service To Members." Later in the day, when the management and department supervisors joined them, the directors put forth their list of directives and the one about improving quality generated an interesting response.

"I'd like to know more about what you mean by that exactly," interjected the Senior Loan Officer. "I wonder if you know what…and how much…we do now along these lines."

She proceeded to list some of the routines that had been incorporated into the lending program, steps which were designed to improve and enhance the quality of the member lending process. She pointed out, for instance, that they routinely:

- Took and delivered loan applications by phone and fax.
- Worked to give members a two-hour or less turnaround on loan applications.
- Called every borrower within five days of a loan closing just to see if everything was o.k., if the actual purchase (in the case of cars, boats, etc.) went well.
- Pre-filled loan applications for members who called in to inquire about borrowing; members found their nearly-completed loan applications ready for them when they stopped at the credit union.
- Encouraged members to request appointments, even for after-hour sessions, if necessary.
- Hand delivered applications, checks, forms, etc. or used courier services to pick up and deliver applications and checks for members.

After recounting these and a number of other value-added aspects of their service program, she asked the directors to clarify their directive about improving the quality of service to members. It didn't take long for them to revise their directive in favor of "…*Continue* To Maintain High Standards Of Service Quality!"

There were two implications to come from this particular discussion. One— the quality of member service can be represented by a specific set of policies and actions which provide particular value-added contributions which can reinforce the organization's competitive advantage. And two— enhancing the quality of member service in specific, tangible, value-added ways can, and must, be the on-going intention.

The challenge before credit unions, then, is to formalize the intention to deliver exceptional performance…and…identify specific quality behaviors to be included as part of the everyday routines. It would be a sad mistake to take quality of service and customer satisfaction for granted. Credit unions cannot enjoy their long-standing place at the top of the satisfaction ratings ladder without realizing that they are now the target for competitors who are deliberately going head to head in an attempt to win the success advantage that "better-than-the-rest" performance produces.

The ultimate measure of quality performance is the retention of members and the extension of account relationships over time. In this sense, measuring member attitudes and feelings about the way they are treated and the way services are performed is every bit as important as tracking the number of "sales" of individual accounts on a daily basis.

Quality Must Be Measured

The "Big Daddy" of the Quality movement…W. Edwards Deming himself…is the one who said it: "If it can't be measured…it can't be improved!"

So *measuring* performance is the only sure way to *improve* performance. But this calls for a special understanding, for it takes a slightly different approach from the one people are generally used to. Most of the time we measure things when we're done. We take the course, then take the test. We make the effort then check the score. But when it comes to improving performance in a "TQM" sense, we really want to reverse the order of these. We want to measure first…then perform…then measure again…then perform again…and so on. The idea is to produce information not as an end in itself, but as a critical part of the process of sharpening performance.

Here's a little test to help you catch the critical distinction here. If a credit union were to measure the reaction of its members to the performance of its tellers— who should get the scoring reports…Directors? Management? Supervisors? The right answer, of course, is— findings should be passed directly to the tellers themselves. Management is never in control of "Customer Satisfaction." Your member-contact staffers are. Improving the quality of service must be something that is important to them. Measuring performance is the way to establish it as a priority concern of the organization. But passing scores directly on to the people who do the work, and then praising and rewarding them for good scores, is the sure way to transfer the fact of improvement from the organization to the performers.

So what do you measure? Two things, basically. Measure what people *say*… measure what they *do.*

First— measure actual member reactions. Find ways to collect data directly from members. Don't presume you know. Ask. Listen…*carefully*…with an open mind… and with intense empathy. Instigate some sort of on-going performance monitoring feedback system which allows reactions from members to get directly back to employees. Such a system should provide some sort of quantitative measure of performance, in order to show relative progress (scores increasing) from period to period. Recurring focus group sessions, both formal and informal, are good ways of gathering qualitative information.

Measure retention rates. If you're not holding members, it's a sure sign that performance is inadequate. It doesn't do you a bit of good to have a fantastic promotional effort that generates leads, inquiries, triers and buyers…if all that potential business does not hold.

Similarly, measure repeat business. If members borrow from you once, do they do it again? You may not be losing them in the withdraw-the-funds, close-the-account sense. But inactive accounts are, for all practical purposes, lost accounts. However, your members are doing this business somewhere…!

Measure achievement…or *sales…*indicators. Are you opening new accounts at projected or desired rates? Are members coming to the credit union for their various banking needs? Do they like…are they *buying…* what the credit union offers? And— is the credit union doing more than opening new accounts and making more loans each day. Is it opening (*more* than) it's share of new business. It's not appropriate to get excited about increasing VISA accounts by 7% over the course of the year, if most other sources are enjoying a 12%-to-14% increase in credit card business.

Measure your *relative* performance, that is— your performance compared with others. While credit unions have traditionally compared their progress to the average standard achieved by their various peer groups, the concept of "Benchmarking", which is a strong idea in the "TQM" program, involves the practice of identifying other sources that perform *well above the norm,* and using these as direct indicators of what is possible. This practice encourages managers (and directors!) to open their eyes to levels of performance that, as BusinessWeek states it, are "orders of magnitude beyond what is generally assumed to be possible" and use these as standards to test their own skills and abilities against. Again, the key here is to use scores not as results, but as goals— to establish a common focus of what the group, as a whole, hopes to achieve. Knowing the goals are "high performance" goals tends to shift the entire operation into an "above-average" orientation. Knowing that someone else has achieved them confirms that they are not impossible. Getting everyone to become involved in setting and achieving them is the sure way to create "buy-in" and "ownership" of the goals. And providing people with frequent, timely and objective "scores" regarding their specific performance is the way to enable them to improve their performance. Quality— is the outcome of these management behaviors.

The nature of our business today— and for the rest of the decade— calls for a clear understanding and anticipation of customer needs, for superior product design, for intelligent application of technology, for relentless focus on quality, cost control and productivity…and for a pugnacious insistence on one-upping the competition.

Member Satisfaction Considerations

Routine Approach

- "First you must fill all this out ...and this, and these, and this, and those. Bring them back when you're done."
- "We're closing right now. Call us or come back in tomorrow..."
- "I'm sorry but when I didn't hear from you again I just assumed you didn't want to go through with the funds transfer..."
- "O.K., everything's set, I'll run these through the mill and get back to you. Expect a call from me in the next 3-4 days."
- "First you have to do this, then you must wait for this to come, then we have to hold it three days, then you can come in and pick it up. That's just the way they do it...it's required, I guess..."
- I'm sorry, I thought you knew you had to have copies of those papers to us before we could process this; how long will it take to get them now?..."
- "Here's a new application, it's just like the last one. It's three pages again, but all the info is the same. Just fill it out like you did last time and bring it in when you're ready..."
- "You'll have to stop by when you can and pick up the forms. Then bring them or mail them back to us and we'll finish it then..."
- "No we're not open tomorrow, but come in Monday between 10-and-3..."
- "My computer indicates that that particular check has not cleared..."
- "Let me get back to you when I get an answer on that."

"Quality" Approach

- "It's just one page— short, sweet, easy to fill out. But it includes everything we need and I've already filled in some of it for you."
- "Just let me lock the front door, then we can finish this and you'll have it tonight!"
- "Hi, just calling to see if you want me to do anything more about the funds transfer we talked about Tuesday..."
- "Give me just a minute and we should be able to approve this right away..."
- "I know some of it looks repetitive, but we need this in order to comply with these particular regulations, but to make it easier for you we've done this..."
- "Since we're just getting started, here's a little write-up of what we need from you, and what the whole routine is— so you know exactly what to expect."
- "We have your last application on file, let me bring that up and we can simply update anything that has changed, put in the new loan numbers— then all we need is your signature!"
- "Let me fax you the form right now; you can fax it back if you like and we'll deposit the funds directly into your checking account for you right away!"
- "We're open 8-to-6 Monday through Friday, 9-to-1 on Saturday; we have 24-hour cash machines and 24-hour bank-by-phone!"
- "Let me turn this so you can see...it shows all of your checks that have cleared so far..."
- "I'll call you by 4:00 this afternoon, whether I've heard back from them or not."

How To Formalize Quality In Your Credit Union

- Follow-up annual "Strategic Planning" sessions with "Operational Planning" sessions which involve all staff members. Encourage all employees to participate in structured discussions regarding "how best to achieve the credit union's goals...and how to make what we do smoother, easier, more simple, more direct." Emphasize the development of ideas to shorten the time it takes to get things done— this factor, more than any other, seems to generate the greatest gains in customer satisfaction.
- Track the competition on a regular and frequent basis and use the specific competitive data to sharpen and enhance your own competitive position (see "Comp-Sit "Analysis process, Chapter Seven).
- Perform an annual "Convenience Study" within your credit union. Select staffers and volunteers to a special task force with the directive to "Determine what we can do to make it easier, more convenient and more desirable for members to do banking business with us."
- Maintain on-going, high-order training. The more people know and the more chance they have to develop particular talents and skills, the better they can and will perform. When training is an important daily element of the operation— performance improvement becomes the prevailing "attitude" of the participants. Stress constant improvement in service delivery as a key corporate objective throughout the training agenda,
- Determine ways to inform members more thoroughly and effectively— about requirements, procedures, benefits, competitive factors, policies, quality performance standards and safeguards...about *everything*. The more members know, in advance, about what is to happen...what is expected...how things are done...what is required— the more they can anticipate, empathize, relax, trust, understand. In short, the more they can be part of your intention to do a top-rate job for them. Information helps people to become participants— in both active and passive ways.
- Measure performance...monitor member satisfaction. "Whatever gets measured is what gets done!" There is no substitute for this aspect of maintaining an effective quality improvement effort. Figure out ways to quantify specific value-added actions, then count and record them. Keep charts. Provide specific "scores" to staffers relative to their on-going individual, section, department and branch performance.

CHAPTER SIX

Members: Their Motivations and Shopping Behaviors

The one true secret to achieving success in marketing— is to really understand the market. The more you know what motivates people, what causes them to do, or *not* do, this or that— the more you'll know how to go about achieving your promotional objectives.

And when it comes to influencing or affecting the behavior of our members, we must face up to this sobering reality: Banking, as it turns out, is not particularly high on everyone's list of intentions, desires or ambitions. People don't bank because they want to, but because they more or less have to. Members really don't want the car loan— what they really want is…the *car*! If there were a way to avoid it, the majority of people wouldn't bother with banking at all.

It always helps to start with the proper perspective.

Listen To Your Members

Make a list of what members want (need) and expect from their banking source (see chart). First write your own list, then start asking members, formally and informally, individually and in structured discussion groups, to list their criteria. Don't do any advertising, any promotion, until you work over this list of "reasons why" and identify your particular strengths. Then do two things.

What People Need From Banking Sources:	
• **Convenience**	Location, accessibility, hours/days of operation, remote access, automated services, simple forms, sensible policies, understandable instructions and procedures, etc.
• **Variety of Products**	"Full service" line-up of products and services tailored to member economic circumstances (minimum lance requirements, workable terms, policies, etc.
• **Service**	Attentive employees who listen carefully, respond in helpful, caring, professionally knowledgeable ways. Problems are solved nicely. People follow-up.
• **Value**	Get more than expected, more than is generally provided elsewhere.
• **Price Advantage**	Best deal on interest & dividend rates, fees, charges, etc.
• **Security**	Funds are safe; peace-of-mind. Organization is stable, financially secure.
• **Accuracy**	No mistakes, no hassles, no recurring problems.
• **Liquidity**	Ready access to (a portion of) funds.
• **Political Correctness**	Social and environmental sensitivity, high ethical standards, etc.
• **Relationship Potential**	Chance to "connect" and expand banking relationship over time; cha
• **Status**	Assurance of connecting with "right" (well-accepted) source, of looking "right" in eyes of peers, being up-to-date and in tune with (ahead of?) the times.

9. Let people know you have most or all of these considerations (and can therefore match or exceed the competition), and…

10. 2. *Promote* the particular factors, features, benefits, advantages you offer over other sources.

Realize— that most of these features are relatively easy to duplicate, relatively easy for competitors to match. Occasionally you can create a temporary advantage, price-wise, for instance ("Free Checking For The First Year!", etc.), but as we continually see in the on-going fare wars between the nation's airlines, these sorts of competitive moves, if they're likely to have any significant impact, are quickly matched by others.

All things being equal, the source that is doing more advertising is likely to be the source that gains business at a faster rate. Advertising generates awareness which evolves into familiarity.

We began as lending agencies. The first move was to get a group of people—*borrowers*—each to pool a few dollars into a common pot so there'd be enough to make loans with. But in order to entice the pooling of funds we agreed to pay an attractive dividend, and soon we were serving *savers,* too. With saving and borrowing both going strong we began to add additional enhancements (life savings insurance at no additional cost) and a few subordinate services—like money orders, travelers' checks, safe deposit boxes and the like. Payroll deduction developed into a powerful, and somewhat exclusive service feature that made a decided difference for us and for our members.

Then came share drafts. Then CDs. Then IRA accounts, pay-by-phone, mortgage lending, financial planning, credit cards, ATMs, direct deposit services, collection services, trust services, etc., etc., etc., etc., etc., etc.

Where—we wonder—is it all going? Where will it end? How do we make it work effectively for us?

For the answers to these and other important questions, ask yourself again what business you're in. Hopefully, you will come back around to the understandings that:

- Ours is the business of providing services to fill financial service needs of our members . . .
- Our ultimate goal is the overall financial well-being of each of our members.
- Our members have different financial needs and requirements at different times in their lives . . .
- Financial consumers tend to develop habit patterns based primarily on factors of *convenience*—which leads them to do much of their secondary business where they conduct their primary business.

Which, in turn, lead us to conclude that:

- Our performance objective should be to become *the primary financial institution* for our members, and we should…
- Provide a full range of consumer financial products and services in response to our members' changing and emerging needs.

So consider, now, the full service planning matrix. This planning model was first developed for a workshop presentation which was part of the CUES Marketing Conference in Reno way back in 1979. Since then it's been picked up and expanded upon by Leagues, Society Councils and CUNA. Individual credit unions have incorporated it into their annual planning agendas. It's a useful tool. Here's how it works.

Starting from the consumer's perspective, there are nine basic kinds of financial assistance or services each person needs during his/her lifetime.

1. ***Economic values:*** People, especially young people, must develop useful perspectives about money, consumerism, basic economics, thrift and moderation, cost versus worth, price versus priceless, conservation, leverage, self-reliance and self-determination, discipline and choice, etc. The most obvious form of this from a financial services perspective is the promotion of thrift. It's one of our basic reasons for being. Other agencies use this, from time to time, as an advertising theme. Credit unions assume it as a direct responsibility. Most of our special youth programs are centered around this particular issue.

2. Credit status: **I**n the world we've created for ourselves, few of us are free to function effectively without a good credit standing. This is something apart from actual borrowing— although it is generally a direct outcome of a successful borrowing history. Credit unions provide borrowing services, they also help members establish, maintain, even repair personal credit standings.

3. Cash management: As soon as people have money coming to them on a regular, recurring basis (like when they are employed), they need a payment system for holding and distributing funds safely, effectively. For years these have been known as checking or share draft accounts. Credit and debit cards, however, continue to take a larger share of the cash management (cash disbursement) role. With the emergence of technology for transferring funds by electronic means, this basic transaction account service is the core element of a wide range of fancy new financial services (telephone bill-paying, automatic cash transfers, computerized banking, etc.). This is the central banking function around which all the others tend to revolve…which is why paycheck depositing and primary checking account connections are so important to banking sources.

4. ***Buying power:*** People need economic leverage— in the form of accessible forms of credit— in order to function effectively beyond a simple cash-and-carry existence. Easy, low-cost credit for members—that's our "roots".

5. ***Cash reserves:*** We used to call it savings and it used to be the end of the ladder for most people in terms of estate building. No longer. With inflation, with new and sophisticated kinds of investment alternatives at every turn, with increased competition in the financial services arena generating ever higher levels of financial sophistication among the general public, regular share account savings is no longer enough. But it is vitally important as a starting point for everyone—having something in the credit union (no matter how much or how little) is a whole lot different, at least psychologically, from having nothing. And for those who are up and running, a solid cash reserve base (i.e. a share account balance equal to two or three months of pay) is the first rule and requirement for any additional financial planning and investing.

6. ***Miscellaneous services:*** People need the subordinate services— travelers' checks, money orders, notary service, certified checks, safe deposit boxes— and they begin to use them as they are available… generally from their primary financial place. For us some of these service products become bonus features used to attract members by providing them additional reasons to do business at the credit union.

7. ***Risk management:*** Once people begin to build up personal resources in the form of net worth, they want to protect their achievements. This is where life insurance, auto insurance, home insurance, credit insurance, disability and health insurance come into play. While we see the push to buy insurance all around us at every turn, the fact is— most people have little or no insurance protection whatsoever. Much life insurance ("whole" or "ordinary" life) is sold as a forced means of building up personal savings while buying insurance protection. We should remind members that term insurance is often a better way to buy the protection they need… and a regular deposit to a credit union share account is a better way to build up a savings base.

8. ***Financial planning assistance:*** *As* the pace of the economy expands and as the number of options increases, people need a means for keeping up. They desperately want an overall perspective which helps them set priorities and establish some personal criteria for managing their financial affairs. We've been providing some of these services for years in the form of remedial credit counseling, consumer buying information, budget planning and the like. Now we're developing new dimensions which include life planning workshops and retirement planning and estate building seminars. There's lots of advice churning around out there for people to draw upon; but most of it is generated with someone else's profit motive in mind. The credit union is one of the few places members can turn to with the understanding that *their* best interests are the final objective.

9. ***Investing:*** Modern times have shown people that saving is one thing, keeping up with inflation is something else, and using money effectively to generate additional wealth is quite something else again. But at least everyone has essentially arrived at this perspective as the concept of investing— to some degree, one way or another— has spread beyond the corporate elite down to the masses. The question is what? How? The majority of people will always require *liquidity* and *security* as they search for saving-investing opportunities that assure a higher return than that offered by the traditional savings account at a financial institution. Even with our CDs, Money Market Accounts, IRAs and such, we're still very near the starting line of this consumer financial services dimension.; we haven't discovered and developed all of the best solutions yet. But we will. We can expect to see many new investment-type savings products emerge in the months and years ahead. The citizens of this nation must not be the victims of our at-times crazy and uncontrollable economy. We must find ways to make the economy work for *us*.

That's generally the “needs” picture from the consumer side. Look at it now from our “deliver the goods” side of things (see chart on following page), and the first thing to take note of is—we are now already up and running with services and products to one extent or another in each one of these important financial service need dimensions. If we traveled around the country and stopped at every credit union, we'd come across so many extensions and variations of these product and service elements. All we need to do is bring the collective bunch forward, share them with each other, and then show our members how extensive our menu is.

Members' Financial Service Needs

Function	Products & Services	Considerations
Cash Management Services	• Checking Accounts • Direct Paycheck Deposit • Credit Cards • Debit Cards • 24-hour Cash Access • Fund Transfer Services • Travelers Checks • Telephone Bill Paying • Computer-Access Bankinç	Ages: 18-to-80 • The holding, transferring and distribution of money is the most basic "need" most people have in the way of financial services. It arises when people receive checks, rather than cash, as income. Convenience, above all, is the factor that generally influences source choices and consumer behaviors relative to the selection and use of these (and related) banking services.
Credit Services	• Credit Cards • Collateral Loans • Secured (Equity) L-O-C • Share-Secured Loans • Payroll Deduction • Student Loans • Youth Loans	Ages: 15-to-40+ • The effective use of credit is a means of economic empowerment; it allows people to leverage their buying power and acquire things on a when-needed basis. • Young people who establish personal credit ratings at an early age, and maintain these in positive form, gain an economic advantage that works for them throughout their lives.
Equity Building Services	• 1st Mortgages • 2nd Mortgage Loans • Real Estate Loans • Business Loans • Loans for Art, Hobbies, Collectibles, etc.	Ages: 35-to-60+ • The extended use of credit can help members increase their personal/family net worth, often by significant amounts.
Cash Reserve Services	• Share Accounts • Club Accounts • Payroll Deduction • Youth Accounts	Ages: 0-to-80+ • *Everyone* should have a basic personal savings account with a minimum balance of between $300 and $600! • "Club" accounts are savings programs set up— apart from regular savings— for special purposes such as Christmas expenses, down payment on a home, a special vacation trip, etc.
Investment-Savings Services	• Money Fund Accounts • IRAs • Certificates of Deposit • Keogh Accounts	Ages: 40-to-80+ • As soon as members begin to accumulate cash reserves of any significance, they will want to increase their yields on amounts over minimum "ready cash reserve" savings levels. For most people, the primary concern is for the security and liquidity of these funds.
Financial Planning Services	• Financial Information • Budgeting • Effective Use of Credit • Personal Financial Goals • Family Financial Goals • College Financing • Retirement Planning • Estate Planning • Wills	Ages: 50-to-80+ • At some point, *information*, *advice* and *perspective* become important financial needs for members. When confronted by so many confusing options, and sensing the constant need to "do something" to protect and improve their personal financial status, members seek peace-of-mind and some definite assurance that they are managing their monetary affairs in responsible ways. (NOTE: Your credit union newsletter should fill a large portion of this need...if it does, it is one more important benefit provided by the CU!)
Risk Management Services	• Life Insurance • Health Insurance • Auto Insurance • Home Insurance • Debt Insurance • Disability Insurance	Ages: 30-to-80+ • As soon as people acquire any measure of wealth, the matter of protecting and preserving it becomes an important consideration.
Estate Building Services	• Trust Accounts • Stocks & Bonds • Major Investments	Ages: 50-to-80+ • Members who earn, accumulate or come into large sums of money require more sophisticated investment services
Auxiliary Services	• Safe Deposit Storage • Notary Services • Legal Advice or Assistanc	• Members need these on an occasional basis; one of the aspects of such services is knowing where to turn for them.

CHAPTER SEVEN

Marketing By The Numbers

Marketing is an art. But it is also a numbers game. What matters, in the final analysis, is how *many* members "bought" *how much* in the way of *how many different* services, at what *price*, which, in turn, produced what level of *revenue*, at what *cost*, leaving what *net gain*, to be used to benefit how many (more) members how many *more* times. Thanks to the computer, marketing is becoming more of a science each day.

By running the numbers, marketers are able to know, with a fair amount of precision, how members and non-members conduct their banking affairs, who "buys" what, why, when and in what quantities. We can divide our memberships into various sub-groups, can design specific product and service packages for their particular…*unique*…sub-set requirements, can structure our presentations in terms which are particularly relevant to their needs/ interests/ desires, and can target our outreach and selling efforts to them specifically— for maximum cost-effectiveness and optimum response.

From The General To The Specific

Before doing any formal research, before spending serious dollars, get a copy of CUNA's report and read through it 15 or 20 times. By playing with the data contained in this report, you'll gain useful insight into your own circumstance. the need potential of our particular groups by looking at the usage rates of the larger universe, and then can work more determinedly at increasing our share of market. Auto loans, for instance. We're so used to thinking that we're running at a reasonably high level of efficiency, that we're attracting the lion's share of the lending business that's "out there" among our members. Then one day we look at CUNA's National Member Survey and find out that— while approximately half of all adult credit union members have some type of vehicle loan at any given point in time (and 15% of them actually have two or more auto loans going at once), only 40% of all those member loans are at the credit union. Wow! Look at all that business that's getting away! And we're supposed to be the absolute experts in providing auto loans.

With this sort of data in hand, we can look more specifically at *what* we're doing, lending-wise, and *how* we're doing it. And also— what we're not doing. And maybe even what the other guys are doing. And all of this will bring us to some new expectations about what we *want* to do with and for our members in terms of structuring, promoting and delivering auto loan services.

Sure, the numbers mentioned here are drawn from a telephone survey of credit union members and represent only the overall picture of national averages at best. But they have been relatively consistent over the decade and a half that CUNA & Affiliates has sponsored the on-going research effort. And while some credit unions do a better job of capturing the potential lending business among their memberships than others, these figures suggest that few, if any, have enough of it to be complacent with their present market share. No one will ever get it all, not by a long shot. But should we ever be satisfied with less than half? It's only when we begin to get this sort of statistical data out on the table that the reality picture begins to come clear. And— it's a glass-half-full picture. When the numbers tell us how much banking business our members are doing elsewhere, they indicate the opportunity that presents itself to us. *There is, more often than not, much more banking business to attract from our existing members than we ever think!*

By the way, the obvious extension of this sort of behavior tracking— will generate similarly precise analyses of promotional efforts. We're getting to the point of being able to know what promotional efforts work best, how well they work,…even to the point of being able to predict with a reasonable amount of accuracy what a given promotional effort should produce in the way of new and/or additional business. The result— a far more disciplined and accountable approach to promotion than we've ever been able to apply before.

It was to serve this very intention that "direct mail" advertising became "direct response" advertising, and, in turn, evolved to such proportions during the past decade that it all but replaced "general" (mass media) advertising as the driving force of the industry. "Accountability" became the keystone of promotional activity as players began to track response rates, and measure them against promotional costs, in order to know (to prove) how effective their advertising efforts actually were.

Credit unions have been the direct mail specialists of bank marketing for years. It's time for us to hone our efforts to the same keen edge marked by others who work this same professional territory. We'll do that only by turning it into a numbers game.

Start With What You Have

The first action step in the planning process is always— Do your research. Know your facts. So it's not so surprising that marketing people like to start by buying market research. "First, let's commission a research study to tell us what people are doing. Then we try our promotional thing. After that we do another study to see what impact our efforts had on the market." That's the way consumer products are generally worked in the private sector. And most ad agencies tend to perform in similar fashion.

But professionally-based market research costs bucks. And while it is definitely warranted, it is not necessarily the first place to start.

The first place to start is with the data already at hand. Credit unions have all kinds of useful marketing data about members; most simply don't see what they have for what it is.

Start with the total number of members. Break them out by age groupings— 0-to-19, 20-to-29, 30-to-39, 40-to-49, etc. Break them out by locality— by zip codes or distance of residence from the credit union office(s). Break them out by use rates— how many members are using each of the various credit union products and services. Break them out by multiple product connections— how many are using multiple accounts/services, how many with one particular account (checking) inclined to also connect through another credit union service (credit card, auto loan, etc.) Break them out by any and every other distinguishing factor that is included in the computer— number of members in each household, number who own or rent their homes, income groupings, employment status, etc., etc.

The simplest form of this data is in the credit union's computer, waiting for you.

MCIF...The Liberating Resource

The problem that credit union marketers and market-conscious managers and directors have always had relative to this type of data about members— is getting their hands on it. It is in the computer but never have we had easy access to it. That is, until now.

Now there are any number of commercially available computer systems— hardware, software and combinations— which are structured specifically to provide marketing types with ready access to the kinds of data long needed to play the "by the numbers" game. These resources, called “Marketing Customer Information Files” (MCIF) or “Marketing Customer Information Systems” (MCIS), perform the task of interfacing with the extensive data base in the main computer and allow marketing people to draw out all sorts of behavioral and demographic data about members and their respective uses of credit union services.

These resources aren’t cheap. But they are profoundly useful and, in fact, most usually pay for themselves in short order. Credit unions can purchase systems for in-house use or can, for much less initial outlay, buy just the service from one of the many service bureau or data processing sources around.

So what do you do with an MCIF? So many, many things. You can analyze: degree of penetration of credit union services among members and households…geographic and demographic details of your membership… pricing correlation and profitability of various account relationships and product combinations… best location of new branch facilities… levels of account activity (and then correlate these with balances, multiple use of services, borrowing behaviors, etc.)… effectiveness of promotional campaigns… potential cross-sell opportunities and— as they say in the trade— much, much more. The result of all this shows up in much greater marketing cost efficiency, greater effectiveness of promotions and campaigns (shifting, say, from a 2%-to-5% response rate when mailing to the total membership… to… a 15%-to-25% response rate when mailing to a specifically identified sub-group), increased sales, more multi-account relationships among members and , in general, an all-around tighter, more successful credit union operation.

Perhaps the greatest benefit of this particular resource is the collective impact it has on the thinking of a credit union’s managers and directors. At first, people ask why in the world the credit union ever needs such a system. But it isn’t long before everyone begins to turn in the direction of the MCIF to answer all sorts of “What If?” strategy questions. The projections data generated is usually more than sufficient to validate a particular programming or pricing decision, marketing strategy or promotion program. Then, the after-the-fact tracking reports tend to double-confirm the decisions and activities undertaken by providing data which specifically indicates the rate of response and the overall profitability of the effort, project or decision. Managers, even directors, feel much more “in control” as a result of the insights and data manipulations provided by these systems. Indeed, it generally doesn’t take long before people are saying, “How did we ever do business without it?”

Start With Facts

The best decisions are made only upon a careful analysis and deliberation of the relevant data. In the land of credit unions, that obvious bit of truth is worth repeating. For one thing, credit union decisions tend to be, more often than not, decisions by committee. For another, it's tough, within the credit union decision context, to get the relevant data and deliberate upon it thoughtfully prior to a decision being called for.

But the ideal situation is to never have to make a decision at all. Ideally, we'd all like to have enough accurate information in our hands, and enough time with it, so that the right answer…or the soundest move…or the best option…shows itself. We wouldn't even have to take a vote.

Seldom, if ever, is this the case. We are forced, continually to make important decisions that will affect the short, medium and long term future of the credit union. But no matter what the circumstance, the more information that is available, the sounder and more correct the final decision is likely to be.

What we're getting to here is…don't make gut-feeling decisions. Don't. And don't think you already have all the right information. There is always more to know. things are not always what you think they are. There are reasons beyond those you tend to think about that cause your members to behave the way they do. And your members, if you'll take a close look, may not be doing what you think they're doing, they may really be doing something else instead.

There was a very revealing research study completed among credit union CEOs, all, by the way, members of CUES. The study attempted to measure people's attitudes and behaviors relating to their personal "Financial Fitness". First it surveyed credit union members on a nation-wide basis. Then it asked the same questions of CUES members. The findings from both groups were, for the most part, exactly the same. CEOs and credit union members at large tended to have very similar attitudes and feelings about their personal financial situations. Then, as a follow-up to this effort, CUES members were asked to say what they thought was the case with their credit union members, how they thought their own members would answer those same questions. Interestingly enough, what managers generally said members would do or think…and what members actually did or thought…were at opposite ends of the scale on almost every count!

Members are smarter than we think they are. Isn't it ironic— we're in business to provide credit to our members; too many times we don't give them enough! We tend to patronize them, and we shouldn't. We also find out that we don't give them enough credit for being smart, intelligent, mature, responsible financial managers. There's good reason for this, of course. We don't usually see the actions of the large majority of good guys. Instead we tend to deal with the small proportion of problem cases. So much of our time and energy is committed to this problem-solving activity that out perspectives easily get clouded. We must remind ourselves constantly to go back and check in with reality.

What To Do About Research.

If you want to know what all the credit union members in the country think or do about a given subject, with the understanding that the answer you'll get is likely to be correct 95% of the time, you need only interview 384 randomly-selected people.

If you want to know what 1000 of them think or do with the same 95% assurance of being right, you must survey 278 of them. But if you only talked to fifty of them, your answer could have an error factor of plus or minus 13.9%.

This is probability sampling. It's the basis for much of what we deal with in the way of market research findings. Most studies involve larger sample bases than 300-to-400 people in order to assure the validity of data within sub-categories of a given research issue or question. For example: How many members write 20 or more checks per month?…How many members earn between $45,000 and $55,000 annually?…How many members who earn between $45,000 and $55,000 annually write more than 20 checks per month?…and…How many of them live in zip code area 99xxx?

But the point is, by sampling a small number of people, it is possible to have a reasonably sound picture of essentially what all of the people are doing and thinking at the time the research is done.

Now don't make the mistake of calling only your first 300 members, or thinking you have valid survey results if 400 mail questionnaires were returned out of a mailing to 2000 members. There are important distinctions to be drawn.

Random selection of your research population is absolutely essential in order to achieve effective probability sampling. An example of this would be the selection of one out of every fifteen names on your membership roster. You're sure to get a good cross-representation of your total membership base. These people are called until enough of them are reached to provide the necessary number of survey responses. You're sure, within a predetermined degree of reliability, that the findings truly reflect the attitudes and behaviors of your members in terms of the questions asked.

The quality of the questionnaire, too, is extremely important. How are questions asked? Are they neutral, or are they leading the respondent to certain presumptions or foregone conclusions. Objectivity is critical. Opinion research studies conducted by CUNA on a nation-wide are generally performed by trained outside professional, and then only after literally hours of work by knowledgeable research consultants have gone into the development of the basic questionnaire. The people surveyed generally do not know who is sponsoring the study, they are told that it is a study being conducted by a "major financial institution… to explore people's financial needs and desires". More often than not, respondents don't even realize that the interviewers know they are talking to credit union members.

Location interviews— people are selected at random in the credit union lobby or coming out of the plant— wherever a typical cross-section of the target audience can be found. It's a quick, easy way to contact people— but usually you're catching people when they are rushed, doing other things. The answers are more likely to be biased towards the sponsor (it's a bit obvious who is doing the study, and people in a credit union lobby are more inclined to say good, rather than bad things about the credit union, even though many managers would disagree!)

Personal interviews— interviews are done on a door-to-door basis, people are called at home. This approach generally does not apply to credit unions, except in cases where a new branch is being considered or a community credit union is sponsoring the study.

Telephone interviews— this is perhaps the most effective means of producing valid survey results. A higher response rate is generated per attempt. Qualified research experts can supervise the interview process. People are more likely to be frank and truthful because of the anonymity of a faceless telephone conversation.

Mail interviews— this is the most economical research approach that can give some assurance of statistical validity, depending on how the interviewees were selected and what percentage of them return the survey questionnaire. But in general, those who tend to return questionnaires also tend to be more informed, more concerned members than those who don't, and therefore do not represent the total audience as well.

Checklist For In-House Member Surveys

- Are you reaching a representative sample of your members (younger-older, high balance-low balance, primary-secondary members, borrowers-savers, in area-out-of-area)?
- Are your survey questions simple, direct? Is it clear what information you want? Are you asking questions that people feel comfortable answering?
- Are your questions objective, or have you slanted the questions with words or phrasing which prompts the kind of answers you'd prefer?
- Are you objective about the survey itself and your reason for doing it? (Ask yourself what you will do if the answers you get back turn out to be exactly opposite from what you'd hope to learn).
- Does your survey format allow you to score the responses and tabulate results efficiently. Be careful of too many open-ended questions— you'll have to interpret them thoughtfully before you can push them into one or another response category. Your interpretation of the replies is bound to be influenced by your own personal perspectives and desires.

When You Want Ideas And Reactions

So far the kinds of research study techniques mentioned are those that produce *quantified* findings. They show how many, or what percentage of a given audience does this or that, thinks this or that. There's another kind of research that produces *qualified* findings. It's called focus group research.

Focus groups generally include seven to fifteen members of a broad audience (users of some kinds of bank-type services)…or more specific sub-audience (active credit card users with running balances in excess of $1500, credit union members between 55-and-65, etc.)…and a facilitator. The group sits down around a conference table with the leader. This facilitator introduces the subject and gets the conversation started. Participants are urged to react openly, candidly…just say exactly what they think. The facilitator keeps the discussion on track (or guides it back to center when it gets too far off track), prods for more intense discussion of a particular point, gets participants to go back and clarify themselves on points made earlier or apparent contradictions that arise in the course of general conversation.

Focus group research is particularly useful in identifying people's needs and feelings about things and in developing new products or services, product names and advertising themes. In focus group discussions, people can tell why they think and do what they do. Often focus group sessions are video-taped or observed through one-way windows (yes, the participants are always informed of either of these "observations" of them before the sessions starts!).

There is, now, growing emphasis on this research approach. The goal is to find out what particular appeals various products and services have for people (not always the presumed one!) and what it is that tends to "bond" a consumer to a product. Companies want to find ways to place their particular products into the context of peoples' lives.

Don't use focus groups to make major strategic decisions. Instead, look to them to help you enhance and improve what you have. Clients should be there to observe the group interaction— don't rely on tapes and reports.

Stay Close To The Market.

Know your customers. Have you heard that before? It's obvious advice, so self-evident that it hardly needs stating. And certainly it's what's we all do. Or at least, we presume we do. But winning managers and CEOs don't just stay close to customers, they are obsessed by them. They make meals out of feedback. Efforts range from working the front lines on a not-infrequent basis, to casual-face-to-face conversations with members, to sitting in on focus group discussions.

Focus groups generally consist of from seven to 10 people, including a facilitator. Should be a skilled facilitator— someone who has had some training, who knows what he/she is supposed to do (and not do) in the role of discussion moderator. Focus group research is qualitative research. It attempts to find out *what* people think, *why* they think it, what their *attitudes* and *perspectives* are about any given topic or issue.

Topics for focus group study include— How members perceive convenience when it comes to doing their banking business, what they have to say about various features associated with the credit union's products, how certain fees and policies would affect (their use of) different products, why people do and/or don't join the credit union, how people perceive (the image of) the credit union, how they see the competition, how they would prefer to access various credit union services, what they need in the way of information, help and assistance in managing their financial affairs, how they feel about new technology and new ways of doing things.

One great thing about focus group research is it's flexibility. It is relatively easy to do; it's a simple matter to change questions or pick up and pursue new topics as they arise in the course of discussion. Facilitators can probe particular ideas

Can gain useful ideas

Management can learn by observing FG interaction

Set Up Your Own Focus Group Sessions

Draw three times as many names as needed; generally only one-third will be available or willing to participate. Try a letter first, followed right away with a personal phone call. Remember to follow-up, preferably by phone, to confirm/remind participants of the event, time place, driving directions, parking instructions, etc.

Don't bank on insights gathered through this means. That is, don't ever assume that the ideas expressed represent a statistically significant reading of the thinking of the whole membership. You can't make solid go/no-go type decisions from this research process. It is highly subjective.

Can use this approach either before or after doing quantitative surveys. Do it before— to come up with different kinds of issues to develop and explore with the broad membership. Do it after— to give tighter definition to certain statistical findings regarding member behaviors or perceptions generated by a quantitative survey.

Researchers can measure people's attitudes and expressions as well as their comments. The recorded conversations can be viewed again and again during creative sessions when operations people are trying to work on program improvements or creative people are trying to determine how to package or sell a new service or how to penetrate a new market most effectively.

So much for survey research. What other kinds of research findings do credit union decision-makers need?

In all of these lists you can see valuable data which, once compiled in up-to-date form and easy-to-read-at-a-glance formats, will provide you with the most qualified base for making the most responsible decisions. We've emphasized market-oriented data here, not financial data, again with the understanding that as our bottom-line purpose is service to members, we want to constantly measure our performance against numbers of people served and numbers of ways of serving them, rather than numbers of assets, deposits, etc.

All of this data is, for the most part, already available to you. Before embarking on a major commitment of funds to have a professional study done by outside consultants, it makes good sense to take the time to generate this data in the proper formats so that you can see what you already have, and should already know.

Data To Be Acquired

Demographic Data

- Age distribution of members.
- Income levels (single/double income households?).
- How much formal education have they had?
- What are their family situations?
- Population and demographic data relating to non-members.
- Demographic projections of member and potential member base over the next 5/10 years.

Location Data

- Where members live (by zip code).
- What is the location relationship of the credit union to their homes?...their places of employment?...their major retail centers?
- What means of transportation do they use (is parking and/or access to public transportation a major concern)?
- What other access to the credit union do they have or need: Branch offices? Telephone? Mail service? Inter-office correspondence? Cash machines? Shared-service centers? Computers? Other?
- Traffic patterns.

Performance Data

- Annual rate of growth— relative to other local sources.
- Loan and deposit charts— month-by-month levels of activity for past several years.
- Growth trends and projections.
- Percent of members w/checking & paycheck deposit, credit cards, all other accounts.
- Percent of members with 2, 3, 4, more accounts.
- Average deposits per member.
- Loan-to-share ratio (correlate with above).

Consumer Behaviors

- Average share account balances.
- Average loan balances.
- Average credit card balances.
- Number of checking/savings/credit card accounts per individual
- Use of checking accounts: Number of checks written per month.
- Hours/days of heaviest lobby activity.
- Ratio of in-lobby transactions to drive-up, cash machine, telephone, mail transactions.
- Trends, shifts in use of services and facilities.
- Behavior patters regarding use of media types and sources.

Attitude Data

- Member attitudes regarding quality of service.
- Member (and non-member) attitudes and perceptions of image, market position, reputation, etc. of local financial service sources.
- Member's expressions of need and levels of expectation and satisfaction.

Competitive Data

- Number and nature of competitive financial sources (including distinct or unique differences).
- New product and service trends.
- Competitive advertising and marketing programs
- Competitive prices, interest and dividend rates, fees, terms, etc.
- Amount of competition relative to area population
- Share of local retail bank services market: Credit unions to banks, S&Ls, others.
- Awareness levels and image perceptions of all local financial institutions as seen by consumer population.

Banking Behaviors of Credit Union Members

Summary of Findings: CUNA National Member Surveys:	**1985**	**1987**	**1989**	**1991**
% of U.S. population (18 yrs +) who are CU members	21%	25%	32%	36%
% of members who say CU is their Primary Banking Source	30%	35%	36%	44%
% of members who say Bank is their Primary Banking Source	58%	41%	54%	50%
% of members who have CU checking (share draft) accounts	31%	37%	45%	50%
% of share draft users who say it is their main checking account	67%	66%	62%	73%
% of members who have two or more checking accounts	31%	42%	53%	57%
% of members who have VISA cards	47%	51%	60%	65%
% of members with VISA account at CU	9%	22%	29%	32%
% of members who have Sears Discover Card	n.a.	10%	21%	30%
% of member households with ATM cards	46%	56%	63%	69%
% of members who have IRAs	30%	33%	33%	33%
% of members with auto loan	48%	51%	53%	52%
% of members with auto loan-- who have them at CU	39%	41%	36%	40%
% of members with auto loan-- who have them at bank	31%	28%	34%	35%
% of members with auto loan-- who have them at car dealer	13%	14%	23%	20%
% of members with CDs	n.a.	15%	33%	27%
% of members with CDs-- who have them at CU	n.a.	19%	22%	27%

Credit Union Member Demographics

Average age of members:	41.5yrs	40.4yrs	42.8yrs	42yrs
Percent of members who are 18-24	10%	5%	9%	11%
Percent of members who are 25-34	26%	29%	26%	25%
Percent of members who are 35-44	27%	23%	24%	24%
Percent of members who are 45-64	28%	33%	27%	31%
CU Households with two or more wage-earners	52%	52%	53%	63%
Non-CU households with two or more wage-earners	n/a	43%	44%	57%
CU Households with HH income of $30,000-to-$80,000	40%	49%	50%	51%
Non-CU Households with HH income of $30,000-to-$80,000	n/a	32%	31%	32%
CU members who own their own home	69%	73%		71%
Non-members who own their own home	n/a	69%		59%

Member Attitudes and Perceptions

Members who say *convenience* is reason for joining CU	14%	26%	17%	19%
Members who say *good loan rates* is reason for joining CU	19%	17%	13%	13%
Members who say *Payroll Deduction* is reason for joining CU	9%	12%	11%	15%
% of members who think CU has *best loan rate*	67%	64%	69%	69%
% of members who think CU has *best savings rate*	45%	56%	52%	52%
% of members who think CU has *friendly, helpful staff*	37%	46%		
% of members who think CU can *handle all financial needs*	30%	40%		
% of members who think CU has *skilled, professional management*	19%	28%		

For more information contact: Research, Economics and Research Department, CUNA, P.O. Box 431, Madison, WI 53701

Model Credit Union: Members' Use of Services

*add $000

	Youth	Borrowers		Savers		Seniors		
Age:	**0-19**	**20-29**	**30-39**	**40-49**	**50-59**	**60-69**	**70+**	**Totals**
# of CU members	4,345	2,276	2,991	2,640	1,702	1,575	1,766	17,295
% of total Members	25.12%	13.16%	17.29%	15.26%	9.84%	9.11%	10.21%	100%
All Share Accounts								
# of accts	4,058	2,269	2,977	2,627	1,702	1,575	1,766	16,974
$ on deposit*	$829	$603	$1,596	$2,076	$2,203	$20,352	$4,021	$13,681
Average Bal/acct	$204	$266	$536	$790	$1,294	$12,922	$2,277	$806
Share Accts Over $499								
# of accts	262	232	487	536	467	536	706	3,266
% of total Members	1.51%	1.34%	2.82%	3.10%	2.70%	3.10%	4.08%	18**.88%**
$ on deposit*	$722	$1,428	$1,906	$2,093	$2,270	$3,934	$12,826	$25,179
Average Bal/acct	$2,756	$6,155	$3,914	$3,904	$4,860	$7,339	$18,168	$7,709
Share Draft Accounts								
# of SD accts	551	965	1,312	1,124	678	655	698	5,983
% of total Members	3.19%	5.58%	7.59%	6.50%	3.92%	3.79%	4.04%	34**.59%**
$ on deposit*	$1,221	$323	$1,174	$936	$815	$1,219	$2,053	$7,741
Average Bal/acct	$2,215	$335	$895	$833	$1,202	$1,861	$2,941	$1,294
# using Paycheck D/D	12	208	397	361	257	387	452	2,074
Certificates								
# mbrs w/ Certs	130	21	51	62	123	208	413	1,008
$ on deposit*	$606	$123	$358	$676	$2,008	$4,044	$9,891	$17,706
Average Bal/acct	$4,660	$5,849	$7,023	$10,905	$16,326	$19,443	$23,948	$17,565
Consumer Loans								
# mbrs borrowing	36	595	888	729	427	290	153	3,118
% of total Members	0.21%	3.44%	5.13%	4.22%	2.47%	1.68%	0.88%	18**.03%**
% of total borrowers	1.00%	19.00%	28.00%	23.00%	14.00%	9.00%	5.00%	100%
$ loaned to mbrs*	$105	$4,002	$7,841	$6,689	$4,272	$2,667	$901	$26,477
Average amount/loan	$2,915	$6,727	$8,830	$9,176	$10,005	$9,196	$5,888	$8,492
% of $ borrowed	4%	15%	30%	25%	16%	10%	3%	100%
Mortgage Loans								
# mortgage loans	3	9	78	119	78	52	30	369
$ loaned to mbrs*	$55	$146	$1,718	$2,992	$1,899	$1,298	$691	$8,792
Average amount/loan	$18,351	$16,246	$22,027	$25,140	$24,351	$24,822	$23,041	$23,827
VISA Accounts								
# mbrs w/accounts	25	628	944	799	521	532	494	3,943
% of total Members	0.14%	3.63%	5.46%	4.62%	3.01%	3.08%	2.86%	22**.80%**
$ on loan*	$31	$1,064	$2,803	$2,975	$1,999	$1,936	$1,576	$12,383
Average bal/acct	$1,232	$1,694	$2,969	$3,723	$3,836	$3,639	$3,189	$3,140
Total Deposits*	$2,6556	$1,049	$3,129	$3,689	$5,026	$25,615	$15,965	$39,128
Total Loans*	$191	$5,213	$12,362	$12,656	$8,170	$5,894	$3,168	$47,652

But again, don't see this as a negative. These statistics simply indicate the tremendous opportunity credit unions have for increasing the amount of business they do with and for members. And the point we want to make in all of this is— when seeing our business in light of the marketplace, and noting the behavior of people (rather than dollars, as is the normal tendency) we begin to understand more of the real dynamics of how credit unions are supposed to operate when they are truly intent on serving members. By the way, these national statistics regarding credit union members and their attitudes and behaviors relative to banking products, services and activities, are developed by CUNA's Economics and Research Department. A new baseline study is completed every two years and the data is presented, and interpreted, in a very understandable summary report. Obtain the latest report from your League or directly from CUNA.

The "COMP-SIT" Analysis

Another kind of data every credit union official should be concerned about, is that dealing with the specific day-to-day reality of the local market scene. What— you want to know— is the competition doing? Better yet, how well are you doing alongside the competition? Directors should be presented with this information constantly in order to be equipped to make the best policy decisions. Staffers much know the details of the many and various competitive product offerings in order to know what to say to members regarding the merits and advantages of credit union products and services. And overall, credit unions that are closely attuned to the reality of the competitive situation (the "COMP-SIT)" are generally much more competitive themselves.

And just as everyone at the credit union should have a good grasp of such information, so should everyone be involved in gathering it and keeping the in-house charts up to date. Credit unions often assign various local competitive sources to teams of people, both volunteers and staffers, who then maintain a constant vigil on the offerings of their respective sources. This information can be gathered from newspaper advertisements; from brochures, mailings and promotional materials; and from direct visits to the various sources. Often team members will open accounts at competitive sources just to know, on a first hand basis, what is happening in the other "camps."

This data should be kept on a master chart prominently displayed in a back office area. Better yet, post it in the front lobby for all to see. Directors should have copies handy at board meetings, and each member-contact staffer should have a copy at his or her fingertips at all times.

It's not that the credit union needs to be ahead of the crowd on every feature item in every product or service category. More likely than not, however, the credit union *will* have particular advantages or benefits to claim as its own…in almost every case. It's usually an eye-opener for all involved, and it sure helps when staffers are able to think and talk in tight specifics, especially when dealing with members, beyond the broad general notion of "better rates and terms and friendlier service."

"COMP-SIT" Analysis

Gather competitive data relating to rates, yields, terms, features, benefits, fees, down-payment requirements, stipulations, convenience factors, etc. of the products and services provided by other financial sources in your market area.

	Our CU	CU "A"	Bank "A"	S&L "A"	Other	etc.
Checking						
Credit Cards						
Loans (new)						
Auto Loans (used)						
Boat Loans						
RV Loans						
Other Loans						
Equity LOC						
Savings						
Money Funds						
CDs						
IRAs						
Cash Machines						
Locations						
Hours						
Conveniences						
Money Orders						
Safe Deposit						
Financial Planning						
etc.						

CHAPTER EIGHT

The People Side Of The Equation

To be competitive as a credit union in today's banking environment, you must do two things: you must help your tellers develop effective selling skills; and you must get them to put these skills to use. How— with sales training and incentive programs? Yes. But it calls for much more than that.

Sales training, today, is synonymous with staff training. Or it should be. Just as sure as making the sale is the objective of any operational process. The best of this occurs when staffers share their own ideas and experiences about what works best in everyday dealing-with-members contexts. Formal sales training programs should be part of every credit union's training repertoire, along with product awareness sessions, competitive situation briefings and the like.

Training, But When?

The biggest problem with training, is simply finding time for it, time when enough people can be together in an uninterrupted circumstance, without the pressures of operational demands tugging at them. When staff incentive programs are instigated within credit unions, staffers are inclined to seek more sales effectiveness knowledge and skills. But also, they tend to trade it freely by sharing the kinds of performance improvement information which helps them achieve results and earn performance-based incentive rewards.

Role of Marketing Director: It's easier to think up clever marketing and promo strategies than it is to make them work! Making them work means producing results. That is a heavy responsibility. Too big for a single marketing person or even the entire marketing department. The great dilemma most credit union marketers face is that they stand somewhat apart from the rest of the operation. More often than not they step in from the outside, introduce themselves to the organization, and expect to win support from people for their clever plans and promotions. That's wrong. When there's tension between Marketing and ops, it's an indication that things are off kilter. Needs to be a need…dependency…from ops for promo support. Strategy vs. implementation— must consider implementation thoroughly. What happens after a newsletter goes out, or a mailing drops?

Tellers: Pay them more and train them extensively. Two weeks of training before they go on the floor. Raise their status; make it desirable to be a teller, not the starting position within the credit union, but one to aspire to.

Motivation is the result of inspiration. It works for directors and volunteers as well as it does for employees. The idea is to paint vivid pictures of the future…how things will be when we do what we want to do…and constantly float these visions of the future before your people. Other motivational factors-— recognition, inner satisfaction, sense of accomplishment, the emotional bonding that comes from working together, sharing efforts toward a common cause.

A sales culture is more than talk, more than setting goals. You must implement structures and procedures which guide, direct and support new behaviors. It all must come from the top, must be high (highest) on the priority list, must be seen as something which won't go away, something which is expected as an everyday routine.

Most credit unions have heard the sales culture theme and have responded. Seminars, classes, training modules, consultants, all of it. One of these triggers a notion, and an instruction is formulated and passed from the boss to department heads, to supervisors, to employees…all of this done in a down-the-line manner. Supervisors are often the ones expected to "pull it off." When an incentive program is instigated, someone other than a direct-line person (usually someone in marketing) is appointed as coordinator and expected to make it work.

It won't happen this way. A high performance sales culture won't happen by handing the assignment to "set one up" over to someone else. It will happen only when it becomes the way the entire credit union operates from top to bottom. That's the definition of culture.

What Does It Take ?

- Got to run the show differently, with different intentions (assume it's their– staff's– job)
- Does our thinking, in fact, prohibit a cultural shift

"Service Culture" Implies...

- A strong inclination to proactive, rather than reactive, behaviors…to cause things to happen, rather than going along in ordinary ways and waiting to see what comes of it.

- A focus on outcomes…and on keeping score, measuring accomplishments, searching for ways to do more, do better within the limits of your resources.
- A “High Performance” intention…a desire to reach beyond normal…typical…*average*…levels of performance, in order to achieve more (do more for members) than you could do in the ordinary scheme of things.
- A strong desire (intention) to make a positive difference for members. Helping members more is what justifies the stronger outreach efforts. When the motivation of the total organization and everyone in it is to see that members truly gain real and important financial benefits by doing their banking at the credit union— products are better, service is better, people try harder to help members and selling isn’t selling— it’s the way to deliver on the promise!

Elements Of A Service Culture…

- Empower Staff: Responsibility, Freedom, Authority
- Present a Clear Single Focus: "Do whatever you have to do to get people to buy"
- Provide Climate and Support: Favorable environment, positioning, amenities, skill-building, recognition
- Expect Performance: Focus specifically on do-able outcomes, establish measurement criteria, monitor constantly

How To Create A Service Culture…

- Attitude re employees
- Commit to performance, outcomes, sales
- Clarify Mission…translate to performance Make performance the mission.
- Establish Focus: Performance Matrix
- Invite Participation: Give "ownership," promote involvement
- Provide Incentives: Reward effort, reward performance.
- Eliminate Roadblocks. “What do you need in order to achieve the desired results?”
- Celebrate Achievement

If It’s Not Working For You…

There are times when credit unions decide to transform their traditional order-taking operations into “High Performance” sales cultures, and never quite make it. In fact, it happens quite often. There are a number of very reasonable explanations for this:

- It’s a totally different perspective. No one should be surprised to find it difficult to transform a credit union, especially one of long standing, into a “new” operation. In some cases you simply “…can't get there from here!” Decision processes are slow and deliberate. Caution is the first-order concern. Procedure and regulations dominate
- No advocacy, no leadership direction (Industry is structured to play to averages)
- No high-priority expectation
- Risk factor (personal…and corporate)
- General tendency to confuse and complicate (keep it simple… mission, focus, etc.)
- Lack of vision (of what is possible)
- Loss of control
- Personal sense of self-intention (retire… or perform, "hang on"… or go after it)
- Disincentive

Cross sell training

Cross-sell training is the basis upon which your staff members develop the skills and gain the necessary confidence to engage members in efficient and effective selling conversations. The underlying premise is that people, in fact, appreciate knowing more about the services available to them and the advantages and benefits to be gained. Our normal inclination to think that people prefer *not* to be bothered by salesmen is quite to the contrary—people actually do enjoy selling conversations… and being sold. The other side of it is that selling… helping members… getting them to take advantage of the benefits offered by the credit union… will add considerable meaning and significance to the daily lives of your credit union employees.

- Rule Number One is—let your people know what the credit union is trying to do and why. Show them the big picture. Explain the rationale behind—and the importance of—the effort. Talk about *goals* and *objectives*.
- Let your staff members participate from the outset. Give them a chance to offer ideas of their own for accomplishing the intended goal. The best approach is to show them a general plan and ask for comments, suggestions, and ideas. Let them fill in the what-to-do-to-achieve-the-desired-results details. Make changes in your plans when good ideas or strong suggestions warrant it. Be sure to give your people a genuine sense of participation. Recognize and praise their contributions.
- Show them a breakdown of the total goal —into a certain number of individual sales per day or per week. Let them see that the total goal is nothing

more than a reasonable number of individual efforts over a given time period.

- Make sure you build fun into the training process. People are learning valuable skills— but selling always works best within a relaxed easy, positive atmosphere. You want to generate enthusiasm. Whatever you do, *don't* allow the program to get too serious or heavy-handed.
- At the first meeting, (or at least the first half of the first meeting) try to have everyone there at one time. Follow-up meetings can be done with smaller groups but it is important, at the outset, for everyone to know for a fact that everyone *else* has had a chance to hear, know and understand the same basic information.
- Once the basics of the program have been explained, strive for as much group participation as possible. *Don't* think in terms of talks and lectures, *do* think of questions/ answers, role-playing experiences, lots of group discussion.

How To Conduct A Training Session

Once you're ready to get into it, here's a good way to proceed:

1. Re-state what you're trying to do—what it is you're trying to sell. Brainstorm about the service or product; get everyone to come up with all the benefits and the *positive* features. Write these down on a list on the blackboard so all can see and refer to during the course of the discussion.

2. Ask the group to come up with another list of reasons and/or objections members might offer for *not* using the service. Make the list as long and comprehensive as possible in the time allotted.

3. Now, get everyone to come up with answers or responses to these objections. (Again, write these down so everyone can see and remember them.) Remember that for some objections there are no good answers… and many objections are very subjective—people who pose them won't want to hear thoughtful, rational reasons why they should change their present thinking.

4. Next, talk about ways to get people to change their plans and their routines. What makes people think and do what they do? (Mostly it's convenience and habit and loyalty and the friendliness and familiarity of the status-quo. The logical reasons for doing things, like better rates or lower costs, are often at the bottom of the list.) Bring up the fact that people *do* change their minds and try new things after talking about it with someone else… especially when someone specifically asks them to do so. Many still may not, of course, but for those who will (and do) this is generally the approach that brings it about.

5. At this point, try some role-playing. Ask two of the most active, gregarious members of the group to be your lead-off players—one being the person from the credit union, the other pretending to be a member. Let this first one just happen, but let it go for only two or three minutes. Be sure to find some good things to praise about the way the situation was handled by the "employee".

Now, have the players switch roles… and this time give a little more definition to the situation. Tell the "member" what kind of a person/situation he/she should represent. Play out some of the typical "objection" scenarios. Again, hold each play down to two or three minutes. After each one, ask the group first to tell what was good about it (positive reinforcement is one of the *best* teaching methods), and then to suggest other things that could have been said or done. Now break the group up into two-person teams and let everyone try both sides of the selling game, continuing the same process throughout.

6. Near the end of the session, bring the whole group back together and talk about these things: What's the best way to get a conversation of this sort started with a member (what's the very best opening line)? How do you do this and still make it short and sweet, without using up too much time on each member? What are the various selling opportunities—besides the obvious one of a member approaching the teller counter?

- Visuals, samples, graphic displays and handouts play a very important role in the selling situation. A brochure with application form attached will provide both a reason for a conversation ("Say—have you seen this yet?"… handing or pointing to a brochure or poster), and an efficient means of closing ("If you'll just fill in your name and account number right here, I'll introduce you to our Share Draft Account Coordinator and he/she will get you signed up inside sixty seconds.") Teller tent cards, lapel buttons, lobby posters and banners—all of these will help to set the stage for the cross-sell opportunity, and should, in fact, begin to bring people around to a "Yes, I'm interested" mood.
- Finally, they're usually eager to hear and talk about new services in light of the many personal benefits and advantages they know to be the standard. Cross-selling credit union services should be a very posi-

tive beneficial and rewarding experience for *all* involved.

Other hints:

- Don't schedule your training sessions on Monday mornings or just after a holiday. It's too hard to get people tuned into the selling game if they're not concentrating hard on the immediate situation. And don't do it on Friday— you want people "practicing" it two or three days following the training session, at least! But *do* schedule sessions in the morning before your doors open. It gives your people the best possible chance to try what they've learned while they're still tuned up, focused and in the mood for it.
- Do your homework before the event. Talk to staffers on a one-to-one basis. Find out where your people are now in their thinking. Get them to talk about what specific instruction they feel they need.
- Look for and share success stories with everyone. Give people conspicuous credit at every opportunity.
- Get someone to take good notes of the meetings and give your people typewritten copies of the ideas and selling techniques they helped develop.
- Conduct cross-sell training more than once or twice during each promotion. Remember this is the opportunity for your people to practice and rehearse little before going out to test themselves in the actual situation. Training allows them to build their personal confidence and avoid embarrassment
- It helps to have a cassette recorder and some *"How To Sell And Grow Rich"* motivational tapes around for your people to listen to— especially if they can play one to themselves in the morning, just before the front door opens for business. Attitude, lots of enthusiasm and just a little bit of skillful selling technique—that's what it's all about.

Remember—Whatever Else You Do… Make Sure You Have Fun!

CHAPTER NINE

Using Incentive Programs

“That which gets rewarded…gets done!”

And more of it gets done…faster…better… more skillfully…and with greater commitments of energy, enthusiasm and determination than anything else you’re likely to encounter in any other context.

Incentive programs provide both the motivation and the reward for the kinds of "above-and-beyond" efforts required to maintain a “High Performance” credit union operation.

Incentives— in the form of commissions, bonuses, contest prizes and personal recognition— have been the means for compensating salespeople for their efforts and their personal successes ever since the selling game began. People who sell are not just doing their jobs. To be effective they must become personally involved and must perform with a special determination and an extra degree of human sensitivity. Incentive programs that reward people beyond the base level of compensation— on either a permanent or short-term basis—simply provide an important and useful way of supporting this extraordinary performance.

The inevitable question about incentives is, does it make sense to seek out and reward individual performance, to find and fawn over top-performing "winners" and hold them up as examples of what the organization is looking for in the way of performance from its key performers?

Or, is it not more desirable to encourage more team interaction and cooperation, more cross-department problem solving, more group effort? The answer, once again, to both questions, is— yes. Some organizations take the first approach, others insist that the latter is the "only way." But the smartest ones are those which refuse to see an either/or dichotomy, but rather, find ways to harbor both management concepts in a single harmonious dynamic.

Incentive programs won't work miracles. They cannot be used to sell what people don't want to buy. An incentive-based car lease promotion, for instance, won't generate high “sales” results if people are confused or wary about leasing. Team-based programs generate tremendous enthusiasm, much bonding, and positive team spirit and team behaviors. The winning team gets a fancy meal (maybe they bring dessert back for the rest of the gang the next day). Another meal deal involved different items for different products and different sales volumes. Whether temporary, one-time efforts or a permanent, on-going part of the program, incentive programs will help people get over their hesitations about selling and will improve their selling skills.

Everyone has different ideas about these and most ideas will work. There are some things to pay special attention to, however:

- You don't want to create a situation in which things get too serious and people start getting too competitive and even, perhaps, start to work against each other.
- For credit unions with large staffs, breaking the group down into teams adds a little bit of friendly competition… and a lot of fun. Usually everyone is assigned to a team (four or five teams is best) including back room personnel and management people. Try to balance the teams as much as possible everyone must see that it's a fair situation in order for the enthusiasm to work.
- For small-staff credit unions it's best to put everybody in a total group, but exclude managers and supervisors. The "workers" then, have an opportunity to show what they can do and they know that the rewards will be shared directly among themselves.
- One reward method here is to value each "sale" (i.e.: each new checking account) at a share value—a dollar or a point for each one, for instance. When the promotion is over, the participants get to divide the pot.
- Prizes or incentives can be cash, coupons to be redeemed at local retail outlets, time off, theater or sports tickets, lunch or dinner on the town, etc. Often the program can include a combination of these—with the group or teams earning something(s) for achieving certain goals… and/or receiving direct returns (similar to commissions) for the number of sales made. If a premium is part of the promotion, your staff should have a chance to "earn" one of the premium items themselves, too.
- Once the promotion is underway, progress should be recorded—preferably on a *daily* basis—on a chart that everyone can see. Rewards should come quickly.

- The program is based on the honor system.
- Each project should have an on-scene coordinator to administer the details of the program; organize and motivate sales staff (or teams); track/post results; keep everyone informed about rules or changes in the program, etc.; negotiate/arbitrate any problems that arise; and make daily procedural decisions .
- Before the program starts, all participants should get a written statement of the overall program, the rules, the procedures and time frames, how results will be counted and recorded, and prizes/incentives.
- When the entire program is over, it's a good idea for everyone—including management team, supervisors, even directors—to get together in some kind of social gathering con text to celebrate the achievements of the promotion (and the fact that it's over!); hand out prizes and/or rewards; and to give special recognition to those who worked hardest, provided the most inspiration/assistance/support to others, achieved the highest levels of individual performance, etc.
- Don't forget to ask everyone what they thought of the incentive program. Pass out short evaluation forms and let your people say what they observed of note during the course of the campaign, what ideas and suggestions for changes or improvements they'd want to see made next time.

The use of staff incentive programs, still relatively new in banking circles, is catching on because it's a tremendously effective way to get people with limited selling experience to jump enthusiastically into the selling game. And it produces result!

If you haven't used incentives to help sell credit union services, you should— and soon.

Remember these thoughts: People want recognition and approval… they like success and being seen as winners…they seek confirmation that others think they are doing the right things and doing them well. When these confirmations happen, people tend to perform at their highest levels. Positive reinforcement, therefore, is a powerful way to influence the behavior of others.

Now apply that idea to selling. If you approve and reward the actions your people take that lead to sales, they will sell even more because the positive reinforcement process leads to stronger selling skills. There's a little secret to keep in mind: Your recognition and approval of a person's performance, especially in the presence of their friends and associates, is more effective as a motivator than any other incentive reward you might offer.

Incentives Increase Checking Accounts

Let's say you want to increase the number of members using share draft accounts. Here's what you might do:

- Call your staff people together to discuss your goal. Let them tell you their sense of it…how they see it happening, and what actions must be taken for it to work.
- Ask them to talk about why members should open share draft accounts at your credit union. Have them suggest the best selling approaches, the best conversation openers, the best words to use. Have them discuss objections that might come up, and the best responses to these.
- Explain that their part of it, specifically, is to invite members to sign up for share draft accounts and that, as an incentive, a staffer will get $2 for each signed application turned in.
- Explain exactly how sign-up cards must be completed. Have each person practice filling one out. And make sure everyone knows what happens with the cards once they've been submitted.
- As an option, you can divide everyone into teams, with an even distribution of tellers, service officers and back-office personnel on each team. This way, everyone gets to participate.
- Announce that the campaign starts in a week, and will run for six weeks. Then, during the first two weeks, call everyone together at the close of each working day, read the names of those who achieved their first "sale" (encourage applause and cheers from the staff) and from a stack of readily visible dollar bills, give $2 per card to each staffer who submitted signed signature cards.
- Turn to the chart posted on the wall and mark the day's progress. Update performance figures for each team. List the names of the top performers of the week and total amounts they earned.
- After two weeks, start naming the "High-Performer-Of-The-Day" (again with cheers and applause, etc.).
- Three weeks into the campaign, award a chili-pepper pizza to the "hottest" team (maybe a jar of molasses to the slowest team, if more than two teams…but be sure it's in fun!).
- At the end of the promotion do something special for everyone… a little party after work one night, an awards luncheon or dinner. Announce the final

results, giving special recognition (certificates, perhaps) to each person who did something special or accomplished a particular goal. Come up with several achievement categories. And finally, do something to reward the winning team.

Follow these steps and you'll have a successful incentive program. You'll see performance results that pleas you tremendously. You'll have a proud and happy staff who are better at dealing with customers than they were before the program started.

Secrets Of Successful Programs

Good news: Effective incentive programs produce lasting results. Not only does business increase during the period of the promotion, but the increase is likely to continue beyond the length of the incentive program. The reason for this is simple. When people are highly motivated, they go at things eagerly, aggressively. They look for the best ways of doing things. They teach themselves, and sometimes learn skills better than they would in a structured teaching situation.

Once effective behaviors are learned in this manner, they are seldom forgotten. People don't drop back to less productive ways. And, as long as the emphasis stays on sales, people will continue to work in ways that give them the greatest success.

The following factors are essential in any incentive situation:

1. Behavior must be countable. You must be able to clearly see that the desired action happened. Do your tellers greet each member with a smile, and call them by name? Are members asked to sign share draft application cards?
2. There must be room for improved performance. Incentive programs work best when something that hasn't been happening is attempted, and when there is room for improvement in performance. In some cases your people may be doing such a bang-up job that it would truly be hard to squeeze much more out of the situation, no matter how much additional effort is applied.
3. Your people must know how to perform the desired task. If they don't know the proper technique, or don't have the necessary selling skills, their efforts might even have negative effects. They must know the specifics about each product inside and out. and, this is critical— proper support procedures must be in place. There’s nothing worse than a staffer making a sale and directing a member to another desk for processing, only to have the system break down at that point.

One reason so many credit unions have trouble getting incentive programs to work for them is that— to be very candid and direct about it— they don't really have specific intentions. Everything is equally important. Or— their priority concerns are not, in fact, to see that the credit union does more business with and for members. In fact, in these cases, more business means more problems and, while staffers are urged to sell and win incentive points, they are also expected to do so many things which, directly or indirectly, detract from a real selling effort. Or, they find much evidence around them that the new business they generate is seen as creating more work and trouble for everyone.

Bottom line: Setting up a staff incentive program within your credit union is easy to do. But unless you really want to sell services to members as a first-level priority concern, your incentive program may cause you a whole new set of problems. Making it work…required determination, inspired leadership and a burning sense to see that your credit union aspires to "high performance" status!

CHAPTER TEN

Don't Do A Marketing Plan

Bless their souls, credit union marketers have a tendency to view credit union operations mainly in promotional contexts. When sleeping at night, they dream about award-winning promotional campaigns. They visualize great creative concepts or knock-'em-dead copy lines. That's how they get their energy and enthusiasm. That's why they are so darn chipper every morning.

You can tell when your Marketing Director has been having pleasant dreams. He/she will pop into your office with something like— "Hey boss, I've got this great idea. How 'bout if we combine direct deposits, share drafts, automatic transfers and pay-by-phone services into a single packaged deal, call it a 'Doughboy Account' and give away a loaf of San Francisco Sourdough French bread to everyone who opens one. We'll decorate the lobby with little breadstick dolls and give away a free package of yeast imprinted with the slogan 'Watch Your Earnings Rise at the Credit Union.' We'll stage bread-making demonstrations in the lobby every Friday…you know how good fresh-baked bread smells. This is gonna' be one great promotion."

Getting Beyond Creative

But that's not why you knead a Marketing Director. The ideas are fun, and you love the energy, the pazaaz. But none of these campaign ideas matter— or should matter all that much— to you. Instead you want to know: *Why* should we do it… *what results* will it generate… *what is the projected ROI?*…and *how does it fit into the overall program?*

As more credit union marketers learn to think in these terms, learn to play the marketing game this way, learn to relate every promotional idea, project or effort to results— they are likely to sell a lot more of their ideas and get quicker approval of budget requests. They'll also get more credit from the boss for being useful, valuable, helpful and intelligent. In fact, they'll probably end up being boss one day.

Planning is, in fact, the heart and soul of marketing. It is the process of setting sales goals that fulfill the credit union's mission, relating projects and promotions to sales goals, assigning resources and time schedules in reasonable and justifiable quantities, and evaluating the effectiveness of the efforts attempted.

It's here, in all of this, that the specifics of marketing become most relevant to managers and directors.

Do A PERFORMANCE Plan

There are two sides to planning. One is the *What-Why* aspect of it all. The other is the *How*. Any good credit union plan must incorporate both. More often than not, marketing plans tend to limit themselves to the latter.

And traditionally, Marketing Directors have done marketing plans, the purpose of which was twofold: Show a schedule of activities that spreads the promotional efforts across the calendar and across all projects. And provide some cost detail which reflects (warrants?…justifies?) the promotional budget. Let's think of doing away with marketing plans. Instead, let's write *performance* plans.

The critical point here is, marketing has no business focusing on itself. First, marketing is what the entire credit union is up to…the credit union and everyone in it is part of, and directly involved in, marketing. Second, marketing plans tend to become "down the hall" exercises, just as the marketing department is too often down the hall from the rest of the mainline action of the credit union. The objective should be— constantly— to eliminate any separation between marketing and operations, between the promotion function and the selling and delivering of credit union services. And we want the Marketing Department, under the wise and insightful leadership of the Marketing Director, to connect explicitly with the selling of services to members.

Look at it this way. To what extent can loan growth be attributed to the publication and distribution of the newsletter? That's generally a tough connection to make. But if you can't find some way to correlate the two, some way to show that the newsletter is contributing to loan growth…or the opening of checking or credit card accounts, paycheck direct deposit connections or any other member services you're trying to increase…stop spending time and money on the newsletter! That's right, don't publish another issue!

Rather wild proposal for a marketing guy to put forth. But again, it's the basic concept we want to buy into.

At the annual strategic planning workshop of a prominent credit union the Directors voted to do a "Marketing Plan" *and* a "Business Plan"…and wrote those two intentions into their Strategic Plan. What was the difference between the two, I wondered? And how are either or both of these different from the actual "Strategic Plan?" There might be a case for having three different types of "plans," or of even having some plans that are sub-elements of other plans. But more likely than not all of this compounding of plans results in obfuscation of the simple, basic purpose of the organization. It happens too many times, we get ourselves so deeply mired in layers and layers of administrative overload, we never get around to getting actual things done. So in this case, at least, let's make sure we have it straight.

First— the document that should drive both the credit union's everyday program in general, and the promotional efforts specifically… is the annual *Performance Plan.* Any *Promotion Plan* (or marketing plan or publication plan or whatever) should be subordinate to this, and should be little more than a calendar-and-spending schedule which indicates what promotional projects and activities are to be developed and executed when, and how the budget is allocated. But (and this one's a big but), the performance plan must itself be "market driven" and its focus must be on development and sales of products and services to members… with every item on the planning agenda considered only in light of its effect on sales.

Sound a bit too harsh, too controlling? Think it through. Nothing should ever appear on the "things-to-plan-for" topics list that doesn't have some relevance to improving the effectiveness of the credit union. Improve parking, develop new facilities, intensify staff training, buy new equipment, enhance the benefits program, reinforce security measures, write a policy manual, strengthen capitalization, merge another CU into ours… every single one of these considerations has a particular relevance in terms of your credit union's ability to provide more and better services to more of your members. And each should be considered, prioritized and acted upon on the basis of its relative impact on that particular intention. Only that.

There are a number of ways to go about developing a performance plan, and any number of planning formats and matrices to apply. But the elements are the same… and all of them are essential. Here's a step-by-step approach:

Inventory of services—what you *do* and *don't* offer, including the conditions, terms, requirements, etc.

Performance audit—an evaluation of how you do what you do, and how well you're doing because of it. *Which of* your members are using *what* services, and *when.* What are your projected growth trends, what factors must be taken into consideration. (See the planning data check list.)

Research data—what else can you learn about consumer financial behaviors, competitive influences, trends, etc.

Planning seminar—the management team and the directors get together in a special annual context to analyze data, discuss problems and trends, consider options and set overall goals and objectives for the credit union for the coming year.

Program development—with performance objectives for the year decided, determine what promotional efforts will be required and when some of them will be integrated into your monthly routines. List them all within the context of a monthly or quarterly activity plan. Estimate your promotional costs on a project-by-project basis to determine your marketing budget requirements.

Evaluation—once the program is underway, take time out for quarterly progress reviews to compare actual performance against projections. Make program adjustments accordingly. Year-end evaluation should be a more formal process which incorporates the first three steps of this planning procedure as the annual planning cycle repeats itself.

Market Based Strategic Planning

Planning is easier to talk about than it is to do. Not because following a well-structured, predetermined program is difficult . . but rather, because of the great tendency we all have to react to daily situations and to be pulled away from early good intentions by new things we see or appealing moves we notice our neighbors making. It's not that your annual activity program needs to be so rigid and inflexible that changes—even rather dramatic adjustments— cannot be made along the way. But it is a mistake to develop a plan and then walk away from it without a second glance. And as obvious as that is, you’d be quite surprised at the number of cases wherein the annual marketing plan is little more than a pointless, once-a-year exercise which does not affect or guide the activity that follows throughout the year.

Another difficulty about this planning process—it usually requires a couple of seasons just to get the hang of it. How do you know, for instance, what kinds of projections are reasonable or realistic to make? And, until you've run projects through a few times and kept track of all related expenditures and results achieved, how can you compute or estimate costs with any degree of accuracy?

But commence your marketing program, nevertheless. Get into it with whatever "eyeballing" and top-of-the-head (seat-of-the-pants?) estimating you can come up with the first time around. You will mellow into it. You'll change and refine your planning formats from one season to the next. And once you've found the planning model that seems to work best for you, you'll find that it will become basic to the whole operation—a permanent fixture, so to speak.

The easiest way to get into the actual Action Plan phase is by looking at the coming year in perspective. Draw a timeline for the year and mark the months and quarters. The obvious communication opportunities—statement mailings, newsletter deadlines, annual meeting, etc., show themselves immediately. Start with these routine activities, and add the subordinate elements and the specific campaign efforts that will help you achieve performance objectives, above the normal or routine level of business you can otherwise expect.

If you start your program planning with a timeline schedule of activities, remember to back up to your research/performance objectives/positioning considerations (for your overall program directions)… and to include the ongoing things like staff sales training, field rep program, cooperative mass media advertising participation, etc.

The advantage of a more detailed statement of goals are, *first,* the more complete statement of your marketing plans will generate stronger understanding and acceptance among your directors, staff and committee members… and *second,* you'll find that over time you'll have a valuable documentation of the progress of your credit union, one that shows that its growth and success was by design!

We can't over-emphasize the importance of the direct involvement of Directors in the goal-setting process. For one thing, the responsibility for credit union goals and directions is theirs. For another, the *what* of next year's goals can never be separated from the *how*… and Directors are obliged to provide the means by which their intentions will be met. But from this point on, the marketing program becomes a staff responsibility.

It always makes sense to write things down, even when it seems, at first, to be nothing more than a time-consuming exercise. One reason is that translating the thoughts and intentions you have in your head into actual words and sentences tends to make them real, transforms them into actual intentions; gives them order and form; and sharpens them into hard-line, workable tasks. You discover the contradictions and the implications. You—essentially—test and prove the validity of your thinking.

The second reason for doing so is extremely important for a very practical reason. When many people are involved with the responsibility of… and the programming for… organizational intentions, written documents provide the basis for mutual understanding and agreement of— and commitment to— a general plan.

For these reasons, then, it's important—every year— to develop and publish an annual performance plan.

The vital purpose this outline serves is the one which is always the essential premise statement of credit union marketing: have a goal… set objectives… don't do *any* promotion until you've established some results to shoot for… once your objectives are determined, evaluate your marketing efforts not on the cleverness of your copy or the creative, award-winning brilliance of your graphic design— but on what it all did for you.

Even a short-term campaign or a single newsletter should have a statement of objective(s) written for it. This practice is the one that will make your marketing efforts truly worthwhile.

Hold Focus on Performance

Results: After every promo campaign, every special promo effort, sit down and write a recap of what was done, what happened, what results were achieved, what problems encountered. Be objective, be subjective. Include names of vendors (and in-house contacts), costs of services. Get staffers together to critique project— “what should we do differently next time?"

Dumb marketing

There is such a thing as dumb marketing. It's when you've made the commitment, you're enthusiastic… raring to go, but you're not thinking through the actual moves. For instance, it's dumb marketing:

- **When you're doing it all yourself.** If you're a manager, you've got a credit union to run—the last thing you need is to eat up precious time playing with scissors and paste pots and spending days down at the printer. There's a big difference between managing the marketing program… and actually doing it all yourself.

- **When you have no specific purpose or objective.** If you don't know *why* you're doing what you're doing—don't do it. Don't do things in the name of marketing just because other credit unions are doing them. Expect every move to have a payoff— one that is important to *your* credit union.
- **When you have no plan.** Advertising and promotion works best when things are coordinated and integrated, when they are tied together in theme and timing so that the many parts complement one another. Synergy—that's what you're after… that's when the whole equals more than the sum of the parts. For that you need a plan.
- **When the emphasis is on the thing and not the result.** The flashiest campaign in the world doesn't do you much good if nothing happens because of it. It's too easy to get all involved with the creation of a beautiful annual report or a stunning member services brochure. But the questions to ask are: will it *work?* Why? How? Don't think how clever and creative you could be with a hefty budget for a credit union slide show—until you've thought about the kinds and number of opportunities you'll actually have for showing it, the size and make-up of the audiences, and the extent of their likely responses once they've seen it.
- **When you're worried more about marketing expense than about marketing investment.** Sure it's expensive to mail a special promotion out first class to all your members. But if the promotion works (and if you've done your planning well), you'll be generating income… not incurring expense. And if a second mailing to the same group, or if sending by first class rather than by bulk rate, generates significantly more returns, then you're wasting money by not doing it. Too many managers would rather spend thousands of extra dollars on "cost of borrowed money" than to spend lesser amounts on effective marketing efforts which would generate the same revenues from members. Marketing should never be an expense. It should be one of the best in vestments your credit union could ever make.
- **When you insist on limiting your efforts to amateur status.** An ad that no one glances at long enough to even begin to read is worse than no ad at all. Don't outguess the professionals. Don't assume that just because your message is published and distributed it will be received. Respect your members enough to see that some professional know-how is given to your marketing efforts. And don't be too sensitive to critical feedback. Remind yourself, always, what else is going on in the world out there, what other financial service ads your members see/hear/ read. There's nothing that says your communication must be dry, dull, lifeless, officious, boorish—just because yours is a nonprofit operation. Don't go for expensive pomp and flash, but do go for communication with appeal, with good taste… that says just what you want to say—exactly as you want it said.
- **When it's your ego you're trying to satisfy above all else.** Don't run an aggressive marketing program just so you can show your brochures and newsletters off at credit union conventions. And—don't turn down a good idea or an opportunity to join a shared-cost program just because your credit union marketing program has to be different from everyone else's. Opportunities to pick up on shared-cost promotions let you win twice: they save you money and they help you achieve your desired results. And there's greater accomplishment in doing that, than in winning "the outstanding brochure award for credit unions $500,000 and less"—any day!

Elements of Your Annual Performance Plan

• **Title Page:** First, make this an important-*looking* document, since it's the central "tool" which drives all of the credit union's activities for the coming year. You want people to consider it as the focal point of all actions and intentions, and to keep it central to all decision meetings, approval meetings operational meetings and reviews that occur throughout the year. And—most important— the factor which gives your plan its relevance…is your credit union's mission statement. *Everything* starts here!

Model
Credit
Union

Performance Plan
2000

(Mission
Statement
goes here!)

• **Situation Report:** First step—write the "case." Describe all factors that might affect the credit union during the coming year. Be as specific as possible. Gather "hard" data. Form task force teams which include directors and volunteers as well as members of the management team, even staffers; assign them the task of gathering local data. Focus on anything and everything which might affect the *way*…the *reason*… and the *extent*…members will (or will *not*) make use of the credit union and its services.

Situation Report:

- Economic, Social, Political, Environmental Factors
- Industry Trends
- Local Competitive Factors
- Consumer Attitudes and Behaviors
- Status of the Credit Union
- Financials
- Facility/Equip/Program Needs
- Members' Use of Services

• **Credit Union Goals:** This section is the "What-Why" element of the plan that comes from the Directors (out of their annual Strategic Planning session). It includes the short-to-mid-term objectives of the organization, and should reflect all key factors identified within the SitRep section (above). Goals and intentions should directly support the mission statement. It's a good idea to include supporting rationale (*"Why"*) for every goal statement.

Credit Unions Goals:

- Get More Members Using More CU Services.
- Increase Quality of Performance and Member Satisfaction.
- Strengthen CU's "Point of Distinction" in Market.
- Increase availability and Use of Automated and Remote Access Services

- **Sales Goals**: Given that the credit union is fulfilling its mission only to the extent members are *using* it…and…that it expects to generate the bulk of its revenue from fees and interest paid by members who do use its products and services, the CU's intentions are most specifically reflected in the specific measurable performance ("sales") projections for the year. *Be sure* branch managers, supervisors, department heads and staffers have a direct role in the development of these numbers!

"Sales" Goals:

	This Year	Next Year
# Checking Accts		
# Paycheck DD		
# Credit Cards Issued		
# ATM/Debit Cards		
# Auto Loans		
# Consumer Loans		
# Home Equity LOC		
Other		
Other		

- **Financial Worksheets**: Here's where "sales" are converted into revenue considerations. As the performance focus is on "getting more members to use the CU" it's important to show how increased sales produces positive bottom line results…and, in fact, generates "extra" funds in the form of a "High Performance Reserve" (*after* appropriate amounts are deposited to regular reserves & undivided earnings). This amount is to be spent the following year on improving the credit union's competitive position…by providing additional services and benefits for members!

Financial Worksheet:

• Revenue from loans	$
• Revenue from investments	$
• Revenue from fees/other	$
• Gross earnings	$
• Cost of Funds	$
• Cost of Operations	$
• Net Earnings	$
• Deposit to Reserves	$
• *More Benefits for Mbrs*	$

- **Strategies**: Here's the "How" list of ways to achieve the CU's performance objectives. The best performance policy: those who are directly responsible for achieving the work…should have a direct say in *how it should be done*. So while directors should certainly contribute ideas, it is really the responsibility of management and staff— given the CU's goals, the business plan and "sales" projections— to come up with the strategies for making the desired things happen during the course of the year.

Strategies For Year:

- Intensify internal sales culture, W/sales training and incentives.
- Set performance goals; monitor and show progress on charts.
- Implement telemarketing
- New branch: Northside
- Implement "Satisfaction" surveys to measure performance.
- Coordinate all graphics (print materials, signs, interior decor).
- Implement relationship pricing (use of multiple services).

• **Activity Time-Line:** Incorporating intentions and actions into a time-line shows connections between events… between the many parts and the whole. People should know about things before they happen… and should be allowed input into plans and preparations. Keep in mind— every time something "special" happens, it has, to some degree, a disruptive effect on the everyday routine. The idea is to make these variances as positive as possible— by anticipating and gearing-up for the extra efforts that will be required.

Action Schedule:

	J	F	M	A	M	J	J	A	S	O	N	D
Services Menu												
Target Mailings												
Newsletter												
Statements												
Spring Promo												
Phone Loan Intro												
Recruit SEGs												
League Media												
Branch Opening												
RV Promo												
Auto Sale												
Home Imp Promo												
Strategic Plan												
VISA Promo												

• **Promotional Plan:** Here's where the marketing team comes directly into play to assist the whole of the organization meet the performance objectives for the year. Marketing should collaborate directly with operations (branches, departments, etc.) when formulating these plans. Design tools, plans and promotions that complement— in a direct way— the efforts of the member-contact staffers.

Promotion Plan:

- Newsletters
- Menu of Services
- "Compare" Rate Charts
- Phone-Loan Intro
- Spring Home Equity Promotion
- Home Show / Boat Show
- Summer RV Promo
- Northside Branch Opening
- Fall Auto Loan Promo
- November VISA Promo
- Holiday Cash Promo

• **Promotional Budget:** No surprises here. This is a straight-forward plan for spending dollars to generate member awareness, interest and response to the CU's product offerings. Correlate promotional costs to *results*— as measured by new account openings and increased use of CU services by members. Reflect projected gross/net revenues gained to cost of promotion whenever possible. (Remember, also, to *track* actual costs and *actual* gains).

Promotion Budget:

- Creative Services $
- Production Costs $
- Mailing Costs $
- Direct Promo Expenses $

(Recommend: *At least* $8/mbr/year.

- Personnel
- Equipment/Software, etc.
- Shared-Cost Media Advertising

CHAPTER ELEVEN

Getting Messages Through

If you're still having fun with marketing, playing around with it so to speak, you may want to skip this chapter since it touches on the theoretical. Go have your fun, but come back to it because it is important. It offers several basic perspectives that will help you understand how and why marketing works. Hopefully you want this understanding because you want to know on your own what will work, even before you try it.

How To Get Your Message Across

There are rules that relate to effectiveness in communication. Here are a Few:

Always focus on *their* perspective, not yours. This rule is the most basic one of all. It's written between the lines of every page in this book. It stipulates that, to communicate effectively with your members, you must look at things as your members see them. You must think about things as they do. You must always start with *their* priorities, *their* motivations, *their* needs and concerns and attitudes and interests. Not a single message originated by you is ever successfully communicated until *they* receive it, accept it, assimilate it, and act upon it. And that, absolutely, is the bottom line. As obvious as this would seem, it ain't easy. That's why most of us need copywriters to help us get our ideas across.

Use a variety of media. Which works best—newsletters? Direct mail? Newspaper ads? Radio? Posters? The answer is—they all do. The best promotion campaigns will use a variety of different communication tools and techniques to deliver a single message. The many methods complement one another. They assure a higher degree of visibility (a higher degree of penetration into your market's consciousness).

Repeat, repeat, repeat. Just after you've reached the point of saturation with a given copy line or promotional theme, that's when most of your members are getting around to noticing it for the first time. What's the current ad slogan for McDonald's? Miller Beer? Pepsi-Cola? Chances are, even with all the advertising these big league-marketers do (and the millions they spend), you're still thinking of the copy line from last year's commercials. The point is, no matter what you think, the credit union is *not* the most important thing in the world to the majority of your members. They are busy. They have much going on in their lives. The credit union is such a small part of their conscious concern that they are *not* very good listeners. When you send out a promotional message to your members, you've got to assume that: first, only a small fraction are going to notice it; second, of those—only some will have any reason to be interested; third, among those who are interested—only a small number will remember what you said enough know how/when/where to follow up on it. *In terms of message delivery, the optimum number seems to be three.* Run the same ad at least three times. Use a particular brochure in as many as three repeated mailings. Any fewer times than that and you haven't reached enough of your target audience even that important first time to cause them to react to your promotion. More than three and the number of returns probably won't justify the cost.

Identify the sponsor. We're talking about the credit union itself. People need to know who/what source is initiating the communication before they are willing to deal with the specifics of it to any real extent. They'll only listen to messages from sources they already know, accept and feel some comfort or connection with. They come to know over time, which organizations are dependable, which products meet their personal preferences and quality standards, which sources to trust, which brand names to count on. This is why corporate identity is so important. This is why, too, people always look with a degree of suspicion upon mail that comes to them without any ready identification as to who the sender is. For all of these reasons, it's important to connect your many communications to one another through some common graphic elements. When a member sees a brochure, he/she should know well in advance, before getting into it, that it's from the credit union. Each promotional tool should sell both it's product and the sponsoring agency, too. If I know who you are, if I've accepted you, if I've decided that you're o.k.... then (and only then) I'm very inclined to listen to what you have to say. If not, I've probably got better things to do . . .

Inform *and* sell. There's a difference between the two! Describe the many features and advantages your services provide, then don't forget to say to your members that you want them to step forward and do something… in order to collect on those advantages. The promotional brochure gives all the details of a new account service, but the manager's letter that accompanies it says "This is a good deal. We set it up just for you. So send back the enclosed card right away!" Make sure you provide members with both kinds of information. Don's ask them to buy without giving them good reason… and good product advantages. But also—don't tell them the credit union and its services are great and then walk away without asking for the order!

Go with the flow. Contrary to what many people think, advertising and promotion won't…*can't*…change people's minds. Rather, promotional communication tends only to reinforce what people already think and/or want to think… or it can be counted on to deliver new information effectively. But it can't force existing attitudes or perspectives to be turned around. So again, learn what your members think. Don't play to what you think they think… and don't direct all your energies to what you want them to think. Once you've learned what is already in their minds… what their existing attitudes, perspectives, needs and desires are… you must accept this as reality. Start from this point when you're ready to formulate your messages, your promotional themes and strategies. Relate your "news" and your product information to what it is that members are already thinking and saying and doing and accepting.

Establish the "Big Picture" perspective. People always need a context in which to place new information that comes to them. Believe it or not, you're never ready for something completely new; if you don't have some little reason for knowing about or being interested in something, you'll tend to pass it right by. People pay more attention to a particular subject on a day-to-day basis after they've had a chance to read a magazine article or see a TV documentary about that subject, even though it may have been a topical item for some time. Your members can be more interested in the day-to-day specifics of the credit union if you give them the "big picture" overview of the credit union, your competition, financial trends, the economy, etc., etc.

Seek out the opinion leaders. Not everyone is up to being first about things. In fact, most of us are followers. A few people tend to be trendsetters and the rest of us take our signals from them. It's important that the "right" people get the word first. Usually these folks are the first to hear, the first to know, the first to step forward and try new things. Then they spread the word. Every study you do will come back saying "A friend told me" more often than not when you ask how your members learned of the credit union and its services. Advertising and promotion really just complements this word-of-mouth communication and fills in with product details and how-to-buy instructions. What people say to each other is more important than any other kind of endorsement or promotional effort.

Focus on benefits. When people make consumer decisions they need comparative information. Cut out the adjectives. Talk specifically about the advantages your products offer over all others. Again, remember that reality is a world full of choices… especially when it comes to financial services. People aren't credit union members *or* bank customers, they are credit union members *and* bank customers. When they open one savings account with you, they won't close the one they had elsewhere… they'll hang on to two accounts. As Uncle Jack always said, everything is relative!

How To Write Good Copy

The culmination of the total marketing effort—from a member's view—is what you say and how you say it.

In the final analysis, then, you'd better have something that, in their eyes (ears?), is worth your saying and their listening to. Then, and only then, you've got to say it well.

How simple that is. Yet a look through a random sampling of newsletters from credit unions around the country on any given month will show how sadly we fail this simple challenge. But it's an easy problem to fix. And the first step to fixing it… is to believe that.

First, good copy is not necessarily clever copy. In fact, too often "clever" is exactly what gets in the way of "good."

Good copy is—simple, honest, candid copy that features user benefits and tells how to take advantage of the services and products offered by the credit union.

Use simple words, but say exactly what you mean. Write your copy one day. Put it down, go home, sleep on it. Read it on the next. See if you have clarity (nothing worse than not making any sense of something you wrote yourself!). See if your words still carry the full intent of your meaning; see, too, if you react favorably to the flavor or tone of the message. Quite often what we have in our heads doesn't all come out on paper; gaps show up in our writing where meanings or important connecting points are missing.

Get someone else—someone who can and will be comfortably and graciously honest with you—to read your copy. For your part, remember what you're asking this person to do and why, and accept the critique openly. When you find someone who does this both nicely (as in "be gentle with me") and thoroughly (like "let's get it right"), be very good to that person, buy him/her presents, for he/she will help you become a dynamite writer.

Now go ahead, start writing. Write things that people want to read. Write things that are worth reading. As dumb as it sounds, the biggest problem with most newsletters is they don't say what people really want and need to hear. They are trite. They are unimaginative. They are fluff. They offer nothing new in the way of information or perspective.

Count on this— if your newsletter has little of substance or interest, your audience will see it and disregard it each time. They may read the first two or three issues they encounter, but once they get a measure of your standard content, and consider it in terms of what significance it really has for them, they will pre-judge and assume all of the yet-to-come issues are pretty much the same thing. For this reason, you can't ever let down. The minute you start using "filler", you've lost it. You can say 'bye-'bye to your readers, and save your money.

But as people *don't* want to bother with junk copy, they *do* want to read stuff that is useful, meaningful, relevant to them. They want you to tell them things they don't know, haven't thought of themselves, didn't fully understand, had forgotten, aren't aware of or aren't blatantly obvious. Yet far too much promotional copy never gets to this point.

Describe Features, Promote Benefits

Features are factors which differentiate products and services from one another. Different products have different features. And features, in turn, provide benefits. The feature is attached to, or part of, the product or service…the benefit is what members gain from it. The **benefit** is what the member is after. Buy *this* product… with *this* feature…in order to get this *benefit*. Do your business at this place (instead of that)…because they do it this way (instead of that)…which presents you with this particular advantage (which you wouldn't get if you did your business over there)!

In most cases, credit union products and services incorporate particular features which provide benefits and advantages way above and beyond those of other financial institutions. And *benefits* are what people really want. So emphasize benefits. Write benefits into your headlines:

"Lose Wait"
"Another Bonus For You"
"The Last Loan You'll Ever Have To Apply For!"
"Save…And Grow Rich!"
"Keep The Change"
"Loans…In Your Best Interest"
"Put the credit union in your pocket…use it every day!"
"For Members Only!"

Most of your copywriting should be nothing more than "telling it like it is." Just the straight facts, with a minimum of adjectives. Honest, direct copy that stresses benefits is the most powerful copy you can write.

In each ad or article, feature one theme, one selling point only. List other features if you like, but fight the urge to tell everybody everything just because the typewriter is running.

Write Eye-Stopping Headlines

Headlines are the heart of your copy. Be sure every ad has a focal point, and the basic idea should be written into the headline. Like it or not, the headline is the only thing most members will see. Test the most recent copy of your newsletter… if you were a member (or better for our purpose here, a potential member), would you get a pretty good idea of what the credit union was attempting to communicate just by reading the headlines?

Here are some successful headlines from past credit union promotions:
"Bring Your Checking To Us, Earn Interest Every Day"
"$5 Will Get You Fifteen"
"Wait 'Til You See What We Can Do For You"
"Here's The Whole Patoota In One Tidy Package"
"Bring Money!"
"Share Drafts— Great Leaps Beyond Ordinary Checking"
"Compare!

Make sure you ask for the order. Tell what direct action the reader should take to take advantage of your offer. And make the action easy ("Phone Katie in Member Services 222-4444") and immediate ("Just fill this in…fold… and return it to the credit union").

Continuity In Your Copy

Now— when you step back from the specific to the general, or from the single piece to the collective effort, you should see something…one or more recognizable themes…which run throughout all of your writing. Between all the lines there should not only be that message of the specific product or service, but also one of the people and the place that provides it. Your writing, overall, should establish a psychological bridge between the credit union itself and your readcr-member.

It's an extremely subtle point we're reaching for here. We say we want to emphasize the cooperative aspect of your operation—the member-owned, "this place-is-ours-and-we're-all-in-it-together" idea. Yet how easy it is to slip into the we-you syndrome instead of the we-us focus. Just for instance, suppose you were to ask a member who happens to be a good friend of the credit union and also a popular, gregarious "known" personality within the membership field, to write the newsletter for you—what would be different about the way things were stated? Presumably that "we-our" flavor would predominate. So, everyone on the staff, and especially the newsletter editor, should become the most "possessive" members of the credit union. That sense of shared ownership is what the credit union is all about, yet it's the very thing most of us are most likely to lose as we all income more professionally based in our daily credit union performance.

From the manager's side, there's room to get personal and very self-serving in credit union copywriting. In newsletters, for instance, one of the strongest and most useful recurring features could be/should be the monthly (quarterly) manager's column. Or if it's a shorter "Kiplinger" style newsletter, the whole thing might well be signed by the manager… even if it was prepared by a ghostwriter way back in the ranks. Likewise, one of the important parts of a direct mail package is the manager's letter that goes along with the promotional brochure and mail-back mechanisms.

The point is this: the credit union has a very high—unusually high—degree of credibility among the membership just by nature of its member-oriented, no-ulterior-motive intention. That credibility translates directly to the person who represents the whole of the credit union most directly, most professionally and most totally—the CEO. And of course, it's the CEO who really knows more about these things than anyone else around, is it not? There's a wonderful true story about a retired school teacher who was audited by the IRS one year. She was asked to come in with her records and the clerk showed her what the problem was and how much more she owed. It was not much and he was ready to take her check and assure her that the entire matter was settled, but before she was willing to conclude it, she took her own two-hour recess and trucked across town to have it all reviewed again by the only person she trusted about financial things, the CEO of her credit union. So to members, managers do speak with considerable financial authority and are accorded a degree of trust which might well go beyond that enjoyed by others in the financial services industry. It should be used to good purpose. It's one case where the manager is not simply off on an ego trip by lending name and face to editorial copy. Rather, it is a very real part of the commitment to members and their financial well-being that is being served. And that, in fact, is the very tone the copy should take.

Elsewhere in this book we said it's a mistake for senior managers to get too far into the specifics of the marketing effort themselves. In fact, we said, they should set up the objectives, the basic programs and such—and assign the specific tasks to others. Here's a direct contradiction to that suggestion:

The credit union newsletter might well be the most direct member response mechanism a manager has for adjusting the rate of savings/borrowing/etc. While many managers are inclined to look at the business of putting out a newsletter as a bothersome chore, there are some who see it as the critical means to affecting the most important credit union factor of all, the behavior of members. These managers take a very direct interest in the development of the newsletter. The newsletters from these

Things To Write About:

- How much house can you afford?
- How to rebuild a shattered credit rating.
- How the national credit rating systems work (and when/how the CU employs them)
- How to deduct home office and personal business expenses (and other IRS-related advisories).
- How to decide if car leasing is for you (and why borrowing is generally cheaper/better).
- How to get a house inspected before buying.
- How to plan for college expenses (and what to do if you didn't 'way back then).
- How to find the best deals in hotels and air fares.
- Changes that are happening in the banking industry.
- How new technology (computers, interactive video, etc.) is likely to change the way people do their banking.
- Ideas for helping children learn about money and build positive financial habits (allowances, etc.)
- How to keep tabs on medical bills (and catch billing errors).
- Setting up savings plans (and trust accounts) for children.
- The advantages and risks of home equity loans.
- How to plan for your own funeral.
- The ins and outs of tipping.
- Things you should know about buying a home.
- Things you should know about selling your home.
- Best way to buy a new car
- Best way to buy a used car
- The advantages of IRAs
- When and how to refinance a loan or mortgage.
- Financial advantage of improving your home.
- Practical side of making a budget.
- Different ways to use more than one credit card account.
- Putting your finances on computer.• Fees and how they are set.
- Competitive trends in banking
- New innovations in bank services
- The (local) economy and what it means to people
- The process of making decisions re CU policy, etc.
- New banking technology (and what the credit union hopes to do about it)
- Goals, intentions and directions of the cu (as developed by the directors)
- The CU's planning and decision-making process
- Information about members, trends, exceptions, use rates, etc.
- Commitments to quality service; the credit union's "TQ" program
- Commitment to convenience, & efficient service delivery (ATMs, etc.)
- Security and integrity of deposits, etc.
- Get members ready for some of the future services...and the new role of the credit union in providing such product lines.

sources generally come out on a once-a-month basis, are usually of the "Kiplinger" style and carry very much of a no-nonsense, letter-from-the-manager tone. They are substantive, informative. They are written in terms that relate very much to the members' frame of mind. Yes, the managers who write these generally have some kind of journalism backgrounds, and/or they are "on-stage" personalities at heart. But they have things to say, they have a genuine commitment to their purpose and the well-being of their readermembers. And you should see their credit unions grow!

Fine Points Of Selling Financial Services

Selling. That's an idea you have to get comfortable with. Advertising is the who/what/when/where/why/how-to-buy information that sets people up to make a move one direction or another. Selling is the business of assisting them in making a decision. It's the difference between them intending to do something… and actually doing it.

You should know from the start that your members are quite willing to have you sell them more of what the credit union offers than what they are now using.

Sure, traditionally we do not sell. We don't have to, right? *Members* join *the* credit union because they want to, because it *does* things for them that they can't get elsewhere. Members participate. They encourage each other. Just once in awhile someone has to say, "Hey—we need more money for loans," and folks would bring in more money. Right.

Not so—at least not so much any more. It's a different ball game these days. Our operations are getting bigger. That informal flavor and direct word-of-mouth communication—which, by the way, was very strong selling in and *of* itself—just doesn't work the same way anymore.

So there are two good reasons to sell. One is— it's part *of* our mission. We sell thrift. Part of our reason for being is to promote the whole concept of saving, conserving, and managing personal financial resources (including credit) effectively.

The other—is the simple fact that ours has become a very competitive business. Everybody is getting into the financial services act and our members are pitched, hollered at, promoted to from all sides. The selling game is very much a part of everyone's life. To think that we can simply hang in there on the fringes, count on goodwill and member loyalty to sustain us and just keep plugging along—is the harshest form of self-deceit. We'd better be right in there with our products/service message in order to hold our members' attention and keep them interested and continually coming our way.

It's *not necessarily growth we're talking about* here, either. We've got to work like crazy just *to* maintain *our share of the* market.

Selling, in short, may be the most admirable aspect of running a good credit union.

Some additional thoughts on selling:

1. Think in terms of benefits and payoffs. What's in it for *them*.
2. People think in visual symbols. Don't get hung up on words. It's not really the loan they want, it's the car. It's not savings they are committed to, it's the security and assurance that comes from having a ready cash reserve and a personal net worth.
3. People are easily distracted. They are bombarded with several thousand appeals every day. They have their own agendas. They forget promotional messages easily. Be simple… and repeat your message often.
4. The first three minutes counts the most. Learn to get your basic message across in the first three minutes of a sales conversation. On paper—your headline is most important. Make sure it carries the essence of what you're trying to say.
5. Let people get involved with you in your sales presentation. People will hear *more* of your message when they are discussing it with you, than when they are simply listening to your pitch.
6. Know what you are talking about. Do you homework. Know your product inside and out, then know their buying situation. If you're a marketing manager trying to sell your programs to the boss, don't try to guess how he/she will react to your proposal. Instead, put yourself in his/her situation (and know it intimately). Then develop a program that solves the requirements of that situation and gets the job done. You won't have to sell it and you won't have to worry about whether he/she will buy. Besides that, there's no better way for preparing yourself for that top management position. (Why do so many of the nation's top corporate executives come from the sales/marketing departments!)
7. Schedule your selling activity—think of selling as a numbers game. You're bound to close a certain percentage of the contacts y make. So it's first a matter of setting up enough calls. If you schedule five calls each day and close 20%, by the end of the week you'll have five sales in your pocket. If you need more than that, increase the number calls. In time you will—both consciously and subconsciously—improve the effectiveness your selling technique, and your success rate will go up. But for starters, the key to sale success is simply to apply the discipline of actually *selling*.

Here's what selling is all about from the consumer's side:

A. *Awareness*—learn about availability of product or service.

B. *Self interest*—how it applies to me, perceived benefits.

C. *Attitude*—how I feel (subjectively) about it.

D. *Belief*—is it a sound, sensible, reliable, quality product?

E. *Commitment*—decision about it—yes/no.

F. Action—follow-through, close the deal, sign-up, apply, buy.

Now here's a selling secret: The easier it is for people to take action before committing to a major decision—the more likely they are to start the buying process. If you can get members to send back a return mail card saying "tell me more about share drafts," you have got them moving toward the "purchase" decision with a minimum commitment on their part. The easier the commitment is to make, the more likely it will be made. The greater the number of actual prospects (some commitment activity on the buyers' part) the more actual sales you'll generate.

The most effective way to sell any product or service… is for two people to talk about it together. Person-to-person selling will achieve results far beyond anything else you will ever do. Advertising, brochures, newsletters, posters—all these are, at best, poor substitutes to a one-on-one dialogue situation.

In short, no matter what kind of a marketing promotion or campaign effort you might run in your credit union, you are likely to achieve three times the results you might otherwise expect if you can get your credit union employees directly involved in pushing your services.

The two aspects, cross-sell training *and* incentive programs, go hand in hand, one with the other .

Promoting Your Products and Services

With our technical capacity to tailor specific products for particular sub-groups and sub-sub-groups, there is little room on our shelves for products that everyone likes a little. So manufacturers will stop designing products which are intended to offend no one. More consumers will learn to look for the "maker's mark" the corporate identification, rather than the brand name, in helping them choose from the vast array of products available.

Preferred Customers: When the high interest rates being charged by banks for credit card balances finally were noticed by the nation's journalists, a number of institutions moved to reduce their charges (a more significant number did nothing). Citibank, the leading issuer of bank credit cards reduced the rates for its best card customers— those who have been card-holders for at least a year, with good payment records and significant card users. Customers who use Citibank for other banking needs will also be favored. By the way, the bank indicated that the lowering of its interest rates would not have any significant effect on the profits of its credit card business, because the rate cuts will be offset by increased use of the cards, as well as reduced attrition.

Membership

- Most people step forward to join a credit union in order to obtain a loan. Promote lending services to non-members.
- Most new members are encouraged to join by other members. Word-of-mouth endorsement is perhaps the strongest marketing technique available .
- People are more inclined to join a credit union at the time they join the sponsoring agency. Be sure a five minute credit union presentation is included in the company's new employee orientation day. Make sure the personnel director endorses the CU as a valuable employee benefit. Be sure the personnel department has service brochures and application forms from the credit union to hand out with the standard employment information. Or—obtain names of all new people who join your common bond membership base and mail to or call on them directly.
- Invite spouses and kids to join.
- Promote youth accounts—remind senior members of the tax free advantage of gifts, up to $3,000 per recipient.
- Do a premium or sweepstakes promotion in which the member gets a prize or ticket for bringing in one new member. Or—include a prize/ticket for each new member as part of a special promotion and publicize broadly, beyond actual membership roster.
- Take the CU show on the road: set up booths or info tables in employee lunchrooms of sponsors or SEG operators. Have information available, but be ready, too, to do business. Open accounts, accept deposits, issue loan applications. And follow up. Return soon with deposit slips, approved loans, membership cards, etc.

Borrowing

- Simplify the application process; then spell it out in exact detail. Make this procedural instruction part of your member services brochure. People should know well in advance what the *process* and *requirements* are for obtaining a loan.
- Remember people don't want the loan. What they *do* want is the auto, the boat, the vacation, etc.
- Use simple English forms instead of the complex multi-page legal sounding application.
- Get members signed up on a ready line-of-credit program. Teach them that all they then need do is call in and the amount they need will be sent to them or transferred to their share account. The point is, when the need to borrow arises, you want members to think they're already half way home at the credit union.
- Get your members signed up and using share drafts. They'll be more likely to come to you first for borrowing needs.
- There's not really a *season* for critical borrowing needs. Fall is not the time when people buy cars. Spring is not the critical period for home improvement loans. Members take vacations now all year 'round. Promote loans on a year-round basis.
- Every year up-date your lending policies, rates and terms, then include this information on a handout and send, along with loan application form and letter from the manager, to members (age 20-45) who are your most active borrowers.
- Program your computer to notify you when less than three payments remain for each active loan account. Send a *personal* letter to each of these people thanking them for their business, asking for com-

ments, telling them you hope they continue to support the CU in every way possible.

- Promote "first loans" to youngsters, students, etc. Emphasize the value of a good personal credit standing. Follow with a letter documenting this fact when the loan is complete. Promote this to primary members as a valuable educational experience for their kids.
- Promote IRS tax deduction allowances for interest paid on loans.

Teaming up with Car Dealers

- Dealer(s) agree to give members special prices on vehicles and to channel the financing to the cu. In exchange, the CU sends the dealer(s) a certain volume of qualified buyers. . Also— reach agreement on whether the dealer will handle the member's trade-in and if so, how the trade-in value will be determined. Also agree on the price of any and all dealer add-ons (dealer prep, rust-proofing, mechanical breakdown insurance, etc.) Make sure these charges are fair, not inflated. Check cred4ntials, check with Better Business Bureau, state attorney general, other consumer protection agencies re any past and current complaints. Be at the dealership for any special promotions. Special training for dealers' sales personnel. Spot-check sales contracts.
- CU-sponsored car sale. Members can factory-order new cars at $90 over factory invoice price. Or, buy low-mileage used cars from participating car rental companies and receive an additional $500 off discount prices. Or, members can take advantage of special low-rate financing or save an additional .25% off financing by purchasing MBI.
- Combine lowest car prices with lowest financing rates. Provide computer printout, updated monthly, of invoice prices, suggested retail prices, and costs of all options for all cars on the market.
- Leased cars: CU's auto broker locates selected model and arranges delivery. Lease terms generally run 48 to 60 months, with option to buy after 12 months.
- Car dealers teach their sales reps to maximize profit at every step of the sale— trade in, purchase price, add-ons such as rust-proofing, undercoating, fabric conditioning, glazing, service agreements and alarm systems, insurance, warranties, financing.
- CU's can appoint a member-contact person, usually a loan officer, to assume the role of "auto advisor" who stays on top of current auto shopping information, including things that are going on in the local community, and share this with members.
- Set up a temporary mini-branch at a dealer showroom during a weekend car-sale promotion. Computer and modem connection into the CU's main frame computer. Needs heavy advance promotion, get members to get ready with pre-approved letters of credit. Set up the system to do everything, including printing of documents, approve and finalize loans, and disburse funds there. It's important to be able to complete the deal on the spot.
- Home Equity Conversion (Reverse Mortgage) loans for seniors let them remain in their homes and borrow money against the equity value for necessary living and medical expenses as needed. No loan payments, loan balances and accrued interest are repaid when the home is sold. Very popular in Europe. Congress, in 1989, passed legislation authorizing insurance for institutions willing to be part of this program. Insurance is needed in case the loan/interest balance exceeds the home's value at time of settlement. For members who are "house rich and cash poor". Use as monthly annuity basis (certain set amount of income per month) or as a line of credit members can tap when needed. L-O-C of up to 75% of home's appraised value, less any mortgage amount outstanding. Some programs which run for a fixed period of time (10 or 20 years) offer several settlement options at the end of the term. Members can either pay off the amount borrowed, make monthly interest-only payments or refinance the loan based on the current market value of the home.
- Car-of-the-month promotions feature a particular car maker or a particular type of vehicle, promotes the various prices, features, models, etc. Loan rate discount featured for the month. Or— feature similar loan discount for vehicles with high fuel efficiency ratings, driver air bags, etc. Get dealers involved. Bring cars into CU lobby or in a front-and-center spot near the front door; feature with signs, rope stantions, etc.
- Loan interest rebates: Members get loan payment books; every 12th coupon allows a deduction of a certain amount from the normal monthly payment due. Loans from $2,500-to-$5000 earn up to a $50 annual rebate; $5001-to-$10,000 earns up to $200; etc. The anniversary factor encourages people to hold their loans, and discourages early loan payoffs.
- Slow-down times in the economy, when interest rates drop, are good time to promote auto loan refinancing to get loans made elsewhere (directly with the dealer or at a bank) back into the credit union. Other types of loans to promote at this time are

consolidation loans, credit cards with lower rates than competition, and signature loans. Consolidation loans can be structured with different rates for different terms (shorter— lower, longer, slightly higher).

- Holiday loan promotions for car buyers spark activity: "Sweetheart Deals" for Valentine's Day, "So Good It's Scary" loans on Halloween, etc.

Savings

- Push payroll deduction—it's one of the best things credit unions have working for them— and their members.
- Promote direct deposit of social security, trust account, veterans' checks and other regularly recurring income.
- Provide programmed collection services for members who sell property or items for which they extend credit and carry the paper directly.
- Cross-sell savings at loan desk. Encourage members to increase payroll deduction amounts so payments go to both savings and loan payback.
- At the end of loan payback period, send the member a letter saying you'll automatically deposit their payroll deductions into their share accounts unless instructed otherwise.
- Premium and sweepstakes (where legal) promotions do work… very well in fact… and are particularly useful at generating larger than average volumes of funds in short periods of time. Be careful not to get too hooked on these, don't overdo them.
- Provide automatic transfer services. Remind your staff to urge members to transfer funds on deposit at other financial agencies over to the credit union. Provide a simple transfer form which members can fill out so that you can handle the whole matter for them. People like the idea of getting more for their money at the credit union… But they don't like to face the nice people at the other place when they go in to withdraw or close an account.
- Give members target amounts to shoot for in savings. Every account should grow by a minimum of $300 per year. Every account! Tell primary members that they should hold the equivalent of at least three month's pay in savings. Tell your investors and speculators that $2,000 share balance is a healthy cash reserve.
- Provide multiple account service. Maintain a base account for each member for basic "ready cash reserve" and promote additional sub-accounts for those special purpose considerations—Christmas Club, Vacation Club, "The Ferrari", "The Retirement Property", etc. Detail these accounts separately on each member's statement.
- Christmas Clubs run average balances of $600-to-$800 each; the successful programs do not close out completely at pay out time (usually mid-October) hut carry a minimum hold-open balance through to the start of the New Year when members start paying into them again.
- Savers Clubs put the emphasis on serious saving with the specific intent of building up an estate base. These usually incorporate special bonus features and benefits such as free safe deposit boxes, seminars, advisory newsletters, etc. The emphasis is on yield and build-up of financial resources over time. The best programs will incorporate an automatic certificate purchasing service which invests and reinvests member funds in high-yield instruments whenever sufficient amounts accumulate over a set minimum balance.
- People start saving whenever and wherever it is most convenient for them. Once they build up any significant amount of funds, dividend rates become very important.
- Provide deposit-by-mail deposit books and envelopes. Encourage members to do business with you by mail.
- Provide a special lower rate for share-secured loans.
- Promote IRA accounts and IRS tax deduction allowances for savers.
- If you offer life savings insurance—promote it.
- Do target mailings to members 35 years and older. A serious, thoughtful personal letter from the CU manager is as effective as a colorful promotional campaign. Be sure to include deposit slips, automatic transfer form and payroll deduction application in letter.
- Urge members to deposit special income—strike settlement checks, year end bonus checks, income tax rebates—into their share accounts.
- Ask each member with less than $300 share balance to double his/her account within the calendar year. (A good newsletter New Year's resolution suggestion.)
- "Thrift" is a valid concept to sell to members. Look for ways to make it meaningful. Thrift is not a matter of doing without… rather, it is having instead of not having. (People are always a little more secure with some "money in the bank," ah… credit union.)

- Promote share certificates, treasury bills and MMAccounts.
- Promote the *liquidity* and *security* advantages of regular share accounts along with your attractive dividend rate.

Share Drafts

- Sell benefits—dividends on everyday spending money, no minimum balance requirements, no monthly service charge (or—*lower* service charge fees), automatic duplicate copy of every draft, overdraft protection, etc., etc.
- Promote the fact that members can now do all their financial business the credit union way.
- Remind members that share draft accounts actually help to stabilize the credit union and provide more funds for the CU to make available for lending.
- Move aggressively to provide direct deposit of net pay services. Encourage your sponsor to promote this as an important (additional) employee benefit.
- Cross-sell share draft accounts at every opportunity.
- Promote share draft accounts at time of initial member sign-up.
- Conduct member-wide share draft account sign-up promotions. Include extensive in-lobby signs and display materials.
- Set up sign-up tables in employee cafeterias with new-accounts people on hand to answer questions and sign up members.
- Sponsor cross-sell incentive programs among your staff and field rep teams. Include a display hoard showing goal projections and daily progress. Provide incentive rewards for the winning teams.
- Determine what your account-holder rules and policies will he early in the game and promote these as aggressively as you do the benefits of this service. Don't he too limiting or conservative in your rules, hut once the rules are set, make it very clear that the service runs on that basis. Your newsletter is an effective vehicle for communicating this message.

Credit Cards

- Buy your members' other credit card accounts. Get members to switch their checking or credit card accounts, from the ones they now have— to yours. This is more than just getting them to open a new account, and therefore takes a bit more effort. You might feature a one-day "buy-up". Offer a $75 bonus to all members who come in and apply for a new account. If approved, the first step is an automatic $25 credit to the account. Move a balance of at least $500 from another card (we'll buy your balance) and get another $50 credit.
- Upgrade your credit card users. Extend additional credit when appropriate. But do this with a nice (quality) personalized letter to the member, thanking him/her for the business over time and stating that his/her good credit record warrants an extension of credit. Do you have a premium card with added privileges (but without added fees and charges)? If so, automatically up-grade members to the new "Gold" card. If the up-grade card has a higher fee, invite members to consider it…with first year fee increase waived.

Debit Cards

- Debit cards are definitely coming. Both VISA and MasterCard are pushing to win acceptance of these from their financial institution customers. These cards, which deduct the cost of purchases immediately from consumers' checking accounts, are favored by high-frequency purchase retailers such as gas stations and supermarkets. At present the rules relating to the issuance of these cards say that financial sources may belong to only one debit card group (even though they frequently offer both brands of credit card service). Many credit cards have set the stage for the introduction of debit cards— by issuing their own cash machine card which allow ATM withdrawals and debit-charged purchases at certain specified local outlets close to the credit union's central office. The need for the connection with one or the other of the two national corporations is for the 10-to-25 second approval on card purchases at the point of sale. Debit cards still only account for one-tenth of 1% of all consumer purchases. By the end of the decade, experts expect they will be used for several billion transactions annually (but still only about 3% of all transactions). And while banks are expected to be the principle players in pushing this new card program, credit unions are sure to be front-line players as well. Already the California Credit Union Cooperative is a member of one of the national systems.

Premiums And Give-Aways

There are two reasons why trinkets and give-away items (matches, ice scrapers, balloons, pocket knives, calendars, hall point pens, thermometers, key chains, mirrors, tide books, bedroom slippers and kitchen sinks) are so prevalent throughout the credit union industry. One is that, back when the world was gentle and things were easy, the idea of doing much financial advertising was, for the most part, unheard of—particularly among credit unions. But since members were also good friends, and anything we could do to get the credit union's name about and generate a bit of good will along the way, it was nice to give away those little gifties.

The other reason, of course, is that people came around selling them, and it was so easy to take care of the credit union's annual marketing program just once each year by ordering another dozen cases of match books and calendars. Now we're all terrified of the hue and cry if we ever try to discontinue the practice. But in an age when competitive pressures are the norm, when the information that must be transferred before consumers make their buying decisions is so voluminous—we must stop to ask to what degree these things help us to get members to use the credit union more. And then make appropriate decisions about how to spend marketing dollars most effectively. In short—cut the give-aways down to a minimum.

Premiums are those items of value that you offer as bonus attractions when you want members to take some quick and exceptional actions. They work—and the whole of the financial community has learned to put them to effective marketing use. One bit of advice is to find a way to tie them in to the theme of the promotion and the financial service being offered. Promotional T-shirts, piggy-banks for super savers, a craftsman's fix-it manual with a home improvement loan promotion, cameras or film tied in with a "Get Yourself into the CU Picture" membership drive—these are far more effective (and honest) than toasters and blankets and new sets of dishes. There are many things to consider, however, and many ways to make premium items work effectively for you.

Credit unions are either into premium promotions, or they avoid them like the plague. While the issue of premiums is somewhat controversial, premium programs are effective and they are particularly useful when something needs to happen in a hurry.

Different kinds of premium and consumer incentive promotions:

- *Sweepstakes and Contests* usually feature grand prize drawings of major items of attraction such as automobiles or vacation trips, as well as a number of lesser prizes in order to expand the number of potential winners. Caution—this form of promotion is actually illegal in many states that have lottery laws which prohibit the awarding of prizes when the element of chance and special consideration are all part of the package. For our purpose the "special consideration" factor is the problem. After all, there's no point in having a "Super Shares Ship-away Sweepstakes" with a two week trip to Acapulco for two as the prize if you can't limit the contest to members who add dollars to their share accounts and receive a sweepstakes ticket for every $25 they deposit. The law says we can have contests as long as we don't require people to do something special to qualify for participation. We can even have contests for members only, providing we clearly limit it to people who were members prior to the first official announcement of the contest. Be careful, though— find out what the rules are in your state (they're different everywhere).
- *Premium Promotions* which feature an attractive item of merchandise as an enticement for doing business with a particular institution are prominent throughout the financial industry. Items range from live plants, appliances, auto accessories, blankets and household goods… to steaks, cameras, Christmas ornaments, stuffed animals—the list is as long as anyone's imagination. Consumers are offered the item free of charge if they make a deposit of a certain stated amount, or they pay various amounts in addition to certain minimal deposits, depending on the actual (wholesale) value of the item itself and the rules limiting the amount of cash value that financial institutions can give away as part of a promotional consideration.
- Continuity Promotions are an extended form of premium promotions which feature an item which is part of an extended set— such as dishes, glassware, tableware, encyclopedias, etc., etc. The idea here is that people, once involved with the promotion, will make repeated deposits over time in order to acquire the complete set of whatever the offering is. Frequently the agency will provide the first of the items free in order to get people started in the promotion.
- Use well-established, quality items. Don't experiment, don't think you can judge what people will he attracted to. Many such "experiments" have tried and failed. It should he relatively easy for you to look around and find a premium item with a guaranteed track record .
- Premium promotions warrant considerable publicity. Display the premium items prominently in your lobby.
- The cross-selling efforts of your staff will contribute—more than any other factor—to your overall success. Get them tuned in early to any premium promotion you are planning and make sure they are absolutely clear about all the rules. You

don't want any of your people giving out incorrect or contrary information.

Be sure to spell out all rules and procedures well in advance. Think them through; make sure you can live with them. Set firm start and stop dates; don't apologize to anyone who misses out on the promotion. Once you start making exceptions to your own rules, you won't know where to stop and those members who complain that you played favorites with other members will have a legitimate complaint. Again, learn from others. Find out what other credit unions found to he successful promotions and procedures.

- Announce a coming premium promotion in your newsletter prior to the time you launch it. You'll build up anticipation and interest. You'll also explain to your membership the rationale for the promotion from the credit union's viewpoint.
- Try to get return privileges from your premium supplier. You don't want to end up with an embarrassing inventory that you can't return. Also, be sure your source will repair or replace defective merchandise at no additional cost. You don't need programs that are meant to generate positive results but produce ill will instead.
- Some premium items lend themselves to a coupon redemption kind of distribution which saves considerable trouble. You issue an established coupon or certificate to your member at the time of the transaction. The member takes it to the designated merchant(s) for redemption. This cuts costs and eliminates inventory problems. However the immediate gratification factor is lost; members did their part to qualify for the premium, yet when they collect from you they find one more procedural step they must take to get the final reward .
- Your cost-per-dollar-of-deposit should be relatively low on premium promotions. The item itself should cost no more than 1% of the total dollars generated. And the additional costs—for brochures, posters, direct mail, incentive program, etc.—should add up to no more than an additional 1%. Experience has shown that credit unions can produce dramatic results at costs that range from l/2%-to-2% of the total dollars generated. Savings and loans, the most aggressive users of premium marketing techniques, usually expect to spend from 2%-to-4% of gross income for the cost of a given promotion.

Premium promotions can generate a higher than usual participation. While a 3-5% response to a direct mail appeal is considered very good, successful premium campaigns can generate much higher levels of success.

- The timing of your promotion should extend over your active periods—paydays, end of months, end of financial quarters. Extend a promotion over eight to twelve weeks. Do at least two direct mailings during this time, in addition to the standard newsletter coverage, posters, lobby displays, etc.
- Performance monitoring is an important factor, whether or not you include an incentive program as part of your package. Daily tallying of deposits and premium hand-outs will help you evaluate results and maintain tight Inventory control.
- You shouldn't worry about all those members who may pull their funds out and go after some other institution's premium offer as soon as your promotion is over. For the most part, most of the business you take in will stay with you.

CHAPTER THIRTEEN

How To Get The Most Out Of Your Promotion Tools

Now, finally… at the tail end of the book…it's time to talk about media. But only after we've managed to de-emphasize its importance in the overall scheme of things by having all the other considerations precede it. Media, after all, is the element which catalyzes all of the other stuff into sales. If the other factors have been overlooked, disregarded, are missing or aren't "right", your promotional tools and efforts won't do much good for you, no matter how slick they are.

Newsletters

Newsletters are usually done backwards. First the panic hits ("Oh my lord, it's time to get the newsletter out."), then it's a frantic scramble to throw together articles for the current issue. Then it's down to the printer and back (and down again and back a few dozen times)… and finally—another issue of the newsletter is OUT!

Don't do it that way anymore. First of all, don't publish a newsletter because it's time for the next issue. Publish only because you have important news and information that you must get to your members. You should never have to scramble to find things to include. When you've said what you have to say, stop. No filler material. No poems or jokes. And definitely, no share account numbers hidden away in the middle of paragraphs. If you really think that by offering $10 to the lucky member who spots his or her account number, you'll trick your members into reading your newsletter, you're only tricking yourself. Play the hidden number game, but the only way you'll get them to read what you have to say… is to say things worth reading.

Finally, spend more time on what you want to say than on the production side of getting it printed.

Almost every credit union alive today publishes a newsletter… and for most, the newsletter IS the entire marketing program Once a person joins a credit union, the newsletter is the essential means by which that member-relationship is cultivated, strengthened, nurtured, developed.

The functional reasons for a newsletter, then, are:

1. To confirm and extend the basis of the relationship (members as *members,* not just customers). For this people need news about the entity they're members of.

2. To provide product/service information… members must know what's available from the credit union, why it's good, how to take advantage of it. And they need this on a frequently repeated basis.

3. To deliver useful financial insights, suggestions and advice. As the credit union's "POD" is it's concern for the financial well-being of its members, the newsletter becomes a central element which represents…and delivers…this vital value-added advantage.

Pick up the last issue of your credit union newsletter and review it critically in light of these functions. Which articles fill the bill? What's the overall impression created? How much genuine, valid "news" information is included? You should be beginning to get a feel for what changes or improvements you want to your newsletter's editorial agenda.

Generally we talk of two basic kinds of newsletters—*promotional* and *informational*. These are very arbitrary distinctions, but useful in terms of helping to decide what direction you want your newsletter (and, to a large degree, your credit union) to go.

The informational newsletter… is more businesslike in it's approach. It's more tuned to a "do-it-in-house" approach… a series of paragraphs with headings, or the ever-popular "Kiplinger" format which really is quite like a weekly or monthly *letter*. This format is well suited to an operation in which the (single) common bond membership connection is strong; it tends to presume a strong connectedness" between the CU and it's members ("Com'on, we can talk straight here…we're good friends and we have an understanding…"),and also that everything included in each issue is probably worth reading.

While promotional messages are not inappropriate within this newsletter context, the editorial tone should really be one of explaining what is going on and why. Here's where you announce the fact that the credit union is about to launch an all-out promotional campaign which will last six weeks and bring in at least $2 million in new share dollars. (Then the promotion follows.) And here, too, you'll explain the rationale behind the move and the benefits to be gained by both members and credit union. This newsletter style is the best one to include in quarterly statement mailings if you insist on distributing your newsletter in this manner. But to keep it effective, keep it short, deliver real *news* and distribute it often.

The promotional newsletter… is generally more common among credit unions. The standard version of this is a four-page, two-color, typeset, self-mailer, lots of pictures and art (clip art)… and a strong suggestion of professional assistance in the creative and copywriting departments. This one sells the CU and its services. The front page generally features the current promotional thrust, the inside pages include more product/service promotional information, with photos of people, credit union events and the like. One way to emphasize the difference between the two types of formats is to say that, while the informational newsletter might carry a feature story announcing the coming of an all-out promotional campaign, this newsletter style allows the newsletter itself to be the kick-off element of the campaign… and, perhaps, the key promotional feature of the entire campaign effort. This newsletter should definitely be mailed out on its own, rather than sticking it in as a stuffer in your quarterly statement mailing.

Having declared the point of two very distinct newsletter styles, it's appropriate to contradict it directly by saying that, in fact, there arc as many different kinds of newsletters as there arc people publishing them and, for the most part, all credit union newsletters feature aspects of each. The distinction is made more on the basis of budget considerations than anything else, the informational version requires less in the way of design and fancy production considerations than does the full-blown promotional model.

They both have advantages. But keep in mind, it's not the perfect newsletter that you're trying to create… it's new awareness, new understandings, new behaviors (or if not new, at least reinforced attitudes, awareness and behaviors) on the part of your members. So *overall impression* and *readership* are the two factors you're playing for, and all format and design decisions should be made on the basis of these parallel objectives.

So which one should you do for your credit union? Do them both. Do the bright, lively promotional version two, three, four times a year. Send it out in the middle of your most active quarters; tie it in directly with major promotional campaigns. Do the info style newsletter for each quarterly (or in the case of checking account users, monthly) statement mailing; but just make sure you include nothing but interesting, pertinent *news* and useful information.

Member Services Brochures

This tool is perhaps your most basic promotional instrument. Yet most tend to go in the strangest directions. Most credit unions have something that falls under this heading, but they give it to members when they first join, then never again. There's something a little crazy about that!

Look at it this way. You have members— you offer services— you want members to *use* your services. To do this most readily, members need something that lists and describes these services…their features and benefits…and explains the application procedures so they know what to do to take advantage of any of them. It's not unlike the standard set-up at any restaurant in the country. The MENU is the basis for the actual buying experience between customer and merchant. In a restaurant, they give you a menu to look at every time you come, no matter how many times you come. They want you to see everything they have to offer, and let you consider new or different choices each time. How direct and effective is your services *menu* in these terms?

Often this is where credit unions like to tell the "CU" story…the history and philosophy of the credit union movement. *Do* look for opportunities to do this…but *don't* get too esoteric about it, especially in your membership brochure. Members don't want a lot of philosophy, they want *benefits*.

And watch out about being too general, too vague. Don't give dictionary-type definitions about each service…instead, tell members *exactly* what you offer, and *specifically* what the terms and rates and benefits are.

Don't think of these membership brochure as something sacred, something that needs to be elaborate. Instead, come up with the simplest (one page) format you can find with the idea that you want to be able to up-date and reprint this piece every time your rates and/or policies change. In fact, plan to include an "Effective as of *(date)*" copy line right on the cover so that members get the idea right from the start that this basic brochure is updated and redistributed regularly.

Finally, don't hand one to a member the day he/she joins, then never think of getting one out to him/her again. Rather, plan to re-do your member services brochure *at least* once a year (even if there are no changes since the prior season's edition) and print enough to get at least two or three into every single member's hand before the next one comes out. Send them out often, put them around everywhere, hand them out regularly at the teller counter, even use them as statement stuffers once or twice a year.

The biggest mistake we make is in failing to remember that the particular service we choose to promote at a given time is not necessarily the one that most of our members want or need at that time. Our newsletters and direct mail efforts talk about loans OR share drafts OR savings OR direct deposit OR payroll deduction. Our members still need that basic piece of communication that explains savings AND loans AND checking AND payroll deduction AND etc....

Annual Reports

Don't publish an annual report. At least don't do the big, fancy, elaborate traditional version of a corporate annual report. Don't even pretend to.

Legally you must, of course, and you should, prepare, publish and distribute the annual financial statements of the credit union to your membership. Just don't spend a whole lot of money doing so. There's nothing in the scope of our operation as credit unions that warrants the production of the kind of stockholder document which many credit unions, for one reason or another, have tried to emulate over the years.

Since we are not profit oriented operations, and have no outside stockholders to romance, we shouldn't spend the time and money to do what banks and other publicly-held institutions must do. Our members, as owners of the credit union, should be presented with the annual financial report and accompanying assurances that the credit union stands on solid financial ground. They also should hear about the operational, organizational and political dynamics of the "corporation" but could have much of this presented to them through the newsletter. In fact, for members, the newsletter should be the direct equivalent of the annual report to stockholders is for privately held institutions.

Now it certainly isn't wrong, once each year, to prepare a *special* communication to the membership. It's just that when we start calling it an "Annual Report" and then jump to those visions of the expensive publications that immediately pop to mind, we're inclined to jump to that format without considering the important distinctions to he made.

Well, what should the special once-a-year booklet be, if not an "Annual Report?" From the "custodial responsibility" side, it should definitely tell how the credit union is doing it's job in terms of ***serving members.*** It should show service delivery "successes" (mini-case study scenarios)… even the number of members using various accounts and services and kinds of benefits gained by so doing. It should also speak of new services planned and the added member benefits to be anticipated from them. It should describe the delicate balance and "chemistry" of the system which allows members to do their banking in this cooperative way so that so many people with entirely different financial service needs and requirements can be served to everyone's mutual benefit.

Positioning is the purpose the annual report should address. The message should emphasize achievements in terms of service to members, not on the effective manipulation of dollars. Leave it to the banks to boast their financial intermediating skills, for this is the message that bank stockholders look for. Don't, on the other hand, fail to indicate the credit union's accomplishments in terms of running a well-managed, financially-sound operation. But growth and financial success is not the primary theme of our "annual reports" as we often tend to make it. Instead, the number of members served, how they were served, the extra benefits they gained by being served in these ways, and the special aspects of credit union operations which makes it all possible… these are things worth producing a special once-a-year booklet about.

And by the way, in the back of such a booklet would be a good place for the annual financial statements!

Direct Mail

If the best way to promote something to someone is to meet face-to-face and discuss it, the next best approach is to send someone a piece of correspondence. One-way communication will never compare with two-way interchange in terms of effectiveness, but since we're not able to strike up conversations on a one-to-one basis every time we want to do some marketing to our members, we do look for next best alternatives. That's where direct mail comes in.

Newsletters are a form of direct mail. As are stuffers in quarterly statement mailings (and, for that matter, so are the statements themselves).

But for our purpose, direct mail is an additional promotional technique… a highly refined art in fact… that is vital to a well-rounded marketing program. With direct mail we can reach all members, some selected groups of members within our total membership, or just one, two or a dozen very specific members. It is targeted, rifle-shot promotion. It offers the widest range of flexibility. Some think direct mail is the most costly form of advertising available, and in terms of cost-per-thousand exposures, it definitely is. Others argue that it is the least costly means of promotion, and prove it with sales figures that show how targeted mailings to carefully selected audiences, with as much personalizing of the solicitation as possible and far more in the way of direct-response opportunity as can be provided by other means— generate the greatest, most cost-effective number of actual buyer responses.

You should know that direct mail is not junk mail. It *is* a very effective marketing technique. And there are a few important rules to follow.

Right away there's a bit of a hitch here because even the experts can't always agree what the rules are. It's not uncommon to run into advice that directly contradicts the best advice of another authority you might listen to.

So here's some expert advice you can follow... or find direct contradictions to:

1. Always make a specific offer in your direct mail appeal. Don't start with a clever promotional idea. Start instead, with the product and work from there. Ask for immediate response action. Provide your recipients with a means of responding *immediately—a* name and phone number of someone to contact, a mail-back response card (include an envelope if the card asks for information that people wouldn't want others to see).
2. Letters received Monday or Tuesday will generate a greater response than will end-of-week mail.
3. Start presenting your message right on the envelope. Whatever you do, don't try to hide or delay revealing that your piece of mail is from the credit union by eliminating any return address information from the envelope. People are not only too smart for that (they quickly learn to recognize even the type of stationery that is used), they actually prefer to know who they're dealing with before they get into the actual communication. It's one case where the factor of surprise will not work in your favor.
4. Direct mail offers maximum selectivity, so learn to target your mailings to various sub-segments of your total audience for highest relative effectiveness. (Use your MCIF to help you with this.)
5. While first class postage is generally the best way to assure that your mailings will be delivered promptly and in good form, don't shy away from the use of bulk rate postage. Many credit unions have found that, because of a well-established relationship with members and an appreciation on the part of members for the cost-saving consideration involved (yes, people do notice and think about all these kinds of things), bulk mail can be just as effective a means of delivering their messages.
6. Everything you can do to *personalize* and *individualize* your mailings will help to increase the response rate. There are many new ways of adding personal touches to mass mailings but people are quick enough to detect the computerized “mail merge” name game (wherein the computer prints out individual letters, each addressed individually to your members, each one mentioning the name of the member two or three times in the body of the letter itself). But the fact is, this approach still works because, even though people know the "personalizing" was done by a machine on a mass-mailing basis, they still appreciate the effort and the intent.
7. Everything you can do to facilitate the response back will also improve your rate of effectiveness. Return mail cards that are separate from the brochure, or easily torn away because of perforations will come back in greater quantities than those that have to be cut out with scissors. You'll get more back when you pay the postage than when you don't. Some claim that actual postage stamps pasted on a return envelope will generate more returns than those that are simply printed with "Business Reply Mail" because people hate to see a real stamp wasted!
8. In general, a response rate of 2%-to-3% is considered good among credit union audiences. The large scale direct mail users make millions of dollars from a return rate that is closer to 0.5%! But with the kind of rapport established between most credit unions and their memberships and when the product-service offering is on target, it's not at all surprising to see 8%, 10%, even 15% or more of the membership responding to a promotion.
9. Don't assume that one mailing to your audience will generate the full response potential that is out there. Experience has shown that *three* repeated mailings over time will generate the optimum return.
10. Direct mail can work well on its own, but for greatest effectiveness you'll want to use it as the focal point of a multi-dimensional promotion campaign. Announce it in your newsletter first. Put up posters, run your ads, dress up your lobby. Then send out your direct mail package. Six weeks later, send out the same package, but with an up-dated

manager's letter ("If you haven't already done so, there's still time to sign up for Payroll Deduction during our 'Take It Off The Top' Sweepstakes . . ."). Finally, send the same package out one more time. But all the while, surround your mailing effort with peripheral promotional elements which remind and reinforce your specific theme-purpose.

11. When it comes time to put your mailing together there is a direct mail package "formula" that should he applied. Just know that many millions of dollars have gone into research and field testing to prove, beyond any question, that this approach will afford the biggest pay-off. It includes:

The carrying envelope—(usually with a sales message printed right on the outside). Bright colors and special sizes work, hut so does the standard #10 business envelope.

The brochure—colorful, eye-catching, very promotional in tone and flavor. It's job is to sell.

The CEO's letter— serious, direct, honest and candid… this piece provides the endorsement and the credibility of the campaign. ("After all, if my CU manager is actually saying it's a good deal… it *must* be!")

The response card—inviting, easy to complete and send, this piece gives members a way to take immediate action towards accepting the offer.

Return mail envelope—is important if members are asked to send in information which they'd feel is somewhat personal or confidential (account numbers, dollar amounts, loan request information, investment data, personal financial standing information, etc).

Premium item flyer—if there's a special act-now bonus feature tied in with the promotion (card saying: "The first 200 members to sign up for our "Lose Wait" Direct Deposit service will get a copy of *Your Personal Financial Affairs Almanac* absolutely free!".)

Begin now to level a critical eye at your own incoming mail to see what you can learn from the promotional appeals you receive almost every day. You'll probably see these same basic elements every time.

Some Direct Mail "To Dos"

- Get people involved: decals, coupons, stickers, check the yes/no boxes, peel-off labels with your member's name and account number.
- Include separate coupons and response cards.
- Make coupons that look like coupons. Lots of fill-in space.
- Use numbers for phone-numbers, don't use words; people hate that. Graphic of phone or photo of someone using phone is good.
- Code all mailings so you know who is responding to what.
- Setting deadlines for people to respond usually generates more action, more response. Allow 4-6 weeks.
- Use photos with captions.

Brochures and Statement Stuffers

The difference between the two is really one of emphasis. Brochures generally are more elaborate selling tools, with multiple panels and folds and attachments. Statement stuffers are usually simple and direct, used more as reminder elements than as strong direct-sell tools. Perhaps the main point to make is… don't rely on your monthly or quarterly statement mailings to do a heavy selling job for you. Don't miss the opportunity to get a promotional message into the hands of your members along with their statements. But when you've got some thing that's worth shouting about, that's when to use an attractive brochure and that's when to send out a separate mailing under it's own postage.

P.S.: We've suggested elsewhere that you should send the same brochure out two or three times as part of a major campaign push… perhaps the third time is the one time the brochure is simply stuffed with the quarterly or monthly statement.

Flyers and Posters

These might well be the least expensive way of building awareness and generating enthusiasm for credit union services. They can he very effective visibility-builders and credit unions usually have a well-defined territory throughout which these tools can work their effectiveness. They can he bright, hold, colorful, forceful. They can dress up lobbies. They can extend the credit union and it's promotions well out into the common bond field.

Posters are big, hold and colorful. They have established themselves as a popular art form and often people collect and save them. Some folks actually pay money for them… the good ones, at least.

Flyers are just mini-posters, usually done to an 8'x 11' format. They can be very inexpensive but effective when run with one color ink on a colored paper stock. They usually carry a bit more copy than you'd include on a poster ('though not a lot more) and are great for bulletin boards, mailbox distribution, under windshield wipers in the parking lot, as handouts when people are pouring out of work places at quitting time.

Another way of looking at flyers and posters is to think about newspaper ads. If you were to develop a standard quarter-page print ad for a specific credit union service, you could easily have several hundred copies of your ad run off at a local "quick-print" shop to be used as flyers. Have the same ad with the body copy eliminated (leaving the headlines and sponsor signature) blown up in size and silk-screened onto a heavy colored stock for handsome posters .

Here's a good place to recall the communication rule about establishing a strong singular promotional theme and then repeating it and extending it through a wide variety of media applications.

Mass Media

This is a subject to touch on only after working through the direct sales side of things. Often, people tend to jump into media advertising first and that's a mistake. But hey, what comes to mind when someone mentions advertising? All those clever, crazy, fun little 30 second and 60 second shows that they keep rushing through on TV in order to get back ... the dull dreary programs, right? Face it, one of the best all-time cocktail party conversation openers starts with "Hey did you see the commercial on TV where this little bunny…"

Most credit unions are quick to say no to any real talk of mass media advertising. For one thing, very few are in a cost-effective situation where it makes sense to try to reach members through the media. When your members represent only a tiny fraction of the total geographic audience, mass media is generally way too expensive and, at best, only partially effective. For another, in the credit union scheme of things—a good direct sales effort is absolutely essential while a mass media program is a nice-to-have luxury.

Look to media advertising to fulfill two functions: One— it helps to generate consumer awareness of a product or service and position it within the market place alongside its competition… and Two— it delivers consumer information about the product or service—how it works, why it is different from others of its kind, its particular benefits and advantages, how it is used, its price, etc., etc.

Good advertising also *intrigues* (gets a potential customer excited about the subject)… and *entices* (sparks a move to action).

But don't count on advertising in the media to *sell*. That's not exactly what it's for. It gets 'em ready., but generally—and particularly in the financial services field— something much more direct in the way of follow-up promotion is needed. Obviously, there are all kinds of exceptions to this claim, but if you think about the different ways people respond to the many elements of the total marketing mix, you'll have a better idea of how to determine priorities for your marketing dollars. The basic guideline for credit unions then, is—direct sales (direct mail) as the first marketing priority, then mass media promotion. But do it all if you can, including the media advertising—especially if you're able to do this by joining forces with other credit union in your area on a shared-cost basis.

CHAPTER FOURTEEN

Working with Agencies and Outside Sources

How about it, should you hire an agency or outside source to help you develop and execute your promotional efforts?

Probably you should. First, in-house marketing directors should concentrate on managing the total marketing program. To get sidetracked with the details of designing, developing, writing, producing and distributing promotional themes, messages and materials…is to misuse a vital resource. Second, agencies can provide you with competent, professionally based high-quality marketing performance in an efficient and effective manner. And for credit unions, a number of qualified agencies have come to cater specifically to the national credit union community; their investment of both professional skills and commitment on behalf of credit unions has served the movement well . They have, in fact, played a major role in bringing our non-profit financial cooperatives to the forefront of the financial services arena in a fashion which requires us to take a back seat to no one in terms of marketing skills, creativity, and promotional style.

While the hire-an-agency question will forever require an examination of each individual situation, certain trends are evident. While there's nothing that can prove that a colorful, imaginative brochure will, on it's own, cause a particular promotion succeed or fail, there's ample evidence that creative, well-researched promotional themes…presented in a lively, up-beat manner and within the context of a consistent graphic identity…followed by more of the same over time—will make a tremendous difference.

Relationship Is The Key

Agencies should be used not so much on a one-time, single project basis, then, but rather in terms of an involved, on-going relationship wherein the attainment of performance results is the shared basis for the relationship…and an overall positioning identity becomes the context for all individual projects and elements of the total program. The agency's challenge becomes one of "how much can we accomplish together (with the client) within the parameters of a given budget," not— "how much can I charge the client for this particular project."

The extension of this ideal relationship would see the agency source helping to:

1. Articulate performance goals.
2. Develop program strategies and marketing postures.
3. Create the promotional tools and campaign materials required for pulling off the program.
4. Participating in the program development process.

The in-house person (or *team*) would be responsible for:

1. Facilitating the goal-setting process.
2. Handling the many daily problems and projects that are an inherent part of this business.
3. Coordinating (and advocating for) the perspectives of members and their needs and conveniences in the operational side of the business.
4. Supervising effective field rep and employee cross-sell programs.

Experience shows that no agency can function effectively, no matter how good it is or what it's reputation, without a key person on the client side to follow up with, and implement the program the agency has developed and delivered. And on the other side, good professional marketing specialists will want… insist on… the special qualifications and added creative dimensions an agency can bring to bear on a given marketing situation.

The best thing you can do is provide your new agency— as quickly and efficiently as possible—with the kind of information that will help it do a first-rate professional job far *you*. *Don't* make it a challenge for them. *Do* be open, candid and honest. Trust them. And equip them to work effectively on your behalf. Prepare a loose-leaf notebook; of the following information (keep a copy of it yourself so you can remember what you told them). Be sure to include performance data from the past several years.

Briefing Data For The New Agency

Your market

1. What is your common bond?

2. What geographic area(s) served?

3. What is your estimated growth potential (# of new members)?

4. What local features, economic characteristics, common bond factors might affect the ways your members use the Credit Union?

5. What is the demographic breakdown of your audience (age in particular).

6. Who/what is the competition (what are their strengths/weaknesses?

Your credit union

7. Provide a complete and detailed list of services that the credit union offers.

8. Number of staff personnel?

9. Describe the physical plant(s)... location.(s).. branch(s)... remote facilities.

10. What are your policies/rules/loan limits/etc.?

11. What are your peak business hours, days, weeks, months?

12. What volume of business is drop-in traffic?

13. How much telephone and/or direct mail business?

Problems

14. What are your particular strengths?

15. What are your particular weaknesses?

16. What image do you think members have of the CU?

17. What image improvements would you hope to achieve?

I8. What are the basic management problems to solve?

Goals and objectives

19. What are your current/future *management* objectives?

20. What are your five-year estimates for members/shares/loans/etc?

21. What are next year's performance objectives?

22. What new programs or services are being contemplated?

Marketing

23. What is your marketing budget now?

24. What things have you been doing... newsletters, ads, brochures, mailers, 32. other? (Enclose samples of all forms, handouts, brochures, membership kits, etc.)

25. What results can you identify from these efforts?

26. Do you feel your membership "knows" about the credit union, what it offers, how to use it, better deals it offers, etc.?

27. How do you reach potential members?

28. Do you use give-aways? (What, what percentage of a marketing budget, what results achieved?) Do you use bulk mail permit (list P.O. station and number)?

29. Do you use first class business reply postage permit (list P.O. station and number)?

30. Do you have legal requirements that must appear on ads? (Provide copies of official requirements or regulations.)

31. What addressing/labeling facilities for members? (Also, for potential members?)

32. What sponsor-related communication opportunities/vehicles exist?

33. What staff training (cross-sell) and professional development programs are offered to employees?

34. What market research findings/data are available for review? (Provide copies of research study reports.)

35. Who will supervise work for the client (does that person have final decision authority to sign approvals for creative and production work)?

Working With Outside Services

Relationships

- First you should consider your expectations...and theirs.
- Come to hard terms with your specific objectives. Why are you spending the money? Put that in writing.
- Confront the distinction between:
  Objectives: The reason for doing things (stated in terms of results)
  Strategies: Basic approaches to solving the problem.
  Tactics: Specific steps, tasks and assignments to execute strategy.
- Reality is...more often than not, our objectives are usually soft.
- Work with consultants to develop objectives. Draw on their expertise/experience to learn more about possibilities.
- Knowing more options (and more about options) will help clarify objectives.

Attitudes and Expectations

- *You* set the "Corporate Culture"...
  But you can gain fresh perspective from seeing new procedures.
- Openness and candor is essential for greatest success.
- Information provides basis for solutions.
- Trust is an essential factor.
- Know your own orientations and limitations
- Personalities and "chemistry" are critical factors.
- Insecurities and egos must be managed.

Consulting Process

- Must always start with statement of objectives...
- ..And must include complete list of parameters.
- Create and maintain a "win/win" working relationship.
- Assume a partnership role...participate in the process.
- Listen...thoughtfully to suggestions, comments and advice.
- Be open to entirely different ways of doing things.
- Your client must win, too!
- Little things...can (and often do) torpedo the relationship:
- Budget
- Timing and scheduling
- Approving
  - Accepting responsibilities
- Know...*understand*...the "scapegoat" syndrome.
  People say one of the important cultural distinctions between the way the Japanese do business and the way we do business…is that when something goes wrong, the Japanese rush to find a solution and we generally rush to place blame. When the team doesn't win, the owner fires the coach. When the promotion doesn't work, the best move might be to figure out why and what would improve the situation (*other* than firing the agency!). Otherwise there's no chance to learn, and get better, from our mistakes.

The Selection Process

1. Identify sources
2. Know them first by their work
3. Letters of Inquiry: "Would you be interested...?"
   - Ask for their brochures.
   - Don't expect them to propose solutions to your problem.
4. Meet with selected sources.
   - See their approach...their level of interest and enthusiasm
   - Review their work: Is it creative? Was it effective?...(Results?)
   - Consider what they emphasize in their conversation.
5. Be prepared with presentation of your problem, needs, expectations
6. Determine how you can make a reasonable "Yes/No" decision:
   - Request a proposal of recommendations from 2-3 finalists.
   - Pay for these...
   - Evaluate recommendations on basis of information provided.
7. Upon selection-- sign a Letter of Agreement
   - It should include:
   - Agreement of formal working relationship
   - Definition of assignment
   - Terms of compensation and billing procedures
   - Coordination and approvals
   - Termination of services
   - Signed and dated by both parties
8. Consider a "Phased" program...first phase being a detailed Scope Of Work
9. Set tone for a successful working relationship:
   - Agree...Proceed...Produce...Report... Evaluate/Revise...Acknowledge!
10. The "Development Of Creative Solutions"

- Emphasis is on the approval process
  - Client must be ready to approve:
  - Strategy
  - Concept/project cost estimates
  - First Draft
  - Final art/copy/formats/etc.
  - Actual bid costs
  - Blueline
- Free Lance Services
- Printers/Suppliers/Vendors

• Training/Performance Consultants
• Management Consultants/Strategic Planning ("OD") Specialists
• Architecture/Interior Design/Retailing Consultants

Variety of Sources...or single source?

• Advantages:
• Wide variety of skills and perspectives
• Varied levels of competence
• Competitive inclination to perform to the limit
• Disadvantages
• Task orientation/lack of "Big Picture" perspective
• Limited degree of commitment
• Oppertunity for synnergy is lost
• More expensive

DOs And DON'Ts Of A Successful Relationship

• DO...Open up, talk candidly, offer information, share ideas.

• DO...bring consultants in as part of the team...introduce them to others...be concerned about roles/perspectives of your own staff members.

• DO...have some unstructured meetings... especially at first.

• DO...maintain and manage the situation with high expectations

• DON'T...convert the assignment to a series of tasks and approvals.

• DO...commit to time schedules.

• DO...have clear understandings throughout about budgets.

• DO...celebrate performance...and success.

• DO...determine what your benefits— your profits-- are!!

• DO...go for strategic planning-- in order to create team cooperation and achieve agreement on expectations.

• DO...think about consultants' opportunity for success.

• DO...hold to a sense of improving performance over time-- continually recycle and fine-tune performance.

• If things don't work...DO close down, make changes— but take time to identify/study/review the problem. It is— to some degree— your problem, too!

CHAPTER FIFTEEN

For CEOs (And Others) In A High-Burn Hurry

If your credit union has assets of $30 million or more, and/or you have at least 10,000 members, the odds are better than three-to-one that your credit union has formally designated a particular staff person to "do" marketing. According to *Credit Union Marketing Trends Survey* (CUES: 1992), at least half of all credit unions— and upwards of 90% of those larger than $30 million— employ one or more full-time marketing professionals.

Sort of makes you wonder, though, doesn't it? What about the huge number of credit unions with folks who are filling the marketing role on something less than a full-time, fully committed basis? And how about the remaining 57% of the "$30 Million and Under" credit unions with *no* designated marketing person— full-time, part time or otherwise— working the program… how do *they* go about promoting their services in a determined, proactive way?

We know the answer to that. We can pretty much guess that these many holes in the marketing roster represent the once-again familiar scenario in which the Credit Union CEO is the one who "does it all." These top managers are their own marketing directors. And, except for the never-yielding overload of work that forever confronts them, that's really not so bad. The underlying premise of this book is that marketing is the primary business of the credit union. Doing marketing is doing the credit union's basic business. Therefore, whether it is delegated to others or not, marketing must be the mainline concern of the CEO. It is the CEO, then, who need to know about promotion— what to do and how to do it— without getting too esoteric along the way. He/she…*you*… need it fast, direct and to-the-point. You don't have the luxury of laboring over theories, strategies or conceptual persuasions.

So here's the quick once-over of credit union marketing for those of you who don't have time for the subtleties. We present it here in the form of a checklist of things to do and think about right away…and for sure!

Hang a sign: Locate the credit union for your members. Give the place visibility. Make it so people passing by have no doubt about what your place is. And make sure the hours of operation jump out at them (hopefully, your hours are so convenient that they alone are reason enough for people to sign up for membership).

Print a menu: List, on a single sheet of paper, all of your services. Briefly, under each product or service heading— 1) describe the features and benefits included…and 2)what a person has to do to open the account or take advantage of the particular service. Print enough of these to pass out to your full membership at least of three times in a given year. Then make sure there are none left when the year is over. Some people call this a member services brochure— but is should be **as simple as possible**…one piece of paper instead of a little booklet with multiple pages…and as yet as complete as you can make it. Don't clutter it up with any other information… just what you offer, how, what the particular benefits are…and your hours of operation.

Write each member a letter: Take a single sheet of paper and— in very direct, very friendly, informal terms— tell your members what you think they ought to be doing right now in terms of saving, borrowing, checking, payroll deductions, etc. Date it Spring, Summer, etc., and mail it. Consider this your newsletter. Make sure you put more thought into what you are saying and how you're are saying it…than in the printing and reproduction side of it. Don't worry about photos or illustrations or graphics or mastheads. Just write a thoughtful, informative letter and get it out. Remind each member that the credit union's goal is to help him or her gain a degree of financial advantage they generally won't get otherwise…*and*…that the more he/she uses the credit union, the stronger and better it gets— and the more it's able to do (pay off) for everyone. Repeat this particular message often. Send a copy of this letter to each m ember. Send it out on it's own, with its own stamp, rather than as a "stuffer" in your regular quarterly mailing. (Don't worry, the extra cost will more than pay for itself in additional business!)

Take Inventory: What…specifically…do you offer in the way of financial products and services? What do your competitors offer? What do members need…want…use most? What's going on in the economy right now? What are your *special* services? What are other *tangible* advantages to be had from credit union membership? What new ones can you add? Take a close look at your loan policies, your hours of operation, you application procedures and requirements— are they as simple and as convenient as they could be? They should be. After all, **convenience is the reason most people do what they do when it comes to selecting financial sources.**

Stuff your statements: Find a source of attractive , low-cost, high-quality promotional brochures or flyers that describe products and services you offer. Check to see that they will fit inside your statement envelopes. Make sure you include at least one (up to three) such items with each statement mailing. If you can, be sure to include some kind of mail-back response mechanism so members can, in fact, buy what it is you are selling.

Develop a plan: Once you have some of these basic promotional steps going, take a piece of paper and draw a horizontal line across. Mark off the twelve months. Below the line, at the appropriate spot, indicate when each of your quarterly statement mailings will go out. Make a note as to which CU product or service will be featured in each of those mailings. Then note when each newsletter should go into the mail— space these evenly between your statement mailings. Also, make such other special occasion dates as election of officers, annual meetings, Credit Union Day, etc. Finally— choose at least two 5-to-7 week blocks of time (Spring…Fall) for special member-wide promotions. Be guided by the need to get more of your members doing their *primary* checking activity (depositing paychecks and paying monthly bills) with you . Write it all down and give your Directors, your Department Heads, your Supervisors a copy. (If yours is a small credit union, give a copy to everyone.) You've got a marketing plan.

Spend some money: After you've used a plan as a work schedule or reminder of things-to-do for a period of time, sit down and write some specific goals about the number of members you have and their use of the products and services you offer. Be sure to challenge yourself to produce greater year-end gains than you've been averaging in the past. Determine how much in the way of bottom-line net income you want (need?) to generate. Then commit a portion of that projected income as a marketing ***investment***. Spend at least **$5 per member** on mailings and promotional activities each year. Don't worry, you'll get it all back…several times over!

Think about a marketing identity: What picture do you suppose comes to mind when your members think of the credit union? People don't think in words, they think in ideas, images, feelings, style, personality, impressions. What adjectives would your members use to describe your operation? And— which descriptive words and phrases would you have them use? Identify…then start to develop a specific, vivid identity for your credit union which answers the description you'd like members to have of you. Then, make sure this identity is continually reinforced in everything you do and say.

Buy some good (professional grade) graphic design: Once you can describe the particular identity characteristics you want for the credit union, look for a qualified professional graphic designer or ad agency to help you translate this into visual dimensions. A logo or corporate signature may be part of it, but remember that it's really a *long-term banking relationship* you're selling, and financial benefits for members that you're constantly trying to push. What you're really looking for here is a publication "system", a coordinated look which ties all your many communication forms and formats into a well-coordinated and integrated program. Expect to spend anywhere from $5,000-to-$25,000 for this, depending on how sophisticated your taste is and how many graphic elements you include in your order. You'd spend ten times this amount on a new facility— yet in both cases we're talking about tangible elements that allow members to "connect" with your credit union. Bottom line— keep in mind that you're asking people to trust you with their life savings…and rely on you for the kinds of activities required to handle complicated financial matters in these modern, sophisticated times. Make sure you provide them with some solid indication that you are up to the task.

Build a strong sales team: Share your marketing goals and activity program with everyone involved with the progress of the credit union…staff, management team, directors, committee members, the membership itself. Develop charts that show your front-end projections and big, bold scorecards that track the actual progress being made. Post these so the staff can't help but see them every single day. Then, once each quarter (or more frequently) hold a general progress review meeting; talk about the progress being made, any problems, any changes needed in the annual game plan. And listen…*carefully*. Encourage people to think in terms of a total team with specific objectives (as stated on the charts), with everyone working together to accomplish these goals.You'll be miles ahead if you encourage your staff to participate in the development of each year's action plan.

Get the facts: Go over your figures from last year and years past. When do people borrow? When do they save? What has been the history of the credit union's growth on an annual percentage basis? What are the largest loan categories? The average balances per account? The demographics of savers? Of borrowers? This information is, for the most part, already in your hands. Learn how to draw it from your data files, chart it, and use it to your direct advantage. Call other CEOs and find out how they do it (it seems that every credit union manager has his/her special form or formula for keeping performance statistics). Remember, the more you know about the facts of your credit union situation, the better your decisions and your programs will be.

Check your personal perspective: And check out the attitudes of your directors. *Attitude* is the name of the credit union marketing game. The biggest on-going challenge you have is that of keeping your people totally focused, on a daily basis, what business you're in and why. Once each year ask your directors to tell you *why the credit union should not close its doors*. (This will keep them focused on what it is the credit union is supposed to be doing for members.) Do lots of comparative shopping. Do your products and services keep pace? Are you competitive? Keep yourself fresh and open to new ideas.

Join a group: If the credit unions in your area are doing joint-promotions, support them. If they aren't, get something of the sort started yourself. Support the league's media program. You'll get much more back than the small share you invest. Credit unions should be doing much more of this cooperative marketing. In unity, not only is there much strength— there is considerable cost-benefit advantage!

Run through the entire list again: Here's a complete listing of credit union factors, all of which have some marketing relevance. Use any of these as subjects for brain-storming at planning meetings. Explore every marketing-related aspect of each one.

Your common bond— change, expand, promote.

Membership potential— non-members, secondary members, SEGs, new borrowers (young members).

Officers/management team/ staff/committee members/eager volunteers— geared to *sales*...to *achieving results*!

Your management attitude and perspective.

Sponsor— relationship, opportunities?

Location(s).

Buildings and physical elements.

Branch locations/shared branches/shared back-office resources/ATMs/etc.

Hours and days of operation

Goals/objectives/annual performance plan

Operations procedures/truth-in-lending requirements/regulations/etc.

Performance style/reputation/ personality/image.

Visual identity/publication "system"/forms and business papers.

Products and services/rates and terms/ features and benefits.

Merchandising, in-house point-of-sale

Posters, lobby displays, information racks, in-lobby library of financial data.

Staff cross-sell program, annual sales goals.

Membership surveys/ consumer research/performance statistics.

Membership information/member services brochure.

Newsletter.

Promotional brochures and statement stuffers.

By-mail promotions.

Telemarketing program— In-bound calls, outbound calling, 24-hour telephone banking.

Media advertising.

Field rep program

Premiums and specialty items.

Events and community relations

News publicity— press releases, press visits/ briefings, background pieces, handout materials.

Financial seminars and personal financial counseling.

Consumer guides, buyer information.

Annual planning seminar, quarterly review meetings.

Program evaluation.