

CREDIT UNION TIMES

Vol. 16, No. 27

Weekly Independent Report On Credit Unions

Special Report: Retail Delivery Systems/Marketing

The Three Most Common Marketing Mistakes Made by Credit Unions



Credit unions are in a unique position in the marketplace. On one hand, they exist to serve the members who own the credit union and who typically view their credit union as “on my side,” which is a wonderful competitive advantage. On the other hand, credit unions have balance sheet and income growth goals as an important part of managing the long-term viability of the credit union, and solid financial stability is also a wonderful competitive advantage. Balancing these two goals and advantages requires finesse, and marketing can play a critical role in keeping these goals in check. However, credit unions frequently don’t see it that way, and often make three significant marketing mistakes. Here is a brief overview of what those mistakes are:

SPECIAL REPORT OPINION

Not thinking about marketing like a business:

First, it is important to understand that valuing members is not in conflict with “thinking like a business.” Although credit unions are designed for meeting member needs, these needs need to be balanced with solid business practices, so that credit unions incorporate financial performance into marketing programs. Traditionally, credit unions have measured marketing performance based on simple “volumes” and “cross-sell.” The thinking is that the more the credit union sells in terms of numbers of members, accounts and balances, the more successful are the marketing efforts. Not so! Much of what is sold is unprofitable and many, or even most members are unprofitable. Instead, campaigns, new products, rates/fees, and servicing channels need to be evaluated on an ROI (return on investment) basis and the impact on net income growth.

If the ROI or income impact is negative, then the marketing effort was not successful. Concurrently, measuring marketing success according to the traditional “cross-sell” ratio also hides the financial impact. Selling lots of unprofitable products/services to unprofitable members does not provide for positive ROI and profitability. Instead, looking at the “up-sell” ratio matters more – that is, the degree to which profitable products have been sold and the degree to which greater numbers of members are producing positive profitability. These need to be the key measures of successful marketing.

Also important is communicating to members and educating them on the importance of the financial performance of the credit union. Don’t worry about adverse member reactions; they understand that

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Three Mistakes Credit Unions Must Avoid

•Not Thinking About Marketing Like A Business

Measure marketing success based on ROI and net income growth and up-sell; not just on volumes and cross-sell
Educate members on value of financial stability

•Not Asking For Full Member Relationships

Leverage special relationship with members
Design matrix marketing programs to continually and systematically up-sell members

•Not Managing Marketing For Sustainable Growth

Implement long-term growth programs
Think beyond the “Campaign of the Month”

Ask for the business! Ask members to move their primary accounts from their bank(s) and bring it on over to the credit union.

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financial stability and sustainability are important in ensuring the long-term viability of their credit union, and they want it to be around in 20 years.

Not asking for full member relationships:

First, it is important to appreciate that the relationship credit unions have with their members is special. Most credit union members rate their credit unions exceptionally high on a whole variety of positive image indices. They perceive the credit union in positive ways that banks cannot hope to achieve. Yet, most credit union members do not consider their credit union as their “primary financial institution” (PFI). Many credit unions simply accept this and have not leveraged this special relationship. The rationale is that indirect auto lending, mortgage lending, home equity lending, etc. are the “meat and potatoes” of the relationship with the member, and a loan with a minimal share account is all one can expect from most members. Think again, full service relationships should be the goal, and it is attainable. Marketing needs to leverage the special relationship and push the limits on PFI, by offering packaged products, tiered and relationship pricing, and measuring sales performance at the front line according to up-selling performance indices.

It is also important to design Matrix Marketing programs which continually and systematically up-sell members throughout the year through ongoing communications. Ask for the business! Ask members to move their primary accounts from their bank(s) and bring it on over to the credit union. These communications should be highly targeted, bringing together member demographics, behaviors and profitability into a comprehensive communication program, consisting of direct mail, e-marketing, telesales, and other communication vehicles. Members are surpris-

ingly willing to open mail/e-mail from their credit union, talk to credit union representatives, and take time to engage in serious financial discussions on a wide variety of financial needs. This willingness should be fully leveraged to appropriately up-sell members...don't be afraid to ask.

Not managing marketing as a driver of growth:

It is important to think about marketing beyond the current promotion and view it as the source for long-term member and profitability growth. The Marketing Plan should contain two key sections: Current Year Marketing Plan (Goals, Activities, Programs and Measurements) and Long-Term Marketing Plan. Typically, the latter is not included at most credit unions. Each section should have goals, programs and measurements, where the measurements are defined by ROI, profitability, and up-sell ratios. Marketing, in the broadest sense, should be the foundation for long-term growth.

Second, it is important to think beyond the “campaign of the month.” Long-term growth is about building PFI in a profitable way through successful ROI and up-selling. It does not happen through lots of stand-alone campaigns or flavors of the month. Moving from a simple promotional calendar to a serious and sophisticated Marketing Plan, based on increasing member value and profitability growth objectives, is what marketing should be about.



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