



In the Moment

by Jamie McMahon

Timing products and services to fit the special times of your members' lives.

Customer attention spans are shrinking, digital information databases are growing, and target marketing is becoming ever more specific and relevant. This isn't exactly breaking news. On the other hand, "target marketing" can mean any number of things, and there's a certain target-marketing strategy to which credit unions may want to start paying special attention.

"Life-cycle management," sometimes called "life-stage marketing" or other similar-sounding terms, is the practice of not only deciding whom to market a particular product to, but also determining when to offer it.

The idea goes like this: There exist buying behaviors that arise from certain ages, incomes and other demographics. You can predict these behaviors even more accurately, though, if you tie them to certain life events. A member who just graduated from college is more likely to be in the market for a car loan, and a couple who is expecting a child might be interested in college savings or life insurance. If you can catch members at these precise moments, they'll be much more open to what you're offering.

The key to monitoring these life events is buried within your own transaction data: It could be the purchase of a baby crib, a wedding gown or a plane ticket. More commonly, changes in general spending habits signal the imminence of a major life change (for example, saving for retirement).

The solution lies within the study of transaction data, the cataloguing of products previously purchased by members, and the application of more traditional demographic information. If all of this is combined correctly, life-cycle management has the potential to increase your ROI, personalize your marketing and, ultimately, better serve your members.

Not so Fast

Life-cycle management can be a great tool for honing the timing of offers on a member-by-member basis. But it is also one of the final steps in the market-segmentation process, and knowing when to target members is useless if you haven't yet figured out how to segment. After all, just because transaction data shows that a couple with two high-school aged children is accumulating funds in a savings account does not mean that they'll automatically respond to any old college-loan offer. The financial industry is learning this lesson as it deals with Gen Y.



So how should you change the way you interact with Gen X or Gen Y? For one, don't make them the same offers you make to Baby Boomers.

According to Rich Weissman, president/CEO of CUES Supplier member Database Marketing Agency, Beaverton, Ore., many credit unions continue to use the "Baby Boomer model" as a blanket pricing strategy, even as younger generations value services in completely different terms.

"The Baby Boomer model is, 'Package things together, and offer things for free,'" Weissman says. "The Gen X and Gen Y models are very different; they're more based on, 'Explain the pricing explicitly, and let me explicitly pay for that piece which I wish to purchase. I don't believe in things that are free because I know that nothing's free. And I'd rather not be forced to buy the whole enchilada; I'd rather purchase it piece by piece in a way that appeals to me on a more customized basis.'"

This applies to profitability models as well. Gen Xers and Gen Yers may not seem profitable when assessed the same way as the Baby Boomers. But as Weissman points out, "Plenty of companies have made tons of money" from them. Only after you redesign the way you look at profitability relative to these groups—only after you've studied data and determined members' purchasing habits and other tendencies—should you pursue life-cycle marketing.

All of this is important because life-cycle segments typically arise as subgroups of generational segments. Understanding these larger groups will help you nail down the how of marketing so you can begin to worry about the when.

Crunching Data

It is now time to shift to the main process of life-cycle management: the analyzing of data to allocate members to various life-stage groups. This process can be as complicated or simple—and as dependent or independent on vendors—as you'd like.

One important trend is "the emergence of Gen X and Gen Y as serious players in the economy and serious players in the financial services industry."

"You should have one vendor who provides all the database software, the database analytics, the database processing and profitability modeling," Weissman says. "That should all come with one provider who can also do primary research and bring that into the data as well."

~ Rich Weissman

According to Weissmann, "there are now new avenues in which one can begin to collect information about members from external sources that help you to better understand and target them. That becomes a new way of how you enrich your database. But still, your main focus and fundamental database should always be internal—there's an awful lot of data there."

Weissman explains these "new avenues" include obtaining highly detailed demographic data on the consumer side, highly detailed business-graphic data on the small business side, financial institution usage and product usage on a market level, and also the creation of an income statement which assesses the potential profitability a specific market affords.

Even if the idea of life-cycle marketing is nothing new to you, your CU may want to take a second look at it and reassess its value with respect to recent economic developments. "I think the importance of life-cycle marketing has changed for a variety of reasons, one of which is the economics and the need to be much more targeted and specific and relevant to the market that you're targeting," Weissman says. "There is, however, a second reason. And I think this is a trend that we're perhaps not paying enough attention to. That is the emergence of Gen X and Gen Y as serious players in the economy and serious players in the financial services industry."

With many taking an interest in the credit-union idea for the first time—due in part to after effects of the

recession, according to Weissman—drawing certain members may be as simple as providing them the right offer at the right time.

“People are showing greater interest today in what credit unions are about, what they stand for and their values,” Weissman says. “We see that change happening, and we think credit unions that begin to understand life-cycle marketing and begin to understand Gen X and Gen Y in a meaningful way are those that are reversing those trends, and indeed becoming more relevant to Gen X and Gen Y than they had been before.” 🗣️

Selected Excerpt