

Ten Marketing Trends for CU Boards

By Mark Arnold

Wayne Gretzky, the great hockey player, said, "I skate to where the puck is going to be, not to where it has been."

It's the same thing with identifying marketing trends: Your credit union board and management team must know what trends are coming, not which ones worked well in the past decade.

This special report presents 10 top marketing trends your credit union should prepare for.

1. Marketing and technology are a pair.

America is "wired." According to the Pew Internet and American Life Project, Washington, D.C.:

- ▶ 67% of the U.S. population use the Internet;

- ▶ 44% receive financial information online;

- ▶ 41% manage their personal finances online; and

- ▶ 38% pay their bills online.

Consumers are dialing down dial-up methods to access the Internet, moving toward high-speed options such as cable or digital subscriber lines (DSLs).

It's all about speed in the future, and members will want your credit union's electronic services to be just as convenient and accessible.

Future marketers have to be technologically savvy. Does your marketing staff know how to

write hypertext markup language (HTML) code for the Internet? They should.

If they don't know "techie" stuff, they at least must be able to talk the language: e-inserts, Web ads, target marketing inside home banking, e-surveys, and e-newsletters. Traditional marketing such as direct mail, inserts, and so forth just won't be enough.

Electronic initiatives also will affect your marketing. For example, as more members receive their statements electronically, how will you reach them if one of the main marketing avenues (statement insert) no longer is available? You may have to begin direct mailing your newsletter instead of inserting it with statements.

2. CRM will dominate.

Customer relationship management (CRM) is a business strategy that identifies members uniquely and then develops and executes sales and service strategies consistently across all delivery channels. It's not a strategy to push products to members. It is a strategy to match products to members' needs.

CRM isn't a marketing customer information file (MCIF) system. MCIF is just one component of CRM. MCIF is like a database. It spits out data. CRM takes information and filters it to mem-

bers' hands through different channels, such as automated teller machines (ATMs), tellers, or the Web site.

'Savvy marketers would be wise to study the powerful global forces that are changing our world today to learn who their customers [members] will be tomorrow.'

—Sam Hill, "60 Trends in 60 Minutes."

Here's what CRM can do: A retired 70-year-old member most likely will access his funds at the credit union branch and most likely will be a candidate for a share certificate. Therefore, when he visits your credit union branch, the teller would see a message on the computer screen to provide information about deposit products.

The member's 35-year old daughter, however, is more likely to access her funds at an ATM and need loan products. Therefore, on the back of her ATM receipt would be a message about the



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credit union's auto loan rates.

You have to know your members better than anyone else does, and CRM allows this to happen.

3. A sales culture is mandatory. Credit unions must create an environment that views sales as the essence of offering superior service. It's an environment where selling products and services is a natural progression of the conversation between an employee and members.

Boards must realize that "sales" isn't a dirty word. You shift staff from order-takers to sales professionals. Many credit unions prefer to describe the process as "enhancing member relationships" instead of "cross-selling."

A sales culture requires solid commitment from your senior management team. It could be one of the hardest things your credit union ever does. And expect to lose staff if you make this commitment. You have to "change the people" or "change the people." Let that sink in for a minute.

4. Community marketing leads the way. In the past, credit unions rushed to obtain select employee groups (SEGs). But selling the credit union to the human resource director of potential SEGs is diffi-

cult. If your credit union remains in business development, you must focus on SEG penetration.

Develop a connection and affinity with your SEGs. View your role as that of a partner, not a vendor.

Community marketing can be an inexpensive way to raise awareness of your credit union, although some credit unions commit up to 20% of their total marketing budget to community relations.

Community marketing allows you to "touch" people, a true credit union strength. Texans Credit Union, Richardson, Texas, sponsors an area minor league baseball park. Signs throughout the ballpark promote the credit union and its services.

Genco Federal Credit Union, Waco, Texas, sponsors the Heart of Texas Fair and Rodeo each year. "Being an annual sponsor of a premier county event like the rodeo builds great name recognition," says Taylor Wells, Genco Federal's marketing director. "People have come to expect our sponsorship, and many ask well in advance what we'll bring to the rodeo next year."

5. Branding rules. Branding ignites your credit union's membership experience and creates member loyalty.

When consumers see an ad for Volvo, they associate the automobile's luxury, safety, and security. The credit union's goal should be to brand itself in such a way that it, too, evokes a positive feeling from members.

Every part of your credit union affects the brand—tellers, branches, restrooms, Web site, CEO, brochures, newsletters, letterhead, logo, and so forth.

Marketing puts the public face on the brand. Yet, the call centers, branches, member service, and operations support all play an

important role in the experience members have with your brand.

"Brands need to connect on a deeper psychological level," according to *Fast Company* magazine. "They need to respect and acknowledge the customer's emotions—feelings such as the yearning to belong, the need to feel connected, the hope to transcend, and the desire to experience joy and fulfillment."

But branding isn't a one-time activity you mark off your strategic marketing to-do list. And it's not a one-time activity your staff complete. Constantly brand your credit union. Branding drives your strategic marketing plan, and your strategic marketing plan drives branding. Think long term at all times.

6. Direct mail will refocus. More companies "are shifting their marketing budgets away from traditional methods and embracing e-mail advertising," *Newsweek* points out.

And as postage costs continue to rise, one way to control expenses is to conduct marketing campaigns via e-mail.

E-mail marketing should be a cornerstone to your marketing program, not an afterthought. "If a company can't communicate via e-mail, the question is, 'What's wrong with you?'" says John Samuel, director of interactive marketing, American Airlines.

E-messages are short, text-based e-mails (a maximum of one paragraph). E-newsletters can have graphics, such as a logo and pictures. E-surveys are inexpensive and great for quick information but can't replace traditional member surveys.

7. Relationship pricing assists retention. The more business members do with your credit union, the more profitable they are and the

better deals you give them. That's relationship pricing.

You can apply this strategy to both high-wealth members and members of modest means. Create service packages that are accompanied by lower (or waived) fees, lower loan rates, or higher savings rates for members with multiple accounts or high account balances, says the Credit Union National Association's (CUNA) 2005-2006 Credit Union Environmental Scan (E-Scan).

"Your credit union's ability to fulfill its mission and to succeed will be determined largely by how well it performs in two critical areas: member attraction and member retention," according to the E-Scan.

Attracting members costs more than retaining them. The average cost of attracting a new member is about \$200, the E-Scan notes, citing Sheshunoff Information Services, Austin, Texas. And according to the *Harvard Business Review*, the cost of attracting a new member is about five to 10 times the cost of expanding account relationships with an existing member.

Retention involves building and maintaining member loyalty and then, for the most successful credit unions, taking the relationship to the next level by achieving greater product penetration among these loyal members.

In "Outrunning the Competition: Relationship Management," co-author John Zells writes that 80% of members who leave the credit union are "satisfied customers." He says the difference between satisfied members and loyal members is a relationship.

"Products and services are not sustainable competitive advantages," Zells says. "Relationships are. Learn about your members. Use that knowledge to offer product and service solutions. You'll build relationships—and loyalty—by selling personalized products and services that meet their needs."

Some ways credit unions are building loyalty, says the E-Scan:

- ▶ **Account-to-account** transfer capabilities;
- ▶ **Person-to-person** transfer capabilities;
- ▶ **Online statements**; and
- ▶ **Check imaging**.

8. ¿Habla Español?
Hispanics account for about half the growth in the U.S. population since 2000. According to CUNA's Hispanic Resource Center and the Pew Hispanic Center, Washington, D.C.:

▶ **40.4 million Hispanics**, or 14% of the population, live in the U.S. as of year-end 2004. That's a jump of more than 14% since the 2000 census, when 35.3 million Hispanics lived in the U.S.;

▶ **Hispanics** are the fastest growing and largest population segment in the U.S.;

▶ **46% of Hispanics** send remittances to their home country at least once a month, while 15% use these services a couple of times a month;

▶ **Hispanic purchasing power** will grow 89% from \$491 billion to \$926 billion between 2000 and 2007. Hispanic consumers will

spend \$700 billion this year; and ▶ **38% of U.S. Hispanics** have no financial institution relationship.

As a result, multilingual marketing will grow. Your credit union first may have to focus on operational issues such as bilingual forms, applications, and personnel, and then follow up with marketing strategies in subsequent years.

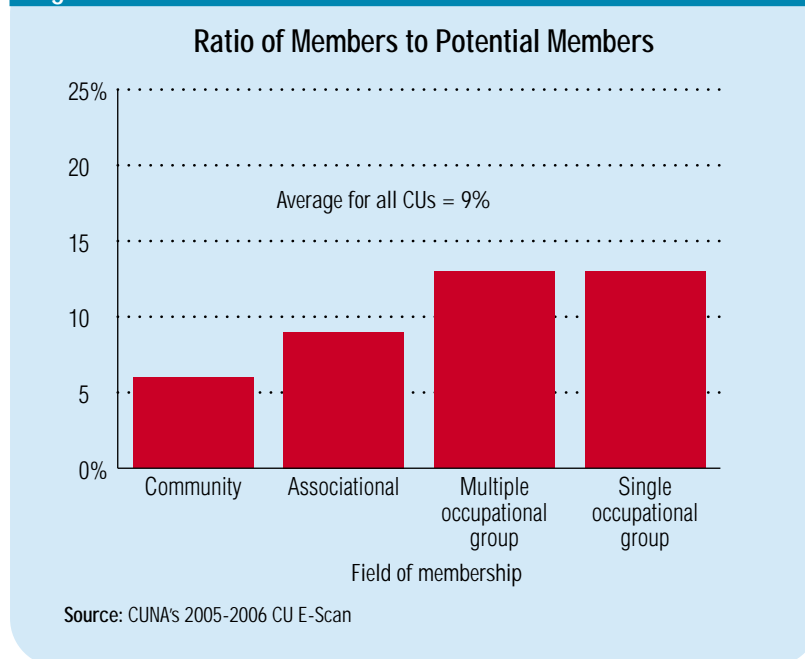
Credit unions are uniquely positioned to provide Hispanics services such as international wire transfers, vehicle loans, financial education, and mortgages. For example, Hispanics may be less interested in deposit products such as share certificates and money market accounts.

"Credit unions that want to grow and thrive will be serving Hispanics/Latinos and other emerging racial/ethnic markets," notes CUNA's E-Scan.

9. CEOs will know marketing.
In the past, the typical credit union CEO was a former chief financial officer (CFO). Today, more CEO positions are filled from the ranks of former CFOs and lending personnel.

For credit unions to survive,

Figure 1



they must have savvy, marketing-driven CEOs. The speed of change is lightning fast at this point.

"Companies that create Purple Cows—companies like Jet Blue, Starbucks, Hasbro—have to be run by marketers," says Seth Godin in "The Purple Cow: Transform Your Business by Being Remarkable." According to Godin, a purple cow involves making your organization remarkable and different, a new way of marketing.

Marketing takes commitment in terms of budget and staff. Credit union leaders must understand that marketing and advertising also are a 24/7 job. Chances are, the competition already knows this.

10. Women will sell the CU. Marketers often talk about segmenting members by age. But also target women.

Resources

- ▶ Your credit union league.
- ▶ CUNA, cuna.org.
- 1. 2005-2006 Credit Union Environmental Scan, available as a print report (Stock No. 26657); video (Stock No. 26658); PowerPoint (Stock No. 26659); or DVD (Stock No. 26828). Visit advice.cuna.org, or call 800-356-8010, and press 3.
- 2. Hispanic Resource Center: click on "CUNA Initiatives."
- ▶ CUNA Marketing & Business Development Council: cunamarketingcouncil.org.

If you sell women on the credit union, you'll sell the entire household. Women make almost 80% of the household buying decisions, according to the E-Scan. One ad agency that handles multiple credit union accounts uses a female voiceover for a radio spot because of the influence on women.

The E-Scan lists other reasons your marketing strategies should target women. Women:

- ▶ **Keep** the household check-book;
- ▶ **Hold** the primary credit card;
- ▶ **Purchase** two of three new cars; and
- ▶ **Control** the finances in 53% of U.S. households.

Women will make up 59% of total college graduates and control 60% of the wealth in the U.S. by 2010, and they represent the majority of investment club members.

"The most important thing in the financial services area is the underserved needs and wants of women," says author Tom Peters.

"Now is the time for the financial services industry to turn its attention to the female market," says Evan Goldfarb, executive vice president of marketing and sales for Simmons Market Research Bureau, New York.

Compared with men, women still are underenrolled in retirement plans. Credit unions should offer retirement planning seminars focused exclusively on women, for example, "How to retire wealthy without marrying a man."

If you connect one woman to your brand, she'll pass it along to



Mark Arnold, CCUE, is senior vice president for \$227 million asset Neighborhood Credit Union, Dallas. Arnold currently oversees and

plans strategies for multiple departments, including marketing, business development, human resources, and training.

A member of the CUNA Marketing & Business Development Council, Arnold speaks nationally on various topics and assists credit unions with long-range planning sessions. He also is the author of "Marketing Across the Generations: Gen. X," available from CUNA at 800-356-8010, press 3 (Stock No. 22899).

her friends. Women are three times more likely to recommend a brand or service they enjoy than men are.

"If you market to women, you need to rethink what women want from your brand," says Faith Popcorn, author of "Eve-olution: The Eight Truths of Marketing to Women."

Women want good deals and great values, including the core ethic of membership. Only credit unions offer this in the financial services arena. And women will pass along these values to friends and family. ■

Adapted from a white paper by and available from Mark Arnold. For more information, contact Arnold at 800-321-3728, ext. 1113, or at marnold@myncu.com.



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