

COVER STORY

Loan Marketing:

Priceless

JUDY DAHL



**Product promotions
are out. Strategic loan
marketing is in.**

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Credit union loan marketing is in a state of evolution. It's changing from simple product promotions to sophisticated segmentation strategies.

Judy Tharp believes credit unions have made great strides in marketing during the past four years, chiefly due to member segmentation, the Web, and a variety of delivery channels.

Tharp is vice president of solutions development, CUNA Mutual Group, Madison, Wis. She recently reviewed top credit union loan marketing strategies for the 2004 Credit Union Excellence in Lending Awards, a competition the CUNA Lending Council and CUNA Mutual Group sponsor.

"Five years ago marketing was more product-focused," she says. "Credit unions have raised the bar in terms of marketing strategically rather than just doing product promotions."

Another observation: Many credit union marketers are turning to sophisticated segmentation strategies to understand members' needs, notes Michael Knapstein, president, Waldbillig & Besteman (W&B) Advertising, Madison, Wis., a judge for the CUNA Marketing & Business Development Council's 2005 Diamond Awards competition (see supplement of the 2005 winners in this issue). "They're mining their databases, identifying members' lifestyle segments, and doing very targeted marketing."

Credit unions increasingly seek technology tools to guide them. "MCIF [marketing customer information file] systems are the primary tools credit unions use to

identify their best marketing candidates," notes Chris Braccia, director of product marketing at Harland Financial Solutions, Lake Mary, Fla. Harland, a Credit Union National Association (CUNA) strategic alliance provider, offers Touché Analyzer, a component of its Touché customer relationship management system.

Credit unions use MCIF systems to query their databases, run statistical models, and generate lists of members or potential members likely to need specific loan products. The systems use demographics, financial services data, and credit scores to identify likely members and group them into households by address. MCIF systems also help credit unions track their marketing success ("Measuring marketing effectiveness," p. 34).

Mike Weber, vice president of marketing and public relations at \$345 million asset Dupaco Community Credit Union, Dubuque, Iowa, recently used an MCIF query to identify likely candidates for a new auto-loan direct mail campaign. "We're targeting members age 18 to 45 who don't have a car loan and who live in our primary area, excluding those we've turned down for a loan in the past year. I ran the query and identified between 5,000 and 6,000 households," says Weber, vice chairman of the CUNA Marketing & Business Development Council.

Member segmentation

After identifying a key membership segment, some credit unions use MCIF systems to create personalized direct mail pieces. Knapstein says a client recently developed a series of auto-loan marketing pieces. The project segmented members by the types of cars they thought they'd be interested in. "A younger person

might receive a personalized piece showing a car that cost less than \$25,000, while an older person might get a piece picturing an SUV [sport utility vehicle] that cost \$40,000."



Mike Weber

Some credit unions also download member information from an MCIF to their e-mail systems. "They're combining e-marketing and member segmentation," says Tharp. "One credit union identified five member segments. For example, one was driven by the lowest rate, another by the lowest fee—whatever the members' propensity is." The credit union sent a different loan offer to each group, targeted to its likely buying behavior.

Also, "now people are looking at channel management, integrated marketing through electronic channels such as home banking programs, voice response units, automated teller machines [ATMs], and kiosks," adds Braccia. "It's the next step in the evolution of target marketing."

When a member uses an ATM or other electronic



Judy Tharp

FOCUS

- ▶ **CUs today use** member segmentation, the Web, and many delivery channels to put loan products in front of the members who need them.
- ▶ **MCIF systems are** the primary tools CUs use to identify their best marketing candidates.
- ▶ **CUs can create** great marketing pieces, but many don't stop to measure marketing effectiveness.



Michael Knapstein

channel, a message is transmitted to the credit union's MCIF, which identifies its marketing profile. "The screen displays an offer designed to appeal to you with an appropriate rate," says Braccia. "With direct mail, members receive messages at times when they're not necessarily interested in doing business," Braccia continues. "But if they're logging into home banking, their mindset is on financial services. What better time to make an offer?"

Innovative marketing

Tharp and Knapstein point out many innovative credit union marketing strategies while judging national credit union competitions. Some examples:

► **Indirect marketing**, in which credit unions partner with companies to get referrals. For mortgages, a credit union might partner with a realty company. The partners list each other's logos on their Web sites and refer members to each other. Some credit unions even locate loan officers in realty offices to handle mort-

gage financing on the spot. One invites real estate agents to a monthly "Breakfast of Champions" to network and get referrals.

► **Combining education with marketing**. Credit unions are offering first-time home buyer seminars, one hosts a weekly radio show with other vendors such as an appraiser and a real estate agent, and another has developed a mortgage booklet that walks borrowers through the process of finding the best deal. It doesn't just discuss credit union products. These strategies engender member goodwill while raising awareness of credit unions' loan offerings.

► **Regional pricing**, in which credit unions customize loan prices for different cities based on market research.

► **An online lending decisioning package**, a consulting system that delivers a credit union's product message clearly and consistently while it asks members questions and helps them decide what type of loan they need.

► **Relationship pricing**, which offers members better rates if they have multiple services with the credit union.

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► MEASURING MARKETING EFFECTIVENESS

Marketers often do a great job conducting research, targeting prospects, and creating great marketing pieces—"but they don't take the next step to measure the effectiveness of their campaigns," says Harland Financial Solutions' Chris Braccia.

"Before the campaign you'll have made assumptions as to your response percentage and loan dollars gained," says John Brinkworth, Harland's vice president, performance advisers. "It's critical that if your response is significantly different, you find out why and refine your assumptions. You might think the product is attractive to a certain group, and it actually may be another group you should be targeting. You learn from each campaign."

"Return on investment [ROI] is the primary measure credit unions use to track loan efforts," says Brinkworth. When using an MCIF to identify their

target market, credit unions save the campaign file and enter their marketing costs up front. At the campaign's end, record the loan dollars gained.

The difference between new loan volumes and campaign expenses is the ROI.

Monitor trends as well, says Wings Financial Federal Credit Union's Renee Dickson.

"Look at what you did last year compared with this year or five years ago. What was the timing of various campaigns? What was going on with your membership at the time?"

Most credit unions can query their databases to obtain trend information, says Dickson, product marketing manager at the \$1.4 billion asset credit union in Apple Valley, Minn. She recently conducted a boat/recreational vehicle loan campaign

and wanted to find out how many of these loans she'd done during the past five years. "I queried my database for the number of loans open in the first quarter of each year.



Renee Dickson

I looked at the original loan amounts, the loan dates, and the payoff patterns. The data gave me a target to shoot for this year," she says.

Compare the return on different campaigns, adds W&B Advertising's Michael Knapstein. "Test different variables in a campaign. Break the campaign into different messages and send some with different loan rates, or a different type of offer. At the end, figure out which had the greatest return. If you test offers and compare results, you can learn a tremendous amount about what works and what doesn't, and improve the results of future campaigns."

► INSIDE MARKETING STRATEGY

Dupaco Community CU Dubuque, Iowa

Mike Weber calls today's loan environment ultracompetitive and sees credit unions offering teaser rates to set their loans apart.

"Teaser rates fit well with home equity loans, for example, because they're longstanding loans. You offer a competitive rate, give up something at the front of it, and recoup it over the life of the loan," says Weber, vice president of marketing and public relations. Dupaco has employed this strategy and has successfully used teaser rates with credit cards.

"We don't market just on rate. You can't always have the lowest rate in town," he says. "You have to differentiate yourself and find your competitive advantage."

Weber cites Dupaco's home equity loan product. "We branded the product and call it Prime Cut," he notes. "The rate always is a certain amount below prime, and there are no closing costs and no annual fee."

The product uses risk-based pricing, so the best borrowers get the lowest rate. "Prime Cut is one of the most widely used home equity products in the area. It's an opportunity to deepen relationships with homeowners and cross-sell other products to them," Weber adds.

Wings Financial FCU Apple Valley, Minn.

Renee Dickson, product marketing manager, says credit unions offer giveaways and prizes such as cars, vacations, and travel incentives to differentiate their loans.

Last year the credit union offered \$100 Home Depot gift cards to

members taking \$5,000 advances on new or existing home equity loans. "It was extraordinarily popular."



Wings Financial Federal also conducted an internal credit card campaign that segued to an external one. The credit union offered the employee with top loan sales during a certain time period a free trip for four to Disney World. The credit union offered members free balance transfers starting Sept. 1, 2004, through Dec. 31, 2004.

The credit union used direct mail, in-branch signage, on-hold messaging, newsletter articles, and

its Web site to market the offer. "It was a unique campaign called Destination Visa," says Dickson. "The mail piece was a suitcase with the marketing offer inside."

Wings Financial Federal exceeded its campaign goal by 6%. "And we had a very lofty goal," says Dickson. "We had \$4.7 million in new outstanding card balances afterward."



People's Community Partnership FCU Oakland, Calif.

Credit unions dedicated to serving members of modest means also

are marketing loans successfully. People's Community Partnership Federal opened four years ago. The community development credit union has \$4 million in assets, 1,700 members, and an 87% loan-to-share ratio.

The credit union offers auto, share-secured, and signature loans, says CEO Sherry Alexander. "We've had auto sales in our parking lot around our credit union anniversary events," she says. The credit union partners with a broker/dealer, which brings the cars to the lot,



Sherry Alexander

helps with advertising, sells the cars, and sends members to the credit union for financing.

"We notify members of the sale through statement inserts and in-branch advertising, and try to pre-approve them," says Alexander. The credit union's loan limit is \$20,000, and the average loan is \$12,000 to \$15,000. "We typically sell eight to 10 loans each sale day. For a small credit union, that's good," Alexander maintains.

She says many members have had financial challenges in the past. "To qualify members, we look at credit scores, outstanding debt, amount of time in their job and residence, and debt ratio. Our main mission is to help them clear up their credit." @

RESOURCES

► CUNA:

1. Marketing and lending schools and Webinars: training.cuna.org.
2. CUNA Marketing & Business Development Council: cunamarketingcouncil.org.
3. CUNA Lending Council: cunalendingcouncil.org.

► CUNA Mutual Group, Madison, Wis.: 800-356-2644 or cunamutual.com.

► Harland Financial Solutions, Lake Mary, Fla.: 800-989-9009 or harlandfinancialsolutions.com.

► **Open-end loan agreements.** Credit unions will ask members to fill out a loan application when they join the credit union, even if they aren't looking for loans at that time. But when they do ask, they'll be approved almost instantly. "Members are used to instant

response on the Web," Knapstein notes. "They don't want to wait for loan approval."

The CU difference

Another marketing strategy: Emphasize the credit union difference. "Credit unions strive to give real value to members. We market our loans as a service strategy, not just to put loans on the books," says Renee Dickson, product marketing manager at \$1.4 billion asset Wings Financial Federal Credit Union, Apple Val-

ley, Minn., and CUNA Marketing & Business Development Council chair.

Weber agrees. "Our fees are lower or nonexistent, our rates are consistently good, and we're willing to help all members, not just the wealthiest."



Tom Senatori

Credit unions also do a great job answering members' needs when natural disasters hit, notes Tharp. The \$1.8 billion asset Mission Federal Credit Union, San Diego, tailored loans to people whose homes had been destroyed by fires, with quicker financing and better terms. "You won't see that with banks," she says. "This strategy helps members, but it's also a huge strategic marketing move that boosts member loyalty."

"Credit unions need to remember who they are and that they have an edge over banks," adds Tom Senatori, creative director at W&B Advertising and a past Diamond Awards judge. "Credit unions have better rates, a more personal approach, and a willingness to share information with their peers. I hope that never changes." ©

