

Chapter 2

Situation Analysis: Where Does Your Credit Union Stand?

Evaluate Your Credit Union's Services

When you begin your plan to market your credit union aggressively, your first question should be: What services do we have to offer? Although every credit union has its own style and particular appeal to its members, generally the more services you are able to offer, the more member participation you will enjoy. The trend within most financial institutions is to try to obtain 100 percent of their customers' financial business. It makes sense, particularly in light of decreasing member loyalty, to bond your members to the credit union with as many accounts as possible. The more business members conduct with you, the less likely they are to change institutions, despite aggressive competition.

Whenever possible, your credit union should adopt a market-driven attitude. All services should be considered; there are a number of third-party service providers through which even the smallest of credit unions can provide such products as credit/debit cards and first mortgages. Products should be vetoed only when the facts are overwhelmingly negative. Are

you using the "our members wouldn't want that" excuse as a convenient way to avoid change?

Just because your credit union may not have a full menu of services doesn't mean that it isn't marketable. There is definitely a place and a need for smaller institutions that give personalized, friendly service. In fact, that is one of the things members most want.

When you begin to form your marketing plan, it's helpful to analyze your current services. Are you offering every service possible? Could existing services be updated or "repackaged" to make them more convenient and attractive to members?

Figure 2.1 is a checklist of commonly offered financial services. How many does your credit union offer? There are certainly additional services and variations to the ones listed, but this should give you a start in determining your credit union's service potential.

Whenever possible, your credit union should adopt a market-driven attitude.

SITUATION ANALYSIS: WHERE DOES YOUR CREDIT UNION STAND?**Figure 2.1** Commonly Offered Financial Services

<input type="checkbox"/>	Regular share accounts
<input type="checkbox"/>	Money market accounts
<input type="checkbox"/>	Time deposit investment accounts
<input type="checkbox"/>	Individual retirement accounts
<input type="checkbox"/>	Keoghs and SEP IRAs
<input type="checkbox"/>	Other market-tiered investments
<input type="checkbox"/>	Annuities
<input type="checkbox"/>	Savings bonds
<input type="checkbox"/>	Share draft accounts
<input type="checkbox"/>	NOW accounts
<input type="checkbox"/>	Consumer loans
<input type="checkbox"/>	Small business loans
<input type="checkbox"/>	Second mortgage loans
<input type="checkbox"/>	First mortgage loans
<input type="checkbox"/>	Home equity lines of credit
<input type="checkbox"/>	Variable-rate loans
<input type="checkbox"/>	Telephone and online loan application
<input type="checkbox"/>	Credit cards
<input type="checkbox"/>	Debit cards
<input type="checkbox"/>	ATM cards
<input type="checkbox"/>	Wire transfer service
<input type="checkbox"/>	Traveler's checks
<input type="checkbox"/>	Money orders
<input type="checkbox"/>	Extended hours
<input type="checkbox"/>	Convenient location(s)
<input type="checkbox"/>	Bill-paying service
<input type="checkbox"/>	Ability to transact business by mail/ telephone/internet
<input type="checkbox"/>	Check cashing
<input type="checkbox"/>	Certified/cashier's checks
<input type="checkbox"/>	Payroll deduction
<input type="checkbox"/>	Discount brokerage services
<input type="checkbox"/>	Youth savings programs
<input type="checkbox"/>	Savings programs for members over age fifty
<input type="checkbox"/>	Financial planning
<input type="checkbox"/>	Retirement planning

Determine Your Members' Needs and Demographics

We have discussed the motivating factor in a market-driven credit union: to fulfill member needs and provide services members want. You might have the tendency to “go with your intuition” at this point, instead of doing the research necessary to give you solid information. In order to fulfill members' needs, you must first know who your members are.

How well do you really know your members and potential members? There are many resources to determine at least a portion of the demographic profile (age, income, family size, service needs, reason for using credit union) of your membership. Do you know what the average age of your membership is? Which age groups use your credit union most, and what services motivated them to join? Are the majority of your members established homeowners, or do they rent their homes? Do they get transferred often? Why do your members use other financial institutions? Could it be that your services aren't competitive, or have you just not gotten the word out that the services are available?

The reasons for uncovering this data are obvious. It's impossible to be responsive to member needs if you have no idea what those needs are. Considerable nationwide research shows general demographics among different age groups. As with all research, the results are based on general trends, and exceptions certainly exist.

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Ages Eighteen to Twenty-Five

This segment of the population has a substantial income and has been raised in one of the most affluent periods in U.S. history. These individuals hold slightly less than one-eighth of the total personal income in the country. About 26 percent of this population belongs to a credit union.

Members of this age group want instant gratification. They spend their money quickly and then borrow for additional purchases. Convenience is also very important to them. They are among the most frequent users of ATM services. People in this age group make more deposits and withdrawals than other age groups.

But research shows that people are least likely to join a credit union in this age bracket. Attracting young members is important to the future of your credit union because they can provide a source of loan demand.

Ages Twenty-Six to Forty-Five

Members within this age group are in their peak earning years and have a relatively large amount of personal debt. About 38 percent of this group up to age thirty-four, and 42 percent over age thirty-five, belongs to a credit union.

These members are establishing careers, starting families, and buying homes and consumer goods (appliances, cars, clothing) at a rapid rate. They are beginning to establish savings security and are looking for the

How well do you really know your members and potential members?

maximum return on their savings dollar. However, they don't want their savings tied up for long periods of time, so they will probably be most interested in money market accounts and individual retirement accounts.

These members are convenience-oriented. Payroll deduction (for both savings and loan repayment), online access, ATMs, and credit cards are major draws. Savings accounts for children are of interest to this group, as are loans for major expenditures such as college expenses, home purchase and improvement, and large consumer items (cars and major appliances).

This group's savings potential should not be overlooked. Members are candidates for financial planning/counseling services and discount brokerage services.

Ages Forty-Six to Sixty

Those within this age group usually remain loyal to the financial institution where they presently do business.

About 44 percent of this group up to age fifty-four, and 42 percent over age fifty-four, belong to a credit union.

These members don't have a great volume of account transactions (deposits and withdrawals), nor do they move their money from place to

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place frequently. Members in this group have reached a comfort level in their personal finances. Their families are decreasing in size due to children leaving home, but their incomes have not yet decreased accordingly.

Demand for consumer loans declines during this period, as demand for variety in savings programs increases. These members need individual retirement accounts, money markets, and time deposit certificates because they have saved enough money to diversify in both long- and short-term investments. Your credit union should ensure that it has the competitive, diverse accounts necessary to retain these valuable members. Financial planning, particularly in areas related to trusts, is also of interest.

These members place a high value on friendly, professional, competent service. They also want to know that their money is safe and secure.

Age Sixty-Plus

It's easy to take members sixty and older for granted because they are your most loyal group. Many of them may have participated in the founding of the credit union or may have served in a volunteer capacity for many years. Of course, these members also have needs, and you can't ignore them.

About 26 percent of people over age sixty-five belong to a credit union. Members in this age group

tend to be conservative. By now they have established financial habits. They are not likely to change their attitudes about how they conduct their business.

Most of these members have relatively large share balances, although their only source of income may be a pension, social security, or interest on their savings account. Their primary concerns are the safety of their money and ease of access should they need it.

Place your emphasis on direct deposit, share insurance, and diversity of savings alternatives. Special clubs are also popular and usually combine reduced-cost services with special group gatherings and social activities. Some credit unions offer special trips and travel services at a reduced package rate. All of these services help retain member loyalty by emphasizing the friendly, personalized service available at the credit union.

The following sections cover additional national demographic facts that you may find of value.

Single People

Single people (never married, divorced, widowed, or spouse absent) now account for 46 percent of all U.S. households. As many as 8 percent of today's adults will never marry. There are 58 million single people in our country and, according to the Census Bureau, the increasing number of unmarried people in the thirty to thirty-four age group suggests that an increasing number of persons will

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never marry. If your credit union doesn't have plans to market to this expanding group, you may be missing a large market segment.

Families with single heads of households grew by 51 percent from 1980 to 1997. More than one out of every four children lives in a one-parent household. This is quite a change from twenty years ago, when 40 percent of all households were made up of a husband, wife, and children. The "typical" U.S. family exists in less than 25 percent of our country's homes, yet how often do we direct our attention to the stereotypical dad, mom, and two kids?

Women in the Work Force

Many women decide not to have children, and women with children are in the work force in record numbers. In 1960 only 19 percent of women with children under age six were working; today 59 percent are. Have your credit union's services kept up with the changing needs of professional women and working mothers?

Over Fifty

While 27 percent of our population is over the age of fifty, they control 70 percent of the nation's total net worth. The number of citizens over age fifty will grow by 60 percent in the next twenty-five years. This is yet another incentive for your marketing plan to direct attention to members within this age group.

CUNA National Member Survey

The National Member Survey routinely conducted by the Credit Union National Association (CUNA) is also a valuable source of information in planning your marketing strategy. From this survey you can become informed about nationwide trends in the credit union movement; the survey provides data on everything from services that are most often used by members to the reasons members join credit unions. As you read the following information taken from the most recent National Member Survey, consider the impact this data could have on your credit union's marketing plan.

Why do members join credit unions? Results of the National Member Survey reveal that convenience is the most important factor in a member's decision to join a credit union. In particular, members want a credit union that has a convenient location. The second most important factor that lures members to join is payroll deduction, another convenience factor. Obviously, these two factors could be emphasized successfully in a credit union's marketing efforts.

Eligible nonmembers who have not joined a credit union have neglected to do so because they do not

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perceive that they have a need for credit union services. This may be a signal that credit unions could improve the means by which they market their services and benefits.

Who are members and potential members? The CUNA survey found that while credit union's market penetration among older adults has increased, it remains low—about 26 percent—among young (eighteen- to twenty-four-year-old) adults. On the bright side, the 1998 National Member Survey showed the eighteen- to twenty-four-year-old group members were most likely to say they are eligible to join. The survey further indicates that a larger pool of potential members exists within the eighteen- to twenty-four-year-old age group than any other age group. How can your credit union better reach this important group?

Do your members consider your credit union to be their primary financial institution (PFI)? The most recent National Member Survey reveals that 44 percent of credit union members consider their credit union to be their PFI, while 51 percent say another financial institution fulfills that role. Those members who designate another financial institution as their PFI cite convenient location as the primary reason in almost six out of ten instances. How can your marketing plan emphasize convenience and encourage members to use your credit union as their PFI?

This information is just a sampling of the data available to your credit union through CUNA. Although this survey is no substitute for a customized survey of your own members, it can give you valuable insight into national credit union marketing trends. When planning your marketing strategy, you would be wise to make use of all the information available to you and analyze how it might apply to your services and members.

More Than Generalities

Although it's important to understand the attitudes of different age groups, and to be aware of other demographic trends, your credit union's marketing plan should be based on more than mere generalities. The region of the country, regulations, social customs, and competition can make national data invalid for your credit union. Therefore, you need to obtain customized information upon which you can base your credit union's marketing future.

Many resources exist for you to get this information. You may already have a wealth of information in member loan or savings files, sponsor personnel records (if you have access to them), or your own data processing system. You need to determine how easily this information can be gathered and weigh the

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staff time involved against the cost of conducting a member survey. In gathering data in-house, you also need to keep in mind that all you are discovering is demographic information—you have learned nothing about *members' attitudes* toward your credit union.

Member Surveys

The most effective, direct way to determine your members' needs and attitudes is to conduct a member survey. There are many approaches you can take. If your credit union can afford it, you may want to hire a qualified marketing firm to compose, conduct, and analyze your survey. Using expert consultants usually means that your survey will be accurate and have a high return rate, and that the data will be analyzed in a meaningful way. (A lower-cost alternative is to contact the business/marketing department of a nearby college. Students may take on your survey as an individual or class project.)

Many credit unions simply don't have the money to hire out their marketing research. There is certainly no reason to expect less than excellent results if you put together and conduct your own survey. Surveys can be conducted by telephone, by mail, in person, or by a combination of all three. The objectives should be to obtain demographic data on members and determine the services they presently use (and why they use them), what services or changes they would like to see, and their overall impressions about the credit union.

The most effective, direct way to determine your members' needs and attitudes is to conduct a member survey.

Make an effort to get a random sample of members. If you survey only members who come into the lobby, you won't have an accurate sampling because you have excluded those members who do business only by mail, telephone, or payroll deduction. It's possible that the reason those members don't come in to the credit union is because they find your location inconvenient or the staff unfriendly. Obviously, this is important information.

If, for example, you have the capability to get a list of every tenth member, you could send your survey out by mail with a postage-paid return envelope and expect an adequate response. You could simultaneously survey members in the lobby and have loan officers and other staff members complete the survey with members who call on the telephone. Generally, a sampling of 10 to 20 percent of your membership gives you an accurate picture of what members need and expect from your credit union.

Figure 2.2 is a sample member survey. You would, of course, want the survey to address your credit union's unique circumstances. Any relevant information that will contribute to the success of your marketing plan should be included in the survey questions.

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Figure 2.2 Sample Member Survey

We want to serve you better . . . and we will, with your help. Please complete the following questions and give us your ideas on how we can make your credit union even better. Your answers are anonymous and confidential, so please answer as accurately and honestly as possible.

Your cooperation is greatly appreciated!

1. Your age:

- 18-25
- 26-45
- 46-60
- 60+

2. Your income:

- less than \$10,000
- \$10,000-\$18,000
- \$19,000-\$27,000
- \$28,000-\$40,000
- \$41,000-\$48,000
- \$49,000-\$59,000
- \$60,000+

3. Are you married?

- yes no

4. If you answered yes to number 3, do both you and your spouse work?

- yes no

5. Do you have one or more children in your household?

- yes no

6. How long have you been a member of the credit union?

- less than one year
- 1-5 years
- 6-10 years
- 11 years or more

7. Why did you join the credit union? (Please check all the reasons that apply.)

- place to save place to borrow
- payroll variety of services
- deduction friend/family recommended
- convenient offered at work
- competitive sav- other (specify)
- ings/loan rates
- like credit union
- philosophy

8. What services do you presently use?

- consumer loans home loans
- regular shares investments/
- individual retire- certificates
- ment account share drafts
- Visa automatic teller
- discount machines
- brokerage telephone access
- home equity online financial
- line of credit services
-
- other

9. Of the services listed in number 8, are there any that you presently have at another financial institution?

- yes (specify no
- which ones)

10. Do you consider the credit union to be your primary financial institution?

- yes no

11. If you answered no to number 10, what is your primary financial institution?

- bank savings and loan
- other (specify) _____

12. What services would you like to see offered by the credit union?

- drive-up teller extended evening
- Saturday hours hours
- nationwide auto- open-end home
- mated teller equity loans
- machine service check guarantee
- bill-paying card
- service first mortgage
- other (please loans
- (specify) extended Internet
-
-
-
-

13. What is your overall impression of the quality and variety of financial services offered by the credit union?

- excellent good
- fair poor

14. What is your overall rating of the quality of the staff at the credit union?

- excellent good
- fair poor

15. On a scale of 1-5 (1 being poor and 5 being excellent) please rate the following:

	Poor					Excellent				
Staff friendliness	1	2	3	4	5	1	2	3	4	5
Staff courtesy	1	2	3	4	5	1	2	3	4	5
Staff is knowledgeable	1	2	3	4	5	1	2	3	4	5
Staff is helpful	1	2	3	4	5	1	2	3	4	5

16. How do you usually do business with the credit union?

- by telephone by mail
- in person other (describe)
- by computer

17. On the average, how many times do you contact or come into the credit union?

- more than once two to four times
- per week per month
- once per month less than once
-
- every 2-3 less than four
- months times per year

18. We are very interested in any additional comments or suggestions you may have concerning the credit union, its services and staff. Please be specific!

(Use back of sheet if necessary)

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A survey of this type yields a wealth of information about who your members are, what services they want, and how they perceive the credit union. This is the input around which your marketing efforts should be built. The information should be tabulated carefully and translated into increased or improved services for members.

It's also important to discover why potential credit union members do *not* join your credit union. Figure 2.3 (with demographic questions omitted) is an example of a survey you could conduct with potential members within your sponsor group or another membership group.

You will sometimes find that there is a reason potential members have not joined your credit union. They simply might not know you exist, or it may be a more serious problem. How are you perceived within your sponsor group(s)? To take full advantage of your potential, you must identify what those potential members' needs are.

Member surveys sometimes are painful, because they may tell you things you don't want to know. Often, the results of a member survey "forces" you to expand hours, add a challenging new service, or reorganize your operations. But if you don't ask your members what they want, they'll leave to do business with the competition.

Figure 2.3 Sample Potential Member Survey

We'd like you to join us! Community Credit Union is one of the benefits available to you as an employee of Emerson Paint Company. We want you to use this valuable benefit . . . but we need your help. Please take a few minutes to answer the following questions so we can make your credit union everything you want it to be!

- How long have you been employed with Emerson Paint Company?
 less than 1 year 1–5 years
 6–10 years over 10 years
- Were you aware that a credit union was one of your employee benefits?
 yes no
- If you answered yes to number 2, how were you told about the credit union?
 company credit union
 representative representative
 coworker advertisement
 other (please specify) _____
- If you answered yes to number 2, how much of the following credit union information have you seen at your company?
 membership service
 packet brochures
 paycheck stuffer posters
 meeting information special activities/
 other (please specify) _____ promotions
- If you answered yes to number 2, what do you feel is the overall perception of the quality of service and staff at the credit union?
 excellent good
 fair poor
- If you answered no to number 2, would you be interested in joining the credit union if you had more information about it?
 yes no
 If no, why? _____
- Which of the following do you presently use as your primary financial institution?
 bank savings and loan
 another credit union other (please specify) _____
- Are there additional services that would make the credit union more convenient? (Please mark all that apply.)
 drive-up teller expanded evening hours
 Saturday hours home equity line of credit
 automated teller check guarantee card
 machine service extended phone access
 bill-paying service Internet access
 first mortgage loans Other (please specify) _____
- If the credit union offered the services you have indicated, would you be likely to join?
 yes no
 If no, why? _____
- We are very interested in any additional comments or suggestions you may have concerning the credit union. Please be specific!
