Credit Union BUSINESS

THE ONLY ALL-DIGITAL, ALL-BUSINESS RESOURCE FOR CREDIT UNIONS

THE STRATEGIC PLANNING ISSUE

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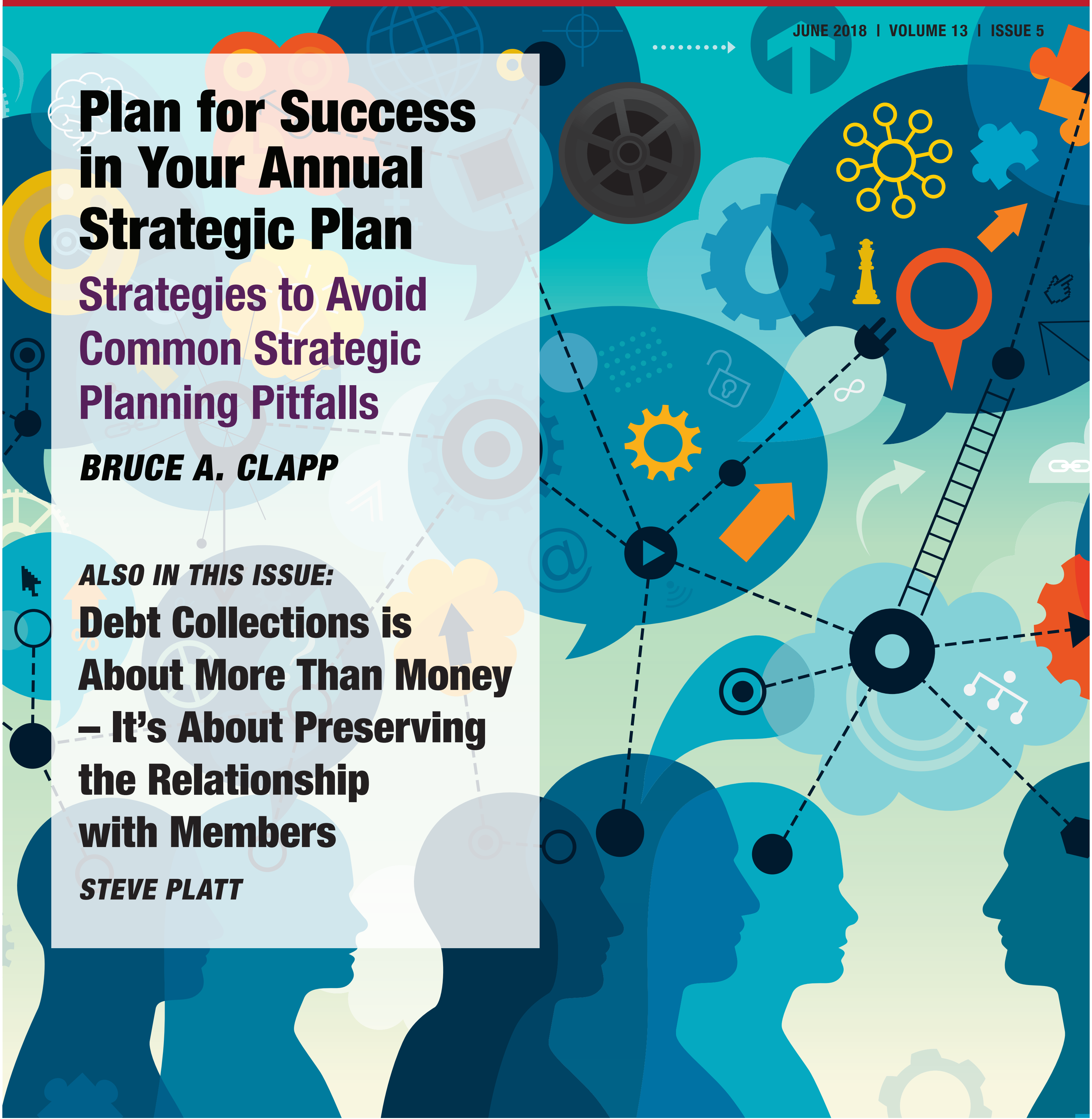

Plan for Success in Your Annual Strategic Plan

Strategies to Avoid Common Strategic Planning Pitfalls

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STEVE PLATT

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BY TIM O'HARA

Growing fast!

Helping to run CU business two publications at a time.

It is very difficult to believe that we're already half way through a year that seems like it just began. Time flies when you're having fun!

I am extremely proud of this 14 year-old monthly digital publication, and also our six month-old new publication for branch management called ***Branch BUSINESS***. But it's a ton of work so I recently put out a call to experienced writers to help us create exciting new articles to help our duel audiences run their businesses successfully.

I remember planning for ***CU BUSINESS magazine*** 14 years ago with the same level of excitement I'm feeling today. I was sitting at my desk planning a new information source that would "help credit union executives run their businesses" when the title ***Credit Union BUSINESS*** (all caps) popped into my head. Viola! That was it!

And, now we're doing very much the same thing for the retail credit union branch. And, for your viewing pleasure, here are issues of ***Branch BUSINESS*** appearing inside ***Credit Union BUSINESS*** for the first time. You can click on any cover to open the issue:

I hope you enjoy the fruits of the work we put into both of these wonderful monthly "ePublications". Should you have any suggestions for story ideas, we'd love to hear them. Thank you for reading!

Tim

BY NICK BROWN

How Does Your Credit Union Stack Up Against These Sales Numbers

Before I present to potential credit union clients, I always do my homework. There are a number of things I research ahead of time, such as the credit union's leadership team, the size of the credit union, and the geographic spread of their branch network. I look at their asset size, total loans, and total deposits. But the most valuable information for both me and the credit union are the details I learn from reviewing their product penetration.

Over the years I have researched a lot of credit unions. I have a few sources of information, including the call report submitted to the NCUA quarterly. From these sources of information, I can determine quite a bit about the credit union. I can tell where the focus of leadership lies, how engaged the members are in their credit union, and the sales culture that exists within the organization.

The information I glean as I do my research is important in directing sales conversations with my potential clients. I want these conversations to really touch on the needs the credit union has so they feel they are receiving valuable insight even as I offer my services as a solution. This way, whether we end up working together or not, the credit union comes away with actionable knowledge they can apply.

When researching a credit union, I am focused on finding areas of opportunity. I pinpoint specific ways in which the credit union can improve by providing competent sales training to their member-facing employees, team leads, and supervisors. I thought it might be beneficial to share some of the needs I often come across and find to be common needs for all credit unions. These may sound familiar and may be known needs at your credit union already. For you, this may serve simply as a reminder and an opportunity to refocus as necessary.

The Primary Financial Relationship

The greatest source of opportunity for any credit union is within their existing membership. Generally speaking, all sales efforts will be focused on existing members and prospective members coming to the credit union for the first time. When I am looking at information, I look to see how well the credit union is capturing their members existing business and developing those coveted primary financial relationships. I often find that the credit union is missing a lot of opportunity. Unfortunately, that isn't uncommon.

A GOBankingRates.com article titled "50% of Americans Are Cheating – on Their Bank", cites a survey which found that over 50% of Americans have more than one financial account for things like checking, savings, and loans. Of those, 31% of respondents listed convenience and flexibility as the reason they use multiple institutions, 24% reported having accounts at varied institutions in order to take advantage of the different products and services offered, and 20% said they were looking for lower fees.

These survey findings provide evidence of the opportunity available for most credit unions. Let's look at the most common areas of opportunity.

Deposits

Yes, every account has to have a primary savings account, but where are the member's actual savings?

In another report by GOBankingRates.com published in 2017, 57% of Americans have less than $1,000 in savings. While the focus on the article is on the concern with lower savings balances, the article also points out that individuals with over $5,000 in savings is rising with 6% of Americans having more than $5,000 and 25% of Americans with over $10,000 saved.

Interestingly enough, according to the NCUA's U.S. Credit Union Profile report, the average credit union member had $10,421 on deposit at their credit union as of year-end 2017. This could mean that credit unions are doing better at attracting savers, or it could mean credit unions attract a larger percentage of members with high savings balances.

By taking a close look at your credit union member savings balances and percentages (excluding members under age 18) you can benchmark against the averages. Are you capturing the opportunity at your credit union, or is there an opportunity to attract more deposits through sales efforts in the contact center, branch lobby, and online?

Generally speaking, if your member has their savings balances with another institution, it is because they believe they are getting a better return elsewhere or have access to savings products which meet their needs better. In most situations, your credit union offers similar or superior products and capturing that business is simply a matter of education and a better sales process.

Credit Cards

Credit cards and credit card balances offer one of the best opportunities for growth. According to the U.S. Census Bureau, over 70% of American households have at least one credit card. That's roughly 88 million households and 183 million people. NerdWallet.com reports in their "2017 American Household Credit Card Debt Study" that the average American caries $2,850 in credit card balances.

Typically speaking, credit unions offer a superior credit card compared to other cards out there. They offer lower interest rates and better rewards programs. While this should be an easy sell, the NCUA reports that only 18.9% of credit union members have their credit union's credit card. That's 51% below the national average. Additionally, credit unions only hold an average of $532 in credit card balances per member. Credit card debt does represent a higher risk to the

membership and therefore you would generally not want to capture the credit card business from all of your members. However, that being said, there is significant opportunity out there not being captured to the detriment of your members.

According to CreditCards.com, the average credit card APR at 16.38% as of January 2018. Assuming a credit union can recapture that credit card debt at an average variable rate of 10.5%, they can save your member $400 in interest per $1,000 in credit card debt. For a member who has $10,000, that's $4,000 in interest savings. What member wouldn't be interested in that?

Auto Loans

CNN Money reported in 2017 that nearly 43% of adults in the US have an auto loan. Although it is true that the credit union industry is capturing a significant portion of the auto lending market, one in five credit union members still has their auto loan with a bank or captive lender. And more likely than not, a higher percentage have their auto loans with another credit union.

A quick measurement of how your credit union is doing capturing your members' auto business is to look at the average auto balance per member. According to the NerdWallet.com report cited above, the average American caries just under $3,800 in auto debt. The average credit union member has $3,000 in auto debt. If your credit union's auto loan balance per member is lower than either of these numbers, there is room for improvement and significant opportunity for growth.

From a sales perspective, the best way to capture the opportunity is to teach employees the auto lending and auto recapture sales processes. This includes teaching them how to identify auto lending opportunities, how to engage the member in a sales discussion, how to qualify the opportunity, and finally, how to commit the member to take the next steps in the auto lending or recapture process.

Conclusion

We have only looked at 3 areas of opportunity in this article. Much more opportunity exists when considering checking account penetration, mortgage and home equity penetration, and ancillary products and services such as overdraft opt-in, debit card usage, and loan protection products.

Creating value by capturing your member's full financial relationship is a goal all credit unions should have. The only way to reach this goal is through sales. Employees and leaders need sales training which emphasizes the importance of capturing each member's unique, full financial relationship. Such training should be consistent across the entire organization and provide a consistent sales process. When sales training is consistent and complete, it is easier for sales leaders to train and coach and for employees stay accountable.

Nick Brown Consulting, established and founded by Nick Brown in 2015, is a credit union–specific sales training group dedicated to bringing a proactive sales approach to every credit union. Nick Brown Consulting accomplishes this aim by providing sales consulting and training to enhance branch sales, outbound sales and lending center sales. With an emphasis on lending and cross-sales, Nick's goal is empowering credit unions to add value in the life of every member in every interaction. Engage Nick Brown directly at 801-860-5807 or nick@nickbrownconsulting.com. Ask about his credit union–specific workshops and online sales training, featured at ***www.nickbrownconsulting.com****.*

BY KENNETH C. BATOR

Quarterly Strategy…at Least

Remember the days when three-year Strategic Plans were in vogue? I certainly remember writing them. Some of them were as much as 250 pages with impressive graphs and huge pie charts with all types of pretty colors. They wound up in big three-ring binders, some even with the credit union logo and the name of each executive on the front. My hope is that at least a few of those strategic plans were used as the valuable tools they were meant to be, rather than simply placed on a shelf to collect dust.

A close colleague and friend of mine named Don remembers those days too. I recently solicited the help of this former executive and semi-retired successful businessman to assist me in developing the strategy of the future for the Police Officers Credit Union Association (POCUA). After 15 years the POCUA needs some new ideas from a completely outside source to move to the next stage of growth for the business. During our initial meetings we had all types of ideas and tactics up on the screen in Visio and PowerPoint. I insisted that all of our ideas were recorded electronically from the start. This is primarily because I've gone through multiple projects with Don, in businesses from more than one industry, where I've spent many a time with him and several markers, white boards, sticky notes, flip charts, and legal pads. I couldn't even begin to fathom how many written phrases and diagrams that needed to be transcribed into electronic form in order to create the eventual written plan. And guess who got to do all of that transcribing? So you can understand why I wanted to do everything on a computer screen.

After a few meetings Don stated we need to begin writing the plan. To which I answered I'm not going to do that. He looked back at me perplexed with a look that was partially confused and partially paternal in nature. The latter probably would have included a "Look, son…" type of a statement but I interjected and explained that I would compile a written plan when it made sense and when we had gone a little farther down the road. But for now we needed to organize our thoughts in a logical progression, much like an outline, creating more of a one or two page business brief.

He laughed and talked about how much business has changed in the last decade or so. Things move just too fast these days for a 250-page plan. Just as you get it printed something happens, good or bad, in the economy, in technology, or in the landscape of the collective consumer mindset that changes almost everything that renders about 245 of those pages obsolete. I learned that the hard way with one of my businesses at the beginning of the great recession and then a few more times since then.

I say almost everything because even in the midst of chaos there are some elements of strategy that stay intact. Those would be organization drivers like mission, vision, and values. Even those need to be reviewed on a regular basis, not necessarily to change them but to keep management grounded and to remind everyone what the business is all about at its core. That's why I advocate making strategy not an annual retreat but an activity that is revisited quarterly…at least. Even if the only thing that happens is getting everyone back on the same page of "why we are in business" and "where we are headed" it's more than worth it.

So what does that mean for credit unions? It means that the strategic-plan binder is passé. It also means just talking about strategy only during the annual board retreat is obsolete. Don't worry you can still do the retreat but strategy needs to be a quarterly discussion and even a monthly and possibly weekly one if possible. Here are a few ideas to do just that…

- Create a one or to two-page business brief.

If you do have one of those monster business plans they can still be of value but no one wants to carry around that binder. Back in the day I did carry around one of those suckers. And I actually did find it valuable as I wrote notes in it, moved things around with arrows, and crossed out tactics that just didn't make sense anymore based upon changes in our environment. Today I suggest a two-sided laminated sheet that serves as a synopsis or summary of the entire plan. I like the Strategic Map – as I mentioned in CU Business Magazine article A New Napkin: The Strategic Map in June 2017 - but the point is to have something your team can use as a tool during meetings with strategic importance. Refer to it during weekly management meetings, one-on-ones, and even employee reviews. Mentoring becomes a little easier when you can point out to employees exactly how their efforts align with the vision or contribute directly to strategic goals.

Conduct a monthly strategic review

Regardless of the size of your credit union it would be wise to do a monthly strategic review. If you're a CEO running a $7 million institution with two tellers then do the review yourself in the office while sitting at your desk during a quite moment. Granted that quiet moment might be at 8 pm but if you want to grow your business it will be a valuable moment. If your leading a $1 billion institution it will be just as valuable to have a stand-alone monthly strategic meeting. Do it separately from the weekly management meeting where everything is discussed from the upcoming NCUA exam to the broken coffee maker in the breakroom, the latter being much more important as a serious coffee drinker myself. The monthly strategic meeting should last a maximum of 60 minutes and

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should only be focused on strategic elements such as implementation achievements, completed initiatives, potential obstacles, and new opportunities.

Schedule a mini-planning session quarterly

If you don't, or can't, follow any of my suggestions above, I implore you to implement this one at least. On a quarterly basis get everyone that was involved in the annual planning session together. I suggest blocking out three hours but you may need a lot less. Review all of the strategic elements I mentioned in the monthly review but also revisit the mission, vision, and values. It is improbable that these three organization drivers will change. It is probable that if everything is on track that the meeting may last closer to 30 minutes rather than three hours. However, there are times when a strategic goal no longer is as aligned with the vision as it seemed three months earlier. If that's the case this is a perfect time to discuss how your credit union should either adapt or pivot to the changes.

Business moves a lot faster these days than it has in the past for most of us but we can still be on top of it. With a little discipline we can not only be prepared for unexpected obstacles and opportunities but also move our businesses forward better than we ever have before without needing 250 pages of paper to do it.

Ken Bator is the author of The Formula for Business Success = B+C+S and the founder of Bator Training & Consulting, Inc. (BTC). Credit unions hire Ken to create environments where employees actually want to come to work and members want to keep coming back. BTC accomplishes this through a combination of Branding, Culture building, and Strategic planning. This is the unique B+C+S Formula created by Bator and featured in his latest book. To have BTC assist your credit union in creating a differentiating and engaging experience, contact Ken directly at 714-681-2821 or kbator@btcinc.net. Learn more about BTC's training and strategic planning sessions at ***www.btcinc.net*** *or* ***www.speakermatch.com/profile/kenbator/.***

BY BRUCE A. CLAPP

Plan for Success in Your Annual Strategic Plan

Strategies to Avoid Common Strategic Planning Pitfalls

Two days in meetings in the board room of a local country club; a couple rounds of golf and some late-night team building dinners – and all you have to show from your annual planning retreat is a pile of flip charts with a few great ideas but no plan for bringing them to fruition. Sound familiar?

Not all strategic planning is created equally. The majority of companies find a mere 63 percent of the goals outlined in their strategic plan are achieved each year, leaving a great deal of opportunity on the table… lets make sure your credit union does not do the same! I believe there are four specific questions that every successful strategic planning process must address and broadly share within the organization:

1. **Where are we now?** *A specific self-assessment with peer review and market evaluation*
1. **Where do we want to go?** *Goal oriented approach with specific how much by when with whom*
1. **How are we going to get there?** *Specific tactical process spelling out steps, hurdles and plans*
1. **How will we know when we have arrived?** *Measurable, quantifiable, actionable milestones*

How can you pull the extra level of growth out of your strategic plan? It is crucial that strategic planning become an ongoing process rather than an annual event combined with a golf outing or Board retreat.

In times of economic turmoil, the companies that thrive are those that have an integrated plan. Successful companies know what they have to offer, know where they are going and have a definitive plan of how to get there that is embraced by all levels of the organization. This sense of purpose and direction is not achieved haphazardly. It comes from taking the time and putting in the work to develop a comprehensive strategic plan. The Harvard Business Review study reveals that there are several main reasons why 37 percent of the goals in most strategic plans wither on the vine and never deliver any results.

- Inadequate or unavailable resources (7.5%)
- Poorly communicated strategy (5.2%)
- Actions required to executive not clearly defined (4.5%)
- Poor or uncommitted senior leadership (4.5%)
- Unclear accountabilities for execution (4.1%)
- Organizational silos and culture blocking execution (3.7%)
- Inadequate performance monitoring (3.0%)
- Inadequate consequences or rewards for failure or success (3.0%)

Developing the plan is mission critical yet supporting the plan throughout the year and ensuring its engagement and ability to drive actions and yield results creates the sustainability your credit union needs. Most of the goals that fail, fail because many

companies have a strategic planning process that lacks four basic components necessary for success.

- **Communication:** A chain of leadership involvement that extends beyond Executive leadership to include those business leaders actually responsible for producing results.
- **Accountability:** A defined program to achieve the goal and detailed process for ongoing progress reviews.
- **Measurement:** A platform that includes ongoing monitoring and review to take strategic planning from a onetime annual event to an evolving growth process.
- **Resources:** A human resources and marketing investment budget that provides sufficient depth and customer touch points for success

Communication

Broad and engaging communication within the organization is key. Including all staff in the initial steps of the strategic planning process ensures engagement and ownership. Weekly status updates on progress and monthly reporting of growth and goal achievement creates ongoing focus and clarity on roles and responsibility. Share the good and the bad of results and progress… be prepared to regroup and reassign tactics, strategies and accountable staff. Things change in the market place and the best "plan" is one that is put to use and is flexibly administered.

Accountability

Speaking of role and responsibility, accountability is key for success. Role clarity and clear modes of action toward specific goals creates accountability. Every role within the credit union serves a purpose and accountability ensures that each role is actively contributing. Defining departmental goals and method of contribution across the entire credit union, front and back office. Everything should roll-up into the organizational goals, efforts and outcomes.

Measurement

"What gets measured, get accomplished." Measurement sets the tone for accountability and achievement progress toward goal. Measurement of the "right things" and communication to the organization ensures engagement and focus. The measurement needs to be a mix of activities, outcomes and internal and external actions. Start with determining the "what" will be measured and then the "how" it will be measured and finally to "whom" the measurements will be shared.

Resources

An effective marketing budget needs have a starting range of 1/10 of 1% of assets. Add in additional funding for new projects, new markets, new competition, etc. For instance a $250M credit union should have a base marketing budget of $250,000 plus new initiatives. The key for the marketer is building a plan that aligns with the strategy direction of the organization, is measureable and is reportable each week in the year.

In summary, creating a plan is a great initial step, however, caring, feeding and nurturing the plan with leadership and resources ensures success and the achievement of desired outcomes. Marketing must be a leader and accountable communicator for BOTH the plan and the planning process. The needful work prior to the planning is equally as important and impactful as the organizational work during the planning.

Bruce A. Clapp, aka High Voltage, is THE vision and energy that drives everything MarketMatch, a marketing consulting and strategy firm he started in 2002. And while much of that power is fueled by Red Bull (we're talking he has a fridge next to his desk), it's also fueled by his 25+ years of marketing expertise in various executive credit union and bank.

BY ALEC HOLLIS

Economic Pricing And Profitability

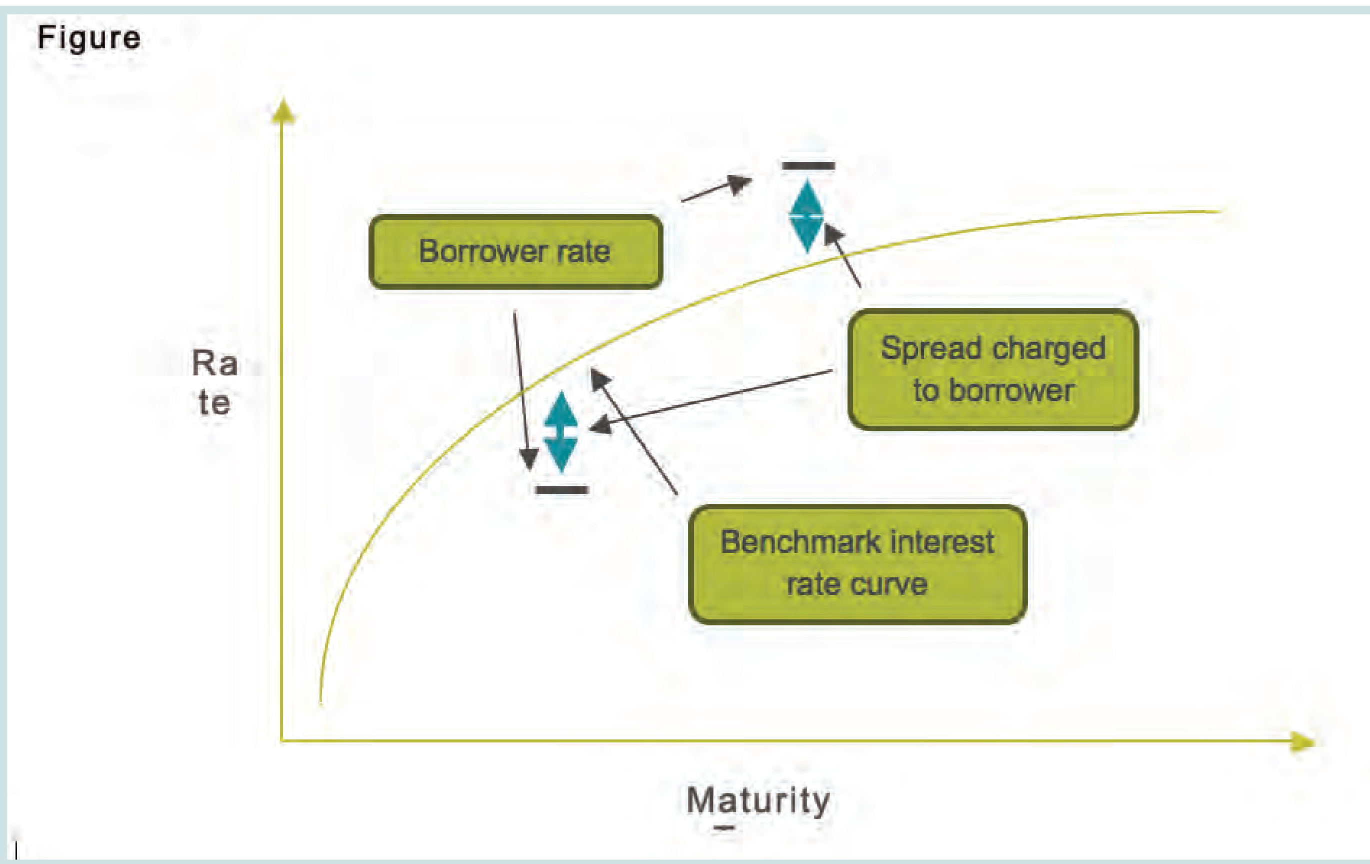
It is important for credit unions to maintain a disciplined approach to product pricing. Many institutions benchmark performance and product pricing to an economic transfer price, also known as a funds transfer pricing (FTP) framework. Returns based on economic pricing can be thought of as an economic return on equity (ROE). Economic ROE has the important distinction of being market-based, eliminating arbitrage by business units and borrowers.

Institutions frequently benchmark pricing to market-based sources because they do not want their commercial spreads to move up and down with the market. For example, in a rising rate environment, if the offer rate on an auto loan is not adjusted to account for a higher yield curve, the effective credit spread charged to the borrower is diminished. This concept is demonstrated in Figure 1, showing two rates charged to two borrowers: one with a negative credit spread (something we have witnessed) and the other with a positive credit spread.

Components of an Economic ROE Benchmark

Whether seeking to economically price loans for FTP purposes or for pricing offer rates, the following assumptions should be included:

- Cost of debt funds
- Operating costs
- Credit costs
- Mark-ups/downs



Cost of Funds

The economic cost of funds is simply the benchmark interest rate curve, sometimes called the cost of the mirror debt. The mirror debt fully replicates the asset's cash flows, such that the margin of the asset is immune to interest rate movements. When run in an option-adjusted spread (OAS) cash flow model, the mirror debt is constructed from a series of zero-coupon debt positions. For mortgages, and other option-embedded assets, the options cost should be included in the pricing.

While it may sound complex, the calculation is actually very mechanistic and simple to produce, given the right tools at hand. The benefits are high, and they stem from the avoidance of arbitrage from the typically upward-sloping yield curve. Additionally, it allows for cross-comparison between assets of varying maturities and embedded options.

Operating Costs

Operating costs should be expressed as a percent of loans to be comparable to a spread mark-up. While operating costs often are expressed as a fixed fee, converting to a percent can be done by dividing by the loan amount. Operating costs represent acquisition costs (such as a broker fee) and ongoing servicing costs. Sometimes, servicing income is generated, which would be netted to produce an all-in noninterest cost.

Credit Costs

Measuring the cost of credit risk has been increasingly scrutinized, particularly with the introduction of the current expected credit losses (CECL) methodology to accounting standards. Also important to the credit loss assumption is an assumption of capital charge; a risk-free asset has expected losses of zero, and therefore no capital charge. However, for credit-risky assets, an expected credit loss assumption and risk-weighting must be used.

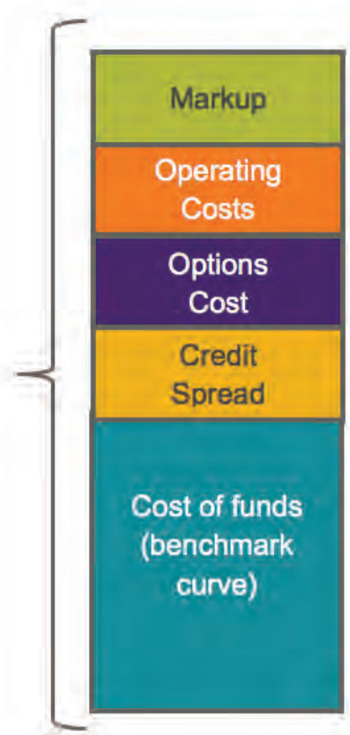
Commonly, credit losses are derived from historical loss data. However, they must be forward-looking for projecting economic return. Credit losses can be broken into two components: probability of default and loss given default (LGD). The capital charge is then based on the perceived riskiness of the asset. In a regulatory framework, the risk weighting would drive the capital charge.

Mark-ups

Mark-ups are adjustments to the economic benchmarks for business purposes, whether for spurring loan growth, disincentivizing certain products, adjustments for perceived risks, etc. When calculating an economic ROE, the mark-up represents the risk-adjusted profit spread based on the expected costs of the asset.

As we have witnessed with the recent rate movements, some credit unions are charging mark-downs, meaning after all costs are incorporated, risk-

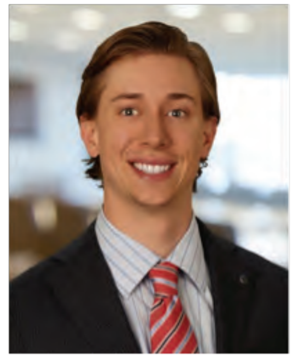
Figure 2



adjusted spreads are negative. This leads to negative on-the-margin ROEs. While in some cases this may be intended (for example, credit unions with low cost of funds passing benefits to the member), it may also be an inadvertent effect of rising interest rates.

Conclusion

Figure 2 illustrates the components of a lending rate as discussed in this article. Pricing to economic benchmarks can be highly useful to institutions seeking to understand and drive financial performance. It can allow an institution to price risk more effectively and also allows for the decoupling of economic variables from business and lending decisions.



Alec Hollis, CFA, is Director, ALM Strategy Group
ALM First Financial Advisors, LLC

BY MISTI HONS

Improving Cost-Effectiveness Through BCU's Holiday Usage Campaign

BCU is a purpose-driven organization that empowers people to discover financial freedom. At $3 billion in assets, it is the fastest-growing credit union in the past 35 years. Both not-for-profit and member-owned, the credit union's mission is driven by its commitment to provide extraordinary service to nearly 250,000 members across the U.S. and Puerto Rico.

The credit union – headquartered in Vernon Hills, Ill. – has been a PSCU Owner for 19 years and is also a longtime subscriber to PSCU's Advisors Plus. Advisors Plus was founded in 2004 with a mission of helping credit unions meet their financial and business challenges and grow. It originally worked with PSCU Owners to build lines of business such as checking, credit cards and contact center operations and eventually expanded its expertise to include predictive analytics, risk analysis, branch training and social media. Advisors Plus has most recently focused on providing consulting on portfolio performance, as well as marketing services and business-to-consumer marketing campaign execution.

BCU places a high focus on cardholder engagement in order to ensure it remains relevant and provides ongoing value to its members. As part of the credit union's strategy for card-portfolio growth, BCU works with Advisors Plus to execute card usage campaigns for improved cost-effectiveness. According to Mike Fox, Director of Lending Product Management at BCU, "Account management is a key component of our card-portfolio strategy, and we have built a great partnership with the Advisors Plus team over the past few years."

The Opportunity

Fox is well aware that there is increasing competition for cardholder spending. The credit union rewards cardholders with additional points or cash back for purchases in select categories in order to ensure "share of wallet" during peak spending periods like the Q4 holiday season. For a Holiday Usage Campaign at the end of 2017, Advisors Plus was engaged with an additional objective to solve a recurring problem. Fox explained that due to system limitations in past usage promotions, all targeted cardholders automatically received additional rewards for purchases in select merchant categories. Although this approach provides additional value to all targeted cardholders, the credit union incurs additional rewards expense from unintentional purchase activity.

The Approach

BCU and Advisors Plus formulated an innovative plan to test an activation requirement for a portion of the Travel Rewards portfolio. Before cardholders could qualify for the additional rewards associated with the promotion, they were required to "activate" the offer.

The objectives of the test were threefold:

- Measure cardholder response to activation requirement vs. automatic receipt of rewards
- Track spend behavior – activated vs. automatic receipt of rewards
- Quantify expense reduction as a result of the activation requirement

In the month preceding the promotion launch, cardholders in the test group received two emails with easy click-to-activate instructions. The idea was to simplify enrollment for cardholders who were intentional about participating in the promotion.

In addition to transaction-level rewards (TLR) requirements, account selection criteria and project management, Advisors Plus set up a branded website to support the activation test.

To manage member impact, the test group was limited to under 20 percent of total cardholders in the promotion. According to Fox, "We listened closely for member feedback during and after the promotion and ensured that cardholders were provided the option to enroll after the start of the promotion."

The Results

Following the campaign, it became clear that cardholders who activated accounts in the test group were considerably more engaged. Specifically:

- 85.5 percent response vs. 62.3 percent for non-activated accounts
- $2,149 avg. responder amount vs. $1,546 for non-activated accounts
- 25.09 transactions per responder vs. 17.36 for non-activated accounts

Most importantly, the activation requirement allowed BCU to significantly reduce rewards expense associated with the test group. As a result, the credit union plans to employ the activation requirement more prominently in its next usage campaign.

For Fox, every campaign is viewed as a learning experience. The credit union likes to conduct testing to understand which offers and approaches best resonate with members, and it relies on Advisors Plus for its operational expertise, attention to detail and great overall execution. "With Advisors Plus support, we continue to expand the scope of growth initiatives, test new offers, and develop more targeted and cost-effective account management strategies."

Misti Hons is responsible for coordinating all new incoming marketing business to Advisors Plus. She is also the marketing analyst for several Alliance-level clients. Misti has been on the Advisors Plus team for just over 10 years and a total of 22 years with PSCU.

BY JESSICA OLIVER

Hands-On Financial Wellness Workshops Strengthen Community Bonds

Empowering Louisiana make better financial decisions is a huge passion of ours at Pelican State Credit Union. We take great pride in helping our members achieve their dreams and goals. We know some of our members are struggling to make ends meet. As credit unions, it's our responsibility to educate our members to successfully navigate their finances and build assets over time.

At Pelican State CU, we've made it our mission to improve the lives of our members through safe, competitive products and educational services. This is why we offer engaging and useful financial wellness workshops for Select Employer Groups (SEGs), schools and the communities we serve.

Pelican's Financial Wellness Workshops were implemented as part of the credit union's core strategy and mission to benefit our branch communities in 2007. Even before organizing community workshops, Pelican's Nationally Certified Credit Counselors were meeting one-on-one with members in order to help them on the path to financial success.

As of December 31, 2017, 872 workshops have been hosted by Pelican across Louisiana for its communities, schools, team members and SEGs. Each workshop is geared toward a particular topic such as saving and budgeting for success, understanding credit scores and reports, and planning and tips for home buying.

Our workshops have allowed us to plant seeds of financial health among 22,780 guests. Workshops impart knowledge, allow guests to build trust and relationships with the credit union's team members and serve as an outlet for guests to become members—resulting in hundreds of new memberships over the years!

When we merged with St. Landry Federal Credit Union in November 2017, we knew that a free, public Community Financial Wellness Workshop was the perfect way to raise awareness of Pelican and continue to invest in our community! Thus, we began to plan a workshop in Opelousas, Louisiana—now the home of two of our branches.

When planning a Community Financial Wellness Workshop, we consider several factors to ensure we have great attendance including location, timing, presentation topic, incentives to attend, promotion and follow-up.

For our workshop in Opelousas, we chose a large venue that our merger vote was hosted in since it was familiar. We set the time on a weekday after work since our topic, credit reports and scores, was targeted toward all adults in the community.

Incentives for these adults to attend included a free jambalaya dinner, door prizes and credit union T-shirts for the member and their friend if their friend signed up for membership the night of the workshop. To enter to win the door prizes, attendees were asked to provide their contact information, and the branch followed up with all entrants after the event.

When it came to promoting the event, we worked to reach our target at all touch points including email, in-branch, social media and press. Consistent imagery and verbiage was distributed through branch fliers and handouts, our website, a Facebook event page, emails to members and press releases.

Members were asked to “RSVP” by filling out an online form with their contact information that was strictly used to remind them about the workshop through email and text message the day before and day of the event. These reminders are crucial and help ensure that the attendees remember they RSVP’d weeks before. We also posted regular updates in our Facebook event page to keep those interested engaged up until the day of the workshop.

Due to these efforts, our workshop in Opelousas for the St. Landry Parish community brought in 40 guests and two new members along with being featured on a local news broadcast that night!

Your credit union can do this, too! Schedule a couple of hours at a local library to cover a single topic and begin to promote the event to members and the community through your branch, website and social media outlets. Offer refreshments or a small raffle drawing to attract a larger number of attendees.

Don't have a specific department dedicated to Financial Outreach? Use a presentation from a partner to avoid recreating the wheel. Bring your branch staff or loan officer along to answer additional questions. This type of event can reach upwards of 75 members and potential members and cost less than $300!

There are numerous financial wellness resources available to credit unions, many at no cost. These resources include brochures, videos, worksheets, games, puzzles, online activities and complete turnkey programs. NCUA's MyCreditUnion.gov has resources available in English and Spanish.

Credit unions of any size and number of staff members can do their part to help increase the financial health of members, build stronger communities, live the credit union principles and make a difference every day!

If you would like to see a video of a Pelican Community Financial Wellness Workshop in action, **click here**. Have questions about our Financial Wellness Program and Workshops? ***Visit pelicanstatecu.com/wellness*** or email me directly at ***joliver@pelicanstatecu.com.***

BY STEVE PLATT

Debt Collections is About More Than Money – It's About Preserving the Relationship with Members

One-third of Americans have experienced the debt collection process at some point in their lives, but it's not an experience people feel good about. Rarely do people walk away feeling positive about their interaction. It can wear on an individual. The constant phone calls and letters in the mail to remind people of their outstanding balances are considered too aggressive. Sure, these methods likely accomplish the goal of collecting the debt, but the approach oftentimes leads to a larger issue – a damaged relationship with the consumer.

Consider this – Experian recently analyzed the impact of traditional collection methods and found that three percent of 30-day delinquencies in card portfolios closed their accounts after paying their balance in full. And, 75 percent of those closures came shortly after the account became current. The analysis also showed the propensity to close accounts were four times higher in the young, urban, affluent population than in others.

We know the closure of an account often has much more of a far-reaching impact than one lost account—especially for credit unions that offer such a wide array of financial services. In other words, a credit union could collect a $400 debt, but miss out on thousands of dollars in future opportunities with its member.

Most financial institutions, including credit unions, are challenged with this very conundrum; The balance between collecting the money owed and maintaining a positive relationship with the member. Debt collections is an essential component to the business, but the method in which it's done needs to be reexamined. Typically, credit unions lump all their members into a one-size-fits all collections approach, which is outdated. These are the same methods the industry has been using for 20 years – now is the time to optimize them.

While debt collections haven't changed much in the last two decades, consider what has changed:

- Composition of customer portfolios
- People's preferences becoming increasingly digital
- Regulatory updates

These monumental shifts in the way we do business has elevated the customer experience to the top priority. Customers expect increasing digital and mobile interactions and expect offers to be consistent across platforms and tailored to their individual needs.

Like many financial institutions, credit unions excel at the beginning of the customer life cycle, but somewhere along the way there is a disconnect. Members don't often see the same interaction when they fall behind on payments. These organizations need to place more focus on the customer experience. This is best addressed through the power of data and analytics, which can give credit unions the insights needed to make the right collections decisions.

Treat members as individuals

Believe it or not, most people want to feel understood, and know that an organization understands their needs and wants. Think about the fact that not every member that ends up in collections has the same path that got them there. Perhaps the person left on vacation, simply forgot to make a payment or is experiencing financial hardship. But, there are also those that deliberately decline to pay down debt. In any event, each of these scenarios would require a specific approach that caters to the individual. If a credit union aggressively attempts to contact a member who simply forgot, they run the risk of losing that individual permanently.

Credit unions need to start with the basics: risk assessment. We know that typically, credit unions only look at its members through a singular lens: the risk profile. But, that doesn't quite tell the whole story. Including additional information, like communication preferences, gives a more complete picture of an individual's situation, and leads to a better understanding of the likelihood of repayment and the likelihood of attrition.

Let's look at two customers: Both John and Jane are millennials who prefer credit unions, but for different reasons. John appreciates that credit unions aren't driven by profits, like banks, but Jane likes the personal relationships she's created with the team members, and says that visiting the credit union is "like visiting old friends." Consequently, Jane does nearly all her banking in person or over the phone, so she has the human contact. John, on the other hand, not needing the personal contact, does most of his banking on his smartphone app, or his computer late at night. He prefers an all-digital experience, and even has e-statements delivered to his email.

Looking at this information – which, on the surface level seems purely anecdotal – it tells us a lot about how we should approach John or Jane, particularly if they ever become delinquent on an account. For Jane, phone calls would probably be the most effective method of communication, while for John, offering some sort of digital platform where he can resolve the issue online, during those after-hours online banking sessions would be a better option.

Leverage technology for deeper insights

All the information in the above examples are helpful, but new omnichannel platforms provide countless ways to leverage additional data and analytics to improve the collections process even further. Being able to look at trended payment history, credit reports, demographic data, etc. empowers credit unions to make more informed decisions while creating their overall collections strategy.

Additional benefits of these systems are the customer-facing capabilities. Think back to John, who prefers to do his banking online. He would be able to go into the system and negotiate repayment terms without any human interaction, which for him, is the ideal situation. Collections managers can rest assured, knowing that they set up the system with their own institutional parameters, and the automated system will carry out precise and informed actions.

Debt collection is not without complexity. Beyond the challenges of conversing with consumers and cost to interact, there are restrictions on how often and when an organization can even contact them. But, data and technology can be the key to addressing these challenges and simplify an otherwise complex process. Putting new systems in place can be costly, but the cost of not putting them in place will be even higher in the long run. The right data resources can empower better decisions through understanding each member's unique circumstance.

All financial institutions—not just credit unions—need to provide consumers with the same personalized touch the moment the consumer falls behind on payment as the day they opened the account. The moment a credit union treats its members as human beings, rather than dollar signs, is the same moment they can begin to build relationships that can last a lifetime.

BY JIM ROMEO

Building Customer Service at Your Branch

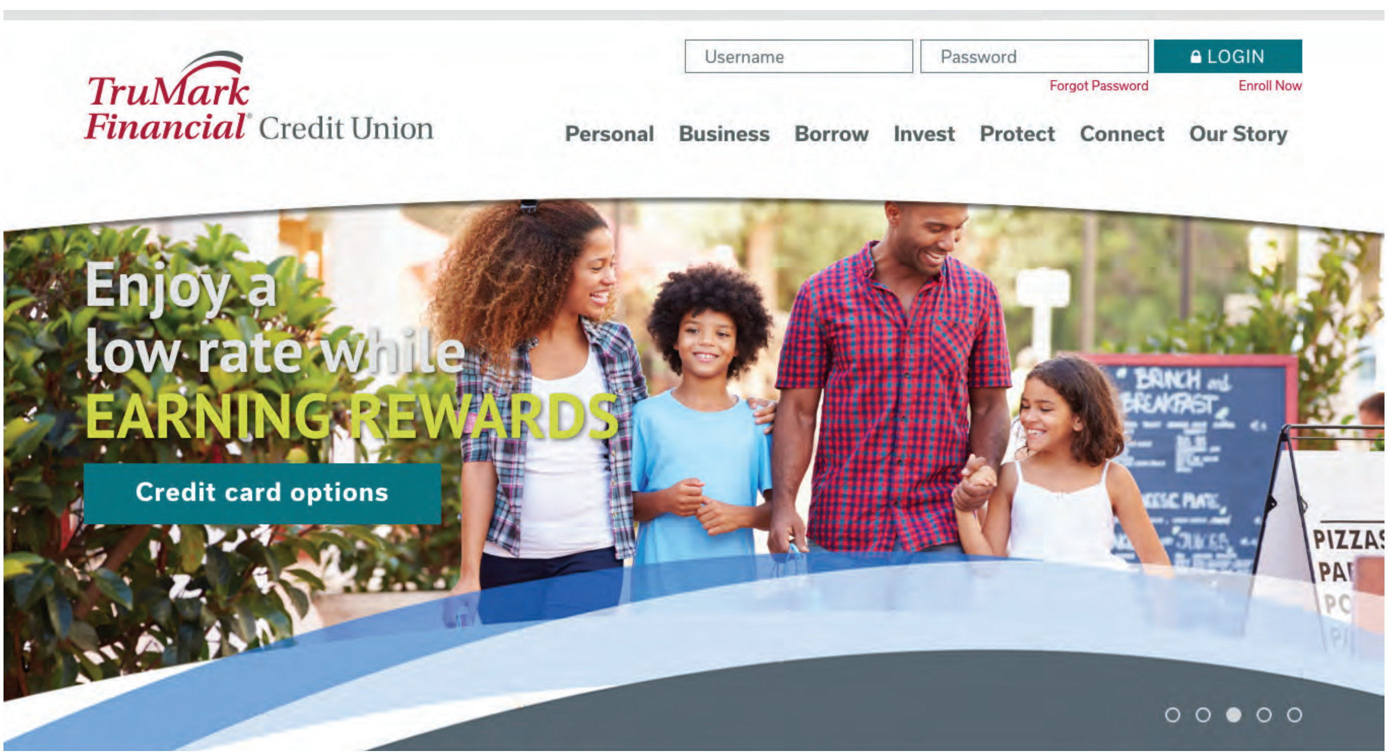
A conversation with Mark Holder, Vice President and retail division manager at TruMark Financial® Credit Union in Fort Washington, Pennsylvania.

Mark Holders is the vice president and retail division manager of TruMark Financial® Credit Union in Fort Washington, Pennsylvania. We spoke to Mark to understand his approach to customer service at TruMark. Here's how our conversation went.

Branch Business: From your perspective, how important is it to invest in customer service training for today's branch staff?

Mark Holders: Training my team to handle the various aspects of member experience is critical to TruMark Financial. How we handle member interactions sets us apart from other organizations. We constantly coach our team on improving their performance to provide a consistent level of service to our members. The training we provide never stops. We always find ways to make improvements to our training and processes.

Branch Business: What are some of the better ways to conduct such training?



Mark Holders: The best way to conduct this training is through consistent coaching and feedback. Our branch managers provide on the spot and formal coaching on member interactions to their employees. They also role play various member scenarios with the team.My regionals also coach this when they conduct visits.

Branch Business: Do you feel that customer service should be monitored and evaluated periodically to ensure that a high level of customer service is being maintained?

Mark Holders: Absolutely. Member service should be monitored every day. At TruMark Financial, we get daily feedback from our members regarding service. We have a robust "Voice of the Member" program that encourages our members to provide feedback on their daily interactions with the credit union. This allows us to be responsive to our members and enables us to make changes to enhance the member experience. My team constantly engages our members for feedback. As a team we also reflect on our performance to find ways to enhance the member experience.

Branch Business: What advice could you share with regard to best practices to build and maintain customer service for your branch and branches?

Mark Holders: One key point about member service is that it is not just a branch responsibility. Today the interactions members have with other departments can affect member satisfaction. It is important all departments march to the same beat, so members receive the same level of service regardless of the channel with whom they interact. Several of our back-office departments receive surveys on performance related to member interactions. This helps other departments understand the important role they play in member service.

Branch Business: How important do you feel customer service will be in the next 3-5 years? Can you explain?

Mark Holders: The service we provide to our members will be a key driver of our success in the coming years. Today when someone is not satisfied they can go to social media and have that seen by hundreds or thousands of people. I only see the reach of social media expanding in the future. The companies that can provide exceptional member experiences will be the winners in the future. We have to continue to provide a service that is memorable and keep our members coming back.

Jim Romeo ***(www.JimRomeo.net)*** *is a copywriter focused on business and technology*.

BY OLIVIER THIRION DE BRIEL

Are Banks the Future Guardians of Identity?

The phrase, "Money makes the world go 'round" may still ring true in the physical world, but in the virtual world, identity is king.

Sure, it still takes money to purchase goods and services on Amazon. It's hard to deny, however, that a secure digital identity enforced by logins, passwords, and other evolving authentication methods is the ticket for doing just about anything online.

In fact, according to Consult Hyperion's Dave Birch, author of Identity is the New Money, identity and money will one day converge as the new currency. Which begs the question: With banks the trusted guardians of money for hundreds of years, are they also the logical future guardians of identity as well?

There are lots of thorny issues and challenges that come up when you consider digital identity. What is digital identity exactly? Who owns the digital identity? Who is ultimately responsible for safeguarding it? Who is liable if it's stolen or wrongly authenticated? How do you keep digital identities secure without impinging on the user experience?

In an age of unlimited Web services, mobile computing and the Internet of Things, it's no longer feasible--nor prudent--for users to enter credentials and answers to security questions over and over again, each time they need something.

With the increasing use of identity federation and open banking initiatives pushed by regulations such as the European Union's Revised Service Payment Directive (PSD2)—which requires banks to open up customer account information and payments to scores of Fintech firms via API's--these questions must be answered.

Identity is Trust

Dave Birch and similar thinkers have defined identity not just as you and your name, but your reputation—AKA social capital--and the trust it inspires.

Much of that reputation lies in what Birch calls the social graph; anyone can look you up in social media to find out if you're employed, smart, trustworthy, a hard worker or a team player.

Birch further argues that the mobile phone is rapidly emerging as the key enabler of both identity and monetary transactions.

Thanks to federated identity architectures, banks can offer the benefit of their extensive identity knowledge—your reputation and trustworthiness--without necessarily sharing your actual sensitive data. This is a valuable asset both for the user and the banks alike and will be a key advantage of banks as they are challenged by hundreds of innovative, nimble FinTech competitors.

Why are banks the logical identity guardians and providers?

Trust Consumers already trust banks to safeguard their money and that trust is apparent when it comes to data as well. Capgemini's 2017 global survey of more than 7,600 consumers found that 83 percent trust banks and insurers to protect their data.

Information Banks have long been the repository of identity and customer financial information. To open an account, grant credit or approve a mortgage, banks must have highly accurate information about the user's credit worthiness and employment. For many customers, banks hold years of decades worth of precious information about earnings and spending habits as well.

Regulation PSD2, stringent anti-money-laundering and know-your-customer regulations demand that banks have the highest standards for verifying customer identities if they don't want to face steep fines.

Human Contact Few interactions are as effective at establishing identity and trust as meeting and speaking with a customer in person. Most banks have geographically distributed retail branches where customers still come to conduct business. EY's 2016 Global Consumer Banking Survey of 55,000 customers in 32 countries found that 60 percent feel a bank's physical presence is still highly important. However, banks will have to rethink the role of the branch and introduce innovative digital strategies and services that fit with an omnichannel consumer experience. EFNA and Synechron's World Branch Report 2017 found that 58 percent of banks had tasked their Retail/Consumer Banking Group with branch transformation, with 38 percent introducing digital interactive experiences and 30 percent self service automated technologies.

The Future Is Here

Banks have already moved into the federated identity provider space via some interesting partnerships. Barclays online banking customers can now use their log-ins to access the UK's GOV.UK Verify identity registration process. The Commonwealth Bank of Australia provides identity verification for outsourcing firm Airtasker's online platform. USAA has partnered with an unnamed Federal agency to allow users to authenticate to both sites with the same username and passwords. Capitol One is using an API to allow Web sites to authenticate customers and share identity information.

What It Will Take

Banks are well positioned to be identity guardians and providers. However, to offer this function and strong federated authentication for scores of FinTechs and other services these institutions will have to continue to upgrade their identity and authentication infrastructure. Aside from multi-factor authentication now widely in use, the success of spear phishing, zero-day malware and key loggers mandate other strategies to ensure identity can be authenticated accurately in a mobile world. Some of these include:

Device Fingerprinting to identify a user's authenticating device via IP address time zone, operating system, browser, browser fonts and screen dimensions. This information can be gleaned to help confirm the user and the device and to determine if a device has been used in previous hacking attempts.

Endpoint Browser Protection to identify malicious software and prevent hacker exploits such as Web session manipulation, cookie hijacking and Man in the Browser attacks that modify Web site content or insert fraudulent transactions.

Application Protection to ensure a transacting device is not jailbroken or had its application keys cloned or software modified.

Behavioral Analytics that harness data on past customer transaction patterns to determine the risk of fraud for each current transaction. Most bank credit card customers are aware of this function, which can block a suspicious transaction until the customer is alerted.

Behavioral Biometrics that monitor the user's button pressure and mouse and keystroke dynamics when browsing banking services to establish a behavioral biometric profile and detect any profile changes.

Transaction Signing requiring customers to use a mobile push authentication solution that allows the user to approve a transaction with a simple finger swipe.

No doubt banks will ramp up new services to compete with FinTechs in areas such as account aggregation, payment initiation and innovations we can't even imagine today.

However, their role as guardians of identity will be indispensable as these new avenues of financial innovation take off. Banks may have their challenges as FinTech grows but their customer trust, information and identity are still assets that they, in turn, can take to the bank.

You'll still own your identity in 10 years, but your bank may ultimately be your trusted identity guardian and provider.

Olivier Thirion de Briel, Global Solution Marketing, Director chez HID Global Bordeaux, France

BY MIKE PUTMAN

How Travel and Lifestyle Clubs Help Differentiate Online Banking for Credit Unions

One of the biggest challenges for credit unions today is their ability to drive awareness and engagement, including through their digital and mobile channels. In a somewhat commoditized industry where customer acquisition and retention are driven by price (or interest rates), credit unions need to embrace every competitive advantage they can. Not only are they competing against other bank sites, but also against newer fintech players such as Mint.com. To stay relevant, credit unions will need to differentiate their value proposition in the eyes of existing and potential members …and one approach that has proven successful for credit unions is offering members a "travel club" subscription on top of their regular online banking.

Travel and Lifestyle Clubs for Credit Unions

A travel club is a simple idea with tremendous benefits for any organization that offers one – helping boost revenue, brand loyalty, customer acquisition and retention.

Members of a travel club pay a monthly or yearly subscription fee for discounted access to travel and lifestyle benefits (such as lounge access or travel insurance) through a private online portal. Best off all, the credit union doesn't have to create the club website or manage relationships with travel vendors – everything can be offered "as a service" and easily accessible to members online. Even better, travel clubs add value to any other partnerships that credit unions already participate in, like car and life insurance offers.

Many people already finance their homes, cars and even vacations through a credit union. It's not just the great rates that members value, but also the feeling that the credit union really cares – above and beyond deposits and balances. They have an interest in their members' leisure spending and financial happiness.

To that end, travel and lifestyle clubs can help credit union members discover new possibilities for travel while accessing members-only discounts not available to non-members. Oftentimes, the savings on one trip will more than offset the cost of a one-year membership. There are also long-term benefits for credit unions that combine a loyalty program with a travel club, allowing members to accrue points on every booked trip.

Travel Industry and Financial Services

The travel industry has a unique relationship with the financial services sector, which helped popularize frequent flyer programs through co-branded credit cards. Like frequent flyer programs, the travel club concept is an idea that works because nearly everyone aspires to travel – they want to see, learn, taste, enjoy and experience. Leisure travelers in the U.S. spent $718 billion in 2017 and more consumers are mixing business and leisure trips. They want elite travel "experiences" and travel clubs can help make that affordable – and if they need a vacation loan, they've came to the right credit union!

Despite these ready-made revenue opportunities, few credit unions and other organizations outside the travel industry have the resources to build and maintain a travel club for their customers or members. In the last 5 years, 25% of American families have used a travel agent to plan a trip, according to the 2017 US Family Travel Survey. When asked why, they said they liked having a one-stop shop for booking, and that they got "value for money" through the travel agent's discounts and perks – all of these benefits could be made available through a credit union travel club rather than a travel agency, helping the credit union drive awareness and regular engagement with its brand and other digital offerings.

Many would argue that American Express and other card companies are really travel and lifestyle clubs at heart. Why would consumers pay hundreds of dollars in annual fees to use an Amex Platinum card, or thousands of dollars to use an Amex Centurion? The difference is in the benefits – each card offers certain elevated benefits (such concierge services), and travelers will gladly pay a yearly subscription to access those benefits and be part of the brand.

The travel club concept helps ensure a personalized experience for members in their travel planning needs, with custom service to help them achieve their travel preferences, goals and aspirations.

Travel brands depend on non-travel organizations like credit unions to add value to the supply chain and distribute travel and lifestyle benefits to a wider audience, more efficiently, cost-effectively and profitably. This is the heart of the travel club concept – adding value to members' lives within and beyond the credit union and furthering the organization's core mission through brand affinity – which turns into brand equity.

Converting Brand Affinity into Brand Equity

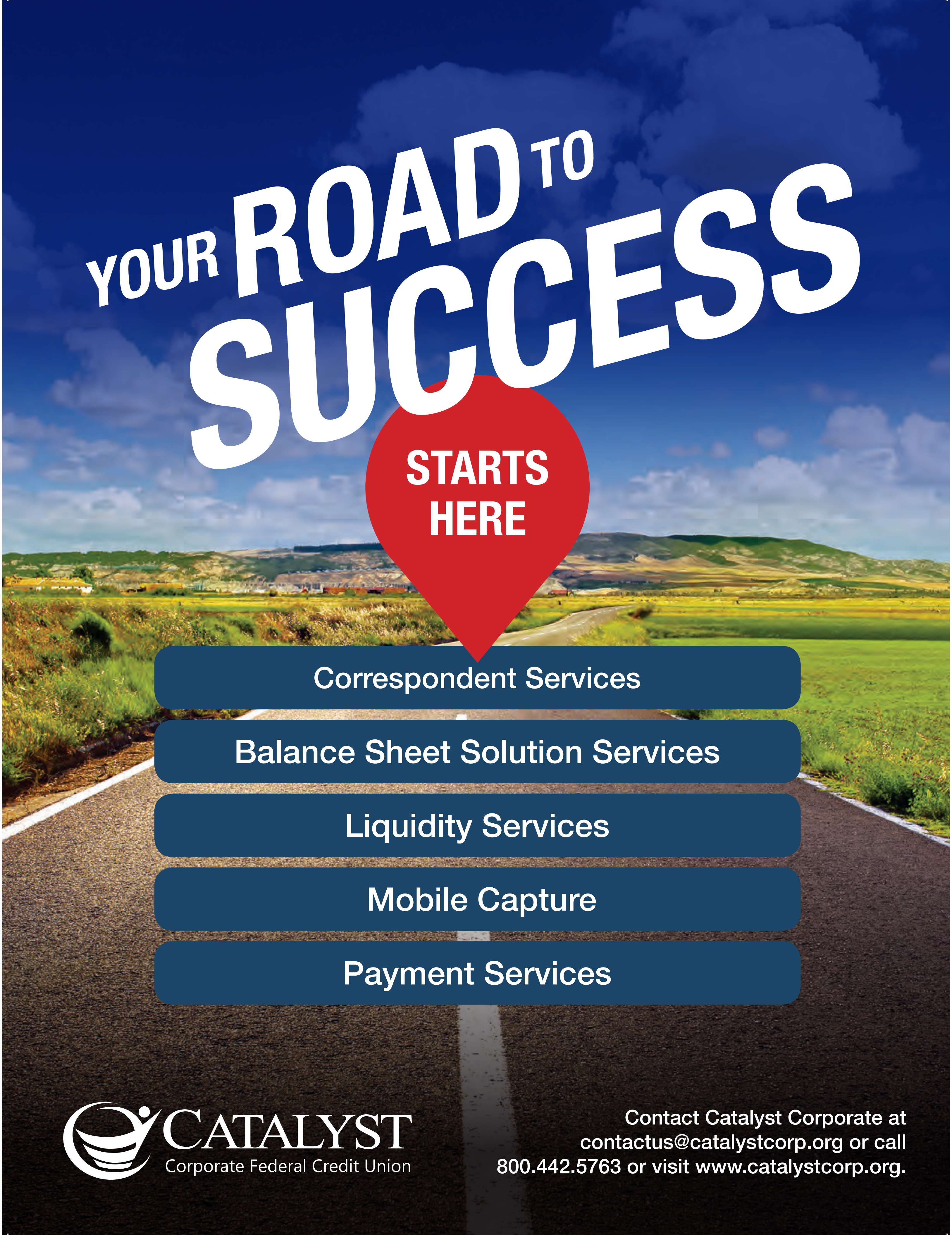
In many cases, credit unions develop an interest in travel clubs because they want to bring in more revenue from membership fees. This is a strong motivation, but it should also be an opportunity to increase brand affinity. By adhering to the credit union's brand standards, a travel club delivers real value to members through the credit union brand. These members have many options when it comes to trip planning – and banking – and a travel club is another opportunity to highlight a credit union's value.

Travel clubs are meant to be unique, exclusive and beneficial; this is how they improve loyalty and differentiate the credit union in the eyes of existing and potential members. 70% of Millennials would rather spend money on memorable experiences like travel than on tangible items like clothes, and credit unions can help finance and plan those aspirations. Travel is a "big deal" to people and a major attraction for the credit union.

The biggest challenge for credit unions and other financial institutions is that they generally lack the know-how, resources and budgets needed to build a travel club from scratch and manage vendor relations with travel suppliers and distributors. And yet, who knows more about their members – or has better contact with them – than their credit union? That's why travel clubs have been growing outside the travel industry: credit unions and other financial institutions can offer products and services they know their audiences will value within a club framework.

There are few things people value more than travel and lifestyle benefits. Everyone wins with a travel club, especially current – and potential – credit union members.

Mike Putnam, CEO Custom Travel Solutions, has spent his career creating and growing travel businesses.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