





Asian Credit Union Forum
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Driving Credit Union Relevance
by Giving Members Lots of
Reasons to Stay




Why do we want a “Member Relationship”?

- Generally, long term members are more profitable
 - Acquisition costs spread over longer period
 - Generate revenue for longer period
 - More opportunities to sell additional products
 - Easier to engage an existing member than to attract a new member



Why do we want a “Member Relationship”?

- Simply having long term members however does not guarantee success
- The ultimate aim is to achieve member loyalty



How can we describe a loyal member?

- Faithful, reliable, dependable, sincere, bonded, devoted....

Loyalty may be defined as a member’s feeling or attitude of attachment to the credit union

From a credit union perspective, loyalty describes members whose feeling of attachment then leads to economically beneficial behaviours



Council on Financial Competition data:

- 90% of loyal members will come to you first for a financial product
- 75% of loyal members will recommend your credit union to others
- 65% of loyal members will forgive the occasional mistake
- 40% of loyal members will not bother to check prices/products of competitors



The Case for Loyalty - High Infidelity

- Easier searching (web)
- Increased price sensitivity
- Easier switching
- Increasingly fickle

The Case for Loyalty - High Infidelity

Term deposit interest rates 11 Jul 13

| Institution | 30 days term | 90 days term | 180 days term | 270 days term | 1 year term | 2 year term | 3 year term | 4 year term | 5 year term | Go to RateCity |
|-----------------------------|--------------|--------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|----------------|
| Select Credit Union | - | 3.50 | 3.50 | - | 3.50 | 3.75 | - | - | - | Process |
| SERVICE ONE Members Banking | - | 3.25 | 3.55 | 3.50 | 3.85 | 3.95 | 4.15 | 4.15 | 4.25 | Process |
| SGE Credit Union | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | Process |
| St George Bank | 2.55 | 3.25 | 3.85 | 2.85 | 4.00 | 4.20 | 4.30 | 4.40 | 4.55 | Process |
| St George Bank-Vic | 2.55 | 3.25 | 3.85 | 2.85 | 4.00 | 4.20 | 4.30 | 4.40 | 4.55 | Process |
| Summerland CU | - | 3.65 | 3.75 | 2.75 | 3.75 | 3.85 | 4.00 | 4.10 | 4.20 | Process |
| Suncorp Bank | 2.70 | 4.20 | 2.80 | 2.80 | 4.00 | 3.20 | 3.30 | 3.30 | 5.00 | Process |
| Sutherland Credit Union | - | 3.40 | 3.50 | 3.50 | 3.60 | 3.60 | - | - | - | Process |
| Teachers Mutual Bank | - | 4.00 | 4.00 | 3.30 | 4.05 | 4.35 | 4.55 | - | - | Process |


- ### The Case for Loyalty
- Lower Attrition = Higher Returns
 - Positive correlation between keeping members and revenue – Better retention improves profitability
 - Higher net interest margin
 - Greater efficiency (less costly)
 - Greater asset growth

- ### Earning Member Loyalty
- Join, then resign
 - Repair defection triggers!
 - Member resignation is most likely in the first year
 - Poor service cited as the main reason to leave
 - Good service is the most important factor in generating loyalty, twice as important as rates/fees

- ### Earning Member Loyalty
- What do members want ?
 - Easy to deal with 5.0
 - Is prompt 4.8
 - Shows empathy 4.6
 - Listens to me 4.2
 - Reasonable prices 4.0
 - Short application times 3.8
 - Convenient branches 2.7


- ### Earning Member Loyalty
- The right products and staff trained to
 - Listen
 - Understand
 - Identify member needs
 - Offer the right product

- ### Earning Member Loyalty
- Monitor Performance
 - Member surveys
 - Identify member irritants (fees, poor service, inefficiency, network access)
 - Rectify main irritants
 - Mystery shopping
 - Reward high performing staff
 - Listen to the member!




Earning Member Loyalty

- Early-Term Relationship Management
 - Between 4 and 6 contacts in first 6 months
 - After joining
 - After product issue
 - “Do you have any questions?”
 - “I’m Mary at Gosford branch, please give me a call if I can be of assistance”
 - Post a business card after contact




Earning Member Loyalty

- On-going Relationship Management
 - Regular telephone contact based on events
 - Guidance to reduce transaction fees (Visa credit trans)
 - After product issue
 - After loan funding
 - Before deposit maturity, etc.
 - “I’m Mary at Gosford branch, please give me a call if I can be of assistance”




Earning Member Loyalty

- Reward Programs
 - Based on balances
 - Based on aggregate of business conducted
 - Based on length of membership
 - Based on number of products



Earning Member Loyalty

- The Common Bond – both opportunity and threat
 - Geographic, employment or trade based CU membership can itself cause a measure of loyalty
 - Word of mouth remains the most effective referral mechanism
 - Efficiently get the message to target audience
 - However, consumers much more likely to complain than to praise
 - Poor perception can rapidly become a major threat




At Your Service

Importance of high quality member service

Member Relationship Essentials

- Skilled and helpful staff
- Personalised, individual service



At Your Service

- The Tools of the Trade
 - Communicate with member facing staff
 - Regular product training
 - “Mystery shopping” and feedback
 - Let staff know member service is important and that it is monitored
 - Branch staff performance evaluation

CFC Canadian Banks Survey


Ranking

| | |
|---------------------------------|-------|
| Courtesy and respect from staff | 22.5% |
| 24 hour account access | 14.0% |
| ATM access | 13.7% |
| Easy access to Branch | 12.7% |
| Cost of service provided | 11.7% |
| Interest Earned | 7.5% |

- Focus on What's Important**
- Service failure is the root cause of resignation
 - Reduce errors
 - Analyse problem areas by frequency and impact on members
 - Fix problems that affect members
 - Resolve complaints quickly – doing so can actually increase loyalty eg eft trans


- Exploit your Knowledge**
- Product and service needs change over time
 - Maintain contact by identifying life events
 - Examples:
 - entering workforce, career change, marriage, first child, home purchase, family holiday, retirement
 - Review/extract transaction behaviour to pre-empt diminishing business
 - Maintain contact so as not to risk losing business to competitors

Recognisable identity – develop brand
Consistent message from a single image?




McDonalds – intended message
 "Fast food, clean restaurant, always open, child friendly"

Recognisable identity – develop brand
Consistent message from a single image?




Mercedes Benz – intended message
 "Hi-tech, exclusive, luxury, engineering excellence"

Recognisable identity – develop brand
Consistent message from a single image?



BP
 "Attempt to highlight solar power – brand severely damaged in US"




 Recognisable identity – develop brand
 Consistent message from a single image?



Apple
 "sleek design, fashion item..."


 Marketing Strategies

- Consistent communication with members
- Statements, mail brochures, web, telephone
- Financial organisation must not be perceived as amateur
- Glossy brochures v sloppy actions
- Must be helpful, professional, consistent


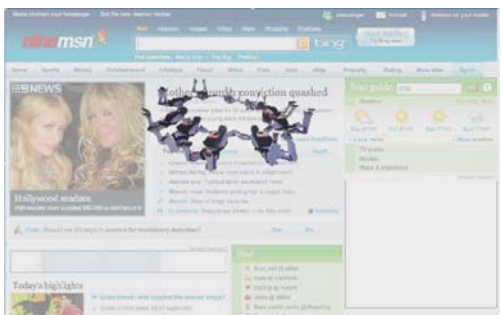
"Great personal service"
 "Trusted financial advice"
 "Helpful"
 "Great value"
 "Member Owned"




credit unions
 and building
 societies

Government Guaranteed





Now you've found the right home



We've got the right home loan for you!



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