

# Breakthrough Research for CEOs

By Jay Young, Director of Marketing



**R**ECENTLY, the Association announced a partnership with Raddon Financial Group (RFG) to offer RFG's Member Research Services, Market Area Analysis, and CEO Strategies Group at special pricing exclusive to

Association members. This issue's, *Service Solutions* will take an in-depth look at RFG's flagship service, the CEO Strategies Group.

The CEO Strategies Group provides CEOs with insightful trend analysis

of their credit unions' performances, household participation and product sales as compared to their peers. More than 750 credit unions have participated in a CEO Strategies Group workshop nationwide, including 32 credit unions from the Commonwealth.

In order to participate, credit unions provide RFG with a copy of their most recent NCUA 5300 report, their member database (either MCIF or application files), as well as their financial data. RFG incorporates this data into their proprietary software to integrate and analyze these data sources.

Upon completion of the analysis, CEOs have the opportunity to attend a regional

workshop that provides CEOs with an accurate assessment of product, member and household profitability. Credit unions can use this information to generate new product ideas, develop a market segmentation strategy or as a strategic planning resource.

Several Pennsylvania credit unions currently incorporate the CEO Strategies Group as part of their strategic planning process. "The CEO Strategies Group provides exceptional value for UGI Employees Federal Credit Union," states credit union CEO Louise Lingenfelter. "It shows how we compare with credit unions regionally and nationally and provides great actionable insight regarding products and services. It provides our management team with consumer research, member profitability and trend information so we can better tailor products to our members needs."

"We participated in the June 2005 cycle and found the member and product profitability data to be very informative," says K of C Federal Credit Union President/CEO James McCaw. "We're now working with Jan Trifts of RFG who will be presenting an overview of the findings to our Board as part of our planning process."

In addition to the workshops, credit unions receive the CEO Strategies Report. This comprehensive report contains over 200 pages with sections that address overall performance, member segmentation and product management. Each section incorporates regional, national and peer group averages. RFG also appends age and income demographic information to the credit union's member database for advanced member segmentation analysis.



*"The information has helped us learn more about ourselves and our members than we had ever known. The reports have made a significant difference in our strategic planning process."*

*— Tim Ames*

A typical CEO Strategies Group workshop includes three sections; a review of the Board Report, Segmentation Analysis and a Product Management Analysis.

### Board Report

The board report provides a strategic overview of current performance based on four keys to ROA management: operational efficiency; net interest margin management; non-interest income; and relationship management. This section summarizes the credit union's performance as compared to its peers for the benefit of the credit union's management team and board of directors.

### Segmentation Analysis

The segmentation analysis demonstrates household profitability and identifies possible new opportunities within the credit union's membership. This section recommends tactical direction for profit segments and determines the best cross-sell opportunities for an individual credit union.

As part of its segmentation analysis, RFG takes an in-depth look at a specific issue faced by credit unions. This "break-through research" provides credit unions with accurate information regarding today's hottest topics.

For 2005, RFG developed breakthrough analysis regarding the relative branch convenience among participating financial institutions. This research was able to help credit unions answer questions such as:

- ◆ What is the optimal number of branches to maximize sales?
- ◆ Is branch convenience more or less important to specific consumer segments?
- ◆ Which products are most heavily influenced by branch convenience?
- ◆ Does branch convenience improve share of wallet? ROA?

Through this analysis RFG is able to calculate a "convenience score" for each member household

and present a series of tactical recommendations. Upon request, credit unions can have the convenience scores appended to their member database.

For 2006, RFG plans to expand its analysis of branch convenience by stratifying members into five groups based on the credit union's relative convenience. RFG will create a branch performance index allowing credit unions to benchmark the performance of their individual branches to industry averages. In addition, RFG will evaluate member relationships by three unique groups: retail households; indirect households; and commercial households.

This segmentation analysis will show how effective credit unions have been at cross-selling members that join the credit union through an indirect auto loan, and it will show the relationship value of commercial households.

### Product Management

The product management presentation provides a comprehensive analysis for each of the institution's products, as well as product tactics to increase sales to key segments. The strengths and weaknesses of each product is discussed and evaluated in terms of new account growth, account and balance retention, product pricing and product profitability. The session is an interactive session where the group works on product design and pricing. The intent is to understand the dynamics that drive better product performance. The objective of this section is to assist the CEO with product design, pricing and promotional actions in key product areas.

Credit unions are able to purchase a membership in the CEO Strategies Group, at a cost that is based on the asset size of the credit union. For each cycle that they participate, the credit union receives two copies of the CEO Strategies Book, the ability to attend regional meetings, and executive summary reports. A nominal registration fee is charged per attendee for each workshop.

Heritage Valley Federal Credit Union President/CEO Tim Ames has found the information to be well worth the cost. "When we first heard about the CEO Strategies Group program, we were a little hesitant to join due to the cost," states Ames. "After having time to digest the information that the CEO Strategies Group provide, we're so glad we joined. The information has helped us learn more about ourselves and our members than we had ever known. The reports have made a significant difference in our strategic planning process."

RFG has scheduled two regional workshops to be held on December 8 in Pittsburgh and December 9 in Harrisburg to present industry data from its most recent analysis to Pennsylvania credit unions. Credit unions that do not currently participate in the CEO Strategies Group are welcome to attend in order to gain a better understanding of the type of analysis that can be provided specifically for your credit union. Contact your Association Representative for details on dates and locations.

Credit unions have until December 31, 2005, to participate in the next cycle of the CEO Strategies Group. ♦

*Jay Young is Director of Marketing for the Pennsylvania Credit Union Association. Questions for him can be e-mailed to jay.young@pcua.coop.*