

# Building Strong Member Relationships from Day One

By Dan McGowan, Marketing Director

When the President of the United States takes office, we look at his first 100 days as a benchmark for measuring his progress. I propose that credit unions consider evaluating their performance with new members over a similar period. Database research from the Raddon Financial Group (RFG) shows that 25 percent of the total cross-sales that will ever be made to new household occur in the first three months of their membership with the credit union.

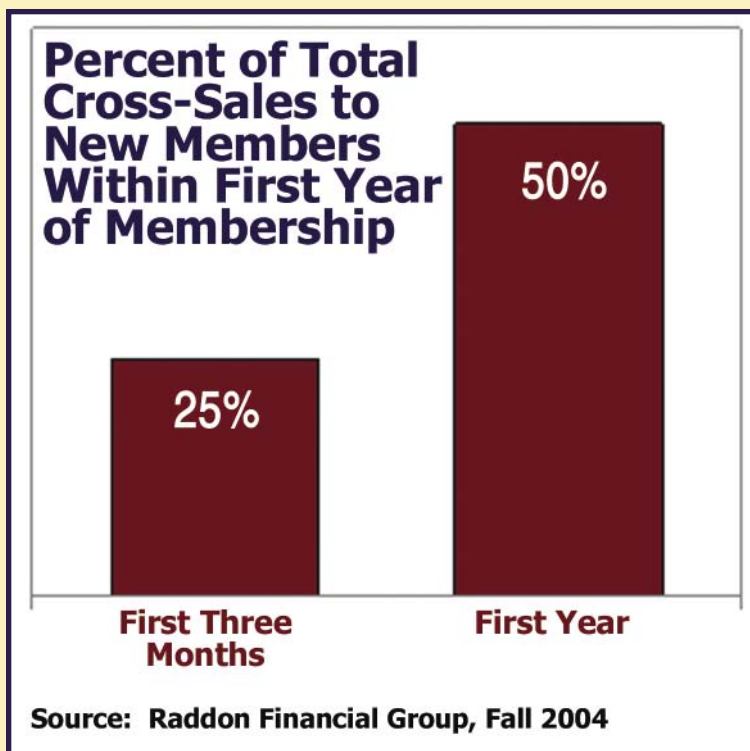
To increase the participation of new members, credit unions must act quickly. The data suggests the best opportunity to cross-sell additional services is early in a new member relationship. To take advantage of this opportunity, credit unions need to have a new member strategy that cements the relationship

within the first year. The credit union should set metrics for new member households measuring services per household and member profitability and then measure after the first three months and annually.

In recent years, new member growth has been flat or even decreasing for some credit unions. For credit unions in Pennsylvania and other Eastern region credit unions, the percent of new member households has dropped from 4.3 percent in December of 2003 to 4.1 percent in December of 2004 (Source: RFG's CEO Strategies Group). This trend makes it even more important to begin building strong member relationships as soon as that first account is opened. A credit union's financial performance depends on this.

In the Eastern region, 9 percent of all member households contribute over 377 percent of a credit union's profit, and only about one-third of all member households are profitable. As part of the CEO Strategies Group program, RFG works with over 650 credit unions to segment their member household database into five unique profit segments. As seen in the following table, the "A" through "E" Profit Segmentation Model identifies households by their annual profit contribution where "A", "B" and "C" households are profitable, and "D" and "E" are unprofitable.

Through further analysis of these segments, RFG has identified that 60 percent of new households enter the credit union in the unprofitable "D" segment. "When credit unions make a push to grow new members, they should understand that new households are not usually profitable after that first sale. It takes a well executed strategy to develop greater participation over time," offers Bill Handel, Vice President of Product Development with RFG. RFG recommends that credit unions develop and implement a strategy to accelerate the profitability of new member households. An example of a new household strategy may include these actions:



## Implement a Sales Process at the New Accounts Desk

Most new members, typically 40 to 45 percent, join the credit union by opening a checking account. When the new checking account is opened, the sales process may include:

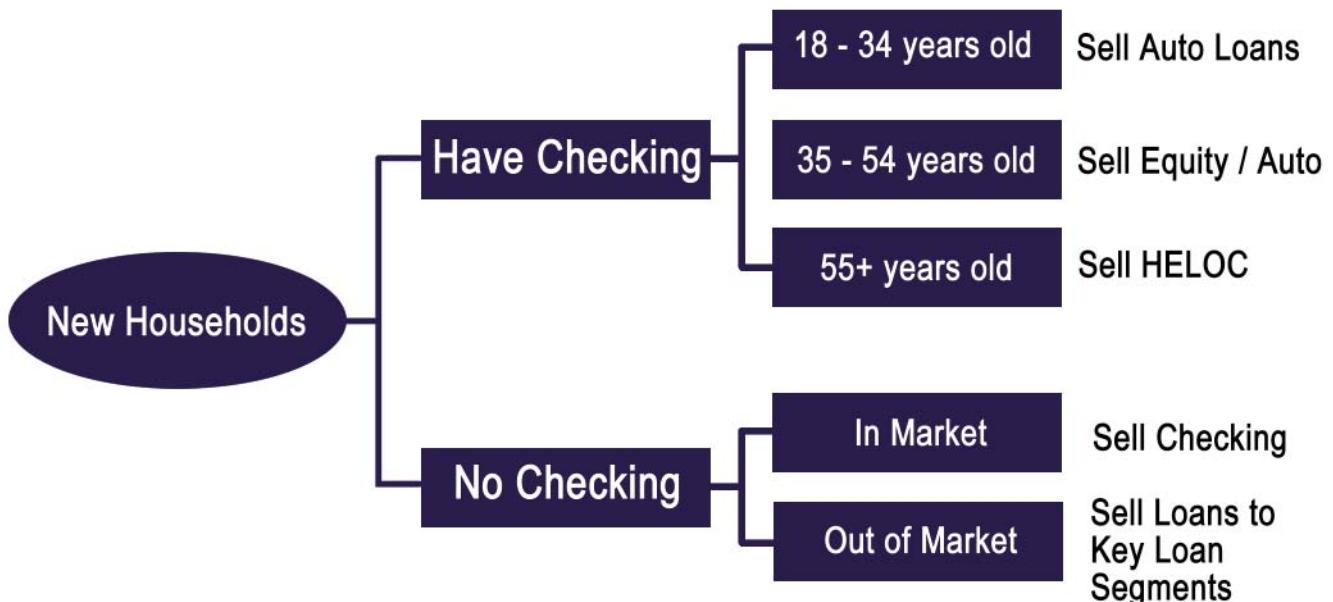
- ◆ First, issuing a debit card at the time the account is opened. When used, a debit card will contribute significant non-interest income to the checking relationship. Moreover, when credit unions survey their members with RFG, the responses reveal a strong correlation between member loyalty and debit card use; meaning, debit card users are more likely to bring the credit union their future business.
- ◆ Second, cross-selling online banking and bill payment services. Of course Web banking isn't for every member, but usage by the key loan segments continues to grow year after year. And when it comes to relationship glue, there is no substitute for online bill pay. Some credit unions may consider offering to set-up the bill pay service and enter the member's payees to remove any obstacles that may prevent the member from using the bill pay service.
- ◆ Finally, inquiring about and asking for the member's additional business. In 2004, RFG surveyed over 1,400 small business banking customers for a consortium of large commercial banks. If the small business customer had their consumer accounts at another institution, RFG asked why they didn't keep their consumer accounts with

the same bank as their business accounts. A common response was "the bank never asked for it." I imagine the same is true for some credit unions; the business is there, but we fail to ask for it.

## Use Member Intelligence to Provide a Consistent Sales Message to Members Throughout the Credit Union's Touch-Points

Credit unions interact with members through an array of disparate channels which often deliver inconsistent sales and service messages to the member. Using Member Intelligence or "CRM Intelligence" the credit union can identify the next best product to cross-sell a member and deliver that sales message throughout the credit union's touch-points. The term Member Intelligence is closely associated with CRM, but it is more clearly defined as a process by which a credit union collects, processes and uses member information. Member Intelligence is often simplified to single data elements, but it is much broader. Member Intelligence is knowing the financial needs of members, how the credit union will target its products to meet those needs and finally knowing how to measure changes in the member's relationship. A successful CRM solution will include a process for keeping Member Intelligence fresh and keeping the business rules driving the member experience up-to-date. To learn more about using Member Intelligence to facilitate cross-sales to new and existing members, RFG offers a free resource online; download "Realizing CRM Success" at [www.raddon.com/crm](http://www.raddon.com/crm).

## New Household Matrix



## Implement a New Household Matrix Mail Program to Consistently Target Members for Additional Products

In the example on the previous page of a new household matrix, the credit union would first segment new households by those who have checking and those who do not. For new members with checking, segment by age to determine specific product offerings. For new members without a checking relationship, the credit union should identify which members are in their market area. Credit unions often define market areas by a specific mile radius around a branch. RFG has analyzed branch convenience to further define a credit union's cross sales opportunities based on the member's Convenience Score. Through this analysis, RFG has learned that the higher a member's Convenience Score, the more likely they are to have checking with the credit union. RFG calculates a Convenience Score based on a member's proximity within a credit union's branch network. Members living near multiple branches will have higher Convenience Scores than members living near just one branch. Convenience is the key driver of the consumer's checking decision, so it is best to focus on cross-selling checking to members that live near a branch or have a high Convenience Score. This is especially true for new members that join the credit union through an indirect auto loan. A list of new members should be generated each month, and targeted based on the credit union's new household matrix.

If you are not currently executing a new household matrix and don't have the resources to implement a matrix marketing program on your own, turnkey solutions, like Matrix Manager, are available and can make implementing matrix marketing campaigns much easier. Matrix Manager pairs RFG data with high-quality, pre-designed direct mail pieces to simultaneously build brand awareness and increase product penetration and usage.

"Developing an on-going marketing communications program to increase product penetration while building the brand image of your credit union can be a costly and daunting process," comments Ann Bouchard, President of Bouchard McElroy Communications Group, a marketing and public relations firm specializing in financial institutions. "Matrix marketing programs can deliver innovative and cost-effective solutions to this challenge by offering an inventory of pre-designed marketing collateral targeted directly to new member segments."

"Consistency in design, message delivery and tone are the building blocks for developing strong brand awareness," states Bouchard. "A successful brand identity is built upon frequent and consistent messaging. Each element of your marketing program must communicate the same look and message. And, your audience must be exposed to it on a regular basis for it to have the desired impact. That is why matrix marketing programs are so successful; they routinely

deliver a consistent brand image and message to the member."

In the example of Matrix Manager, in-depth demographic, generation and psychographic research is used to craft the tone, message and graphics for each marketing piece. "We use detailed consumer research to develop each element of our Matrix Manager program. Studies have shown that highly targeted marketing materials that consider the demographics of the audience, as well as the common life experiences and belief systems of their generation are more likely to resonate with the consumer and generate results," Bouchard reports. "Credit unions using RFG's segmentation and matrices with professionally executed marketing programs like Matrix Manager are achieving amazing response rates, positive results and significant ROI," she concludes.

Matrix marketing programs offer financial marketing professionals the ability to tightly segment and target their efforts, and to create, implement and track cost effective multi-dimensional promotional campaigns. The combination of research, analysis and proven matrices, coupled with the implementation of a professional matrix marketing program might be just what your credit union needs to build brand awareness and quickly expand your new member relationships.

To increase participation of new members, consider implementing a new member strategy. Evaluate developing a sales process at the new accounts desk, using member intelligence to leverage your touch-points for consistent cross-selling, and executing a new member matrix to build brand awareness early in the relationship. Remember to work quickly and evaluate results for the first three months. Cementing new member relationships early on will have a positive impact on the credit union's financial performance. ♦

*Since 1983, Raddon Financial Group, Inc. (RFG) has provided primary research and marketing solutions to the financial services industry. Headquartered in Oakbrook Terrace, IL, RFG provides database research solutions to over 650 credit unions nationwide, including 37 of the top 50 credit unions in the country. To learn more about RFG's integrated solutions, please visit [www.raddon.com](http://www.raddon.com) or call 800-827-3500.*

*Bouchard McElroy Communications Group (BMCG) is a full-service agency specializing in all aspects of financial institution marketing, public relations and business development. Their staff has over 20 years experience working with credit unions to develop and implement strategic marketing and communications programs. In 2003, BMCG partnered with Raddon Financial Group (RFG) to form Matrix Manager, Inc. — a company offering turnkey Matrix Marketing Programs specifically for the Credit Union Industry.*