

THE *BLUE PAPER*

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The Nine Key Elements To Analyze *Before You Make Your* Strategic Plan For 2010

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The Recession and Financial Crisis Will Require Different Rules This Year

Route to:

- EVP
- VP Operations
- VP Finance
- VP Marketing
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As we look forward to 2010, Credit Unions realize that next year will not be “business as usual.” And as strategic planning time approaches, it becomes obvious that our plans for the coming year will likewise have to be tuned to these critical times.

Various strategists in the CU world have recently offered their opinions about what should be included in this planning phase. Of course, there is a wide divergence of ideas about what should be the most important concerns for 2010.

But there seems to be agreement that, in addition to the usual SWOTs (strengths, weaknesses, opportunities, and threats), there are nine other elements that should be considered before finalizing your strategic plan. The nine key elements listed by most authorities are:

1 – COST CONTROL

In light of the precarious fiscal crisis, the residue from the mortgage meltdown, and the uncertainty of economic conditions, this is the time to control costs — or better — to cut costs. When one adds the additional expenses associated with corporate CU losses, it’s obvious that cost control will be important in 2010. Consequently, it’s critical to begin your strategic planning by first examining costs.

According to Steve Rodgers, editor of the *CUNA 2009–2010 Environmental Scan*, “Most Credit Unions in 2010 will have to continue to deal with pressure on earnings, relatively high delinquency and charge-off rates, loan modifications, and the effects of high unemployment among Members. Credit Unions will have to watch expenses in 2010.”

However, strategists agree on one important recommendation: Avoid across-the-board cuts. Instead, evaluate where cuts can be made most effectively and be leery of where cuts could have a negative impact.

Request a copy of the *AIL Blue Paper* for January 2009, titled “STEPS FOR CUTTING COSTS IN THIS FISCAL CRISIS,” and the *Blue Paper* for January 2008, titled “THE YEAR FOR CUTTING EXPENSES.” You can request copies from your local AIL representative or from the AIL Credit Union Center at CUCenter@AILife.com.

2 – ADJUSTMENTS RESULTING FROM THE RECESSION

The second point that strategists stress is that adjustments must be made because of the present fiscal crisis. Marketing will have to be adjusted in light of the multitude of people out of work. Debit cards’ marketing should

be increased because of the recent negative publicity about credit card fees and legislation. (See item 5 below.) Auto loans should take into account the recent “Cash for Clunkers” program. (See item 6 below.)

Jim Gowan, EVP of CU24, stated, “Given the current economy, it will be important to understand your marketplace and the opportunities present at this time. Obviously, the recession will require increased effort on some services and decreased emphasis on others.”

3 – GROWTH AND MARKET SHARE

Credit Unions have seen great growth in 2009. A major objective should be to continue this trend next year. According to Mike Kohl, CEO of the Cole Advisory Group, “Credit Unions are much better capitalized than banks. So this may be once-in-a-lifetime opportunity.”

Arp Trivedi, VP of Strategic Planning at DEI, stated that “Credit Unions lost a significant amount of market share to banks from 2003 through 2008. Yet CU deposits in the first quarter of 2009 added nearly \$50 billion and took deposit market share from 7.2% to almost 7.7%”

4 – MARKETING

Though it's time to watch expenses, it's important that marketing not be slighted next year. Caroline Lane, SVP at CO-OP Financial Services, warns against “marketing falling onto the 2010 chopping block. Instead, this is the time to ramp it up. We don't often have this window of opportunity to exploit our foothold and gain market share.”

5 – DEBIT CARDS

Because of all the negative publicity that credit cards have received in the past few months, 2010 will be the perfect time to promote your debit card.

Request a copy of the AIL *Blue Paper* for June 2009, titled “AS CREDIT CARD USE DROPS, DEBIT CARD USE RISES,” from your local AIL representative or from the AIL Credit Union Center at CUCenter@AILife.com).

6 – AUTO LOANS

The recently completed but highly successful government program “Cash for Clunkers” has stimulated the automobile market, resulting in almost all the major manufacturers revving up production at this time. The strategists do agree on this: the time is ripe for auto loans.

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7 – MEMBER BUSINESS LOANS

If there ever was a time when small businesses needed financial help, it's today — when banks have virtually cut them off.

According to Arp Trivedi of DEI, market share for CU loans is up to 7% today versus 6.92% at the end of 2008, “and business lending can raise those numbers next year as banks pull back from business lending.”

8 – E-SERVICES AND MOBILE BANKING

Promoting e-services and mobile banking is high on the list of many CU strategists. “Mobile banking is gaining ground quickly,” according to John Panteleon, CEO of Worldwide Interactive Services. “Mobile banking is going to be the medium of choice in the not-so-distant future.”

Anthony Jabbour, EVP, ePayments for Fidelity National Information Services, put it succinctly: “It's a market segment to go after.”

9 – CREDIT UNION ROOTS

But most strategists believe the most critical message for CUs to remember at strategic planning time is: “We should always go back to our roots.” Barb Kachelski, SVP and COO of CUES, stated, “It's time to emphasize the CU difference and getting back to the message of why Credit Unions were formed. It's time to effectively promote what separates Credit Unions from banks and the positive culture of the CU difference.”

With the recent bad publicity surrounding the bank bailout, CUs are once again the financial institution wearing the white hat. But more important, we have the reputation of having the needs of the Member at heart. In these trying times, it's critical to emphasize that difference.

CONCLUSION

Not since the Great Depression have our Members needed the kind of help they can expect only from their Credit Unions.

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