

THE *BLUE PAPER*

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As A Recession Looms, Innovation Could Be Your Competitive Key

Some Credit Unions
Have Found
Innovative Techniques
To Help Weather The Storm

Route to:

- EVP
- VP Operations
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- VP Marketing
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In 1916, a grocery store opened in Memphis where the customers picked up their own items and paid on the way out. Self-service had been born.

Personal Care America FCU recently launched a new series of savings accounts to help Members plan for different events in their lives. They're called "Life Events Accounts."

It's obvious that troubled times lie ahead.

Banks (and some Credit Unions) have been going under. Recession looms at our doorsteps, and every financial institution is faced with problems we've never seen before.

However, some Credit Unions have found that a few innovations can really tilt the scales in their favor during these times of turmoil.

BUT IS INNOVATION REALLY THE KEY?

Time magazine told this story in a recent issue. Memphis had never seen anything like it. In 1916, a grocery store was a place where you told the clerk behind the counter what you wanted and the clerk got it for you.

But then Clarence Saunders opened his first Piggly Wiggly, where patrons roamed the aisles, took what they wanted and paid on the way out. Self-service was born. The idea was innovative — and it was a success.

A recent article by Callahan & Associates put it well: "Innovation is the key to growth." And there never has been a time when we needed a new approach as critically as we do today. The Callahan article restates the obvious: "Regardless of changes in the external market, Credit Unions still have to be proactive in order to compete for funds."

Credit Unions across the country have begun to react to the economic situation with some highly innovative ideas.

TAILORED CHECKING ACCOUNTS

Desert Schools Federal Credit Union of Phoenix recently introduced "Tailored Checking Accounts," a variety of checking programs, each tailored to a different age bracket. They begin with "Your First Checking Account" for Members in their teens to mid-20s and go all the way up to "Desert Skyline Checking" for Members 55 and older looking for investment and asset protection. Each of these programs has different features, rates, and fees.

"Every Member is unique," says Cathy Graham, Assistant Vice-President of Marketing. "Our strategy is to provide customized checking products to each." The Credit Union is already planning to develop additional programs that tap into personalities and trends.

LIFE EVENTS SAVINGS ACCOUNTS

In Trumbull, Connecticut, Personal Care America Federal Credit Union recently launched a new series of savings accounts to help Members plan for different events in their lives. They call them "Life Events Accounts."

One is called a GRAD — or "Getting Ready for a Degree" — account, and is used to save for educational expenses. Another is called HOME, or the "Home Ownership Made Easier" account.

Another new account, proven critical in today's financial environment, is called PACE. It's the "Planning Ahead for the Cash Emergency" account. Eligible Members earn a dividend rate 1% higher than the CU's 12-month CD. Credit Union representatives work with the Member to create a plan customized to the Member's current financial status and goals.

WRAPPED CARS – THE LATEST IN MARKETING INNOVATIONS

Innovation can come in many forms — not just in services or programs for Members. One Credit Union has been very innovative in its latest marketing effort.

United Community FCU, of West Mifflin, Pennsylvania, decided to use half its marketing budget in a very creative way. The \$36-million CU recently purchased 17 Chevy HHRs to be issued to employees. The cars were then tastefully painted to advertise the Credit Union, with the red, white, and blue logo on each side and the CU's phone number and web address on the back.

Now, every time an employee drives to work, picks up the kids from school, or stops at the supermarket, he or she is advertising the Credit Union (which received a community charter two years ago). CEO Michael Pastirik felt the CU had to take an aggressive approach to getting the message out to the community that people were able to join United FCU.

The move was also an effort to help employees battle rising transportation costs and the economic pressures. To keep using the auto, an employee must continue to work for the CU and drive at least 10,000 over the next three years. The CU used half its marketing budget to pay for the cars, insurance, and repairs. "It's a win for employees as well as the Credit Union," Pastirik said. "They have new cars and we have 17 rolling billboards."

INSTANT CREDIT AND DEBIT CARDS

Glass City Credit Union recently began issuing instant credit and debit cards on site at its headquarters in Maumee, Ohio, and at two of its branches — becoming the first financial institution in Ohio to do so.

The Credit Union is now able to produce plastic cards on the spot, eliminating the wait time for Members to receive their cards. The cards can be activated and used immediately — giving the CU a competitive edge.

REWARDS CHECKING

Many Credit Unions nationwide are finding that offering rewards checking has made a significant difference in gaining new accounts, as well as in building new business from current Members.

Members using rewards checking at Northern FCU, of Watertown, New York, generate well over 20 debit card transactions per month versus only seven a month with the Credit Union's regular free checking accounts. After only six months into the program, the CU's 4,000 reward checking accounts were already generating more debit transactions than its 10,000 free checking accounts.

Ritch Van Duzer, CEO of Clearstar Financial Credit Union of Reno, Nevada, also says that rewards checking has resulted in a significant increase in interchange income at his CU. "We're averaging \$7.50 in debit card revenue off each reward checking account compared to our standard free checking, which averages \$3.50 in interchange per month," he stated. The CU has been on the program only one year.

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PERSONAL TELLER MACHINES

Mid-Hudson Valley Federal Credit Union, of Kingston, New York, installed the latest in transaction devices: *personal teller machines*. The personal teller stations look similar to ATM stations but are as different as it's possible to be.

A Member goes to a personal teller station (open 24 hours a day, seven days a week) and picks up a phone. From a centralized call center, a human teller's image appears on the screen to handle the transactions the same as any other teller would do. The PTMs accept cash and checks, since the teller can see the Member, as well as any items inserted. The teller can determine whether the check is endorsed properly and can verify the Member's identity by requesting to see a driver's license. The machine can also detect counterfeits and dispense cash and coins.

CONCLUSION

The financial world is not the same as it was a few months ago and, consequently, we cannot continue to do business as we have in the past.

Innovation will be the key to staying competitive in these troubled times. ◆

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