

# THE *BLUE* PAPER

♦ June 2016 ♦

IN 2016 MEMBER LOYALTY  
IS NO LONGER A GIVEN  
NEW STUDIES SHOW WHY

IT'S CRITICAL THAT WE KEEP  
THE TRUST AND APPROVAL  
THAT CREDIT UNIONS  
HAVE TRADITIONALLY  
MAINTAINED

Route to:

☐ EVP

☐ VP Operations

☐ VP Finance

☐ VP Marketing

☐ VP Lending

☐ Newsletter Editor

☐ E-Coordinator

☐ Marketing Manager



---

*Approval ratings for banks have shown them to be second to the bottom of all major institutions.*

---

*In many ways, an institution is often unaware of how it may inadvertently signal that it is the Credit Union vs. the Member.*

**Yes**, studies have shown approval ratings for banks to be second to the bottom of all major institutions.

And...**yes**, the majority of Credit Union Members (85%) “approve of” and feel they “can trust” their institution.

But...**yes**, up to 40% of customers at all financial institutions are planning to change their FI in the near future.

And...**yes**, 20% of the population have changed financial institutions in the past year.

*Consequently...no...* Member loyalty is no longer a given.

## SO WHAT DO WE DO?

The first step is to realize why people leave their financial institution.

The major reasons are:

- Better rates somewhere else
- Poor service at their present institution
- Certain products only available somewhere else
- Moving to a new location
- Loss of rapport or trust in their present institution

The first four issues get a great amount of attention. However, rapport and trust are less tangible and are therefore not so obvious.

Members have to feel that their institution is on their side and working for them and not against them.

*Against them?* No Credit Union would do that, right?

In many ways, an institution is often unaware of how it may inadvertently signal that it is the *Credit Union vs. the Member*. ♦

## A FINANCIAL COLUMNIST EXPOSES SOME OF THE WAYS

David Lazarus writes a financial column that appears in the *Los Angeles Times*. His message is usually concerned with protecting the consumer.

Earlier this year, Lazarus wrote about a reader who had some free time and decided to read the small print in his credit card contract from a local bank. He quotes the reader as saying, “I wouldn’t have even known what was there if I didn’t make the effort to read the whole thing.”

The small print, the asterisk, the multitude of footnotes, etc., are all signals to the Member that the CU is trying to hide something. Do the headlines seem to offer one thing while the small print changes it to an offer that is entirely different? What does *that* do to Member trust?

Our Members are becoming very conscious of the multitude of bait-and-switch-type offers we get every day in emails, mailers, magazines, newspapers, TV, etc.

- “Want to earn money as a secret shopper?”
- “Your \$1.5 million is waiting for you to claim it.”
- “Lose 20 pounds in two weeks — guaranteed!”
- “Try it free!” (Not mentioning that after 30 days the Member will be billed monthly.)
- “While supplies last.”
- “Only if you call in the next eight minutes.” ♦

## EVERY DAY YOUR MEMBERS ARE FLOODED WITH DECEPTIVE OFFERS

A clothing company sent a check payable at JPMorgan Chase Bank for \$8.25 to customers who had ordered items from their catalogue. Was it a refund? A gift?

The very small print on the back of the check answered that. By cashing

it, you bought a year-long membership in the company’s discount program for \$169.99 — charged to the credit card that you used for the purchase. And — “lucky for the customer” — it would be *automatically renewed each year* for the same \$169.99. ♦

## CREDIT UNIONS HAVE TO DECIDE: “CAVEAT EMPTOR” OR SERVICE

Credit Unions must now decide. They can be bundled with banks or work to maintain their Members by showing they can be trusted. Is it going to be “Caveat Emptor” (Let the Buyer Beware) or “Not for Profit, But for Service”?

In an effort to protect the Credit Union, we realize we must, at times, include qualifiers with our offers. But the important difference is this: It shouldn’t look as if we are trying to hide information — or trying to trick the Member. This is the difference between trust and deception.

*continued on page 4*

*If it says “FREE,”  
it should be free.*

*Is it going to be  
“Caveat Emptor”  
(Let the Buyer  
Beware)?*

**An asterisk or footnote is an immediate red flag.**

**We shouldn't make it look as if we are trying to hide information.**

*continued from page 3*

These questionable “qualifiers” can sneak into our offers so easily. Here are some of the pitfalls to avoid:

- The Asterisk or Footnote. This is an immediate red flag. The reader feels you are trying to something. What to do instead: Put the *qualifier* right there up front with the other information — no matter if it's a minimum deposit requirement, a deadline date for applying, etc.
- The Fine Print. Everyone knows that fine print never offers a benefit. People view fine print as a way to deceive.
- Misleading Statements. It's always a temptation to use a misleading or half-truth statement. If it says “FREE,” it should be free.
- Hidden Qualifiers. If there is an exception to the offer, state it clearly. *And don't include unnecessary qualifiers.* One of the country's largest Credit Unions has a loan application that states: “Not all applicants will qualify.” (Isn't that why it's called an “application?”)
- The Deceptive Letter. People have become very familiar with the letter or insert from their banks that begins with a positive statement like, “Your bank is always working to improve our service, and so ....” The letter is not good news but really just the opposite. Use a “good news” opening only when your Credit Union is actually going to improve a program, not when it's going to hide some negative news.

Karan Bhalla, Managing Director of IQR Consulting, a Santa Rosa, California data analytics firm, warned, “The concept of loyalty is changing. As Credit Unions have brought in younger Members, they are finding these Members are a lot more calculating.” ♦

## CONCLUSION

The Filene Research Institute report titled *The Consumer Experience: Financial Institution Preference and Usage* noted, “There is no reason to think Credit Unions can't grab more market share *as long as trust is sustained.*” ♦

The advice, suggestions, ideas, and information herein are offered strictly for educational purposes. This newsletter is not intended to provide legal counsel, nor is it a substitute for legal counsel. Consult an attorney if you require legal advice.