



WIN – WIN SAVINGS

PRIZE-BASED SAVINGS ACCOUNTS FOR YOUNG ADULTS

BY:

MEGAN ARMSTRONG
SUNMARK FCU
1187 TROY SCHENECTADY ROAD
LATHAM, NY 12110
marmstrong@sunmarkfcu.org

CHRISTOPHER MORRIS
CUNA COUNCILS
5710 MINERAL POINT ROAD
MADISON WI, 53705
cmorris@cuna.coop

***Save Money.
Win Cash & Prizes.
Make a Difference.***

OPPORTUNITY

Current economic instability has encouraged all Americans to start saving today. Capturing those savings is a great opportunity for credit unions. The U.S. savings rate has been less than 1% since 2005;¹ however in 2008, personal savings rates have risen significantly to just over 2.5%.² Young adults in particular have been known to simply spend and borrow more than they should. For example, the number of 18-to-24-year-olds declaring bankruptcy has increased 96% in the last 10 years.³ University administrators also state that they lose more students to credit card debt than to academic failure. Credit unions need to reach out to this market and help young adults prepare for their financial future - both short-term and long-term.

According to one study, 61% of young adults cited "lifestyle purchases" as an impediment to saving.⁴ Those purchases include items such as iPods, the big-screen TV, etc — things that aren't required for day-to-day living but are influenced by the media and their peers. Yet millennials are "the most socially conscious consumers to date."⁵ For example, 61% of 13- to 25-year-olds feel "personally responsible for making a difference in the world." Also, 81% have volunteered in the past year; 69% consider a company's social and environmental commitment when deciding where to shop, and 83% will trust a company more if it is socially/environmentally responsible.⁶

SOLUTION

A Savings Account for a New Generation

How can credit unions appeal to young adults and encourage them to save in a way that is meaningful, fun, exciting and rewarding? Enter Win-Win Savings, an account that awards cash and prizes as part of the saving product's return, with prizes and messaging tailored to young adults.

Everybody wins! Unique to this product is that the monthly grand prizes are two-fold - the young adult receives a cash prize and a similar dollar amount is given to a local charity chosen by the young adult when opening their account. A \$25,000 annual grand prize is also suggested for all participating credit unions.

Therefore, Win-Win Savings will appeal to young adults own self-interest (prizes) as well as their altruistic side (charitable component).

¹ <http://www.mymoneyblog.com/archives/2007/02/our-savings-rate-is-negative-should-we-worry.html>

² <http://www.bea.gov/briefm/saving.htm>

³ <http://www.yacenter.org/index.cfm?fuseAction=financialLiteracyStatistics.financialLiteracyStatistics>

⁴ http://www.usatoday.com/money/perfi/columnist/block/2006-03-06-young-savings_x.htm

⁵ http://www.usatoday.com/news/nation/2006-10-23-gen-next-cover_x.htm

⁶ Ibid

Prize Values (suggested starting point)

- **Monthly Prizes:**
 - *Monthly Cash Prize:* \$2,000/member & \$2,000/charity
 - *Monthly Various Prizes:* \$1,000 in prizes (no charitable component) – to be split however the CU decides. For example, a single 2nd prize valued at \$1,000 or 10 prizes valued at \$100, etc. More opportunities to win each month will mean more winners and more excitement. This also allows each credit union to differentiate their Win-Win Savings account.
- **Annual Prize:**
 - *Annual Cash Prize:* \$25,000/member & \$25,000/charity (*funded by cooperative investment fund – see the prize funding details in the operational section for more information.*)

Members automatically receive one entry for every \$25 average daily balance in their Win-Win Savings account. This feature will encourage members to save because their chances to win increase as their savings increase. This method also discourages making last minute deposit dumps without the intention of growing core deposits only to increase one's chance to win.

Members can also increase their chance to win by earning bonus entries. Our research showed the most popular ways to increase chances of winning are direct deposit, referring friends and family and adding other products and services (*please see Appendix B for detailed information on bonus entries*).

MEMBER BENEFITS

With little to no income, young adults find it increasingly difficult to save money. However, they often find themselves wanting the latest technology, clothes and other merchandise. This product provides a solution because it encourages young adults to save while still having the opportunity to obtain these items through the prizes drawings. With monthly and annual prizes young adults are likely to win one of the latest gaming systems or even a large cash prize.

This product surpasses the competition's low rate, boring savings account by its simple design. Dividend rates do not usually attract young adults to credit unions and saving in general. In fact, most young adults are unfamiliar with the difference between a dividend rate and an interest rate - both have little meaning to them. Most are also unfamiliar with what a credit union is. Win-Win Savings speaks their language -- "Win \$25,000!" "Win an iPhone or A Gift Card!" "Win and Make a Difference!"

Marketing for this product will focus on the fact that saving can be fun, rewarding and different. Unlike most raffles or lotteries where there is an enormous possibility



that funds are never be seen again, this product is a way to possibly win something *and* also save money at the same time. There are no adverse entry requirements, no penalties for early withdrawal and no hidden fees.

In addition, we recommend making the Win-Win Savings account the default account for all members within the targeted age group. This will show new members that the credit union is committed to improving their financial well-being as well as their dedication to the community - a great first impression for all new members.

CREDIT UNION BENEFITS

Credit unions offering Win-Win Savings have the opportunity to:

- Help young adults develop good savings habits
- Promote social responsibility
- Attract low cost deposit dollars
- Attract new members
- Increase product use among accountholders

The charitable component of the product benefits not only the individual, but also the credit union system, the surrounding community, and society as a whole – truly embodying the credit union philosophy of “people helping people.”

TARGET MARKET

Win-Win Savings is specifically targeted to all young adults (ages 18-to-30) in a credit union's field of membership. This product is targeting an untapped market for prize-based savings. Recent data shows interest in prize-based savings is greatest among people who do not have regular saving habits, who have little actual savings, and who are optimistic about their futures. ⁷

Win-Win Savings is a new and exciting concept for young adults. It appeals to their desire to improve their personal financial condition with bonus cash and prizes as well as to their philanthropic side.

OPERATIONAL AND OTHER CONSIDERATIONS

Legal Considerations

Prize-based savings does fall into the category of a sweepstakes and/or lottery as there are entries required to win. Considering this, each interested credit union will first need to check

⁷ Tufano, Maynard, and De Neve, “Consumer Demand for Prize-Linked Savings: A Preliminary Analysis,” pg. 2, 2008

their local and state laws to tailor their product. For example, laws such as No Purchase Necessary and acts such as the federal Deceptive Mail Prevention and Enforcement Act must be adhered to.

Prize Funding

Prizes for Win-Win Savings will be funded by a combination of a few elements. Credit unions can offset the cost of the monthly prizes by offering a slightly lower rate of return. In addition, a portion of the Marketing's promotional budget could be utilized to fund the prizes.

CES Credit Union (OH) launched a comparable version of this product in early 2008 with great success. In fact, CES Credit Union exceeded their breakeven point by 70% in the first 5 months of opening their prize-based savings account. We have calculated our breakeven point projections based their results. *(Please see the Appendix D for a detailed breakdown of the monthly prize breakeven point projections.)*

The annual grand prize is funded through a cooperative investment fund through a corporate credit union. This cooperative investment account is designed to earn enough dividends to not only fund the annual prize, but also provide an additional return on investment to cover administrative costs. Credit unions offering this product will have the opportunity to pool funds together without giving up their hard-earned cash.

More specifically, here is an example of how the investment fund would work considering a desired return on investment of \$100,000. Half of this return (\$50,000) funds the Annual Grand Prize for the cooperative and the other half (\$50,000) will be distributed to participating credit unions based on their level of investment. This return will assist credit unions in covering administrative costs and monthly prizes, as well as reward those credit unions investing more monies into the fund.

Naturally, if the yield on investment is higher credit unions could invest less money into the fund and benefit from the same return. Similarly, if more credit unions participate, the average credit union investment decreases.

WIN-WIN Savings Cooperative Investment Fund Projections						
Desired Return on Investment		\$100,000				
Example #1 (Yield of 2%)	Yield on Investment	2%				
	Total Investment Amount	\$5,000,000				
	Number of Participating CU's	10	25	50	75	100
		Credit Unions	Credit Unions	Credit Unions	Credit Unions	Credit Unions
Average CU Investment	\$500,000	\$200,000	\$100,000	\$67,000	\$50,000	
Example #2 (Yield of 3%)	Yield on Investment	3%				
	Total Investment Amount	\$3,333,333				
	Number of Participating CU's	10	25	50	75	100
		Credit Unions	Credit Unions	Credit Unions	Credit Unions	Credit Unions
Average CU Investment	\$333,333	\$133,333	\$66,667	\$44,444	\$33,333	

Marketing

Launching a full targeted marketing campaign with special emphasis on internal branch contests is essential. Marketing will be specifically targeted to young adults, promoting the credit union and Win-Win Savings in areas highly frequented by this group: ie. schools, sporting events etc.

Please see Appendix C for extended details on developing:

- ⇒ **Marketing Campaign:** Billboards, e-mail, direct mail, education seminars at schools
- ⇒ **Segmented Marketing Opportunities:** Winning Cash & Prizes; Charitable Component, Target Parents/Guardians of Young Adults.
- ⇒ **Internal Marketing:** Internal branch staff contests to promote the product and keep the excitement alive
- ⇒ **Social Media:** Adding a blog component for young adults to talk about their savings goals and initiatives, as well as promote their charity of choice.

Operations

Our group recommends a product manager who will work closely internally with the marketing, operations, sales and training departments as well as stand as the liaison between the credit union and the entity administering the cooperative investment fund (for the annual prize via the corporate credit union). The product manager will be the product “champion” and “owner” at the credit union – this means leading regular meetings with key staff and overall management of the product. The following is a brief description on each department that we envision to be working on this product and how their roles will be involved (aside from the Project Manager above).

- **Operations** – The Operations department will administer the development of this product and determine any account codes or system regulations that need to be established.
- **Marketing** – The Marketing department is responsible for marketing the product to young adults. This department will also fund and purchase the monthly prizes. Another key element the Marketing department will be responsible for is PR element. Marketing will create and distribute all PR about this product’s charity component (see the product’s marketing section for more details). They will also create excitement and buzz around the grand prize among members and charities. Product brochures and take-away information should be created for staff to distribute to inquiring members. It is important to reach out to this market through schools, sporting events, and other areas where young adults would be.
- **Accounting** – The Accounting department will be responsible for processing the 1099 tax reporting information for members.
- **Sales &/or Training** – The sales and/or training department will be responsible for informing staff about this new product and conduct staff training and development on how to sell and open Win-Win Savings accounts for members. Sales manager will be in charge of the internal promotions and contests to encourage staff to continue to sell the product.
- **Branch Managers/Branch Staff** – Branch staff will assist in promoting and signing members up for the Win-Win savings account. They will also have the opportunity to

contact and inform the monthly winners of their prizes. By having the Branch Manager personally contact the winner, this will help build relationships at the branch level.

National Network

Why reinvent the wheel? We have formed a collaboration channel/network through Filene for communication between credit union prize-based savings' product owners to share best practices, ask questions, and find solutions. The platform has discussion functionality, write boards, the ability to share files, and more.

PROOF OF CONCEPT

There are a few credit unions that have started prize-based savings accounts in the last few years with much success (accounts that award prizes as part of the saving product's return). It should be noted that these credit union products are broad-based (ie: they do not have a defined market for the product) and also do not have a charitable component. Data from a Centra Credit Union (Indiana) survey shows that interest in prize-based savings *was highest among young adults*.⁸ Anecdotal evidence from the other credit unions with similar accounts suggests the same.

Additionally, almost all credit unions we interviewed that offer a prize-based savings product have yet to launch a full-blown marketing campaign because it hasn't been necessary - interest (and deposits) continue to rise. For example, Neighborhood Credit Union (Texas) opened 946 new accounts in the first month of their program, with an average balance of \$788. After ten months, these accounts grew to over 4,500 accounts with over \$4 million in deposits and an average balance of \$902. This exceptional growth resulted with no major marketing campaign – only simple monthly statement flyers and information on the credit union website were available to members. Contributing to Neighborhood Credit Union's success is that their prize based savings account is positioned as a primary share account.

Also, comparable savings programs in other countries such as South Africa, the United Kingdom, India, Mexico, Japan have experienced great success, establishing new customer relationship, deposits, and excitement about savings.⁹

In addition, we conducted a survey of young adults regarding the validity of Win-Win Savings, distributed through a variety of channels. Responses augmented our market/customer analysis and ultimately helped shape Win-Win Savings product development. Survey results also corroborated with findings from other sources. Key findings from our survey of young adults are below:

Prize Based Savings (Win-Win Savings)

- Almost 80% interested in prize based savings, 6% not interested and 15% didn't know.
- Prize Options: The vast majority were very interested in cash. Followed by 52% very interested in a plasma Tv and 41% in a semester college tuition.

⁸ Ibid., pg. 20

⁹ Gabel, "Key Findings 3.0 – Innovation Through Cooperation," pg. 7, 2007.

- Increase chances to win: Survey respondents chose options of increasing savings, direct deposit, and referring a friend
- Almost 60% would pay down debt if they won \$20,000

Charitable Contributions

- 61% have a charity that matters deeply to them
- Almost 65% donate *money* to charitable organizations
- 80% donate *time* to charitable organizations

Current Product Use & Financial Condition

- Almost all have a checking; regular savings and half have a retirement account.
- Half have an auto loan and half a school loan
- Generally satisfied with current financial condition
- The majority said the following statement most accurately reflects attitudes towards savings - "Saving is Difficult: I feel saving money is a difficult task. Something always comes up that I have to spend my money on."
- Hopeful that their financial condition will improve in the next five years.

APPENDICES

A. Charity Listings

Each member will have the opportunity to select their charity at account opening. The credit union should prepare a short list of national and local charities available in case the member like to browse through for some guidance. Some resources for this could be your local United Way or other partner for your credit union's employee giving campaign. Here are a few listings of National Charities:

⇒ **Top 50 largest Charities:**

- http://www.csmonitor.com/2006/1120/csmimg/50_largest_charities.pdf

⇒ **200 Largest Charities:**

- http://www.forbes.com/2005/11/18/largest-charities-ratings_05charities_land.html

⇒ **Charity Research:** www.give.org & www.charitynavigator.org

B. Bonus Entries

The following is a suggested guideline for awarding bonus entries:

- **Refer-a-Friend:** Five bonus entries will be awarded to members who utilize the Refer-a-Friend program. Both the member making the referral and the friend opening the account will receive five bonus entries.
 - A one-time bonus entry (not perpetual)
- **Direct Deposit:** Five bonus entries will be awarded for members if they set up direct deposit to their savings account.
 - The five entries are perpetual – five bonus entries for the life of the account with a minimum of \$10 monthly direct deposit. Should the member cancel direct deposit or deposit less than \$10 per month the bonus entries will no longer be awarded.
- **Additional CU Products/Services:** Five bonus entries for each new product/service the member uses. For example, if the member establishes an auto loan through the credit union, they get an additional ten entries. This has much potential - Forum Credit Union (Indiana) has a prize-based savings program called the "Weekly Five Club" and the average number of services per Weekly Five Club Player is 3.78. Also, 84% of Weekly Five Club Player have a checking account with the CU.¹⁰
 - The five entries are perpetual – five bonus entries for each additional product/service currently open. Should the member close an account those bonus entries will no longer be awarded.

Other optional opportunities for bonus entries could involve bonus entries for a **blog post** on the credit union's website. This could be about savings goals, financial questions and/or blogging about charitable events and causes. Also, additional entries could be given for **community service** - awarded to members who give back to the community through community service opportunities.

¹⁰ *CEO Report*, pg. 6, 7/14/08

C. Marketing Plan

Marketing Campaign

Win-Win Savings should go through the normal chain of advertising for any other youth product that would be advertised in addition to forms of social media (detailed below). We suggest advertising to your existing youth membership through direct mail and electronically. In addition to the normal advertising campaigns, leveraging relationships with schools, sporting programs, and other youth friendly organizations should be established to help promote the product. Hosting financial education seminars and speaking at high schools and colleges in the area will help credit unions get face-to-face communication with students. Within the program the credit union can pitch the Win-Win Savings account and provide materials to take home. Representatives will also be prepared to take applications and open accounts at the event. Encouraging younger sales staff to attend these functions will help the audience relate with the speaker and increase response. These young staff will act as brand ambassadors of the program.

For credit unions with the ability to do so, accounts should be able to be opened through the company's website as well as through ATM access. Any necessary paperwork to settle the account could then be sent back to the member via email communication or mail.

Another vital part of the Marketing program will be the real-life success campaigns. These real-life winners will be key to keeping the excitement thriving. Providing information on both the individual winner as well as the benefiting charity will bring about good press. This should be provided on the web, through public relations releases, newsletters and promotional campaigns.

As was previously stated, most credit unions have found success with standard prize-based savings products with little or no marketing. Therefore, there is an even greater potential of increased account openings by rolling out this product in a big way.

For example, a full blown marketing campaign could consist of the following:

- Billboards strategically positioned near high schools and colleges will help catch the eye of young adults traveling through the area.
- Credit unions may wish to offer a small incentive for opening an account, such as a \$25 bonus for opening the account or 5 extra entries in the annual prize drawing to increase initial excitement about the product.
- An email campaign will be used to increase awareness of the product. Email Lists from schools and colleges would be a great target market for this product. After the email campaign has had time to hit, it should be followed with a direct mail campaign to further increase awareness. While the need and success of direct mail has decreased throughout the years with the increase in "junk" mail, young adults rarely receive mail so the piece is likely to get attention. The branding of the mail campaign will match the billboard and email campaign so it will increase its familiarity with the young adult. Young adults will be instructed to open their account online and the credit union's homepage will be heavily marketed with this product to make sign up especially easy during the initial launch of the product.

- Members will be automatically signed up for eStatements to keep maintenance costs of the product down.
- "Word of mouth" marketing potential - bonus entries can be given for referrals (*see Appendix B for more information*).
- Segmented Marketing Opportunities, Internal Marketing, and social media (all detailed below)

Segmented Marketing Opportunities

Also, another unique aspect of this product is the ability to create segmented marketing messages to different types of young adults (and their parents/guardians). Advertising can be segregated into the following categories:

- General product marketing and information.
- Marketing that appeals to young adults' self interest focusing largely on the ability to win prizes and/or cash.
- Marketing that appeals to more socially responsible young adults that focuses on the ability to win money for a charitable organization of their choice.
- Marketing that appeals to young adults' parents/guardians. Parents are usually the main trusted source of financial advice for young adults. Therefore, separate marketing that appeals to parents that shows that saving can be fun and exciting has great potential.

Internal Marketing: Keeping the excitement alive!

Increasing internal staff excitement for the product is vital to the success of the program. The front line sales staff controls the success and energy of this product. When sales staff is excited about the program more accounts are opened - more members walk away excited about their new account and credit union as a whole.

Internal promotions and incentives will stoke excitement and keep the momentum for the product offering. While staff are not eligible to win through Win-Win Savings an internal incentive campaign could be more effective. In fact, our research shows current prize-based savings credit unions have found more success with incentives than with allowing staff to participate in winning the prizes. In particular, Centra Credit Union in Indiana found great success promoting their prize-based savings account internally through branch contests with no external marketing. However, when the internal promotion ended, staff excitement decreased and fewer accounts were opened, keeping a regular incentive would help keep the excitement going.

Social Media

Social media is the norm for this target market. Among U.S. college students, approximately 28% author a blog and 44% read blogs.¹¹ Providing a blog component gives young adults the opportunity to promote their charity of choice, talk about financial struggles and their savings goals (see Members Credit Union's www.whatareyousavingfor.com as an example). The blog

¹¹ http://en.wikipedia.org/wiki/Generation_Y

can also be a great way for the credit union to talk about the upcoming prizes, the credit union difference, savings tips, past prize winners can post why they chose the charity they did, and local charities will also be able to leverage this avenue to promote and inform young adults of their mission and upcoming events. All aspects of the product can be communicated through this channel.

Additionally, leveraging other forms of social media can enhance the blog and overall marketing efforts. For example, a Facebook page can be set up with RSS feeds from the blog and provide another avenue for members to interact on that platform if they prefer. Canada's Common Wealth Credit Union's Young & Free campaign uses a variety of online media channels effectively in this way (see www.youngfreealberta.com/ - there you can find links to their YouTube videos, Flickr photos, Twitter feeds, etc.).

Information about the program should be featured prominently on the credit union's website and emails. This can mean buttons, widgets and relevant information that hyperlink back to the main product blog. We also recommend registering a unique URL for the product (ie: www.yourproductname.com).

Branding/logo:

Sample Logo:



D. Break-even Point Projections for Monthly Prizes

Suggested monthly prize amounts were determined by calculating an obtainable break-even point. This was completed with the help of CES CU (Ohio), who implemented a standard prize-based savings product as their primary share account in January, 2008. President/CEO Kelly Schermerhom stated that CES CU exceeded their breakeven point in under five months. In fact, by May 31, 2008 the credit union was almost \$700,000 over their breakeven point without taking into consideration any ancillary benefits of the promotion. With a cost of funds of 0.75% and an average yield on assets, CES CU's net yield was 5.45% on funds in their prize based savings account.

Using these assumptions we calculated our net yield with a cost of funds of 1.00%, which is just slightly higher than CES CU's cost of funds. Below are projections for multiple prize options for credit unions to determine the best fit for their unique situation. Our recommendation is to

award \$5,000 in prizes each month, totaling \$60,000 annually in monthly prizes. In order to breakeven with this option, the credit union will need to bring in approximately \$1.2 million in deposits into the Win-Win savings account.

	CES CU 1st Year Results	WIN-WIN Break-Even Point Projections			
		\$2,000 Monthly	\$5,000 Monthly	\$6,000 Monthly	\$10,000 Monthly
Total Cost of Prize Giveaways	\$55,000	\$24,000	\$60,000	\$72,000	\$120,000
Breakeven Point for Shares Invested	\$1,009,174	\$461,538	\$1,153,846	\$1,384,615	\$2,307,692

ACKNOWLEDGEMENTS

A special thanks goes out to Brie McCarthy at Coors Credit Union for her input and ideas in the development of this product.

We wish to thank the following individuals for their input, advice, feedback and time (*in no particular order*):

- ⇒ The staff at Filene Research Institute, with special thanks to Ben Rogers, Denise Gabel, Josey Siegenthaler and George Hofheimer
- ⇒ Alex Alexander
- ⇒ Kent Sugg, Tinker FCU
- ⇒ Doug True & Andy Mattingly, Forum CU
- ⇒ Nan Morrow, Centra CU
- ⇒ Carolyn Jordan, Neighborhood CU
- ⇒ William Azaroff, Vancity CU (Canada)
- ⇒ Kelly V. Schermerhorn, CES CU
- ⇒ Josh Jones, CUNA CPF
- ⇒ James E. Burns & Leigh Philibosian, Mid-Atlantic Corporate FCU
- ⇒ Tim Eischen, Members United FCU
- ⇒ Cindy Ships & Sheri Ledbetter, WesCorp
- ⇒ Rebecca Secor, Member Loyalty Group
- ⇒ Maxine Xodo & David Dunn, Co-operative Bank (UK)
- ⇒ The i3 team on Prize-Based Savings
- ⇒ The Entire 30 under 30 group

We also recognize and are grateful to the following individuals and organizations for their support throughout the development of this product:

- ⇒ Bruce Beaudette President/CEO, Sunmark Federal Credit Union
- ⇒ Susan Siegel SVP, Marketing & Branch Operations, Sunmark Federal Credit Union
- ⇒ Dan Mica, President/CEO, CUNA
- ⇒ David Rohn, Vice-President, CUNA Councils