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MONEYWORKS: A CREDIT UNION IN-HOME PARTY THAT'S FUN!

+75

+50

INVESTIGATIVE REPORT

by Mark Meyer, Director of Innovation
Filene Research Institute

INTRODUCTION

The Filene Research Institute is committed to thoughtful unbiased research and provocative innovation that will build a successful future for credit unions. The founder of the U.S. credit union movement, Edward A. Filene, stated: "Progress is the constant replacing of the best there is with something still better." It is in the spirit of his inspirational words that the Filene Research Institute shares this i³ Investigative Report with our valued members.

Filene i³ is a dedicated group of credit union executives passionate about tomorrow. The group comprises 39 diverse individuals from credit unions across the country. Each serves a

three-year term. The group's mission: To identify and create new product, service, and business models to transform the credit union industry. The objective is accomplished by forming virtual, cross-functional teams and by leveraging the industry's most strategic competitive advantages in financial services, cooperation, and collaboration. These teams are inspired to identify new ideas, innovate, and then implement them. Hence the name i³.

The report that follows gives insight to one idea explored by i³. The concept described here illustrates the power of innovation and the importance of

responding to the needs of the market. Thanks to each of the members of the i³ group who contributed their talent and skills to this imaginative business opportunity for credit unions.

The Institute also gratefully acknowledges the generous support of our members including America's Corporate Credit Unions, who through a special grant, collectively make Filene i³ possible. "America's Corporate Credit Unions believe strongly in the need for continuous innovation and in the creative power of the i³ group," says Bob Hoel, executive director of the Filene Research Institute.



Mark Meyer

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Mark Meyer is Director of Innovation for the Filene Research Institute. In this position, Mark works with pioneering credit unions across the nation to convert promising financial service and product ideas into marketplace realities. He founded and leads Filene i³, a group comprising of next-generation credit union leaders focused on identifying and implementing new products, services, and business models that will transform the credit union industry.

Mark received his J.D. degree from the University of Nebraska and his B.S.-Business Administration degree from Northern Arizona University. He is licensed to practice law in Arizona and Colorado.

The Filene Research Institute is a unique nonprofit organization that examines issues vital to the future of credit unions and the millions of members they serve. Its national research program is an ongoing source of innovative financial product ideas. In addition, the Institute provides credit unions with insights into managerial problems and opportunities, consumer needs and trends, legislative and regulatory issues, and competitive forces. More than 1,400 credit unions, credit union organizations, and individuals are members of the Institute and make its research programs possible.

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MONEYWORKS

A CREDIT UNION IN-HOME
PARTY THAT'S FUN!



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Despite community charters and an increase in credit union marketing budgets, growing membership is a challenge for most credit unions. In 2005 credit union membership grew less than 2%, adding just 1.5 million members nationwide. In short, credit unions need to turn to new innovative programs to grow members, savings and loans. This report investigates changes in marketing strategies across industries. Further, it explores the power of "word of mouth", how it influences consumer purchasing behavior, and successful direct selling business models that credit unions can implement to grow their credit union. Finally, this report highlights case studies on MoneyWorks: "A Credit Union In-Home Party That's Fun!"

“INTELLISEEK FINDS THAT CONSUMERS ARE 50 PERCENT MORE LIKELY TO BE INFLUENCED BY WORD-OF-MOUTH RECOMMENDATIONS FROM THEIR PEERS THAN BY RADIO AND TV ADS.”

CHANGES IN MARKETING STRATEGIES ACROSS INDUSTRIES

Once upon a time, it was possible for a marketer to reach a vast majority of the consumer universe through a few easily identifiable mass media. Produce a commercial to run on the top-rated TV channel, replicate that message on two or three leading radio stations, take an ad in the morning newspaper and send direct-mail pieces to prospective buyers. Then wait for the customers to come to your door.

Today, all that has changed. The influence of the mass media has waned as new delivery systems reach the market. The Internet led the way to this revolution, providing a vast new array of facts and figures through which consumers could educate themselves before making their buying decisions. The introduction of TiVo, the iPod, and satellite radio further fragmented the communications processes in play between seller and buyer. Technology altered the marketplace in fundamental ways. Today's consumers have many more options available to them through which to gain the information they need.

As a result, credit unions need to change the ways in which they communicate with their publics.

The word-of-mouth research firm Intelliseek, recently merged to become Nielsen BuzzMetrics, reports that consumer trust toward traditional advertising is being challenged by growing confidence in consumer-generated media and the recommendations of other consumers. The research finds that, compared to traditional advertising, word-of-

mouth behavior continues to grow in importance in consumer awareness, trial, and purchase of new products.

Intelliseek finds that consumers are 50 percent more likely to be influenced by word-of-mouth recommendations from their peers than by radio and TV ads. The research also finds important correlations between consumers who regularly skip over or delete television or online ads and those who shape, create, and absorb consumer-generated media. “Active ad skippers,” for example, are 25 percent more likely to create and respond to such consumer-generated media as Internet message boards, forums, and blogs.

“The advertising landscape is changing, forcing marketers to broaden and redefine the concepts of media, influence, and audience reach,” says Intelliseek CEO Mike Nazzaro. “If consumer-generated media is in fact the most effective and trusted form of advertising, it's critical that marketers heed the consequences.”

The Pew Internet & American Life Project reports that 80 percent of ultimate buyers used the Web to research a product or service. More than 75 percent of car buyers cite word-of-mouth recommendations as most influential in their purchase decisions, and many of those recommendations emanate from thousands of online car forums and discussion boards. Moreover, they use the Internet to consult with other consumers by reading opinion sites where consumers post reviews and personal experiences about specific products, companies, or brands. They browse or engage in discussion boards where active consumers share information.

Technological innovations (TiVo, iPod, satellite radio) have changed the face





of mass marketing. Guerrilla and multilevel marketing is transforming the way consumers receive information about products and services, and the avenues available to marketers through which to reach potential customers. Avid watchers of television's "CSI: Crime Scene Investigation," for example, are likely to see one of the investigators working on a computer that prominently displays the Dell logo. That's not accidental. It's product placement, a ubiquitous form of guerrilla advertising.

Along with technology-driven innovations, marketers have developed new methods of reaching their target markets. Guerrilla marketers rely on unconventional methods to get maximum results from minimal resources. Guerrilla marketing is more about matching wits than matching budgets. The concept can be as different from traditional marketing as guerrilla warfare is from traditional warfare. Rather than marching their marketing dollars forth like infantry divisions, guerrilla marketers snipe away with their marketing resources for maximum impact.

Credit unions need to recognize these trends, and employ new strategies and technologies to

reach their members and potential members. Why? Growth in credit union membership has slowed in recent years.

Conventional methods of reaching out to new members have lost their luster, while tens of millions of young people have turned to alternative forms of communication to get information on products and services. At the same time, the average age of credit union members is approaching 50.

An exciting alternative to traditional mass marketing schemes is advocacy marketing, through which individuals introduce products to their friends, relatives, and colleagues. Avon[®], Tupperware[®], and Pampered Chef[®] continue to grow at enviable rates as their representatives use relationship marketing techniques to reach customers that are expensive and difficult to reach through mass marketing techniques. At Avon[®], sales rose almost 30 percent in a recent five-year period, and the company's stock price more than doubled. The Pampered Chef[®], with initial capital of a few thousand dollars, grew over two decades to become a multibillion-dollar organization. As for Tupperware[®], the product is now sold in more than 100 countries. Every 2.5 seconds, a Tupperware[®] party is held somewhere in the world.

“THE PEW INTERNET & AMERICAN LIFE PROJECT REPORTS THAT 80 PERCENT OF ULTIMATE BUYERS USED THE WEB TO RESEARCH A PRODUCT OR SERVICE. MORE THAN 75 PERCENT OF CAR BUYERS CITE WORD-OF-MOUTH RECOMMENDATIONS AS MOST INFLUENTIAL IN THEIR PURCHASE DECISIONS, AND MANY OF THOSE RECOMMENDATIONS EMANATE FROM THOUSANDS OF ONLINE CAR FORUMS AND DISCUSSION BOARDS.”

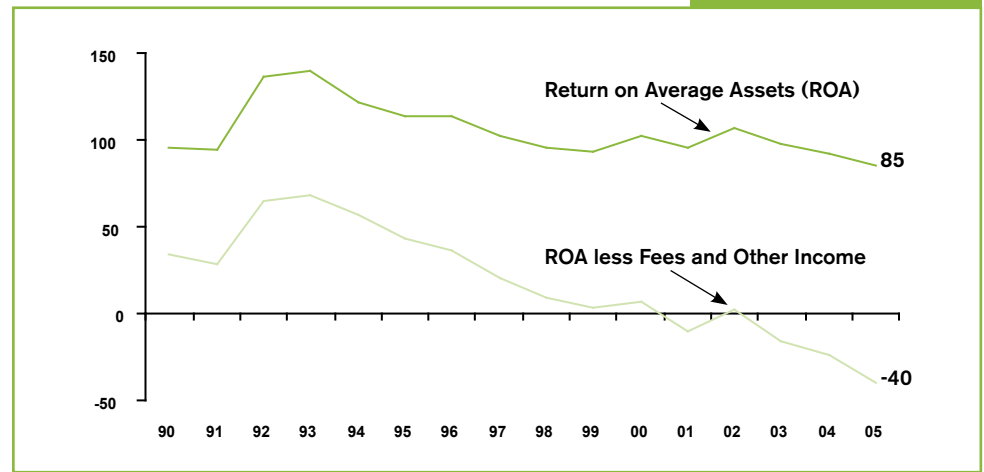
AN INDUSTRY IN SEARCH OF GROWTH OPPORTUNITIES

Today's financial services arena has become a commodity market. There is little discernible difference in the consumer product lines of banks, thrifts, credit unions, and online lenders. Consumers are attracted to one institution or another for reasons other than outright product differentiation.

At the same time, operating margins are shrinking, and executives are reluctant to invest big money in costly advertising and promotion programs. The eyes of CFOs are on controlling costs and the impact of expenses on the bottom line.

Within the credit union community, competition for select employee groups (SEGs) has become intense, as more credit unions look beyond their original fields of membership to find new sources of member growth. One credit union manager sadly notes: "Today, all the good SEGs are taken." Even with established SEGs, many credit unions are finding it difficult to maintain close-knit relationships with employers and employees.

Neither has expansion to community charters been the panacea it was once thought to be. The expense involved in building branches and increasing awareness of the credit union may severely mitigate the advantages of a larger pool of prospective members. The net gain in credit union membership might have been expected to be much greater given the number of community charters granted over the last 10 years. In fact, much of the current



Source: CUNA Economics & Statistics and CUNA Mutual Corporate Development

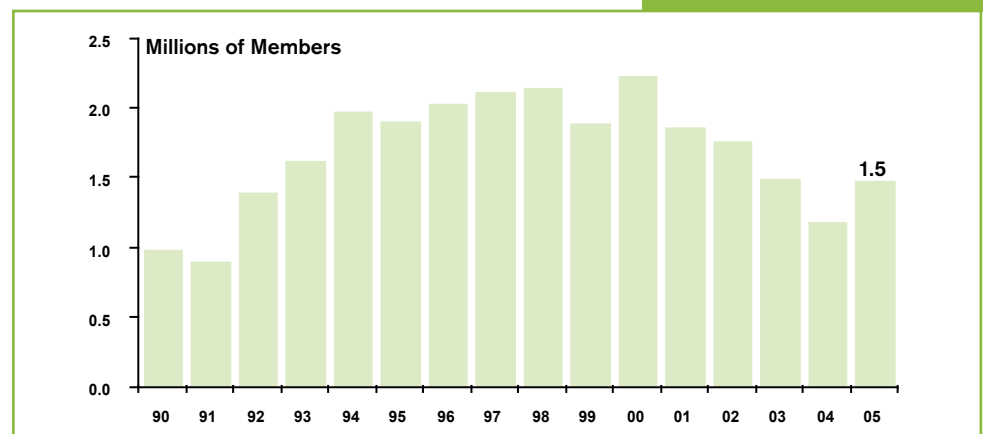
membership growth can be attributed to indirect auto financing rather than to the development of members who use the credit union as their primary financial institution.

CUNA Research suggests that alarms should be sounding in credit unions, and the industry faces both challenges and opportunities. The average age of adult credit union members has increased from 40 to 47 years over the past decade. That is an ominous development for the long-term future of the industry. For as members age, they leave the prime borrowing years of their lives and become net savers. When there are substantially more savers than borrowers, the credit union is forced to commit more and more of its funds not to its best and safest investment—namely, loans to members—but rather to markets that offer lower yields and riskier outcomes.

Many credit unions may also be missing an important opportunity with respect to the rapidly increasing growth of the Hispanic market, which is poised to increase by 75% over the next 25 years, according to the U.S. Bureau of Census. While some individual credit unions have done an excellent job in offering services to new Americans, the credit union community as a whole has overlooked the tremendous potential of this burgeoning market segment. The demographics of the Hispanic market suggest a younger age profile with a need for the basic financial services that credit unions are in a prime position to provide.

In short, credit unions need to turn to new, innovative programs to create breakthrough strategies for increasing membership, savings, and loan volume.

Credit Union Member Growth Chart



Source: CUNA Economics & Statistics and CUNA Mutual Corporate Development

AVON® BECOMES BOLDER, YOUNGER



In her first five years as CEO at Avon®, Andrea Jung gave the venerable cosmetics company quite a makeover. Sales rose 28.5%—from \$5.29 billion in 1999 to \$6.8 billion in 2004—and the company's stock price rose 251%. With a roster of new products and big opportunities abroad, Jung was just getting started.

Avon® is no longer merely a source of inexpensive perfume. The bulk of Avon's® sales still come from independent sales reps who work on commission using catalogs and parties. But Jung has repositioned

the company as a supplier of advanced skin treatments and trendy, high-quality makeup. Last fall Avon® launched Mark, a division aimed at younger women, complete with a new generation of Avon® Ladies. There are already 20,000 Mark reps (average age: 21), and Avon® says Mark is on target to hit \$35 million to \$40 million in sales this year. That would make it the No. 2 “youth trend” cosmetics brand.

Another boost to the bottom line is coming from its Anew Clinical facial products. And Avon® has relaunched

its traditional cosmetics and fragrance lines, complete with new packaging and a splashy ad campaign featuring actress Salma Hayek.

Jung is also making a push for global growth. Avon® has a large presence in Russia, where sales have jumped 70%, to \$241 million. And in China, where its products are sold from more than 5,000 storefronts, Avon's® business has a chance to expand dramatically: In 2005 the government approved direct selling, allowing the company to unleash an army of Avon® Ladies on the People's Republic.



DIRECT SELLING AND AT-HOME MARKETING: A GROWTH ENGINE

The sales business has been a part of America's economy since the country's earliest years. In the early 20th century, the traveling salesman had become a familiar image in America. Small companies such as Fuller Brush® went national. Salesmen in every region of the country set out to sell Fuller Brush® products to every American household.

Tupperware® later became a leader in the field and, as the company went international, more and more direct-selling companies were formed, basing their corporate structure on the Tupperware® model. One can trace the lineage of any of today's home party selling companies back to the original home party business. Stanley Home Parties trained Brownie Wise, Mary Kay Ash of Mary Kay Cosmetics®, and Mary Crowley, the founder of Home Interiors®, among others. And Tupperware®, in turn, launched a number of people who went on to build such companies as Longaberger® Party Baskets, and Partylite®.

Today, direct sales is a \$30 billion per year industry. The Direct Selling Association (DSA) describes direct selling as "the sale of a consumer product or service, person-to-person, away from a fixed retail location." Independent salespeople market products and services to their customers. Depending on the company, the salespeople may be called distributors, representatives, consultants, or various other titles. Products are sold primarily through in-home product demonstrations, parties, and one-on-one selling.

The DSA's Public Attitude Tracking Survey indicates that direct selling engenders considerable loyalty among its representatives and customers. Recent marketing innovations such as use of the Internet and mall kiosks, while less prevalent than traditional direct-selling approaches, are gradually increasing in importance.

The DSA says direct selling has touched a majority of adult Americans: More than half of all American adults report having purchased goods or services from a direct-selling representative. One in five American adults report they are now or have been a direct-selling representative. And among direct-selling customers, three out of four have attended an in-home demonstration or party.

Of adult Americans, 38% have some interest in purchasing a product or service via direct selling. With public interest in purchasing through direct selling exceeding those who have purchased, the statistics suggest there is an opportunity for growth. More than 13.6 million people participated in direct selling in 2004 in the United States alone.

Companies are also looking at direct selling as a more profitable way to reach customers. Overhead and other

fixed costs are lower because there are no stores involved, and consultants work on commission. Annual sales growth averaged 7.1% during the past decade, surpassing traditional retailers' average of 5.4%. At-home selling accounts for 62% of the total direct sales market. Party hosts, who are recruited by the consultants, earn free products or discounts on items. Some of the reasons people choose direct selling are:

- To meet and socialize with people
- To enjoy flexible work schedules
- As a way to earn extra income
- As a way to own a business
- Earnings are in proportion to efforts

The terms "direct selling" and "multilevel marketing" are related, but not identical. Direct selling refers to a distribution method, whereas multilevel marketing refers specifically to a type of compensation plan found in direct selling. A direct selling company that offers a multilevel compensation plan pays its representatives/distributors based not only on one's own product sales, but on the product sales of one's "downline" (the people a representative/distributor has brought into the business, and, in turn, the people they have brought into the business).



THE PAMPERED CHEF® GOES PUBLIC



In 1980, Doris Christopher, former home economist and teacher, wanted to return to the workforce after raising her children. She began selling high-quality kitchen tools through cooking demonstrations and launched her company, The Pampered Chef®, from her basement. Twenty-five years later that corporation has tens of thousands of independent kitchen consultants who present more than a million kitchen shows a year, attended by more than 12 million people. Christopher's book "The Pampered Chef®" has become

a best seller, with insights on how the company expanded and handled its challenges.

Christopher turned her innovative concept and a \$3,000 investment into close to a billion-dollar business. She recognized that millions of women did not own or even know how to use quality kitchen tools. Using her products to help bring families together in the kitchen, Christopher discovered a huge, untapped market. Through The Pampered Chef's® easy-to-master techniques for streamlining meal preparation, customers not only became more skillful in the kitchen,

they gained valuable time to spend with their families.

In 2002, The Pampered Chef® attracted the attention of Berkshire Hathaway CEO and investment guru Warren Buffett. Shortly thereafter, Berkshire Hathaway purchased the company, and it continues to grow. Legendary in financial circles for his investment wizardry, Buffet says in his foreword to The Pampered Chef®: "Follow the simple steps in this book," and "Come see me in Omaha when you've put together your own recipe for success; we pay cash and Berkshire's check will clear."

THRIVENT FINANCIAL FOR LUTHERANS: INSURANCE AT CHURCH



More closely related to the credit union industry is the experience of Thrivent Financial, a fraternal benefit society currently serving more than 2.8 million members. Fraternal benefit societies have individual membership and volunteering programs serving a variety of interests, including church support, educational grants and scholarships, preservation of ethnic heritage, a focus on outdoor activities, or the promotion of a particular industry or interest.

Thrivent Financial for Lutherans operates its programs through Lutheran congregations nationwide,

using member relationships with their church as the vehicle through which to communicate its programs. In addition to conventional avenues of advertising and promotion, the organization is able to reach out to members through church bulletins and even from pulpits.

As the country's largest fraternal benefit society, Thrivent Financial does more than offer financial services. The organization also offers educational programs and resources, helps members become involved in their community and volunteer to help others, and provides financial

assistance to Lutheran churches, schools and organizations.

Thrivent Financial for Lutherans is a not-for-profit Fortune 500 financial services organization. The organization and its affiliates offer a broad range of financial products and services including life insurance, annuities, mutual funds, disability income insurance, bank products, and more. As a not-for-profit organization, Thrivent Financial sponsors national outreach programs and activities that support congregations, schools, charitable organizations and needy individuals.

WHAT DOES YOUR CREDIT UNION DO SO WELL YOUR MEMBERS TELL THE WORLD? WHAT ARE YOU DOING TO CREATE “BUZZ” IN YOUR MARKETPLACE? IF YOU ARE STRUGGLING TO IDENTIFY YOUR DIFFERENTIATOR, THINK ABOUT IT!

CONNECTING THE CREDIT UNION: ONE MEMBER AT A TIME

From their very beginnings, credit unions have been built upon personal relationships between people—their members and the individuals who make up the organization's official family. Directors and other volunteers work hand-in-hand with the professional staff to create an institution dedicated to the financial success of each member.

It stands to reason, then, that in seeking new ways to offer their services to a larger public, credit unions should return to the techniques of personal interaction that have marked their historic development. Those techniques rely on the recommendations of current members to alert prospective members to the benefits of membership, and to bring new individuals and families into the credit union fold.

It is axiomatic that people relate to other people. In a time of massive media barrages, word-of-mouth is still one of the most powerful weapons in the marketer's tool box. Consider: What does your credit union do so well your members tell the world? What are you doing to create “buzz” in your marketplace? If you are struggling to identify your differentiator, think about it! When word-of-mouth takes off, it is an awesome sight to behold. Research indicates that more and more Americans rely on word-of-mouth recommendations in making their ultimate buying decisions.

Consider the concept of The Tipping Point, as popularized by Malcolm Gladwell in his 2000 book “The Tipping Point: How Little Things Can Make a Big Difference.” Defining that precise moment when a trend

becomes a trend, Gladwell probes the surface of everyday occurrences to reveal some surprising dynamics behind social change. He examines the power of word-of-mouth and explores how very small changes can directly affect popularity.

Over the years, credit unions have relied on that very kind of intimate person-to-person contact to spread the word about the benefits of membership in a cooperative financial institution. Today, the process continues as new opportunities present themselves.

Members of the Filene Research Institute's i³ program took a look at the strengths inherent in the relationship between credit unions and their members, and developed a program designed to capitalize on this unique position in the marketplace. MoneyWorks is a concept that uses advocates—credit union or contract employees—to market credit union services to potential members, creating a low-cost delivery channel for products and services, and a source of income for the advocates.

Advocates provide information about the credit union, its products and services, and special promotions. They act as a conduit to deliver completed applications to the credit union on behalf of potential members. The credit union handles closings, fulfillment, disclosures, and compliance issues.

The MoneyWorks concept can be tailored to the needs of a particular credit union. At FORUM Credit Union in Indiana, for example, you'll find the concept carried out under the banner of CommonCents. CoastHills Federal Credit Union in California is looking to brand a program for retirees and schools. And GECU-El Paso sees its Hispanic constituency as a prime population for the MoneyWorks concept.



MONEYWORKS: PEOPLE INTRODUCING PEOPLE TO THE CREDIT UNION

MoneyWorks is a concept that allows advocates to market credit union services to their friends and family, thereby creating a low-cost alternative delivery channel for the credit union and a source of income for the independent representatives who deliver the program. Few concepts could be expected to blend so seamlessly with the cooperative structure of credit unions. Properly designed and executed, utilizing professional platforms and training materials, MoneyWorks has the potential to bring about a resurgence in credit union membership, product use, and long-term success.

The concept is extremely flexible, to allow each credit union to use its existing recruiting, vetting, training, and compensation programs. The program has the potential to increase membership rapidly, bring credit union benefits to underserved populations, and become a significant fund-raising tool for religious organizations, schools, and other associations.

Advocates provide information about the credit union, its products, services, and special promotions. They act as a conduit to deliver completed applications to the credit union on behalf of the potential member. Compensation is tailored to the needs of the individual credit union.

Here's how the i³ MoneyWorks team sees the concept as relevant in their credit unions:



**FORUM Credit Union,
Indianapolis, Indiana**

Assets: \$950 million

Members: 89,000

Branches: 11

Field of membership: Residents of Indianapolis and central Indiana, including 1,200 select employee groups.

FORUM Credit Union has rolled out the MoneyWorks concept under the brand name of CommonCents. “After conducting two pilot programs to test the parameters of the program,” says i³ team member Doug True, and FORUM CU SVP, lending and technology, “we conducted an open house designed to attract and recruit prospective advocates. At the open house, we explained the CommonCents concept and provided information on how our program works. It’s natural for members to recommend the credit union to their friends and family.”

FORUM advocates have the option of defining the audience they would like to pursue. Advocates work for FORUM CU on a part-time basis using the scheduling routines and

meeting formats made famous by organizations such as The Pampered Chef®, Avon®, and Tupperware®. For example, one advocate has strong ties to the Hispanic community and has specific ideas on how she plans to implement the program in that venue. Other advocates are members of churches where they believe they can successfully set the program in motion. “There is really no end to the configurations possible under this program,” says True, “and we want to test as many of those opportunities as possible. Neighborhoods, circles of friends, church congregations, and school groups are all potential participants in the CommonCents program.”

True says the direct-selling industry has undergone a metamorphosis in recent years. New affinity groups have been identified and the ways in which consumers receive information have changed dramatically. In the CommonCents program, an advocate who lives in a small town might want to spread the message through local fairs and gatherings, rather than

relying on personal contacts. Each representative is free to re-invent the program to serve the needs of his or her particular audience.

For its part, the credit union is responsible for providing accurate information about its products and services, and arm advocates with tools to help them present this information effectively. FORUM CU also provides the training necessary to do the job properly. The training regimen includes 56 hours of classroom training on products and services, including modules on FORUM CU branding, product training, and presentations. Training also includes a visit to a FORUM Credit Union branch. Most important, says True, the credit union needs to conduct business in a way that protects the privacy of the participants.

The credit union also provides its advocates with business cards, feedback cards, a briefcase, product brochures, and postage-paid envelopes.




individuals with those qualifications, FORUM CU offered positions as CommonCents representatives. The call explained that “CommonCents representatives will prospect for new members and new member business opportunities by coordinating casual seminars in their home, their church, their children’s school, the FORUM recreation room, or another appropriate location.”

Employees were offered a referral bonus for successful leads, with half the bonus paid the pay period after the new employee began employment and the other half the pay period after the new employee successfully completes six months of employment. “Many of our employees are passionate about the work of the credit union,” True says, “and they may have friends and relatives who share that passion.”

FORUM CU sees the MoneyWorks program as much more than attracting members and selling products. Long-term, the program could produce life-changing benefits to members, and an enhanced relationship for the credit union.

True believes it is important to frame the event properly as an educational session that will help participants manage their money more effectively. “We have a substantial brand equity in the FORUM name,” he says, “and we want to protect that equity. That’s why we conduct a rigorous training regimen for our advocates. They are part-time employees of the credit union, and their business practices reflect on us. The only difference between advocates and regular employees is that advocates are paid exclusively on an incentive basis.”



FORUM Credit Union has rolled out the MoneyWorks concept under the brand name of CommonCents.

CommonCents representatives are paid on a commission basis. When an event produces a new savings account, the representative is paid \$5. When an event leads to a closed auto loan or a home equity line of credit of more than \$20,000, the representative is paid \$50.

The most effective way to conduct a CommonCents meeting, says True, involves a guest speaker from the credit union. The advocate hosts an icebreaker, serving refreshments and sharing financial stories to get people talking. Then the advocate introduces a guest speaker who talks about a particular aspect of financial life. The advocate then wraps up the meeting. If participants are interested in a specific credit union product, they can ask for referral cards. Or participants can fill out cards to mail or e-mail back to the credit union for

followup. In this way, the privacy of participants is protected.

FORUM Credit Union sees the MoneyWorks program as an excellent way to reduce the acquisition costs associated with recruiting new members. True estimates that it typically costs FORUM Credit Union approximately \$200 to \$300 to acquire a new member through traditional marketing. The cost of a representative’s CommonCents commission and supplies will be much lower than that.

Initially, FORUM CU held an open house to recruit advocates to the CommonCents program. Employees were asked to identify friends and neighbors who exude professionalism and have a natural sales ability with contacts in the community. For

GECU, El Paso, Texas

Assets: \$1.2 billion

Members: 250,000

Branches: 9

Field of membership: Individuals who live or work in El Paso County; active or retired employees of the U.S. Civil Service, the Federal Reserve Bank, and similar quasi U.S. government organizations residing in the El Paso area; and family members of current GECU members.

To appreciate the potential for a program such as MoneyWorks among members and potential members of GECU, it is important to understand the community the credit union serves, and the nature of its field of membership.

Nearly four of five residents of El Paso are of Hispanic origin. Here, Spanish is on par with English as the dominant language, and one in four residents was born outside the United States. That means that to serve its current and potential members, GECU needs to understand the unique culture and needs of the Hispanic community.

“The MoneyWorks concept may be a radical idea for some in the credit union world,” says Crystal Long, GECU SVP, consumer lending and remote services, “but it is one that makes a whole lot of sense. In our community, for example, family ties are very powerful. When talking about family size, for example, it is not unusual for an individual to claim 100 local family members.”

Given that cultural dynamic, Long believes the MoneyWorks concept speaks well to the demographics

in the El Paso area. Members and potential members are much more comfortable in a setting where they can conduct a face-to-face discussion. GECU member surveys demonstrate over and over that the most effective way to deliver financial education and services is one-on-one, in response to member needs and questions. “In one-on-one conversations the message is delivered effectively,” Long says. “We emphasize respect for the individual in our relations with members, and personal service is one way we can demonstrate that kind of respect.”

Long anticipates holding a meeting in her home and inviting family and friends to talk about products and services in which they may have an interest.

Long sees a program such as MoneyWorks as very attractive to present and former employees of any age who need flexibility in their schedules and may not want to work full time.

Advocates do not need to have former credit union experience. “If we find individuals with the right people skills and assertive character,” Long says, “we will train them just as we do our regular credit union employees. The training regimen needs to be fairly rigorous, however, to arm advocates with the skill sets they will need in presenting the program.”

The format for a MoneyWorks program in El Paso might reasonably incorporate educational components on auto or home buying, since those are GECU's primary products and the reason many members come

to the credit union. The educational component of a meeting might deal with what to look for in making the best deal on a new or used automobile.

There's also a high level of interest in financial literacy in the El Paso area. “We might create a program presenting smart savings habits,” Long says, “and show how regular savings can prepare a family for future financial success. We would then tie in a credit union product. A program on smart saving, for example, might reference our No Excuses CD product, which is available to anyone with savings of \$50 or more.”

At a 2003 Filene colloquium on serving new Americans, GECU CEO Harriet May pointed out that among immigrant families, the young are often the educators within the family, bringing financial information to their parents who then come to the credit union for more education and information. Direct deposit and home equity lending are among the subjects parents learn about from their children. A MoneyWorks program on these subjects might be well-received.

GECU has also learned to design its product mix to meet the needs of new Americans. Over the years, GECU has developed programs that integrate small savings programs into its loan programs, so that over time many members build their savings as they pay off their loans. When members come in to cash their paychecks, tellers ask them if they would like to put a part of that money in their share savings account. In this way, the credit union helps them toward a more secure financial future.

Coasthills Federal Credit Union, Lompoc, California

Assets: \$480 million

Members: 49,000

Branches: 10

Field of membership: Individuals who live, work, worship, or attend school in the Central Coast community comprising San Luis Obispo and North Santa Barbara counties.

For Jeff York, President/CEO of Coasthills FCU, the beauty of the MoneyWorks concept is that it can be tailored to any demographic in any region or area. “It is equally appropriate to business development strategies for new Americans, retirees, school and church groups, or neighborhood outreach,” York says. “The credit union can recruit advocates from among any population it is trying to reach.”



Coasthills FCU, for example, has within its field of membership many retirement communities. It would make sense to recruit advocates from among the retiree population, because those individuals have interests and life experiences in common with the participants the credit union is trying to reach. This concept is especially appropriate for any credit union with a community charter. The Coasthills FCU business development department is currently working on the components of a MoneyWorks type of program for the credit union’s field of membership.

At the same time, York says, the MoneyWorks meeting needs to focus on more than simply selling credit union products and services. A mere sales meeting does not have the power to attract participants. For a retiree audience, for example, the focus might be on protections against fraud or elder abuse. For younger audiences, a program on building creditworthiness or first-time home buying is more appropriate. “It’s a matter of taking business development down to a personal level,” York says.

Although a program such as MoneyWorks doesn’t promise big results immediately, over time it can attract a sizable group of new members at relatively low risk levels. The key is to make the program attractive to the demographic the credit union is trying to attract, in order to get them to the meeting.

“We also see a substantial opportunity for applying this kind of program in our educational community,” York says. “Schools are chronically

strapped for funds, particularly where extracurricular activities are concerned.” A school-based MoneyWorks program provides business development opportunities for the credit union, and raises much-needed funds for the school. By working through parent-teacher organizations, the credit union can avoid the product endorsement issues that often characterize relationships with school administrations.

“In our area,” York reports, “the PTO organization supports most athletic programs and other extracurricular programs of the school system. The PTO is eager to work on initiatives that promise additional revenue to support these programs.” A credit union might suggest a series of seminars on financial planning for parents, with a portion of the revenue derived from subsequent product sales going to the PTO coffers.

Credit unions interested in pursuing this line of inquiry might also consider reaching out to private and parochial schools, where the bureaucratic maze may be somewhat easier to negotiate. And parent-teacher organizations are extremely active in these systems.

In recruiting advocates, the credit union should look for the same characteristics that it seeks in full-time employees, according to York. The ideal candidate should be able to create and reinforce relationships with the people they serve, and be able to work independently. The credit union should train advocates on product knowledge and credit union culture, but the most valuable personal characteristic Coasthills FCU is looking for is an assertive, self-starting personality. A perfect



candidate might be someone who once worked at the credit union and might have left to start a family or to run a home-based business. These individuals have the experience and know the philosophy of the credit union.

“The development time frame might be longer than some other business development programs,” York says, “but the ultimate payout has enormous potential.”

In a relationship with a church congregation, the credit union might give commissions to congregants, who then could donate those funds to their church to receive tax considerations. For credit unions that can nurture it, a relationship with a

religious or educational organization promises larger audiences, and hence larger returns.

Coasthills FCU conducted a pilot program using a former employee as an advocate. The program was videotaped, and the credit union's business development people are using that session to fine-tune future efforts. “I do believe this kind of program has the potential to be more productive than general media advertising,” York says, “as people rely more heavily on word-of-mouth recommendations. A MoneyWorks program allows the credit union to target specific populations—Spanish-speakers, retirees, young marrieds, or other demographics. This is something the mass media cannot do.”

MONEYWORKS RELATED PROGRAMS: CU IN HEAVEN AND CU @ SCHOOL



CU in Heaven and CU @ School are related MoneyWorks programs designed specifically to raise funds for church groups, schools, and other organizations, while spreading credit union membership throughout the community.

Credit unions spend large amounts of resources acquiring new members and promoting new products and services, commonly referred to as acquisition cost. CU in Heaven reduces the acquisition cost to the credit union by utilizing the church to convey the value of credit union benefits directly to congregations. In doing so, the credit union is able to pass on the savings from the reduced

acquisition costs to the church in the form of a donation.

In addition, the credit union often offers special rebates to members when they take advantage of a new product or service. The congregation of the church is encouraged to donate a percentage of the rebate to the church.

For example, a credit union may pay \$200 in cash to any member who refinances an existing auto loan with the credit union. If the refinanced loan is acquired through the church, the congregant would agree to donate 50% of the rebate. The church member receives \$100 for refinancing

the auto loan, and the church receives a \$100 donation.

In addition, the church receives a donation for each credit union product and service its members use. The credit union might donate \$50 for each new savings account, another \$50 for each checking account, \$50 for each credit card and \$150 for each mortgage. Congregants taking advantage of all four of these product offerings thereby provide \$300 in donations to their church.

Similar donation schedules can be created for students who work on behalf of the credit union to benefit their schools.

MARKETS SHAPING THE FUTURE OF FINANCIAL SERVICE

A market 50 million strong.

According to the U.S. Census Bureau, the number of people of Hispanic origin residing in this country is expected to reach 50 million by 2007. Every credit union can respond to the opportunity presented by increased immigrant populations, regardless of its size, field of membership, or geographic location. Typically, more than half of Mexican immigrants are unbanked. At the same time, they need the services that credit unions provide;

such as check cashing and money orders, the security of savings accounts, and eventually, access to loan programs.

The MoneyWorks program provides the link necessary to build trust on the part of unbanked individuals through the intercession of friends and neighbors serving as credit union advocates. For new Americans, there is no influence more powerful than familial and community ties. The MoneyWorks program has the ability to integrate financial education with product knowledge in order to serve the immigrant population properly. Advocates have the advantage of relating to the experience of immigrants, and are able to explain financial products to members in their native language.

Getting inside their iPods.

Earlier in this report we cited some key statistics regarding the size and purchasing power of young adults. Age groups under 40 are a

second major audience that can be accessed through a MoneyWorks program. Individuals in the Gen X and Gen Y age groups rely heavily on recommendations from friends and classmates in making their buying decisions. By recruiting and training advocates in these age groups to serve in a MoneyWorks program, the credit union can crack a market segment that has proven increasingly difficult for marketers in the past.

Reaching a powerful market: Women.

MoneyWorks also offers credit unions an appropriate channel through which to reach prospective women members. Today, women account for an absolute majority of individuals in the workforce. Forty percent of America's highest net worth individuals—those with more than \$500,000 in assets—are women. A study by the National Association of Realtors reveals that single women buy 21% of homes today, almost doubling the percentage of homes sold to single women over the past two decades. For the first time, women have access to resources—money, social status and power—that men have always had. More women than men attend college.

But in spite of their growing economic influence, women often find it difficult to access financial planning services tailored to their specific needs. Properly organized and presented, the MoneyWorks program can be an ideal way for credit unions to reach out to this traditionally neglected segment of the market. By reaching out to women and meeting their specific financial needs, credit unions can enhance their position in the marketplace and meet their service goals.



THE MOMENT IS AT HAND...

The MoneyWorks program offers enormous potential in the battle to attract and serve new populations of credit union members. MoneyWorks is a concept that can be scaled and customized to the needs of the individual credit union and its potential membership base. MoneyWorks brings an exciting new level of cooperation to the credit union industry, using the same resources that have been the strength of cooperative organizations for generations. Banks and other for-profit institutions would have a difficult time replicating a program of this character, because banks serve their shareholders while

credit unions serve their members. In short, credit unions bring value to consumers, while banks bring profits to their owners.

In a rapidly changing retail environment, statistics indicate that the most effective way to break through the clutter of mass media and touch the individual consumer is through word-of-mouth. Today, products and services are purchased, and relationships developed, through the recommendations of friends, neighbors, and family. As technological innovations such as satellite radio, iPods, and TiVo recording systems gain hold, the influence of the mass media is diminishing.

Credit unions find themselves in an enviable position to capitalize on

these global trends. They have built a reputation as consumer advocates, and have earned the trust of millions of members across the country and around the world. Imagine credit union advocates meeting to discuss issues of personal finance in homes everywhere, to benefit both members and their credit unions. The foundation has been built, and the tools are at hand. A MoneyWorks revolution could be just around the corner.

To Learn More

To access the MoneyWorks business and implementation plan or other i³ innovation project information:

- Visit www.filene.org.
- Contact the Filene Research Institute at 608-231-8550.
- Or contact i³ members who worked on the MoneyWorks project.



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