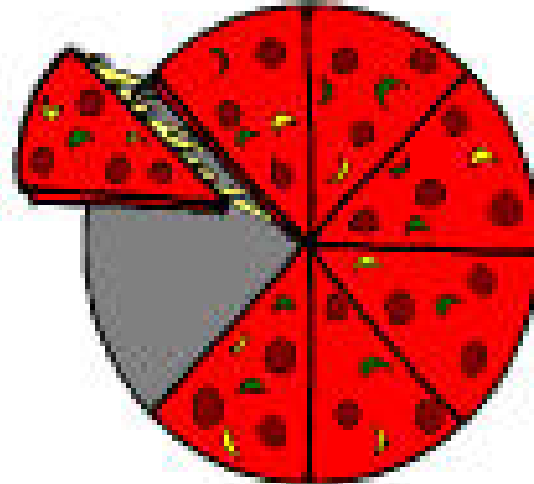

Franchising a Credit Union?

Steven C. Michael
University of Illinois

Filene Research Workshop
August 2007

Where We're Going

- **Example**
- **What is franchising?**
- **Franchising a Credit Union?**
 - Inquiry
 - Results



Mahoney's Baloney



August 07

Fran & CU -- Filene

3

What's franchising?

- **Legal--Franchising is an organizational arrangement created by contract between the owner of a trademark and a production technology (the franchisOR) and a local entrepreneur (the franchisEE).**
- **Strategic--Franchising is an organizational form chosen by entrepreneurs to secure competitive advantage.**

Where franchising?

- **Used in service industries competing through networks under a shared trademark:**
 - restaurants;
 - hotels;
 - car repair;
 - tax preparation.
- **Low human capital industries and low capital / lower risk (1996).**

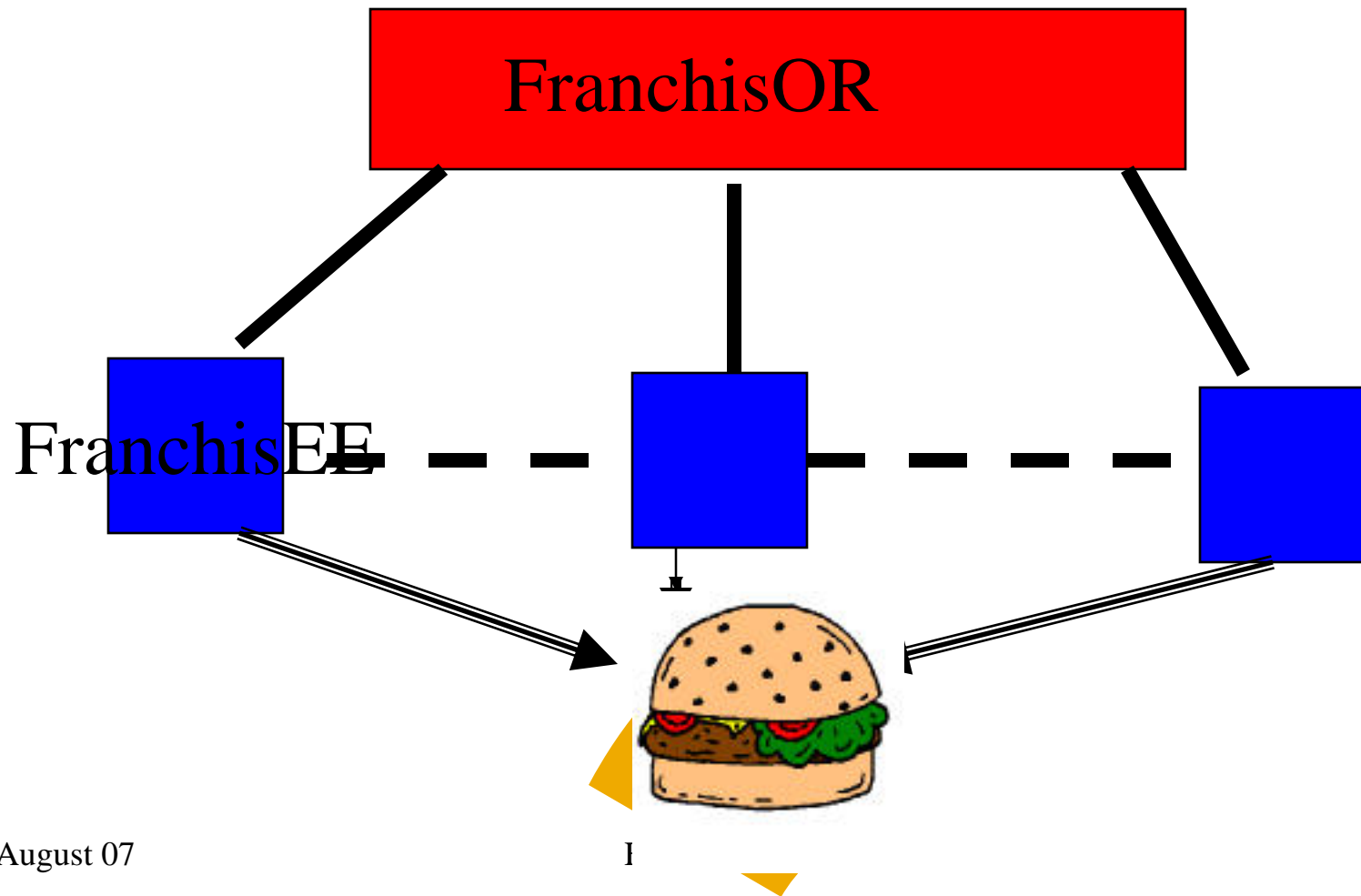
The details

- **Franchisor gives:**
 - access to trademarks
 - blueprints
 - training
- **Franchisee gives:**
 - location
 - effort
 - franchise fee and royalty payment

Cui bono?

- **Franchisor gains access to capital:**
 - financial.
 - locational.
 - managerial.
- **Franchisee gains:**
 - technology.
 - brand recognition.


Franchising a Credit Union?



Can a Credit Union be Franchised?

- **Developed a questionnaire to identify CU functions.**
- **Interviewed five presidents / CEO's of smaller credit unions.**
- **Asked about “outsourcing” (not franchising).**
- **Seeking for technology or marketing benefit that could be provided centrally.**

Cui bono CU?

- “Franchisor” gains access to capital:
 - financial. 
 - locational.
 - managerial.
- “Franchisee” gains:
 - technology.
 - brand recognition.

Field Marketing

BUT existing CU's have made choices...

- *Information technology forms the backbone of CU ops and training.*
- *Legal, regulatory, compliance, and social pressures make “exposure” significant.*
- *How will members react?*

QUALITY

Conclusions

- **Franchising as an org form has prospects for de novo entry of CU's, but...**
- **Unlikely to be a vehicle for saving existing small credit unions.**
 - Can IT be joined?
 - And will members accept loss of control?
 - And will execs accept compliance risk?
- **Coop for IT might be attractive.**

**THANK YOU VERY
MUCH!!!**

Questions?