

What's the Big Idea Pilot Package

What's the Big Idea? is an innovation of the Filene Research Institute's i3 program. In the spirit of collaboration, i3 identifies and creates open-source innovations such as new products, services, and business models to transform the credit union industry.



What IS “What’s the Big Idea”?

Credit unions should position themselves to be at the forefront of the new wave of baby boomers becoming entrepreneurs and provide products and resources to help them turn their dream of starting a business into reality. This project offers two opportunities: 1) a tool to help evaluate business readiness; 2) a reality-style challenge to attract members and non-members to the credit union’s business services.

Background / Overview

Credit union growth has been relatively stagnant and the membership is aging. Many credit unions are attempting to reach new markets, such as Gen Y or immigrants, with limited success in order to capture new members. Some of the lack of success can be attributed to the fact that credit unions are not seen as relevant by the group (in the case of Gen Y) or may be the result of not being “trusted” by this group (in the case of immigrants or Latinos).

On the other hand, baby boomers continue to see credit unions as relevant providers of financial services. Baby boomers now total about 12% of the United States population, yet they account for almost 18% of credit union members (approximately 16 million individuals).¹ Instead of solely seeking new sources of members to fund the credit union’s growth, a better option may exist.

A trend in our country among baby boomers is that as they contemplate retirement from their current career, they are not looking just for rest and relaxation. Many want to keep active, while others need to supplement their income or gain access to affordable health insurance. According to the Kauffman Foundation, Americans aged 55 to 64 form small businesses at a higher rate than any other age group—28% higher than the adult average.²

¹ CUNA’s 2006-2007 Survey of Potential Members

² Robert W. Fairlie, Kauffman Foundation Index of Entrepreneurial Activity, 2005.

A recent IPSOS Reid study indicates that the two biggest fears of boomers who have either retired early to start their own business or intend to do so are not having enough customers and not having enough money.³ Both of these concerns could be abated with outside guidance or tools to review their business plans.

If credit unions can modify their business model to provide consumer-like and consumer-friendly services to small businesses started by baby boomers, they can succeed in growing this market and serving them in ways other financial institutions are not. Credit unions can attract this emerging group by developing tools to assist them in evaluating business ideas and providing resources to help them take their ideas from conception to implementation.

This market also has a significant amount of equity and savings to use toward the launch of their business, which reduces the risk to credit unions that want to support these new entrepreneurs. As their businesses mature their deposit accounts and borrowing needs will grow.

Objective

Position the credit union to capture the small business market potential that exists in the already well-established baby boomer market segment, and increase awareness and usage of business services.

Target Audience

Members in the age group of 55 to 65 who are nearing retirement age, but are not ready for full-time retirement and have a desire to form their own businesses.

Competitive Landscape

Currently this segmented population is not being targeted by financial institutions in terms of securing the commercial side of their financial relationship. Most often, small businesses use personal accounts for business owners. Many banks do not provide services designed to meet the needs of the very small business. Credit unions have the advantage of already being a trusted financial partner of this target market.

Financial Information

Small business accounts typically carry larger balances than retail accounts. Data from the Raddon Financial Group⁴ indicates the following:

³ BMO Financial Group Poll conducted by IPSOS Reid, October 2 – 10, 2007

⁴ Financial data from Raddon Financial Group, June 2007 National Averages

	Retail	Commercial
Average balance	\$2,307	\$7,422
Account profit	\$72	\$268
Services per household	2.79	3.59

This data shows that business checking accounts have significant opportunity to grow balances, revenue and usage. If a small business loan or credit card can be added to the mix, the relationship becomes stronger and potentially as much as 18 times more profitable for the credit union.

The Mazuma Credit Union Pilot – What’s the BIG IDEA Challenge

Mazuma Credit Union is hosting a reality-style challenge entitled ‘What’s the Big Idea’ to encourage their baby boomer members to follow through with their ideas to create new businesses (visit <http://www.mazuma.org/bigidea/>). The reality challenge format is a pop-culture phenomenon in marketing that engages the participant and, therefore, increases the potential to build relationships.

Members must submit a three-question application outlining their business propositions. The submissions will be judged by current Mazuma business members, deepening the relationship the credit union has with those members.

The winner of the challenge will receive a \$3,000 marketing package, including logo and stationery design and printing.

The challenge will run January 14–March 31, 2008, and is open to non-members and those outside of the target age range.

Mazuma will also provide online tools and resources to assist members in getting their businesses started. (visit <http://www.mazuma.org/feasibility/feasibility.php>)

Mazuma will benefit primarily by increasing the use of its business checking accounts and other business related services.

Interested?

What can you expect from us?

- What’s the Big Idea Challenge web-based entry form
- The Big Idea Evaluator tool (questionnaire, results calculation, and customizable results page with links to entrepreneurial resources) – web-based tool with automated scoring
- Marketing templates and research
- Access to best practices for implementation
- Google Analytics tool to measure pilot success
- Key metrics to track the success of your pilot

What do you need to do?

- Provide marketing support for the Evaluator and Challenge (recommended: web site, direct mail, and lobby signage at minimum)
- Choose judges for your challenge and facilitate their judging
- Provide a prize to the winning submission (Mazuma is presenting \$3,000 worth of marketing services to the winner)
- Track and measure web site traffic using a user-friendly Google Analytics tool
- Regular update reports to i3 representative(s)

Get Started: Contact Us

		
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