



CONCEPT DOCUMENT

CU-Toot

TEAM MEMBERS

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PROBLEM DEFINITION

Collectively credit unions spend millions of dollars on advertising and marketing campaigns to gain new members and sell products. However, one-to-one referrals from existing members remain the most cost-effective and productive way to grow membership or gain product adoption. Now numbering more than 100 million nationwide, credit union members have consistently demonstrated their willingness to advocate for and direct potential members to their credit unions -- and to respond favorably to rewards programs. But, "Refer a Friend" campaigns can be cumbersome to manage and track -- and the same holds true for programs to reward employees who are selling products to meet incentive goals.

Credit unions report they are unable to maximize the potential of organic referral growth because of:

- Frustration with tracking referral campaigns and proving the results;
- Difficulty with accurately rewarding members and employees for referrals; and
- Expensive and cumbersome processes to promote and create campaign platforms.

Nationally, credit unions spent \$442 to attract each new member in the year ending September 30, 2012, according to Callahan & Associates.¹ Based on the NCUA 2012 highlights these credit union investments resulted in a paltry 2.1% member growth for the same period.²

INNOVATIVE SOLUTION

CU-Toot is a referral app designed to help credit unions seamlessly tap into the power of organic growth through member and employee referrals, while tracking results and assigning rewards at the tap of a finger. The app assigns a unique code and tracks the toots, including who referred, number of referrals, and who accepted the offer. Plus, the app will link the new and existing member back to their credit union's site to complete the sale -- for example, to become a member, add a product or take advantage of a promotional offer. This app will provide credit unions with a practical referral tracking tool and provide to members the satisfaction of social media participation and the resultant immediate reward. The simple customization feature prompts the effective use of incentives and rewards to new and existing members, and enhances the trust between member and credit union.

¹Callahan & Associates: <http://www.creditunions.com/blogs/daily-data/which-state-spent-the-least-to-attract-the-most-net-new-members/>

² NCUA: <http://www.ncua.gov/News/Pages/NW20130301CUEarnings.aspx>

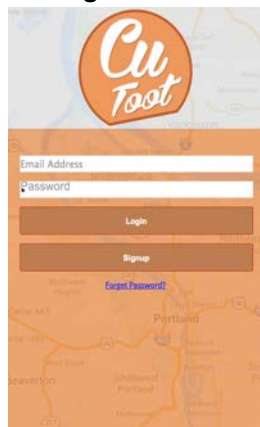
PROTOTYPE

CU-Toot was created as a web-based phone or tablet application that allows participants to tweet, text, e-mail or post on Facebook a referral to their credit union. Each credit union that participated in the pilot was able to customize the home screen with their individual offer. As participants registered they were assigned their own unique code.

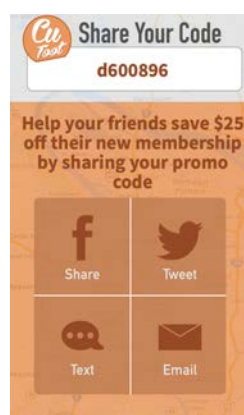
Splash Screen



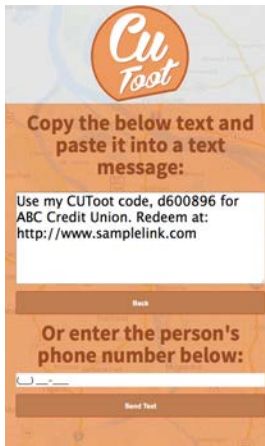
Sign-In Screen



Home Screen



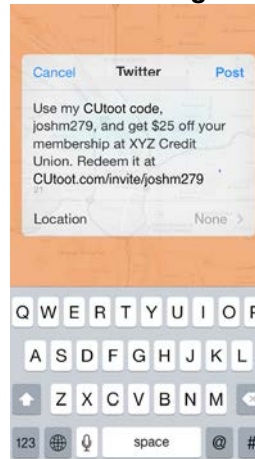
Text Message



E-mail Message



Twitter Message



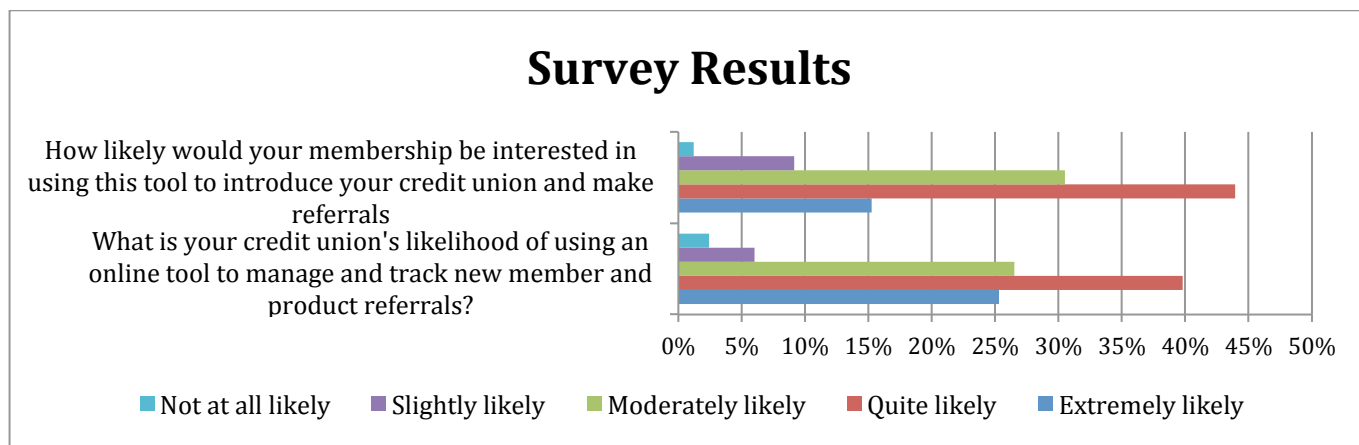
TESTING AND RESULTS

A two-phase approach was used to determine the viability of CU-Toot. In the first phase, a survey asked if credit unions would utilize a referral app for membership growth and employee referrals. The survey was completed by 167 individuals from the credit union community who evaluated the CU-Toot concept for functionality and likelihood of use, and determined whether the prototype either lacked or needed to modify its functionality.

The second phase tested a working prototype (<http://cutoot.horsetailtech.com/>) created by Horsetail Technologies, Inc. Three credit unions initially signed up to pilot the app: Alabama Credit Union, Cy-Fair Federal Credit Union and TwinStar Credit Union.

Results, Comments, Next Steps

According to the survey results, over 90% of respondents were either very or moderately interested in using the referral app. Overall, the results strongly indicated there's a need for such a tool that would encourage and track referrals, and reward staff/members.



The three credit unions participating in the pilot tailored the offer to their memberships and then sent the offer via tweets, texts, e-mails, and Facebook posts. Due to the timing of this document, the results of new account growth are not yet available, but early indications are very promising.

BUSINESS MODEL AND 3-YEAR FINANCIAL PROFORMA

Although the app could be custom-built into a credit union's core and ancillary data systems, the upfront investment required of a credit union would consist of hosting the CU-Toot app, further development of the application, customization and maintenance of the back-end/administrative web site, and integration with the credit union's core system. Many factors would determine the feasibility of such an endeavor, including the credit union's available talent and resources.

Opportunities for credit union-level integration are several. Partnering with programs such as employee payroll processors and rewards/points accumulators are obvious choices for passing CU-Toot data to further reduce the “cumbersome and burdensome” operational and tracking/fulfillment factors identified by survey respondents.

Another approach is to further develop CU-Toot as a stand-alone tool that allows credit union-level offer customization but is housed on a sponsored-host platform. CU-Toot is designed to work for several credit unions simultaneously; while the drop-down “choose a credit union” selection may not be an ideal branding element for some credit unions, it does provide for lower-cost and more immediate deployment. Additionally, it provides the sense of credit union cooperation to users.

A partner (such as Horsetail Technologies, Inc.), is an appropriate route for completing CU-Toot and offering it to interested credit unions.

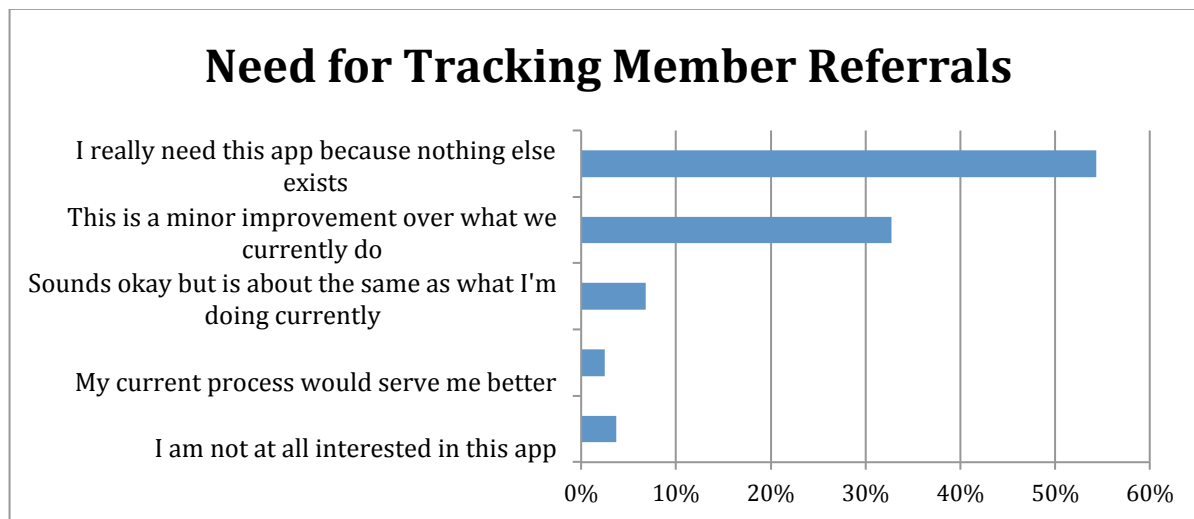
Presumption: 58,000-member credit union uses CU-Toot strategically for one year; gains 10% response to solicitation of 10,000 prospective members (1,000 members)

CU-Toot New-Member Acquisition Cost	National Average New Member Acquisition Cost¹	Lowest Reported New Member Acquisition Cost (State)¹
\$3,900 in CU-Toot fees		
\$40,000 in paid incentives		
\$43.90	\$442	\$142

CU -Toot Start-up Pro Forma							
Expense Items	Year 1	Year 2	Year 3	Revenue Sources	Year 1	Year 2	Year 3
App Development	\$10,000.00	\$5,000.00	\$2,500.00	Licensing To Credit Unions			
Back-side Web Development	\$5,000.00	\$2,500.00	\$2,500.00	One-Time Implementation Fees (@ \$1,500)	\$15,000.00	\$15,000.00	\$15,000.00
Hosting/Server-Side Costs	\$1,000.00	\$1,500.00	\$2,000.00	Monthly Usage Fees (@\$200 per)	\$24,000.00	\$48,000.00	\$72,000.00
URL Reservation	\$500.00	\$0.00	\$0.00	Advertising/Sponsorships	\$10,000.00	\$10,000.00	\$10,000.00
Trademarking/Registration (Name, Product)	\$2,500.00	\$0.00	\$0.00				
Legal Counsel (Trademarking, Subscription Contracts, Disclosures)	\$2,500.00	\$1,000.00	\$500.00				
Admin Staffing (2 Part-time Persons: 1 Product Developer/Designer, 1 Business Developer)	\$50,000.00	\$52,000.00	\$54,000.00				
Marketing/Promotional Materials	\$2,500.00	\$2,500.00	\$2,500.00				
	\$74,000.00	\$64,500.00	\$64,000.00		\$49,000.00	\$73,000.00	\$97,000.00
	-\$25,000.00					\$8,500.00	\$33,000.00
Assumptions:							
1) "Entity" will become a product/program of an established, like-minded organization that serves credit unions, using existing staff or recruiting a staff person who will share duties for other areas.							
2) Product maturation may be less than three years, given the pace of social media change.							
3) Growth opportunity appears to be in growing this platform into payroll system integration for CUs who are paying incentives to employees and linking into rewards/points programs offered by CUs to members.							
4) End-user value of the program will be seen in new member growth, product growth, and image/reputation of participating credit unions. Those values will obviously vary per credit union.							
5) Revenue assumes 10 new CUs per year using the program, and at this point, does not project tiered pricing for various-sized CUs.							

COMMENTS, NEXT STEPS, AND CALL TO ACTION

Based on survey results and comments, this app fulfills a need in credit unions as demonstrated in the graph and comments below:



Some comments from the survey include:

- *“Sounds like a great idea and I can see it being used by multiple CUs.”*
- *“Our current process is manual and cumbersome – anything even remotely automated would be a HUGE IMPROVEMENT! Please let me know if you need a credit union to pilot this – we’d be very interested!”*
- *“We currently don’t incent for member referrals, and therefore don’t track specifically which member referred who. Mostly, we don’t do this because it’s so cumbersome, so a tool like this would open up a whole new membership drive opportunity.”*
- *“We are very excited about the possibility of this new app!”*
- *“I think that this is an extremely welcoming tool. I believe that this tool will encourage members to the services of the CU more.”*

In addition to the survey, several more credit unions viewed a demo of the app firsthand and expressed immediate interest in deployment at their credit unions. Because the pace of change in social media technology and trends is at warp speed, the highest potential use of this program would be in deploying a “good enough/fast-to-marketplace” model.

The use of CU-Toot -- as a cooperative platform -- can substantially reduce new-member acquisition cost, empower more members too easily and visibly participate in credit union referrals, and increase the potential for organic member growth.

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