

Early Concept Document

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# MY AUTO BUDDY

## CONCEPT DOCUMENT

**filene**   
IDEAS • INNOVATION • IMPLEMENTATION

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## THE OPPORTUNITY

Buying a vehicle represents a significant financial investment for any credit union member. Through the years the process has been stressful, confusing, and generally dissatisfying for those consumers unarmed with the data they need to make the right decision. The internet has increased the ability for a member to become educated about vehicles, and working through your local credit union in advance of the shopping trip can help you know what you can afford. However, the lack of real time data in the heat of the vehicle purchasing experience dooms many members into making an unwise or unaffordable choice.

## THE SOLUTION

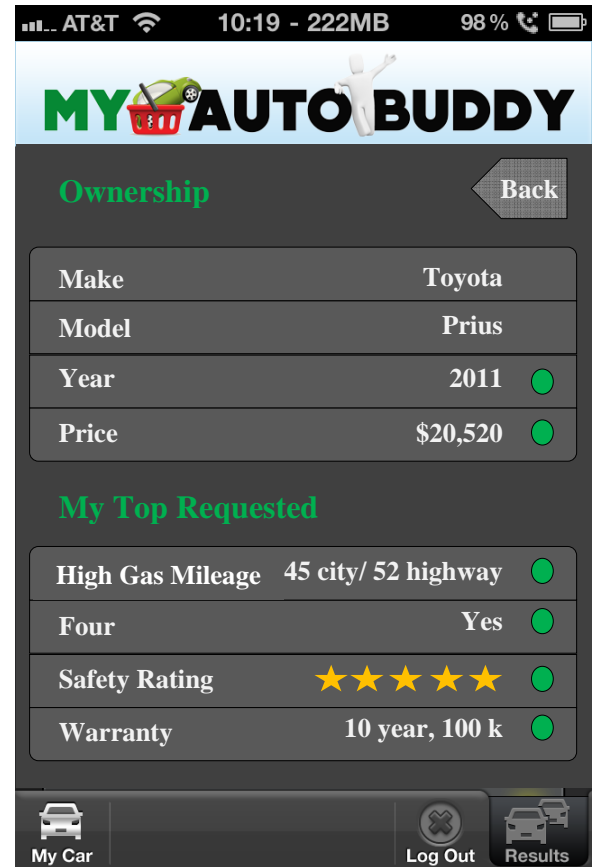
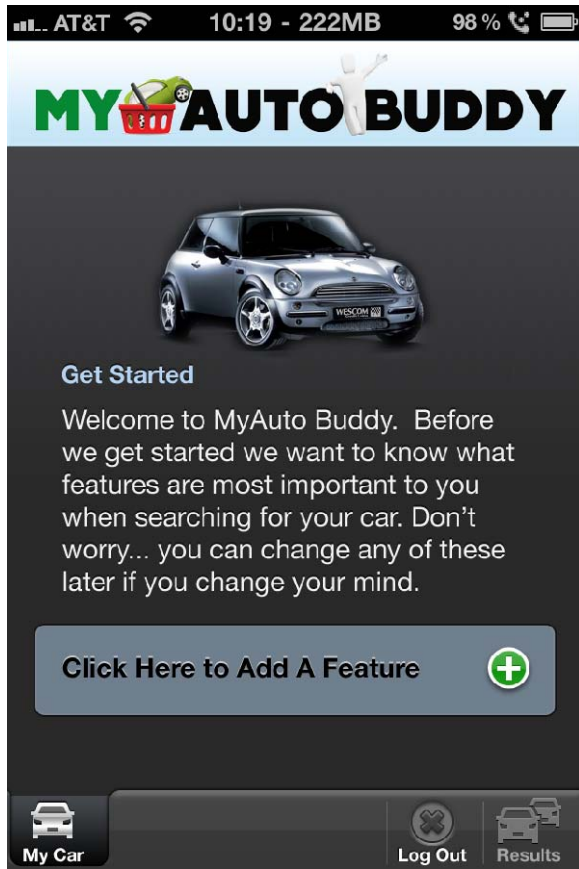
The My Auto Buddy App is here to solve this problem. Bringing together the member's actual approved loan information, vehicle preferences and features, ownership costs, and real time vehicle information, My Auto Buddy gives you the power to make the right vehicle decision. Members can shop online, at the dealer, or through the classifieds and aggregate information on the vehicles they are interested in. They can then review that data at their convenience to find one that fits their needs and their budget. My Auto Buddy takes the emotion out of the decision and presents easy to understand data based on the information you provided when you started the process, just like your best friend or **buddy** would do. The App is a way credit unions can differentiate themselves from the competition, add value to the vehicle buying process, gain more loans, and increase the likelihood that the loans will be paid back.

**RUN** – with the My Auto Buddy Solution

Is it **Rewarding?**-**Yes**, buying the right vehicle increases member satisfaction with the transaction and the credit union.

Is it **Unique?**-**Yes**, no one else is providing real time data on vehicle information, your loan approval and ownership costs.

Is it a **Natural Fit?** –**Yes!** Credit unions are in the business to make loans, and to get loans paid back. Members who buy the vehicle that fits their needs - and they can afford - are more likely to maintain the vehicle and payback the loan.



## TARGET MARKET/RESEARCH

### WHAT WE KNOW

1. Vehicle financing has for years been the bread and butter loan for credit unions. However, the last time there was growth in new auto financing by credit unions was in 2006 at 5.5% and in 2010 there was a 16.5% decline. Luckily, loan balances are expected to rise 4% in 2011 and 6% in 2012 due to the pent up demand in the new auto purchase market
2. 70% of nonmembers ages 18 – 24 are not aware of credit unions. The My Auto Buddy App is uniquely positioned to appeal to this demographic with its robust technology.
3. The smart phone is the chosen device for 51% of those employed in 2011. It is expected that over 75% of employed consumers will have a smart phone by 2014. My Auto Buddy provides for the convergence of both these trends; the increased use of the smart phone with the increased demand for vehicle purchases.

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4. Consumer Reports released a recent study indicating that young consumers age 18 – 34 are three times as likely to purchase a car in 2011 versus older consumers, aged 55 and over. Close to 50% of those who purchase a vehicle will buy a new car.
  5. The purchaser of a new vehicle today wants quality and value with the key ingredient being fuel economy (e.g. Hybrid).

Attracting young consumers to credit unions is instrumental to their continuing success nationally. The My Auto Buddy App will enhance the credit union auto loan product and attract the 18 – 34 year old that is most comfortable on their mobile device. Credit unions want to continue to be a key player in the vehicle financing arena and attracting this segment will allow them to enhance a product, the auto loan, which has seen little change other than rate and term over the past decades.

## RESEARCH

Portigal Consulting LLC assisted with a three week study to validate the research done and assumptions made in developing the My Auto Buddy App. During the study seven in-home interviews were conducted to widen the understanding of consumer values and issues as it relates to the car buying process and the concept. The interviews lasted approximately one hour with subjects being between 18 and 50, employed, comfortable with technology, credit union members and non-members, purchased a vehicle within the last year or intend to in the next year, and purchasing a new or used car.

The My Auto Buddy App is being developed to assist people in making smart vehicle choices based on logical inputs and reminders, predicated on their pre-approved loan from a credit union. However, we discovered during our research a strong need at a critical point during the car buying process and that is at the point of negotiation. The key point identified by consumers in the My Auto Buddy concept was empowerment. As My Auto Buddy is fully developed it will be important to continue to focus on the practical benefits as well as the strong emotional benefits.

The following key areas of value were identified in the interview process:

- **Organization** – ability to manage information gathered when researching and investigating a vehicle purchase.
- **Empowerment** – provides confidence in shopping and negotiating. A partnership with key dealers who “respect the app”.
- **Hierarchy** – identification of those features that are important in the purchase of a vehicle and categorize them. First, second and third tiers based on must-haves versus the nice-to-haves.
- **Choice** – allow the organization of features based on their own needs and desires.

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The research led to the need to:

- **Social:** Add the ability to share information with another when purchasing a vehicle involving other parties.
- **Fun:** Find ways to include fun interactions in the process by including a game within the My Auto Buddy App.
- **Visual:** Take advantage of the mobile platform by providing the ability to toggle between the cost of the vehicle and monthly payment to facilitate the decision-making.

As development continues on the My Auto Buddy App it will be important to limit the amount of data-entry done to populate information. Continued use of sources like QR codes and robust databases will assist in minimizing user data entry.

## CONSUMER / MEMBER BENEFITS

- Takes fear out of purchase decision since all the necessary data needed for the vehicle buying experience is available on the My Auto Buddy App at the member's disposal in order to make an educated and well-informed decision.
- Saves members money by having the bargaining tools available at the time of purchase. Examples included:
  - A solid offer of funding from the credit union provides them with the loan payments the dealer would need to "beat" in order to take the loan.
  - The financial information about the vehicle of interest (retail value, purchase price, etc) and how it compares with the dealers competition or the competitive pricing of similar vehicles from different auto manufacturers.
- Saves members money by providing them with the information discussed prior to the excitement and influence of the actual sales experience. The application focuses on real needs not sales hype.
- Source of empowerment for members when searching in a market they may feel unfamiliar with. It's like having a trusted friend who's been in the vehicle sales business for years, helping to make sound car purchasing decisions.
- Helps to reduce the instances of buyer's remorse.
- Saves members money on additional items not always considered at the time of purchase. Examples include:
  - Vehicle maintenance statistics. Are you buying a lemon?
  - Average cost of auto insurance for this particular make and model.

These statistics and more are stored on My Auto Buddy and are there waiting for members to turn to – just like a trusted friend.

	<a href="#">Porsche of Kansas City</a>	<a href="#">Denise's Honda World</a>	<a href="#">Mark Meyer Prius</a>
<b>Auto Buddy Says</b>	Let's keep looking	Think about this one	Great choice!
<b>Auto Buddy Ownership</b>	You can't afford this	Maybe	This makes sense
Make	Porsche	Honda	Toyota
Model	911 Carrera	Civic	Prius
<a href="#">Year</a>	2011	2008	2011
<a href="#">Price</a>	\$79,495	\$21,345	\$20,520
<b>My Top Requested Features</b>	This won't work	A few things you want	It's what you're looking for
<a href="#">High Gas Mileage</a>	18 city/26 highway	24 city/32 highway	45 city/52 highway
<a href="#">Four Door</a>	No	No	Yes
<a href="#">Safety Rating</a>	★★★★	★★★★★	★★★★★
<a href="#">Warranty</a>	10 year, 100k	None	10 year, 100k
<b>My Custom Features</b>			
Cute	★★★★★	★★★★☆	★★★☆☆

## CREDIT UNION BENEFITS

- **Innovative:** Provides platform for first-ever informative car-buying tool.
- **Public Relations:** Great potential for member stories with a new and fulfilling car buying experience to leverage in marketing and public relations.
- **Loan Growth:** Increase in loan volume due to demand for the innovative new product that differentiates the credit union from their competition.
- **Convenience:** Increase in the likelihood that vehicle loans will be paid back since the product helps to find the vehicle that is right for the members both physically and financially.

- **Relevance:** Young member acquisition since the product makes credit unions “cool” and “trendy”
- **Member Engagement:** Cross-sale opportunities to leverage member data provided. Examples include:
  - Special Savings accounts to direct deposit funds for car insurance.
  - Car insurance if the credit union also offers these services through a CUSO.
  - Checking accounts if the credit union has relationship pricing on loan products.
- **Repeat Business:** Members like the experience, they are in good standing with the credit union since they were able to pay back the loan without issue, they feel good about seeking a loan with the credit union so they come back again the next time they need a vehicle loan.

## **PILOT RESULTS (or PLANS FOR PILOT)**

The product is being developed with a technology partner, Wescom Resources Group (WRG). WRG is a wholly owned subsidiary of Wescom Credit Union in Pasadena, California. WRG today provides technology services to 230 credit unions nationwide. The product will be available for testing in early 2012 and release later in the year.

## **OPERATIONAL AND OTHER CONSIDERATIONS**

My Auto Buddy is best offered by a credit union that has a function rich mobile banking platform and provides loan pre-approval. Additionally, the closing of loans remotely using electronic signatures will enhance the use of the App. Reducing paper and the need to come into the credit union to complete this transaction will aid in member satisfaction and increase the closure rate for the credit union on vehicle loans.

## **FINANCIAL PRO-FORMA/ ROI**

The following costs are estimates at this time:

Total Development Costs	\$70,000
Individual Credit Union Software Cost	\$1,000
Credit Union Annual Maintenance Cost	\$300

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According to the National Automobile Dealers Association the average price of a new car purchased today is \$28,400.

Therefore assume the following with the deployment of the My Auto Buddy App:

20 new vehicle loans per month = 240 annually

Average loans size of 90% of purchase price = \$25,560

Best credit union rate for 60 month auto loan = 2.49%

First year interest revenue = \$165,213.60

The first month of interest revenue on 20 new vehicle loans is \$1,081 covering the initial investment by the credit union.

## RESOURCES

Credit unions offering the My Auto Buddy App to current and future members must be comfortable with mobile banking applications. Staff that understand the App and are comfortable explaining / selling this type of product will be critical to its success.

A key feature of the My Auto Buddy App is the credit union loan. The loan application offered by the credit union should be an online application potentially offered through a mobile device with instant or less than 5 minute loan approval. This will require adequate loan underwriting staff to provide the quick approvals on loans that may not meet the auto approval guidelines. A partnership with the technology developer, Wescom, of the My Auto Buddy App and Filene will be required.

## GETTING STARTED

The first step for any credit union thinking about offering the My Auto Buddy App is to be sure that they have introduced and are supporting full function mobile banking. Their next step would be to contact Filene about when and how to obtain the My Auto Buddy App at [innovation@filene.org](mailto:innovation@filene.org).

### Bibliography:



- CUNA Environmental E- Scan 2011 – 2012
- Consumer Reports – February 2011



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- John Best, Chief Technology Officer – Wescom Resources Group
  - Linda Raphael, Graphic Designer, Hudson Valley Federal Credit Union
  - Julie Norvaisas & Steve Portigal, Portigal Consulting LLC, Pacifica, CA
  - Maya Bourdeau, Attune LLC
  - Team:
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    - Jane Kennedy, Utilities Employees Credit Union
    - Lisa Randall, Vermont Federal Credit Union
    - Derrick Wynkoop, Walden Savings Bank (formally from Hudson Valley Federal Credit Union)