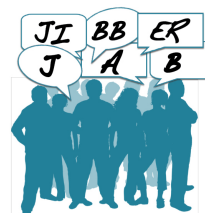




CONCEPT DOCUMENT



TEAM MEMBERS

- Lisa Palma, Blackhawk Community CU
- Betsy Sommers, Seasons FCU
- Mike Warrell, Smart Financial CU
- Corina Watts, University FCU

THE OPPORTUNITY

One Trillion! Cumulative assets at the nation's approximately 7,600 credit unions reached this level for the first time in March 2012. Consumers have begun trending away from "mega-bank" financial institutions and moving to smaller community ones. A recent Moebs study "shows that larger credit unions are growing by leaps and bounds – mainly due to the misgivings financial consumers have about larger banks, and ostensibly better deals available with those credit unions."¹ This exodus from banks to credit unions presents a tremendous opportunity for the industry, and the timing could not be better as remote delivery channels begin to replace traditional brick and mortar.

Arguably the greatest challenge for credit unions will be to compete with larger financial institutions on convenience. According to a Rand Corporation research study, consumers focus primarily on convenience of branches, convenience of ATMs and fees when selecting a financial institution.²

The question now becomes how can credit unions differentiate themselves from the competition and thrive in this ever-changing landscape?

Some of the more recent and proven methods are:

- Personal Teller Machines;
- eCommerce-Focused Websites;
- Instant Issue Debit/Credit Cards;
- Online Account Opening;
- P2P Payments;
- Mobile Deposit / Remote Deposit Capture;
- Social Networking Channels;
- SnapShot ATMs;
- Near-Field Technology Payment Systems;
- And... **SMARTPHONE™ APPLICATIONS.**

SMARTPHONE™ adoption is growing rapidly. As of February 2012 nearly half (46%) of all Americans own a SMARTPHONE™. This is up from 35% just eight months before (May 2011).³ "Nearly every major demographic group—men and women, younger and middle-aged adults, urban and rural residents, the wealthy and the less well-off—experienced a notable uptick in SMARTPHONE™ penetration over the last year, and overall adoption levels are at 60% or more within several cohorts, such as college graduates, 18-35 year olds and those with an annual household income of \$75,000 or more."⁴

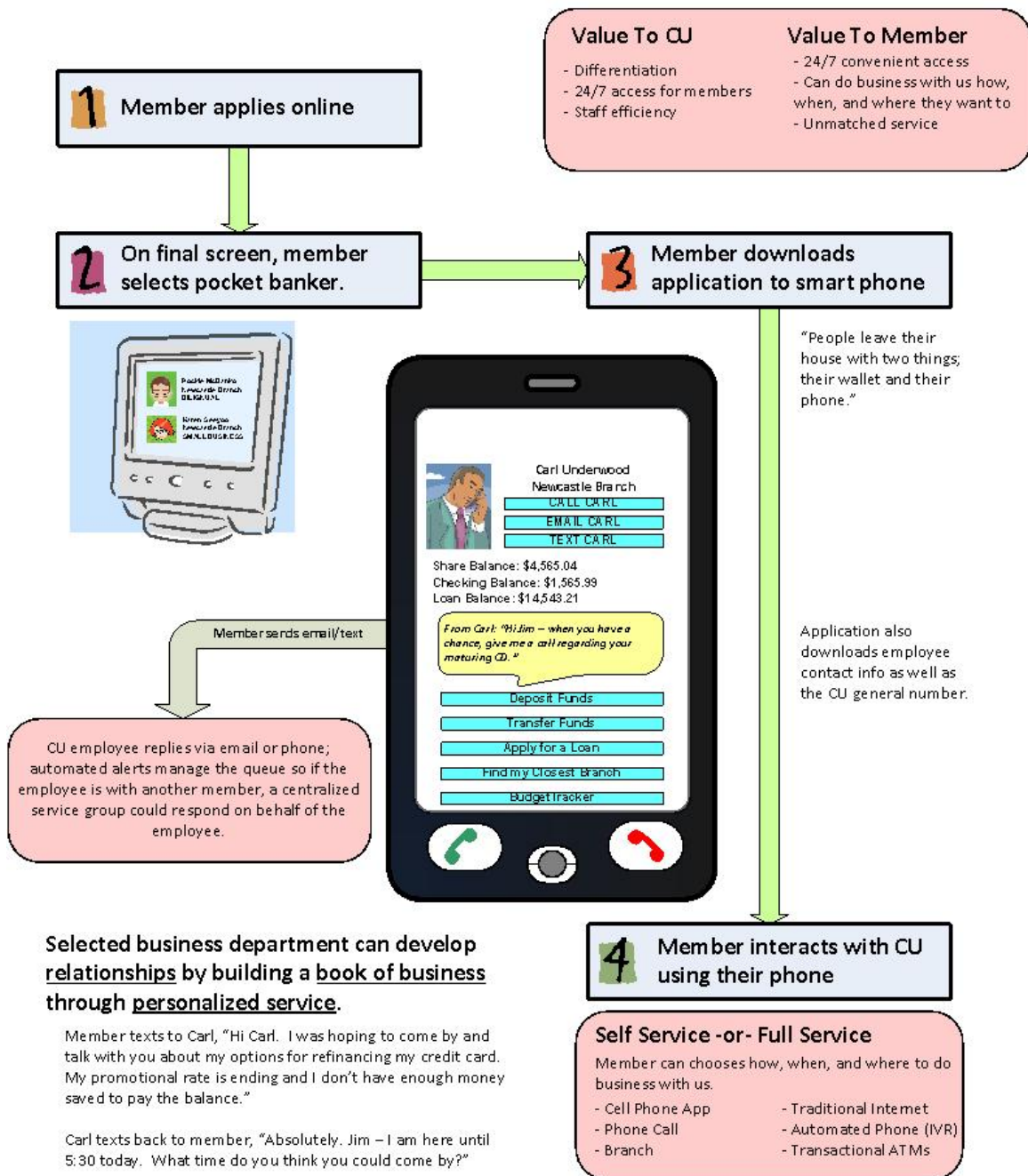
THE SOLUTION

The CU Pocket Banker SMARTPHONE™ application is designed to offer members a convenient, efficient and streamlined way to contact their credit union. CU Pocket Banker provides members with a single point of contact, along with all the other features they expect through mobile banking, eliminating the need for multiple methods of accessibility. Dr. Windsor Holden, research director at Juniper Research, summarized the role that SMARTPHONE™ applications are playing in customer acquisition and retention by saying. "Consumers are now demanding 24/7 access to services — retail, financial, information,

entertainment — wherever they are. As a result, brands that wish to remain competitive have turned to apps as part of an integrated multichannel distribution system; they have become a critical mechanism to increase engagement and reduce churn.”⁵

The following diagram illustrates the CU Pocket Banker concept:

“Pocket Banker”

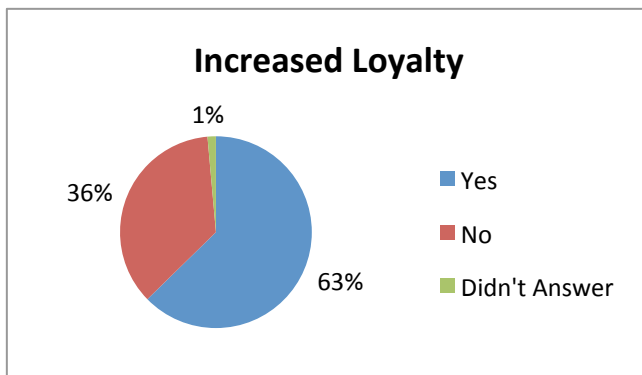
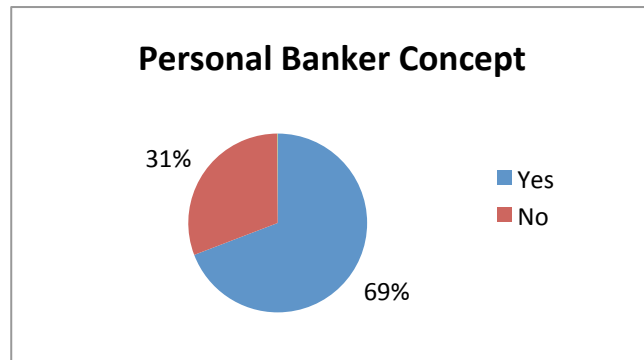


TARGET MARKET

A survey was conducted at four participating credit unions in an effort to determine the best potential audience for implementing Pocket Banker. The participating credit unions included Blackhawk Community Credit Union (Janesville, Wisconsin), Seasons Federal Credit Union (Middletown, Connecticut), Smart Financial Credit Union (Houston, Texas), and University Federal Credit Union (Austin, Texas). A total of 1,136 individuals completed the survey with the following results:

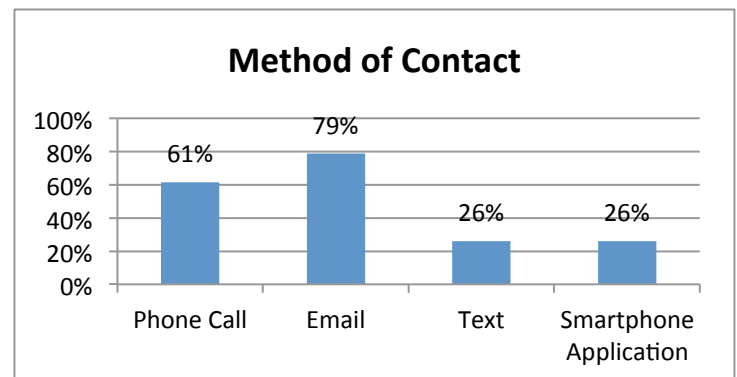
CREDIT UNION SURVEY RESULTS

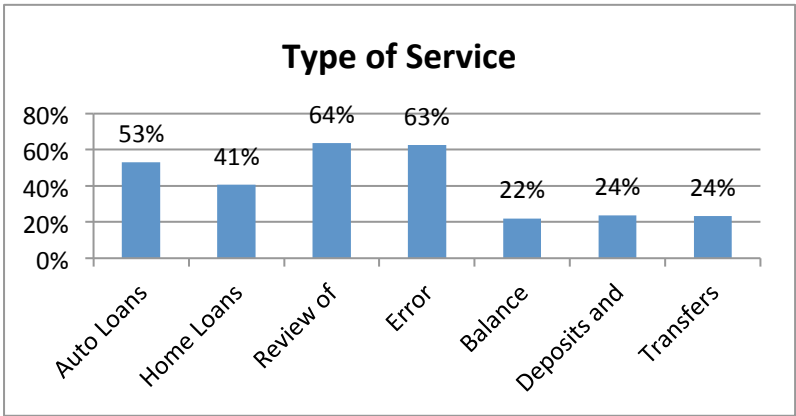
Personal Banker Concept. 69% of the respondents answered that they would be interested having one person dedicated to them and their financial needs.



Increased Loyalty. 63% said having a dedicated personal banker would increase their loyalty to the credit union.

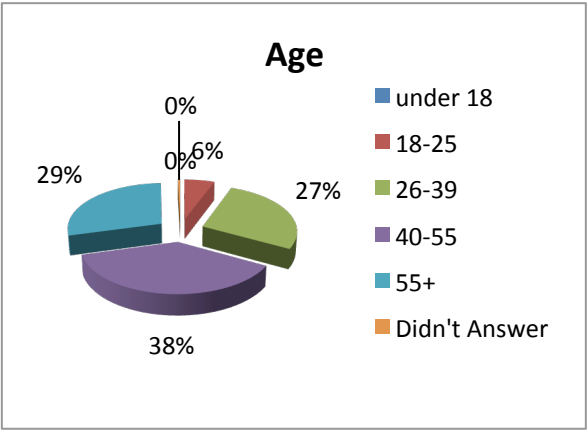
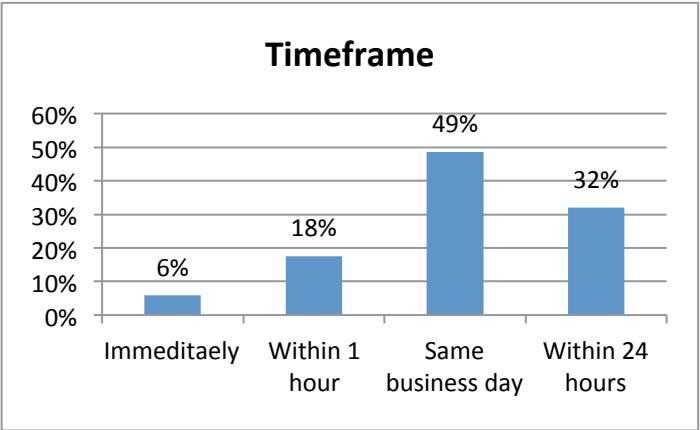
Method of Contact. While email at 79% was the primary method of contact, SMARTPHONE™ application had a strong 26% response. This number will increase over time with SMARTPHONE™ becoming more popular.





Type of Service. Review of your account at 64% ranked the highest of the types of services that the consumer would want available from a personal banker. Error resolution (63%) and auto loans (53%) summed up the top three services requested.

Timeframe. When asked how quickly the respondents would expect to hear back from their personal banker, 81% responded either the same business day (49%) or within 24 hours (32%).



Age. It was thought that younger consumers would be most receptive to Pocket Banker, but the largest demographic group of respondents was in the 40-55 age range 38% followed by the 55+ age range with a 29% response rate. This tells us that members younger than 40 would be more willing to embrace the SMARTPHONE™ application.

CONSUMER BENEFITS

- Unparalleled, Personalized Service.
- Convenient, Efficient and Streamlined Access to the Credit Union.
- Time and Money Savings.

CREDIT UNION BENEFITS

- Establishes Differentiation.
- Deepens Member Relationships.
- Keeps Credit Union Top of Mind with Members.
- Increases Member Engagement and Products/Household share of Wallet.

OPERATIONAL AND OTHER CONSIDERATIONS

A successful application will be integrated with the credit union's mobile banking application.

FINANCIAL PRO-FORMA/ROI

Successful integration of CU Pocket Banker will deepen the relationship with participating members, thereby increasing deposits and loans over time. The actual ROI will depend on how the credit union releases the product. For example: Is the service free? Are there qualifiers? Is the service pro-rated based on relationship?

RESOURCES

- ¹ <http://www.mainstreet.com/article/moneyinvesting/savings/credit-union-assets-hit-1-trillion-downsizing-banks-continues>
- ² http://www.rand.org/pubs/technical_reports/2009/RAND_TR672.sum.pdf
- ³ <http://pewinternet.org/Reports/2012/Smartphone-Update-2012/Findings.aspx>
- ⁴ <http://www.bgr.com/2012/03/02/pew-smartphones-overtake-feature-phones-among-adults-in-the-u-s/>
- ⁵ <http://www.vision2mobile.com/news/2012/04/mobile-app-download-prediction-will-boggle-your-m.aspx>

GETTING STARTED

1. Contact us if interested at innovation@filene.org.