

tender

CONCEPT DOCUMENT

Tender

Empowering Teens to make smart financial decisions

TEAM MEMBERS

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PROBLEM DEFINITION

In today's electronic world, the adults of tomorrow are growing increasingly disconnected from their money and their finance, but more connected to popular apps like Twitter, Tinder, Snapchat, and Pinterest. It is our job as adults and educators, to give tomorrow's leaders the tools they need to be successful with their personal finances.

INNOVATIVE SOLUTION

Our solution is a fun, interactive financial technology tool; accessible through the channels (i.e. smartphones, tablets, and desktop) teenagers are currently using and which mirrors the online experience they are already familiar with. The tool will allow teenagers to track their income and expenses. The tool will allow parents to monitor the financial behaviors of their teenagers. The tool will allow schools to give another financial learning experience within their curriculum. The credit unions will contribute to the learning process of teenagers. Though there are several products in the market place that offer financial education and financial budgeting, those tools are independent of each other. These solutions do not provide the full rounded financial toolbox that is needed. Our model takes the best elements of popular apps like "Tinder," to build an interactive solution that is tied to a teenager's credit union account and tracks and rewards real financial decisions.

Our solution is truly innovative because we will be bringing children, their parents, schools and credit unions together for the first time. This four legged stool approach is unique as it allows children to be the consumer or end user, parents to administer it, schools to promote it and credit unions to support it. This simplistic approach allows for buy in at all levels from the kid to the credit union. The solution promotes a technological way to teach kids about money, fund their goals, and reward their accomplishments, all under the watchful eyes of their parents who would administer the program. Schools would want to promote it as part of their way of providing much needed financial education tools. Credit Unions will love it because it provides a key piece to what is missing to teach the teenagers about money, plus it's a loyalty builder for the credit union to build longer lasting relationships with its members.

Key Points of Solution

- Fun
- Innovative solution
- Mirrors current online experience
- Full-suite *financial toolbox*
- Tied to the teenager's credit union account
- Tracks and rewards *real* financial decisions
- Brings 4 groups together in a single platform
 - Teens/Kids are the end user
 - Parents are the administrators
 - Schools are the promoters
 - Credit Unions are the supporters

PROTOTYPE

Parents see benefits from:

- Budgeting - review and discuss real budgets with their kids
- Tracking – track their kids actual spending against budget goals, and reward their kids for making good spending decisions!

CUs see benefits in:

- Building loyalty amongst younger members – developing the next generation of CU member
- Enhancing overall member benefit offerings – supporting parents in teaching financial literacy to their kids

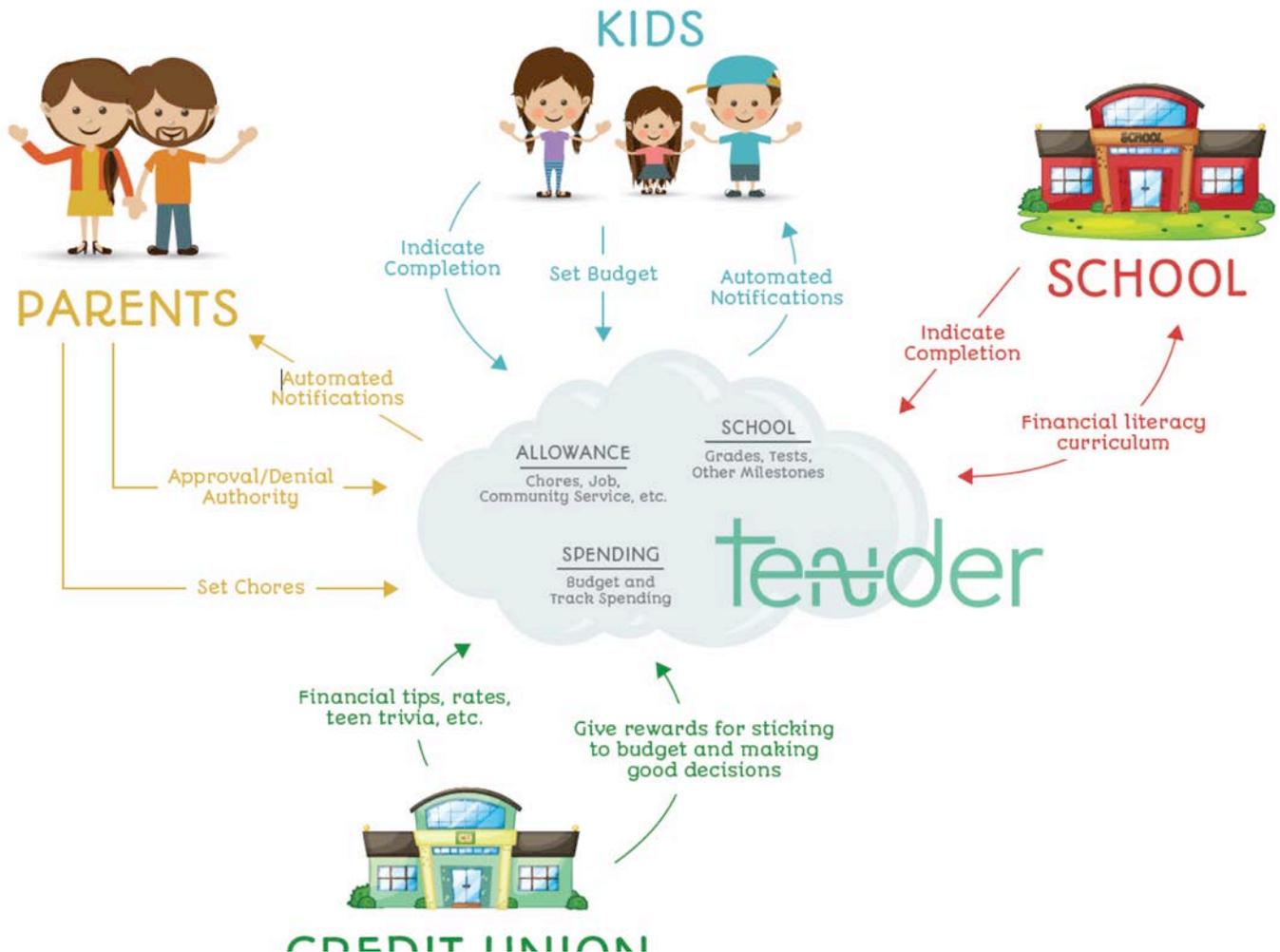
Benefits to develop and deploy:

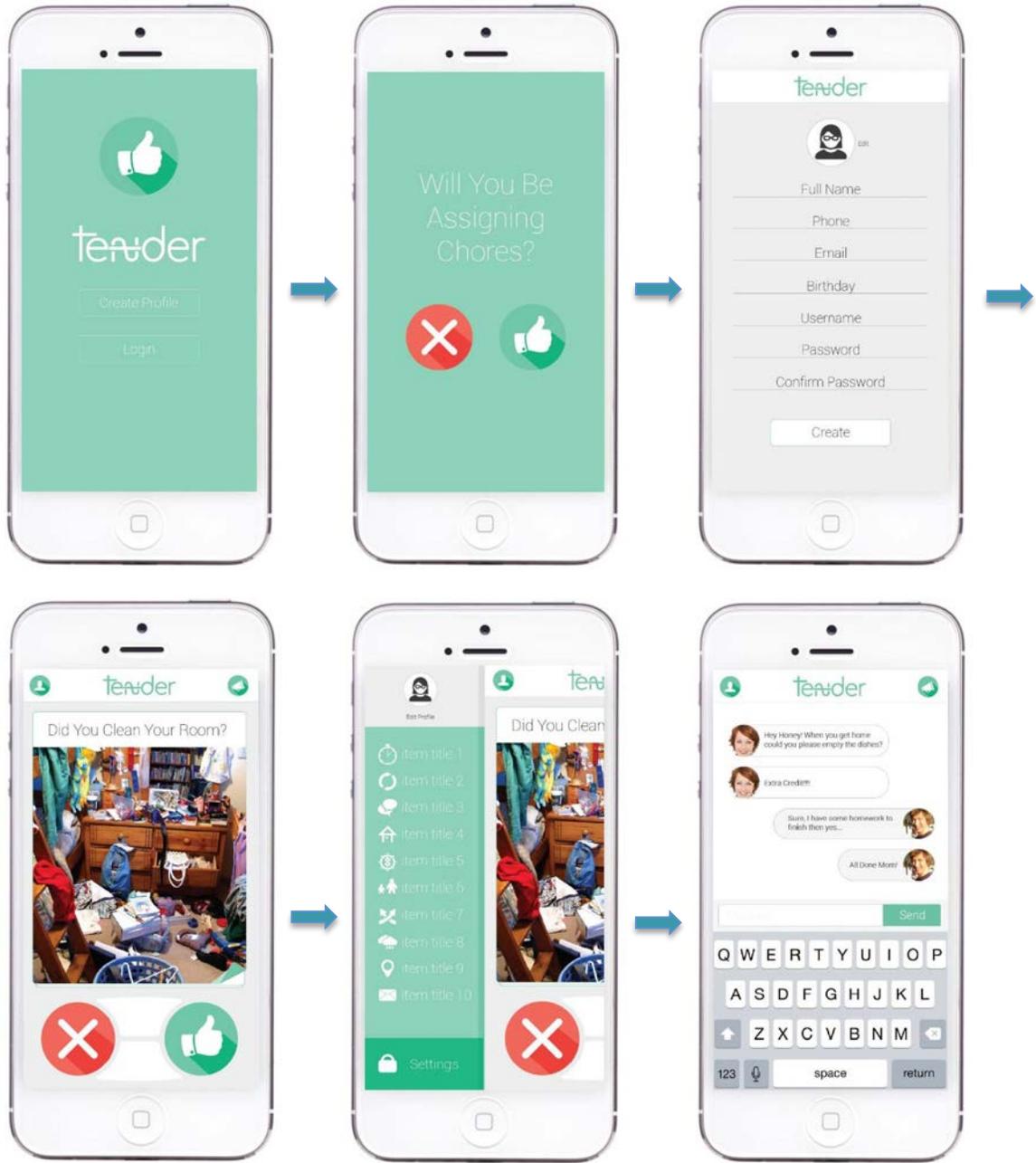
- Minimal development and maintenance costs
- Potential ROI of over 12% within the first 3 years
- Integration with existing on-line and mobile banking platforms

PROTOTYPE INTERACTIVE SITE

<https://popapp.in/w/projects/5522dda81112a506568e0ce6/preview/5522ddaf5052e5855520c138>

TENDER APPLICATION FLOWCHART





TESTING AND RESULTS

FACT CHECK

Before building the Tender prototype, we conducted a “fact check” to test the assertions behind our business problem, i.e. teenagers and parents lack effective tools to teach financial management skills. Our fact check included surveys of parents and teens, as well as discussions with Operations and Branch management at our own credit unions.

The survey results were very insightful, and revealed a strong need for a more structured solution to help parent’s manage their kid’s income and monitor spending. When asked to rank the influence of various sources of financial literacy on their teens, respondents ranked “Parents” as the most influential by a wide margin. However, responses revealed a significant lack of structure to the process.

- 57% of parents had no regular schedule for paying allowance
- 53% of parents never or only sometimes defined specific chores required to earn allowance
- 49% of parents did not scale the amount of the allowance based on the number of chores completed
- 61% had no rules to govern how their teens could spend their allowance
- Perhaps most notably, 73% of respondents relied on Memory or the Honor System to track completion of assigned chores.

Discussions with Branch personnel indicated that finding a way to help parents more efficiently pay allowance, and then also track spending habits and reward good spending, would be a strong driver for both active usage of minor accounts and also long term loyalty of younger members and their parents.

PROTOTYPE TESTING

Following the development of the Tender prototype, we requested feedback from parents and credit union personnel as to how effective Tender would be at addressing the business problem. Our respondent group was an equal mix of men and women with most in the 35 to 44 age range, a group that correlates well with the Tender target group (i.e. parents of pre-teen and teenage children).

- Most respondents gave the Tender prototype an overall rating of 4 on a scale of 1 to 5 (with 5 being the best). The average overall rating was 3.89
- 89% of respondents who are parents indicated they would find Tender useful, with one respondent highlighting the Chat feature as a great tool for communications build right into the app.
- 44% of respondents indicated that teens would find Tender useful. Another 56% indicated “Maybe”, with comments noting that it would depend on how much work it was to set up.

The benefits most highlighted by respondents were the ability to organize chores, track budget goals and spending, and the link to “real life” consequences including earning allowance and viewing the amount of potential earnings lost by not completing assigned chores.

Respondents noted that they'd like to see some additional features added, all of which are envisioned for future development phases. These included the ability set up recurring tasks, to group tasks, send reminders, set academic goals, integrate a budgeting tool, and the ability to directly link the app to a CU account to pay rewards. In addition, respondents suggested additional functionality not originally included in the design, including a calendar feature, payment via non-monetary rewards, and the ability to link the app to Mobile Banking platforms.

Overall, the prototype results validated the ability of Tender to address the business problem.

INITIAL SURVEY RESULTS

SURVEY TARGET

- Parents and Kids
- Discussions with Operations and Branch Management
- Initial survey indicated:
 - Strong Need for Structured Solution
 - Parents and Kids would use an app
 - Efficiently pay allowance, track spending habits and reward for good spending
- Prototype survey indicated:
 - Parents and Kids found our solution useful
 - Prototype was rated highly scoring 82% in the 4 & 5 range on a 1-5 scale
- Survey respondents listed the following key words describing the Tender app:
 - Responsibility
 - Consequences
 - Organizing
 - Tracking – (keeping on task)
 - Motivation
 - Teaching
 - Learning
 - Budgeting

SURVEY QUESTION SUMMARY

How often do you pay your child an allowance or monetary offerings?

57 % - No regular schedule

Does your child need to complete specific chores to earn the allowance/monetary offerings?

47% - Yes 29% - Sometimes

Is the amount of the allowance/monetary offerings scaled based on how many/how few chores your child completes?

26% - Yes 24% - Sometimes

How do you track completion of assigned chores?

56% - Memory 17% - Honor System

How do you pay the allowance/monetary offerings?

71% - Cash 17% - Purchase item 11% - Account Transfer

Does your child have rules governing how they may spend their allowance/monetary offerings?

61% - No 39% - Yes

Does your child earn allowance/monetary offerings for successful accomplishments?
 49% - Good Grades 10% - Chores 9% Volunteer Work

What is most influential source of financial literacy?

- #1 Parents
- #2 School
- #3 Other Relatives
- #4 Friends
- #5 Internet
- #6 Social Media

Allowance App Preliminary Survey Results (parents survey)		Household Income Range =						Age =				Grand Total	
		\$0 - (blank)	\$25,000 - \$50,000	\$50,000 - \$75,000	\$75,000 - \$100,000	\$100,000 - up	Grand Total	14 - 33 Gen Y	34 - 49 Gen X	50 - 68 Baby Boomers	Grand Total	Grand Total	
How often do you pay your child an allowance or monetary offerings?													
Weekly		1		1	2	3	8	15				15	15%
Bi-Weekly			1		2	1	2	6	1	3	2	6	6%
Monthly							5	5			5	5	5%
No Regular Schedule		1		4	7	19	25	56	8	43	5	56	57%
Never				2	1	2	7	12	2	9	1	12	12%
Why? My kid is already spoiled.				2			2	4	2	2		4	4%
Grand Total		2	1	9	12	25	49	98	14	74	10	98	100%
Does your child need to complete specific chores to earn the allowance/monetary offerings?													
Yes		1		3	6	12	23	45	5	36	4	45	47%
Sometimes		1	1	4	3	7	12	28	6	19	3	28	29%
No				2	2	6	13	23	3	17	3	23	24%
Grand Total		2	1	9	11	25	48	96	14	72	10	96	100%
Is the amount of the allowance/monetary offerings scaled based on how many/how few chores your child completes?													
Yes		1		3	3	7	10	24	3	21		24	26%
Sometimes				1	1	5	15	22		18	4	22	24%
No		1	1	3	7	12	21	45	10	29	6	45	49%
Grand Total		2	1	7	11	24	46	91	13	68	10	91	100%
How do you track completion of assigned chores?													
Honor System		1		1	1	4	5	13	4	7	2	13	17%
Memory				3	7	11	23	44	3	36	5	44	56%
Paper						1	3	4	1	3		4	5%
Sticker Chart		1		1	1		3	3	2	1	3	3	4%
White Board						2	3	5		5		5	6%
App							1	1		1		1	1%
Tracking Would Help				1		3	4	8	2	5	1	8	10%
Grand Total		2	1	6	9	22	38	78	12	58	8	78	100%
How do you pay the allowance/monetary offerings?													
Account Transfer		1	1		3	3	2	10	2	5	3	10	11%
Cash		1		3	7	14	39	64	6	51	7	64	71%
Gift Card							1	1		1		1	1%
Purchase Item/Toy Directly				5	1	5	4	15	5	10	6	15	17%
Grand Total		2	1	8	11	22	46	90	13	67	10	90	100%
Does your child have rules governing how they may spend their allowance/monetary offerings?													
Yes			1	4	7	6	18	36	5	28	3	36	39%
No		2		4	5	18	28	57	8	42	7	57	61%
Grand Total		2	1	8	12	24	46	93	13	70	10	93	100%
Does your child earn allowance/monetary offerings for successful accomplishments? If Yes, please select below.													
Attendance					1			1			1	1	1%
Babysitting her sisters							1	1		1		1	1%
Chores					1	2	3	9		7	2	9	10%
Family Business Help				1			2	1		3	1	4	4%
Good behavior					1	2	1	4	1	3		4	4%
Good Grades				5	7	9	24	45	5	34	6	45	49%
Good Samaritan					1		2	4	3	4		7	8%
Sports Participation					1		2	3	1	2		3	3%
Volunteer Work				1	1	1	5	8	1	7		8	9%
Discretionary						3	2	5		4	1	5	5%
No				2		1	1	4	3	1	4	4%	
Grand Total		0	0	10	14	23	44	91	15	65	10	91	100%
Check the following sources of financial literacy in order most influential to least influential													
		Parents	School	Other Relatives	Friends	Internet	Social Media						
Average Ranking		1.31	3.22	3.25	3.53	4.07	4.34						
1 - Most Influential		85 77%	1 1%	11 10%	6 5%	3 3%	4 4%						
2 -		5 5%	30 29%	29 28%	22 21%	11 10%	8 8%						
3 -		2 2%	34 27%	21 17%	22 17%	27 21%	20 16%						
4 -		1 1%	20 26%	9 12%	22 28%	14 18%	12 15%						
5 -		2 3%	4 6%	12 16%	12 16%	17 23%	20 30%						
6 - Least Influential		2	8	14	13	24	30						

BUSINESS MODEL AND 3-YEAR FINANCIAL PROFORMA

The Tender business model is centered on its ability to deepen Credit Union member relationships and product usage, with a key differentiator between Tender and other financial literacy tools being its ability to link directly to the teen's and the parent's accounts. Therefore the App would be marketed to Credit Unions as either a stand-alone product offering or an addition to the existing Mobile banking platform. Tender could be offered in a "white label" format to be re-branded for each Credit Union buyer.

We estimate it would take approximately 300 hours of design, development and testing to build Tender, for a total capital investment of approximately \$30,000. Buyers would pay an initial licensing and set-up fee, followed by monthly fees per registered user. This fee structure is similar to that for other on-line and mobile products. Using projections for growth and registered users, the 3 year Return on Investment for Tender would be approximately 12%.

Tender				
3-Year Financial Proforma				
		Year 1	Year 2	Year 3
Initial Capital Investment	\$30,000			
Three year ROI	12.2%			
Revenues:				
License Fees		4,200	16,700	37,500
Monthly User Fees		7,500	75,000	337,500
		11,700	91,700	375,000
Operating Costs:				
Hosting		3,000	3,300	3,500
Depreciaton of Capital Investment		10,000	10,000	10,000
Professional Services (outsourced)		45,000	128,000	297,000
Marketing		16,000	19,300	23,400
		74,000	160,600	333,900
NET INCOME/(LOSS)		(\$62,300)	(\$68,900)	\$41,100
Total CU licenses sold		5	20	45
<i>Cost for a 3-year license = \$2,500</i>				
Total Registered Users		2,500	25,000	112,500
<i>Cost per registered user per month = \$0.25</i>				
<i>Three-year Break-Even Point:</i>				
<i>Total CU licenses sold</i>		6	17	35
<i>Total Registered Users</i>		2,898	21,736	86,943
<i>Net Income/(Loss)</i>		<i>(\$60,816)</i>	<i>(\$62,929)</i>	<i>\$27,109</i>

COMMENTS, NEXT STEPS, AND CALL TO ACTION

We believe the key to this innovative solution is connecting with the key stakeholders, i.e. parents and teens in an interactive way. Success also involves the other key stakeholders, i.e. credit unions and schools to promote the solution as one-stop solution for education and communication.

We strive to provide additional insights and data points that will influence key stakeholders in taking this innovative solution to the next level.

The initial version of Tinder will be focused on concept design, teen and parent communication, and financial accountability through everyday chores and activities. There will be follow-up versions that focuses on money management, credit union integration, and association/organizational engagement.

- Phase 1 – Teenager financial accountability infrastructure, payment management, and household communication
- Phase 2 – Credit Union account integration, payment methods, and reward options.
- Phase 3 – School, Charities, Associations integration and engagement.

We invite any and all credit unions and schools to be a part of this venture through ongoing feedback. In addition, we invite vendors related to education and technology to assist in the future development and credit union integration process.

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