



I d e a s , I n o v a t i o n , I m p l e m e n t a t i o n

Project Name

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Team Participants

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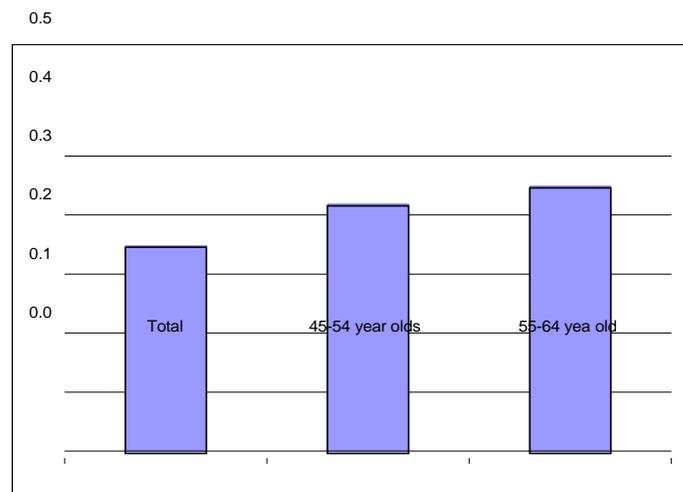
Opportunity

In a world that rapidly changes, small business and entrepreneurship are certainly no exception. According to a study by Intuit and the Institute for the Future of Intuit, the demographics of small business ownership are rapidly changing. Small businesses were traditionally started by non-corporate, middle-aged, white males. However, recent studies show aging Baby Boomers, Generation Y, women, and immigrants are starting small and personal businesses at increasing rates.¹ Many Americans no longer view retirement as a time of rest and relaxation, but rather see retirement as a time for new pursuits.

It is not only research groups that have documented this trend. In the last few months, mainstream media, such as Business Week² and MSNBC,³ have reported on the increasing numbers of Baby Boomers seeking second careers as entrepreneurs.

The AARP Public Policy Institute reports that about one in five self-employed workers is age 51 or above. Approximately one-third made the transition to self-employment at or after age 50.⁴ 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.⁵ This growth rate is only expected to increase.

Percent of US Adult Population that Started a Business Each Month



This trend is fueled by a number of societal factors. Longer life spans, in which people remain healthier and active longer in life, leave many near-retirees physically capable of working. In addition, Baby Boomers have historically been active in life, whether socially, politically, or otherwise. They do not view retirement as their parents did.

Changes in the U.S. economy have also driven the trend. Large companies are no longer the employer of choice. Baby Boomers continue to watch companies eliminate jobs, outsource work, demand more on the work-life balance spectrum, eliminate pensions, and cut benefits. They view continuing in Corporate America as less safe than starting their own business. They would prefer to control their own destiny. This lack of corporate loyalty will continue to spur the number of small businesses started by those older than 50.

The prevalence of the Internet has also led to an increase in older entrepreneurs. Markets such as eBay and Amazon allow anyone to sell wares without the traditional expense of a retail shop. These entrepreneurs slowly move from hobby into business and, when the demand becomes high enough, become full-time businesses.

When our i³ team asked small business owners and Baby Boomers why they started a business,⁶ the most common reason was to follow a passion. Almost two thirds of the respondents indicated that they either took a hobby they enjoyed and turned it into a business or started a business around something they had always wanted to do. These included pursuits such as home decorating, gardening, and consulting in the area of expertise where they spent their corporate years.

The other reasons were primarily financial. Some wanted to supplement their pension, while others wanted to maintain a source of income after retirement. Another segment wanted to better control the costs and options for healthcare. Finally, a portion wanted to provide a tax shelter for some of their everyday expenses, such as their care, insurance, home office, and so forth.

According to Intuit's study, Baby Boomers seek to become entrepreneurs for several reasons.⁷ These include:

- Looking for the next adventure in life.
- Longer lifespans, smaller nest eggs; supplemental income is needed.
- It's my turn—I devoted my life to someone else's company; now it's my turn.
- What this city/country/world really needs is...; sees small business as a way to follow a passion.

While starting a business is a challenge at any age, a first-timer starting a business later in life will encounter different obstacles than younger entrepreneurs. The concerns include funding the business, securing health insurance, managing personal finances, and succession planning. Even more important is the need to get it right the first time. People over 50 may not have the options that a younger person has should the business idea fail. Younger workers can often return to the more traditional workforce while people over 50, especially those retired from a first career, may find it more difficult to return to the job market.⁸

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.⁹ Both of these concerns could be abated with outside guidance and tools to review their business plans.

Credit unions can help this emerging group by developing tools to assist them in evaluating a business and providing resources to help them along the way. These tools and resources would also include simplified business banking products.

Solution

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 into reality. This project offers two distinct and potentially separate 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.

Big Idea Evaluator

The *Big Idea Evaluator* is a tool that helps prospective Baby Boomer entrepreneurs evaluate the likelihood of success of their business. The tool uses 32 questions to assess the readiness of the idea. The questions are divided into three categories – marketing, management, and money. The questions are actually statements about characteristics of each category. Respondents answer with a degree of agreement.

The tool was originally developed by the UALR Arkansas Small Business Development Center.¹⁰ The i³ team modified the questions to better suit the target audience.

A weighted scoring system is used to provide an overall score for each category.

Strongly Agree	+10 points
Agree	+5 points
Neutral	0 points
Disagree	-5 points
Strongly Disagree	-10 points

Total Points	Rating
Score above 50 points	Green Light – business idea is ready for launch
Score less than 50 but greater than negative 50	Yellow Light – business idea needs some work before launch
Score less than negative 50	Red Light – business idea needs significant work before launch

Each rating provides a different series of Web resources to help users improve their readiness in the prospective area.

The screenshot shows the 'Big Idea Evaluator' interface. At the top, it says 'Wright-Patt CREDIT UNION, INC.' and 'All entries will be kept confidential (How?) Privacy | Disclaimer | Rules | contact: BigIdea@wpcu.coop'. The title is 'Big Idea Evaluator'. Below that is the 'Market Scoresheet' section. It asks the user to 'Rate your level of agreement with the following statements concerning the sales and marketing issues of your business. Check the appropriate answer.' There are three statements, each with five radio button options: Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree.

The screenshot shows the 'Management : 20' result. It features a yellow arrow icon. The text states: 'Your management score is between +50 and -50. This indicates that based on your answers to the questionnaire, it is hard to predict whether or not you are ready for this business venture. While you score well in certain areas, you score poorly in otherwise. You can proceed to steps beyond this study of business readiness, but be aware that some areas may require further work. You may want to consider going back and reviewing those areas where you disagreed and how you might improve upon them before going forward. Below are some resource links that may help you.' A list of links is provided: 'Guide to Writing a Business Plan', 'Write Your Elevator Pitch', 'Find Help in Your Area', and 'Free Online Courses'.

What's the Big Idea Challenge

The *What's the Big Idea Challenge* is a solution that focuses on a reality challenge format. This pop-culture phenomenon engages the participant and, therefore, increases the potential to build relationships. The challenge is meant to generate buzz around the credit union's business services.

The challenge asks prospective Baby Boomer entrepreneurs to outline their business proposition by responding to the following three questions:

1. Identify and briefly describe the business you plan to start.
2. Identify the product or service you plan to sell.
3. What will be your company's competitive advantage?

The entries are judged by a panel from the local business community. The winner receives a prize to help start the business.

Member Benefits

Members will benefit as their credit union helps them turn dreams into reality by providing resources and products to help them.

Credit Union Benefits

Credit union growth has been relatively stagnant and the membership is aging. Many credit unions are attempting to reach new markets, such as Generation Y or immigrant populations, to capture new members with limited success. 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 Generation Y) or may be the result of not being trusted by the 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).¹¹ Instead of solely seeking new sources of members to fund the credit union's growth, a better option may exist.

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 or personal businesses use consumer accounts for their business needs. Many banks do not provide services designed to meet the needs of the very small business because it is viewed as too small. They offer complex checking accounts with account analysis and provide a business credit card as the financing solution when loans are requested. Credit unions have the advantage of already being a trusted financial partner for this target market.

Small business checking accounts typically carry larger balances than retail accounts. Data from the Raddon Financial Group¹² indicates the following:

	Retail	Commercial
Average balance	\$2,183	\$6,927
Account profit	\$66	\$163
Services per household	2.79	3.57

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.

In interviews with members who were small business owners, a significant number revealed that they regularly network with other entrepreneurs. This becomes an opportunity for word-of-mouth marketing for the credit union.

The Boomer market also has a significant amount of equity and savings available for the launch of their business. These ready assets reduce the risk to credit unions that want to support new entrepreneurs. As the businesses mature their deposit accounts and borrowing needs will grow.

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

Target Market

The target market for the *What's the Big Idea Challenge* and the *Big Idea Evaluator* is members, age 55 to 65, who are nearing, but not ready for, full-time retirement and have a desire to form their own businesses.

Operational and Other Considerations

While the concept behind the challenge and the evaluator is relatively simple, implementation does carry operational considerations and risk factors. The most significant are:

1. Web sites are developed using a variety of languages. The challenge and the evaluator Web tools might not be compatible with a credit union's existing Web site and might need to be redeveloped. Redevelopment could cause delays in implementation and increase the costs of launching.
2. The *Big Idea Evaluator* is a business tool to help determine the readiness of a business idea. If a user starts a business based on their answers, and the business ultimately fails, that person may place all or partial blame on the evaluator and the credit union. To minimize the risk, a strong disclosure statement that clearly limits liability and holds the credit union harmless is needed. The credit union should have their disclosure statement reviewed by legal counsel.
3. The *What's the Big Idea Challenge* provides a contest which requires a set of rules. Each state has different laws regarding the use of contests. Therefore, it is recommended that credit unions have their legal counsel review the rules before its launch.
4. The *Big Idea Evaluator* and the *What's the Big Idea Challenge* are intended to drive small business owners and entrepreneurs to the credit union for products and services. The credit union must have a solid menu of business products or use the ideas to gauge members' interest in business services. We repeatedly heard during discussions with our members that they use personal accounts rather than deal with the hassles of a separate business account. Credit unions must be careful not to just copy the offerings of their banking competition when offering small business products. The products should be business-owner friendly and modeled after consumer products.

5. Start-up businesses are the riskiest of all businesses from a financial relationship standpoint, as they have a higher failure rate. Some of this risk will be mitigated by the potential financial strength of the new business owner. As a traditional retiree, they most likely have more equity in their home and significant retirement savings. However, if loans are made to small businesses, especially start-ups, it would be wise to look to the business owners to provide a personal guarantee of payment.

While the risks associated with the *What's the Big Idea Challenge* and the *Big Idea Evaluator* are real, they can certainly be mitigated through the use of legal counsel and an objective evaluation of the credit union's business products and services.

Estimated ROI

The intent of the *What's the Big Idea Challenge* and the *Big Idea Evaluator* products is to provide a low cost method for credit unions to enter into business services or enhance their existing offering. It is designed to provide a rapid return on the initial investment.

The revenue component is derived from additional loan dollars and deposits with low costs of funds providing for a positive net spread. Opportunities also exist for credit unions to generate fee revenue from these new accounts.

The low and largely fixed implementation costs make the financial risk minimal. The evaluator tool would be provided by i³ at no charge. Implementation expenses, then, are limited largely to the resources required to add the tool to a credit union Web site and any marketing to promote the tool. In addition, i³ would make the *What's the Big Idea Challenge* customizable marketing template, artwork, and copy available at no charge.

The *What's the Big Idea* reality-style challenge is a distinct and separate opportunity but one which actively engages the entrepreneur and aligns well with the evaluator tool.

The costs of implementing the evaluator tool and *What's the Big Idea Challenge* are offset by a small number of members establishing small business deposit or lending relationships.

Program Revenue

The revenue is generated primarily from the small business deposit and loan leads and business captured through the use of the evaluator tool by members and potential members.

- **Small business deposits:** National average per account profit of \$163 in checking and \$2,164 in savings.
- **Small business loans:** National average profit of \$1,663.¹³

Program Expenditures

The most significant categories of potential program expenditures include:

- **Web site tool installation:** The tool, provided at no charge, requires installation and integration with the credit union's Web site.
- **Marketing:** Sample templates and copy provided. Marketing costs to support the program would be determined by individual credit unions.
- **What's the Big Idea Challenge:** Potential costs include contest judging, legal review, and prizes.

Program Breakeven

- Expense Outlay = \$10,000
- Average profit per small business checking = \$163
- New accounts required to breakeven = 61

A credit union can rapidly recover the initial investment in the *What's the Big Idea* concept, especially since this breakeven analysis only looks at one relationship. For credit unions that drive small business loans, such as credit cards or lines of credit, the recovery of invested dollars and the return on investment will be more significant.

Proof of Concept

Mazuma Credit Union

Mazuma Credit Union, located in Kansas City, Missouri, piloted both the *What's the Big Idea Challenge* contest and *Big Idea Evaluator*. Visit <http://www.mazuma.org/bigidea/>.

The challenge ran from January 14, 2008 through March 31, 2008. It was open to members and non-members, as well as those within and outside the target age range. The winner of the challenge received a \$3,000 marketing package, including logo and stationery design and printing.

Mazuma used direct mail marketing to members within the targeted age range, as well as information on the credit union's Web site and branch lobby displays.

Mazuma received nine entries into the challenge, all of which were from the target market. They had 166 submissions on the Big Idea Evaluator. Mazuma account openings were ahead of their budget targets. Seventy-eight new deposit accounts were opened with a total of \$2.5 million. Sixteen new loan accounts were opened during the pilot period accounting for \$1.23 million in new business.

Wright-Patt Credit Union

Wright-Patt Credit Union, located in Fairborn, Ohio, piloted both the *What's the Big Idea Challenge* contest and the *Big Idea Evaluator*. Visit <http://www.wpcu.coop/bigidea/>.

The challenge ran from March 4, 2008 through April 15, 2008. It was open to members and non-members, as well as those in and out of the target age range. The winner of the challenge received a prize package valued at over \$4,000. It includes business planning consulting from the local Ohio Small Business Development Center, legal counseling on corporate set up from a local attorney, consulting from a local CPA, \$1,500 in printing for marketing and advertising, QuickBooks Premier 2008 software and \$500 worth of services from a local copy and mail shop. WPCU utilized sponsors to contribute to the award package in exchange for recognition in the challenge.

WPCU used its Web site to market the program. Additional plans include a direct mail piece and lobby posters. The credit union also used a press release to promote the program to local groups and news organizations.

During the first two weeks of the challenge, the credit union received 19 entries. Only 26% of the entries were submitted by Baby Boomers. The evaluator was used a total of 42 times by 32 users. A total of 0.2% of all visitors to the credit union's home page also visited the Big Idea Home Page.

Account openings for business services did not see a dramatic increase. Forty-seven new deposit accounts were opened compared with 44 during the same period in 2007. It is anticipated that a lead time will be necessary in order to begin generating an increase in account openings.

Alliant Credit Union

Alliant Credit Union, located in Chicago, Illinois, offered a unique pilot as it rolled out both *What's the Big Idea Challenge* contest and the *Big Idea Evaluator*. The credit union does not currently offer business services to its membership. However, it viewed the challenge and the evaluator as an opportunity to gauge their members' interest in these services and provide a valuable service to the potential entrepreneurs in the membership. Visit <http://www2.alliantcreditunion.org/promos/bigidea/>.

Alliant kicked off its challenge on March 12, 2008 and it ran until April 30, 2008. The winner of the challenge received a \$3,000 cash prize. Quantitative results are not yet available on their pilot.

A+ Federal Credit Union

A+ Federal Credit Union, located in Austin, Texas, has committed to piloting the *Big Idea Evaluator*. They hope to roll out their pilot in the second quarter of 2008 as a means of driving more interest to their small business services. Concerned that the *What's the Big Idea Challenge* would conflict with their *Savings Revolution* program, the credit union decided to not offer the challenge.

America First Federal Credit Union

America First Federal Credit Union, located in Ogden, Utah, has committed to piloting the *Big Idea Evaluator*. They hope to roll out their pilot in the second quarter of 2008 as a means of driving more interest to their small business services.

Key Findings from Pilot Programs

The pilot programs with results (Mazuma Credit Union and Wright-Patt Credit Union) have provided us with a number of key findings.

1. The home pages for Mazuma and WPCU each presented a different message when promoting *What's the Big Idea*. The Mazuma concept was somewhat generic, while the WPCU specifically mentioned the \$4,000 prize. In two weeks, WPCU received almost twice as many entries as Mazuma received in seven weeks. Obviously, the prize is a motivator that drives members to the tools. Below are the home page banners for both credit unions.

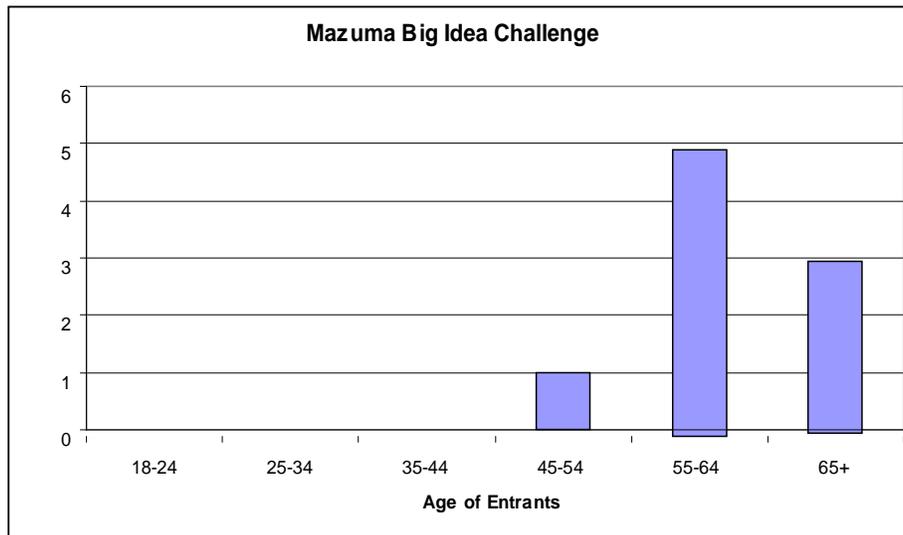


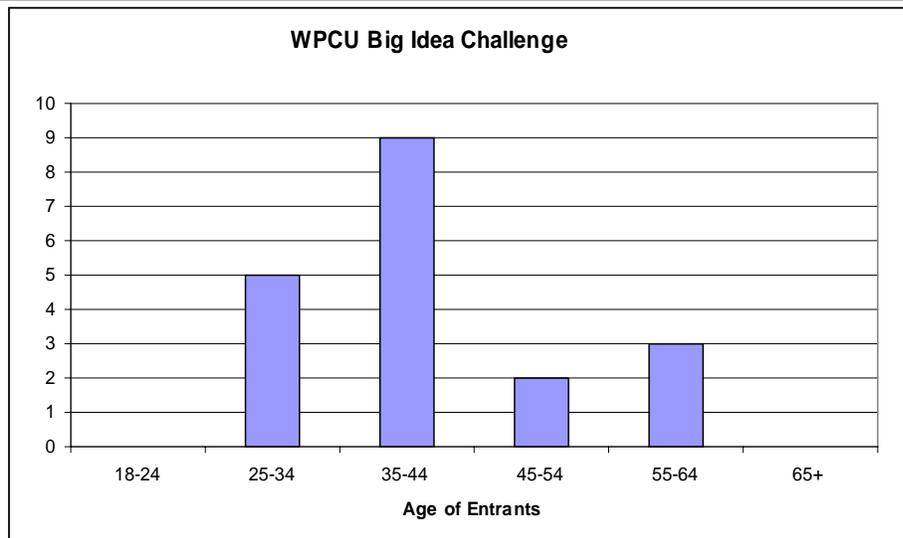
Mazuma Home Page Information



WPCU Home Page Information

2. The entries for Mazuma to the Challenge were all within the target market, Baby Boomers, while the WPCU entries varied among several age groups. The charts below show the differences.





The Mazuma entries were specifically targeted to Baby Boomers through direct mail. WPCU promoted their challenge exclusively on the Web during the first two weeks. In addition, WPCU has a membership that is “younger” than the average credit union. WPCU’s average age is 41.7 years versus the national average of approximately 47 years. Perhaps the challenge would work best in credit unions with older memberships.

- Another key finding is the make-up of the prize may drive entries. The Mazuma prize focused solely on the marketing of a new business. The WPCU prize touched on many facets of launching a new business—legal, accounting, financial, business planning and marketing. Perhaps the well-rounded prize package drives more entries.

How to Get Started

Getting started with the *What’s the Big Idea Challenge* is easy. The steps are listed below:

- Determine the parameters for the *What’s the Big Idea Challenge*. This would include the prize package to be awarded for the challenge. Consider using sponsors to help offset the cost of the package and provide for a bigger, better package as well as using sponsors for the judging panel.
- Determine the timeframe for the challenge, eligibility rules, and disclosures. Have legal counsel review the challenge rules and disclosure for both the challenge and the evaluator.
- Develop a marketing plan to announce the challenge to the local business community and target market.
- Review the Big Idea Evaluator and determine whether the links provided are acceptable or should be replaced or expanded to direct users to local resources.
- Obtain the Web form coding for the challenge and the evaluator, and integrate it into the credit union’s Web site.
- Ensure that usage tracking metrics are available for Web site. These might include existing internally generated measuring systems or external analysis tools, such as the Google Analytics tool, <http://www.google.com/analytics>.
- Track and measure results in terms of Web site hits, challenge entries, as well as new business deposit and loan accounts.

Appendices

1. Marketing Plan and Samples

- ¹ “Demographic Trends and Small Business,” *Intuit Future of Small Business Report*, January 2007
- ² John Tozzi, “Starting a Business Instead of Retiring,” *Business Week*, January 11, 2008
- ³ Jeri Sedlar and Rick Miners, “Retirement isn’t what it used to be,” *MSNBC*, retrieved from <http://www.msnbc.msn.com/id/22608085/>
- ⁴ Julie Zissimpoulos and Lynn A. Karoly, *Work and Well-Being Among the Self-Employed at Older Ages*, AARP Public Policy Institute, February 2007
- ⁵ Robert W. Fairlie, Kauffman Foundation Index of Entrepreneurial Activity, 2005.
- ⁶ ³ team members interviewed thirteen members from their respective credit unions during November 2007. These included small business owners and those that aspired to become a small business owner.
- ⁷ *The Changing Faces of Entrepreneurs*, retrieved from http://http-download.intuit.com/http.intuit/CMO/intuit/futureofsmallbusiness/intuit_fosb_fact_sheet.pdf
- ⁸ John Tozzi, “Starting a Business Instead of Retiring,” *Business Week*, January 11, 2008
- ⁹ *BMO Financial Group Poll*, conducted by IPSOS Reid, October 2 – 10, 2007
- ¹⁰ The *BIG IDEA Evaluator Tool* was created by Timothy Lee, Associate Extension Specialist, and Quentin May, Graduate Assistant, with the UALR Arkansas Small Business Development Center. The tool is based on *BizFact #1022*, a paper-based business evaluation tool developed jointly by the Arkansas SBDC and the Arkansas Enterprise Group. Additional development is attributed to Filene’s ³ and Beyond Marketing [groups?].
- ¹¹ CUNA’s[CUNA & Associates or CUNA Mutual Group?] *2006-2007 Survey of Potential Members*
- ¹² Financial Data from Raddon Financial Group, Year End 2007 – released March 2008, National Averages
- ¹³ Financial Data from Raddon Financial Group, Year End 2007 data – released March 2008, National Averages – small business loan is defined as a line of credit loan