Attracting and Retaining Young Adult Members

A Workshop Sponsored by the Filene Research Institute
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The Filene Research Institute is a non-profit organization dedicated to scientific and thoughtful analysis about issues affecting the future of consumer finance and credit unions. It supports research efforts that will ultimately enhance the well-being of consumers and will assist credit unions in adapting to rapidly changing economic, legal, and social environments.

Deeply imbedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members and the general public. Credit unions, like other democratic institutions, make great progress when they welcome and carefully consider high-quality research, new perspectives, and innovative, sometimes controversial, proposals. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. In this spirit, the Filene Research Institute grants researchers considerable latitude in their studies of high-priority consumer finance issues and encourages them to candidly communicate their findings and recommendations.

The name of the institute honors Edward A. Filene, the “father of the U.S. credit union movement.” He was an innovative leader who relied on insightful research and analysis when encouraging credit union development.

The Center for Credit Union Research is an independent academic research center located in the School of Business at the University of Wisconsin–Madison. The Center conducts research and evaluates academic research proposals on subjects determined to be priority issues by the Research Council of the Filene Research Institute. The Center also supervises Filene Research Institute projects at other universities and institutions. The purpose of the Center’s research is to provide independent analysis of key issues faced by the credit union movement, thus assisting credit unions and public policymakers in their long-term planning.
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Financial institutions have yet to unlock the secret to serving young Americans effectively. Whether by choice or by chance, financial service providers often overlook the tremendous potential of this market segment. The under-30 age group represents enormous present and future buying power, and it is a key component of credit union success in tomorrow's competitive arena.

To better understand this market, the Filene Research Institute brought together research experts and credit union practitioners. This monograph reports their research findings, operating experiences and recommendations.

**ASSESSING MARKET OPPORTUNITIES**

A number of research findings can help credit unions design programs to attract and retain younger members. Among those findings are:

- Teenagers alone spent $172 billion in 2001. And today’s youth market is larger than even the baby boom generation.

- Age alone is not a sufficient indicator of the financial needs of young consumers. Marital status and the presence of children in the household are other key components in segmenting the market.

- Today’s young adults have access to a tremendous volume of information on products and services, and they use that information to become better shoppers. They understand their market power, and have raised their expectations accordingly.

- Young Americans are active consumers of financial products, both savings and loan instruments.

- An investment today in serving young members will pay significant dividends when marketing core credit union products in the future.

Millions of youth and young adults are eligible for credit union membership, but relatively few are currently credit union members. But once attracted to a credit union, young adult members are more satisfied and less likely to switch financial institutions than are nonmembers.
Today's young adults are involved in and concerned about their financial futures. They buy homes whether married or single. They are responsible for 70 percent of new business start-ups. And they are apprehensive about carrying too much debt. However, many of them do not have adequate information to make wise financial decisions.

Today's young adults possess spending power greater than any preceding generation. Their use of financial services grows during the young adult period, and financial institutions that establish relationships with them early in the life cycle gain a competitive edge that will attract future saving, lending and transaction business. Perhaps most critical to the continued health of credit unions is the impact of their low market penetration rate of this market on future loan demand. The current subnormal credit union penetration of the young adult market will cost the average credit union an estimated $14 million in lost loans over the next 10 years.

**TALKING TO 18-25 YEAR OLDS**

Small group interviews with 18-25 year olds showed that young consumers are aware of differences among financial service providers. Young adults were asked about their perceptions of financial providers, their goals and how they plan to meet those goals, and what was important to them in a borrowing experience. These perceptions influence their choices of lenders.

Young adults realize that they will need loans, savings, and investments to be able to reach their personal goals. Many already have loans and a variety of savings and investment products. In their borrowing experience, the relationship with the financial provider is an important factor. They want personalization, and expect loan officers to be counselors and advisors. They do not want a sales approach, but do want products that meet their particular needs.

Although online banking is important to this age group, they prefer to develop relationships face-to-face. They find the Internet useful in searching for information. However, young adults want to be more comfortable with the financial provider before transacting a loan online.
CREDIT UNION MARKETERS

A review of the youth services offered by CUNA Marketing Council (CMC) members indicates that credit union marketers are struggling to identify the best approach to reach youth and young adults. Most programs target children in the age range of birth to 12 years, and center around issues of prizes, incentives, mascots and newsletters. Major challenges to the development of youth services include identifying efficient delivery channels and tracking retention over time.

SEGMENTING THE YOUTH AND YOUNG ADULT MARKET

Member age is the variable used most often by credit union marketers as they segment their membership for service delivery. But even within specific age groupings, there are many lifestyle and personal characteristic variables that affect consumers’ access to and use of financial services.

A Filene Research Institute report by Jinkook Lee and William Kelly, *Life Cycle Marketing for Credit Unions: Young Households*, examines elements that define financial service needs among households in which the head is age 18-34. The authors selected a life cycle model that segments 18-34 year old households into four groups: childless singles, single parents, childless couples, and couples with children. They then examined the differences in financial service needs among the four groups. Each of the four life cycle categories has distinctive characteristics, both demographically and in its use of financial products and services. Marketing to each of the four categories based on its needs makes more efficient use of marketing dollars and serves young households better.

The research suggests that credit unions can assist their childless single members by helping them develop a credit history to get good terms on credit cards, assisting in vehicle purchases, and offering products beyond the traditional depository instruments.

Young childless couples are a good source of credit card, vehicle, and signature loans, as well as a source of first mortgage loans. Their primary financial assets are in checking, savings, and
retirement accounts. Marketing non-traditional products to this group is also an important way to build relationships with them.

Single parents have relatively few financial assets, and 45% have no checking account. They need low cost alternatives to checking as a way to pay bills and cash checks. Three quarters of this group depends on non-bank sources of credit such as small finance companies, payday lenders, and rent-to-own merchants.

Couples with children have very active financial lives generating strong loan demand and substantial usage of many types of financial services. This group is financially mature, and has developed considerable financial needs.

**CREATING SERVICE PROGRAMS**

Credit unions have excellent opportunities to attract youth and begin building relationships with them. By focusing on key life events, financial products or packages of services can be used to create a bond with younger members, get their attention, and then keep them as members. Workshop participants explored how credit unions can obtain the greatest payoff from their investments in product development and marketing. A set of strategies, products, services and channels emerged as key to making the credit union a lifelong part of young members’ financial plans. Key strategies include:

- Student Credit Unions
- Used Automobile Loan Marketing
- Transaction Accounts
- Education Services
- First-Time Mortgage Loans
- Continuing Relationship Management
RECOMMENDATIONS

Workshop participants offered a number of strategic actions credit unions can take to maximize their penetration of the youth and young adult market and ensure continued relationship-building with young consumers. Among their recommendations:

• Credit union boards must make a commitment to invest resources, staff and dollars in attracting and serving the under-30 market. Because the young are part of the organization’s long term future, youth and young adult program activities and objectives should be included as a part of the credit union’s strategic plan.

• The youth and young adult initiative should also be part of the credit union’s annual business plan, with interim goals, objectives and benchmarks established to measure program success.

• Management should develop tracking systems to monitor progress toward attracting and retaining younger members.

• Products and services developed to attract members at an early age (savings accounts for pre-teens, auto savings and loan programs for teens, college savings and student loan programs for high school graduates, and first homebuyer programs for twenty-somethings) should be viewed as a means for establishing lifetime relationships with members.

• Full family marketing programs and initiatives need to be enhanced as a method for reaching young members. Parents and grandparents should be encouraged to participate in programs that will build the financial future of their children.

• Credit unions must increase their member education outreach programs as a method of connecting with youth and young adults, and creating interest in the credit union (see details of CP Federal Credit Union student credit union program, Session 5).

• Credit union Web sites and technology should be enhanced and used as a delivery channel in serving the next generation of members.
• Credit unions must recognize the positive business and non-business benefits of serving youth and young adults – benefits that include fulfilling the credit union’s philosophical purpose; improving return on investment and growth; and creating future members and borrowers.
Introduction

Organizations bound to succeed over the long term have this characteristic in common: they pay close attention to who their customers and members will be not just next month or next year, but in the next decade, and in decades beyond. The implication for credit unions is clear. To succeed in the long term, they must provide products and services that are meaningful to younger members, those in the under-30 age group.

Young members are key to the future of credit unions. They are the nucleus of lending services as well as asset accumulation programs. They comprise the largest potential market for financial services ever, reaching financial independence in numbers larger than even the baby boom generation. And their spending power is formidable.

Yet credit unions in general have not recognized and taken advantage of this tremendous market opportunity. Younger age groups have relatively small representation among credit union membership. Credit unions invest surprisingly small amounts in marketing to younger age groups (on average, only $4,000 is devoted to youth programs, and even credit unions over $100 million in assets spend only $10,500 per year on these programs.) Without the borrowing power of younger members, the average credit union stands to lose an estimated $14 million in lost loans over the next 10 years.

To address these and other youth market issues, the Filene Research Institute brought together research experts and credit union practitioners in a workshop designed to develop workable strategies to attract consumers in the birth-to-30 age group. The discussions centered on the size and scope of the youth market; research findings from a variety of sources; demographic and lifestyle characteristics of potential young members; and financial product use by these age groups. Participants then assembled a number of methods through which credit unions can reach out to younger consumers, and capture their business now and in the future. Details of those discussions are presented in this report.
SESSION 1: 
The ABC’s of Youth-30: 
Attitudes, Behavior & Characteristics 

VICKI JOYAL

Vicki Lenz Joyal is Vice President, Research Services for CUNA & Affiliates. She provides market research services and strategic intelligence to credit unions, leagues, and internal CUNA & Affiliates departments. In this session, Joyal presents results of primary and secondary research conducted with consumers age 13-29, to assess their financial needs and desires. The research suggests that credit unions have significant opportunities to penetrate and serve youth. Among the millions of consumers in this age group, relatively few are credit union members. Once they become members, however, they are more satisfied and less likely to switch financial institutions than nonmembers.

Research on the youth market yields exciting information to help formulate marketing plans. The following information comes from CUNA’s National Member Survey report; the Yankelovich Monitor; and research findings in current literature on the subject.

A COMPELLING ARGUMENT

Why target youth and young adults? One reason is to give young adults the tools they will need to conduct their financial affairs for the rest of their lives, thereby fulfilling the credit union’s traditional role as a champion of consumer rights. There are also sound and compelling business reasons to serve this market.

First, this market offers an enormous opportunity. The size of the youth market is even larger than the baby boomer market. Baby boomers are 78 million in number. The current youth market is 90 million, more than 15 percent larger than baby boomers. The spending power of youth is greater than ever before. Teens, for example, spent $172 billion in 2001.

Credit unions also have a responsibility to plan for their own future success. Currently, only 26 percent of 18 to 24 year olds in this country are members of credit unions. In the general population, by contrast, 36 percent of Americans are credit union members. This is ominous for the future growth of our industry. Only seniors over the age of 65 are so poorly represented on credit union membership roles.
Current membership statistics also suggest more serious consequences for future growth and success. Traditionally, those in their peak borrowing years are members between the ages 25 and 44. That fact, coupled with the reality of an aging population, suggests that reaching out to youth should be a strategic priority for every credit union. As baby boomers age, they are moving out of their peak borrowing age. Who will take their place?

CUNA analysts found that the average credit union over the next decade stands to lose $14 million in loans alone if it does not increase penetration among 18 to 24 year olds. These are future borrowers, and attracting them is critical to the long term success of the enterprise.

Figure 1-1 shows the U.S. population in 2001 by generation. We’ve defined Youth as those between the ages of birth and 12 years; Generation Y as those between 13 and 24; Generation X as those between 25 and 36; Baby Boomers as those between 37 and 55; Working Mature as those between 56 and 64; Mature as those between 65 and 84; and Seniors as those 85 and over.

![Figure 1-1 – U.S. Population by Generation](source: U.S. Census Bureau and CUNA Research Services)

Three of these categories comprise the youth market – Youth, Generation Y and Generation X add up to 51 percent of our total population.
CHARACTERISTICS OF TEENS

Teenage Research Unlimited, Northbrook, Ill., says teens typically save for short periods of time in order to buy something specific. They make the purchase, then abandon savings until some new object of their consumer affection appears. Bikes, skateboards, and later used cars are among the products teens typically desire.

They’re also aspiring, in that they want to be older. Twelve year olds want to be 17. They want to drive, to be more independent, to develop their own opinions. Nineteen year olds want to be 20 or 21, to reach official majority.

This means credit unions need to aim on the high side in developing marketing materials, messages and programs, so that they don’t appear too youthful or immature. Teens see themselves as beyond childhood, and are drawn to messages that are fresh and innovative.

Teens have substantial discretionary income. They spend $84 a week on average, and exert a huge influence on parental spending – from vacations to cars, even where to live. Customer service is important to them. Teenage Research Unlimited says service is a key component in attracting them. When choosing a financial institution, they make their decision based on customer service more often than on product features such as free checking.

Teens are comfortable with technology. Many of them have cell phones by their freshman year in high school, which makes them potential future users of wireless services. Much of teens’ free time is spent online. Most have access to the Internet at school.

Figure 1-2 shows teen use of financial services. As they get older, they use more and more financial services. Only six percent of 12-15 year olds have a checking account, compared to 17 percent of 16-17 year olds and 60 percent of 18-19 year olds. However, the percentage of teens with saving accounts does not increase with age. Two-thirds have a savings account by age 12 and that percentage remains essentially the same as they get older. The implication is that savings accounts are opened before age 12, and the financial institution that has those savings accounts at age 12 is likely to keep the accounts through teenage and into adulthood.
Many of today's teens come from single parent households, which may be why their influence is greater than it was in the past. These teens have been doing the family grocery shopping, caring for younger siblings, and handling other responsible activities in the home. That makes them more grown up than those who grew up in a two parent household. It also may be why they’re sensitive to the quality of customer service. They’re introduced to service standards at an early age, and know how to make choices.

Even in two parent households, if both parents work their teenage children may make buying decisions for the household, to save time for their parents.

A significant number of teens own stocks and bonds, perhaps not in their own name but they do have an awareness of investment services. From 18 to 22 percent of teens say they own stocks and bonds.

Some have access to a parent’s credit card, and others have their own credit card. By age 18, 36 percent have their own credit card.
But the allure of credit cards may be diminishing. Compared to
data gathered just one year previous, interest among teens in
having their own credit card is declining.

**PARTICIPANT:** Many of our young members work for a grocery
store chain. They are very interested in debit cards. They are less
interested in credit cards, but they want access to their funds
through a debit card.

**JOYAL:** Forty-three percent of teens have a debit card by age 18.
The convenience afforded by a plastic card seems to attracts teens.

The Jump Start Coalition surveys high school seniors on financial
literacy. The survey consists of 30 multiple choice questions. In
2000, the average score was only 52 percent. The survey is
national, cutting across geographic and income groups. Fifty-nine
percent of high school seniors fail the test. These are the same
young consumers who have a lot of money to spend, and already
own a number of financial service products.

The two weakest areas in the survey are 1) money management,
and 2) savings and investments. In the survey, 70 percent of
respondents believe that savings bonds or savings accounts yield
higher growth over an 18-year period than stocks. They show little
understanding of the effects of compound interest and equity
investments.

A few specific background characteristics seem to positively
impact financial literacy, among them parents talking about
money matters at home. Seventy-four percent of high school
seniors say that their parents sometimes or often discuss money
matters with them. Having an active savings account is another
positive influence on the scores. Savers have higher money
management scores than do spenders with no savings account.
Having a job also has a positive impact on survey scores. These
characteristics appear to help young adults improve their money
management skills.

But the trend in financial literacy is not encouraging. Figure 1-3
shows that in 1997 the average test score was 57 percent. That
dropped to 52 percent in 2000, and dropped again to 50 percent in
2002. These results suggest a need for credit unions to include a
financial education component in their youth programs.
CHARACTERISTICS OF GENERATION Y

Generation Y is the best educated generation in history. They are also the most culturally diverse. Thirty percent are members of racial or ethnic minority groups. More individuals in this group grew up in a single-parent household, and as a result have taken on adult responsibilities at a younger age than did earlier generations. In most families, both parents work.

Generation Y individuals do not believe they will be receiving benefits under Social Security at retirement, and they can’t rely on institutions for their pensions. Job security is a thing of the past, and they believe they’re on their own. They are very interested in retirement at younger ages.

Generation Y members are much less trusting of social institutions than baby boomers. They rely on advice from their friends more than do older people. Referrals from friends are important to them, and are likely to have a major impact on their buying decisions.

These are individuals who have developed five-year plans by age 18, based on surveys of incoming college freshman. Generation Y is high spending, with large discretionary incomes, resulting in relatively high debt levels, particularly in credit cards.
Fifty-six percent of current college students plan to live with their parents when they graduate from college, and 19 percent expect to come home for more than a year. They realize they can live more economically at home and pay off their student loans and credit card debt. Or they can put money away in investments for their retirement. They do not consider themselves slackers for returning home, but rather, financially responsible.

As we’ve talked about Generation Y the focus has been on college students. Not everybody goes to college, but among credit union members, more individuals do go to college than in the general population. Fifty-eight percent of credit union members have at least some college, while only 43 percent of nonmembers have at least some college. Credit unions tend to attract individuals with education, even though there’s increasing emphasis on serving members of modest means. As a result, credit union marketers may be addressing two distinct markets within the Generation Y group – college and non-college youth.

**CHARACTERISTICS OF GENERATION X**

Generation X includes ages 25 to 36, which means that about half of the group is in the youth-30 age group. Many Generation X individuals aged 25 or 26 are postponing marriage and parenting. Women are buying houses, not caring if they’re bound for marriage or not. Generation X members are loyal to people, not companies. This appears to be based on working relationships. If the credit union has Generation X individuals as employees, they’re more likely to be loyal to their boss or their mentor than to the organizational entity.

Generation X members are more liberal than older adults. They’re risk takers, more inclined to take risk in their investments, and more relationship oriented than results-oriented baby boomers. Relationships appear to be the way to establish long-term alliances with this generation.

Generation X is also very entrepreneurial. They’re responsible for starting 70 percent of new businesses. This suggests a need for small business services among even this fairly young adult group.
Members of Generation X depend extensively on referrals, typically using the same advisors their parents and relatives do. They use information to make financial decisions and want reassurance, but don’t always want advice from experts. The key to serving them is an ability to provide information, along with resources to give advice when needed.

Figure 1-4 shows some perceived financial needs of young adults. The Yankelovich Monitor survey examines those age 16-24, and those 25-34. The 16-24 year old group includes those in high school and college. The 25-34 year old group is generally on their own, working and starting families. We see big differences between the two age groups in terms of perceived financial needs. While 16-24 year olds are more apt to live for today, the older group is planning for the future. This is apparent in the substantial increases in perceived need to establish savings and control debt. As they age, young adults become more concerned with living within their means, planning for retirement years, paying off balances on credit cards, and reducing debt levels.

![Figure 1-4 – Young Adult Money Management Needs](image-url)

Source: Yankelovich Monitor, 2001
Are young adults concerned about saving for their retirement years? When asked to respond to the statement: “I am not currently saving enough for my retirement years,” most agreed with the statement. Among 16 to 24 year olds, 28 percent strongly agree, a higher percentage than for the older group. It may be that those in the 16-24 year age group are saving nothing, while those in the older age group are able to set aside some small amount. Two-thirds of each of these groups believe that they’re not saving enough for their retirement years, a perception that presents substantial opportunities for credit unions.

DELIVERING FINANCIAL SERVICES

Figure 1-5 shows loans held by young adults in the 16-24 and 25-34 age groups. In all product categories, the older group is more likely to own these loans. Yet one-quarter of all people ages 16 to 24 do have a vehicle loan. Over half of college students own a car.

![Figure 1-5 – Loans Held by Self or Spouse](image)

Source: Yankelovich Monitor, 2001

Home mortgage loans are also held by a relatively high percentage of younger age groups. Thirty-five percent of those in the 25-34 age category have a first mortgage, and that number has increased over the years as younger people buy homes rather than waiting to be settled for life before doing so. In the younger age group,
37 percent have a loan of some type, and for the older age group, 71 percent have a loan. These figures demonstrate that young adults borrow money to achieve their financial goals.

Young adults also borrow through the use of credit cards. Thirty-six percent of all college students have a credit card in their own name, and that increases to 64 percent for college seniors. CUNA’s National Member Survey reports that 53 percent of 18 to 24 year olds have a Visa or MasterCard and 74 percent of 25 to 29 year olds have a Visa or MasterCard. That adds up to millions of cardholders financing at least part of their needs with credit.

Figure 1-6 gives a profile of the savings and investment instruments held by young adults. Checking and savings accounts are held by a high percentage of even the younger age group, and that percentage increases with age. Many aged 16-24 have already accessed a variety of financial services. The challenge for credit unions is to be the first to serve them as they begin purchasing these products. The alternative is to risk losing them as members for the rest of their adult lives.

![Figure 1-6 – Savings/Investments Held by Self or Spouse](source: Yankelovich Monitor, 2001)
A similar kind of distribution is apparent in young adults’ holdings of insurance policies. At ages 16-24, 20 percent of individuals have whole life policies and 15 percent have term life. Those figures increase to 35 percent each for 25-34 year olds.

The American Banker\(^1\) reports that many young adults are also interested in services such as financial planning, mutual funds and brokerages services, even though these are services we normally associate with older consumers. For example, among ages 18-34, 54 percent are interested financial planning. This demonstrates that young adults are preparing and planning for their future. Nearly half in this age group are seeking information and advice on mutual funds, and a third are looking for brokerage services and property/casualty insurance.

Credit unions need to be sure that young adults know that credit unions are full service financial institutions, and offer mutual funds, investments and financial planning along with their more traditional saving, lending and transaction services.

**DELIVERY CHANNELS**

Figure 1-7 shows that young consumers use a variety of channels, but 78 percent of 18 to 29 year olds visit branch office locations at least once a month. They are the most frequent users of remote services, but they’re also using branches regularly. That’s an opportunity to work on relationship-building.

The 25-29 age group is the age segment most likely to use online banking, at 27 percent. Among younger students and adults, only 13 percent use online banking. This may indicate that those groups are not yet wired for access to online banking on a continual basis.

\(^1\) American Banker/Gallup 2001 Consumer Survey
The 16-24-year age group is somewhat suspicious of the accuracy of information on the Internet, compared to newspaper, TV and magazine reports. They realize there is substantial false or misleading information on the Internet. That doesn’t stop them from using the Internet as a first source of information, but it might stop them from visiting certain sites, or taking everything they see on the Internet for granted. When credit unions communicate to their members they need to emphasize the credibility of the information to be found on their Web site. The trust factor credit unions enjoy among their members gives them a competitive edge in marketing on the Web.

Most young adults share interesting or useful Web sites with their families and friends. They receive information from family and friends, and they send information to those contacts as well. If credit unions can develop this informal word of mouth communication channel, they will be able to build awareness of their products and services.

Sixty percent of young adults use the Internet to find information about companies. The Internet is typically the first place they look. They might not buy online, but they do the preliminary research there.

### Figure 1-7 Young Adult Use of Delivery Channels (Use 1X/Mo. <)

<table>
<thead>
<tr>
<th>Service</th>
<th>16-24</th>
<th>25-34</th>
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</thead>
<tbody>
<tr>
<td>Branch lobby</td>
<td>78%</td>
<td></td>
</tr>
<tr>
<td>ATMs</td>
<td>78%</td>
<td>82%</td>
</tr>
<tr>
<td>Drive-through teller</td>
<td></td>
<td>62%</td>
</tr>
<tr>
<td>Audio response</td>
<td></td>
<td>47%</td>
</tr>
<tr>
<td>Online banking/bill payment</td>
<td>13%</td>
<td>27%</td>
</tr>
<tr>
<td>Mail</td>
<td>3%</td>
<td></td>
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</tbody>
</table>

*Source: CUNA’s 2002 National Member Survey Report*
The 25-34 year age group is more concerned about privacy than are younger people. Apparently, the concern about privacy grows as young adults age.

PRIMARY FINANCIAL INSTITUTIONS

Credit unions, like all financial institutions, are vitally interested in building relationships with their members so that they become the individual's primary financial institution (PFI). PFI members are much more likely than other members to take out loans from the credit union. The National Member Survey tells us that young members are the most likely to consider a credit union as their PFI. Overall, 42 percent of credit union members say the credit union is their primary financial institution, while 46 percent of members age 18-24, and 45 percent of members age 25-34 consider the credit union their PFI. When we ask why young members chose their credit union as their PFI, many say it is the only institution they use, or it's the first institution they used.

Services such as direct deposit are much less important to young adults than to other age segments. Many young adults don't have jobs that offer direct deposit. There is some evidence to suggest that young adults that use a credit union as their PFI are more satisfied than young adults that use a bank as their PFI. Overall, 51 percent of members are satisfied with their PFI, while only 39 percent of nonmembers are satisfied.

Young adults say they’re looking for the simplicity of one full-service financial institution, but this attitude diminishes with age. Credit unions need to show them that they can receive all the financial services they need at the credit union.

DISCUSSION

PARTICIPANT: Do we know what percentage of this group switches financial institutions when they go away to college?

PARTICIPANT: They switch because they assume that relocation requires a new institution. If they’re going away to college they believe they can't use their credit union at the new location.
PARTICIPANT: ATM transaction fees are an important barrier to taking membership to a new location. Typically, within a very short time at the new location, the home credit union begins assessing transaction fees.

PARTICIPANT: We now offer campus checking, which offers unlimited ATM access no matter which machines are used. That has helped us to keep our younger members.

PARTICIPANT: Another barrier to keeping young adults as members is strict loan policies. We need to be flexible to deal with the issues facing young adults. For example, our credit union’s lending policy doesn’t allow us to make loans to students with no credit history. By contrast, on campus they encounter credit card marketers willing to give them high limits and easy access. At the same time, these are high rate, high fee cards that may not be in the best interest of younger consumers.

PARTICIPANT: Car loans being offered by captive auto finance companies emphasize deals available to first time buyers. Credit unions can learn from that kind of marketing approach.

PARTICIPANT: We’re also reaching out to young adults who are not enrolled in four year college programs. We operate a student credit union at a technical school that is geared to students training as policemen or firemen, or automobile mechanics. And we deal with alternative schools, not just the regular high schools.

PARTICIPANT: We tend to think of those going to college as being more affluent later on in life than those who do not, but the income profiles of the two groups reveal that those in technical schools can out-earn those who complete a four year program. A friend of our family decided to go to technical school to be a mechanic. With a certification he could earn $50-60,000 a year. That’s more than many college graduates. Technical training may be an excellent opportunity both for the individual and for the credit union.
JOYAL: Marketing to young adults requires special communications techniques. For example, emphasizing product attributes is more important than merely creating an image. Marketers need to be true to their brand, be honest, and deliver on their promises. That’s because young adults are skeptical of institutions.

We also need to be where they are. Use postings and flyers on campus and wherever students congregate. Giving away T-shirts at concerts and sporting events works well with the young. Using characters to relate our marketing efforts to TV, film, sports, and people that are highly identifiable with young adults is effective.

Successful youth marketers inform and empower this age group. They provide enough information so that young adults can make their own decisions. Successful marketers show them the benefits of their products and services, use humor and irony, and aren’t afraid to include information about the things young members are interested in.

STRATEGIC CONSIDERATIONS

There is some evidence to suggest that information is all young consumers want in marketing materials. However, figure 1-8 shows that in responding to the statement: “All I want from a financial services company is information so I can make my own decision; I’m not interested in advice” young adults are sharply divided. Among 25-34 year olds, about half disagree with that statement. It may be important to be available to give them advice if they need it.
A marketing program to reach out to younger members and potential members ought to include seven strategic considerations:

1. Enable and create active savers before age 12. Savers do better on financial literacy tests than spenders do.

2. Take another look at the attitudes of young adults toward credit cards. Their interest in cards may be waning because they’re concerned about debt.

3. Be first. Be the first financial institution they use, be the first one to offer them a variety of financial services.

4. Adopt education programs to inform youth. Segment youth by educational attainment. Look at the college, technical college, no college segments in the membership.

5. Remember that there are many other segments within the youth and young adult market: children, teens, college students, minorities.

6. Emphasize information services, and have someone available to give advice.

7. Establish a presence where young adults tend to congregate, in person and through the media.
SESSION 2:
Small Group Interview Results: 18-25 Year Olds

PAM SCHNAGL

Pam Schnagl is Research Manager in the MEMBERS Enterprise at CUNA Mutual Group. She designs and coordinates research efforts directed at increasing understanding of the lending market. Her recent research focuses on analyzing trends in lending strategies, lending product and service priorities of credit unions, and generational marketing. In this session, Schnagl describes the results of a series of interviews with 18-25 year olds, to assess their financial needs and perceptions. The research also probes youth consciousness of financial service providers, and how those perceptions affect the choice of lenders.

To measure the views of young adults regarding their access to financial services, we conducted 40 interviews with individuals between the ages of 18 and 25, in groups of three. We used a small group interview format to enable us to talk to participants in depth about their individual experiences and preferences. This approach also allows them to retain their anonymity and encourages discussion of ideas to create a brainstorming atmosphere.

PARTICIPANTS

Interviews were conducted in three locations: Sacramento, California; Charlotte, North Carolina; and Austin, Texas. This allowed us to take into account any local or regional factors that may affect the research.

We limited participation to individuals with at least some post-secondary education. Participants had past borrowing experience, implying that they held a student loan, an auto loan, or a personal loan. Virtually all participants held credit cards.

We found individuals in the interview groups to be open and expressive. They appreciated the opportunity to talk about their experiences. They felt that their age group is underserved by the financial services industry, and welcomed the opportunity to make their views known.

The interviews included both credit union members and nonmembers, but the two groups were interviewed separately. We previously conducted interviews with Generation X and baby
boomer participants, and found few differences in the perceptions and attitudes of this group regarding the borrowing experience. People see both credit unions and banks as players in the financial services market, and they shop both types of institutions.

One exception to that rule is that nonmembers speak about credit unions as exclusive, or club-like organizations. They say members must belong certain groups in order to participate, and often do not believe credit unions are accessible to them.

**RESEARCH QUESTIONS**

Our objective was to examine the perceptions 18-25 year olds have of financial service providers. We asked them to compare banks with credit unions and about the strengths and weaknesses of each type of institution. We also wanted them to describe their shopping behavior, where they would go for their borrowing needs, and critical factors in their evaluation of a particular provider.

Participants were asked to describe their financial goals and priorities for the next five years, how they expected to finance these goals, and what barriers to fulfillment they expected to encounter along the way. They talked about the roles of borrowing and investing in their future financial lives.

Next we asked them to describe the ideal borrowing experience, how they’d like the process to unfold from loan application to closing. Finally, we focused on relationship-building issues including the role of the loan officer, what they expected to receive in terms of product information, how they wanted to see it presented, and when they wanted to receive it.

**FINANCIAL SERVICE PROVIDERS**

We found that how financial service providers are perceived impacts shopping behavior. Young adults viewed both credit unions and banks primarily as lenders. But credit unions were more likely to be characterized as offering lower interest rates on loans, along with lower and fewer fees.

By contrast, banks were criticized for charging consumers for every service they provide. That amounts to a credit union
advantage. But banks were perceived as giving better access to financial products and services, and a wider range of service. When pressed on the range of service issue, participants suggested that banks are more flexible with the services they offer, and how they package those services.

Even nonmembers in this age category are often familiar with the services offered by a credit union because they are or have been on campuses where credit unions operate and market their products. Participants were likely to perceive a credit union as a partner to its members. Their greatest concerns revolved around access issues. Young consumers do not want to go across town to find a branch. They want ATMs readily available, because access is a key element in their decision making.

Young adults are very familiar with student loans, but they perceive student loans as being different than auto or personal loans, because they don’t shop for a student loan. They visit the financial aid counselor at their school, and the financial aid counselor tells them about a financial aid package. Part of that package is a student loan, for which they are given a list of service providers to check out.

Financial aid officers have a great deal of power in directing students to a financial service provider. Students focus on their education, and the money to make it possible is not an issue that occupies their primary attention.

Young people said they found the student loan experience confusing, because the borrower does not feel a sense of empowerment in choosing a lender, and receives little guidance in making a decision. Students may become somewhat concerned when payments become due, but at the time of application the student loan is just one of a myriad of procedures necessary to get into and through school.

PARTICIPANT: We try to overcome that barrier by providing informative brochures on the loan application process. These brochures include our lender ID number; so that when the student fills out the forms our credit union is top of mind. Many universities accept brochures from competing institutions, so developing a relationship with local colleges is very important.
SHOPPING FOR LOANS

In shopping for consumer loans, key information young adults look for is related to rates, fees, and access. They also emphasize that they need to build relationships with financial service providers and will trade favorable rates for a relationship. They see the relationship as something that must be built, not something that can be researched in the newspaper or on the Internet.

Young consumers recognize the relationship as being a key long term benefit. They’re able to value a long-term perspective, even though in financial planning areas they are focused primarily on managing their current situation. There are many stressors in the financial lives of young adults. They have taken on a large debt load in order to go to school, and they worry about how school loans are going to impact them when they’re ready to apply for a home loan. They are also concerned about building savings and investment programs, because they don’t believe that Social Security benefits will be available when they need them. At this age, young adults are starting to think about both the short-term and the long-term future.

Shopping the Internet provides them with information they need to make purchasing decisions. The Internet is a key source of information, and how they begin the shopping process. Parents also influence their shopping, because parents are knowledgeable and have the financial experience to give good advice. Parents shape the attitudes of their children, even though children often like to be seen as rebels. Young adults are hungry for information needed to establish a foundation of financial knowledge, and parents help build that foundation. Key elements in young adults’ financial shopping behavior are summarized in figure 2-1.

Figure 2-1 – Financial Shopping Behavior of 18-25 Year Olds

- Key product and service attributes include rates, access and fees
- Relationships with financial institutions are perceived as desirable, and need to be nurtured
- The Internet provides useful initial information
- Parents influence shopping behaviors
PARTICIPANT: The Wall Street Journal recently featured an article on the quality of student loan information provided to students by college financial assistance officers. The newspaper concluded that the programs recommended are often poor deals, and suggested that students shop around. Students may assume that their university has screened providers for consumer value, but the Wall Street Journal says that’s often not true. Credit unions have an opportunity to provide good deals, and they enjoy great credibility among consumers.

PARTICIPANT: Our credit union recently started offering student loans as part of a response to requests from the high school counselors and principals. This is a service students ask about. We now offer student loans through our student credit unions. High school financial aid counselors ask us to make presentations to educate students before they get to college financial aid offices. We believe this is an excellent service and business opportunity, and we get a tremendous response to the program.

SETTING FINANCIAL GOALS

SCHNAGL: Next we talked about personal financial goals. These are the primary drivers of financial service use. Interviewees expressed their goals and ambitions articulately (figure 2-2). They are career oriented, and realize the importance of education and job success. They spend a great deal of money to get themselves ready for a job that will give them an income stream. That, in turn, will allow them to borrow for homes and travel, and other expenses.

These individuals talked about future purchases of homes, new cars and starting their own business. They saw debt as an essential tool that enables them to invest. They regard debt to buy a house, start a business, or get an education as an investment in their future. They understand that loans are a necessity to reach their financial goals. It is not a matter of whether they will take on a debt burden – the issue is, rather, whether that debt load will ultimately have a positive effect on their lives. One individual said that he chose to believe that as long as he is able to make the payments, he is not in debt. Only when he couldn’t make the payments would he worry about his debt level.
Young adults are aware of the different loan types available to them – auto loans, personal loans, mortgage loans – and although each of them holds credit cards, they view this type of debt negatively. They consider credit cards as offering extremely high interest rates, and believe that consumers should try to avoid using credit cards. Despite their beliefs, some of the young consumers we interviewed have already gone through debt consolidation.

SAVING AND INVESTING

Saving and investing are almost as important as borrowing in the minds of our interviewees. They exhibit a balance in considering their financial future, and realize that in order to buy a home they will have to save first. They also spoke about establishing retirement accounts. Even on the subject of life insurance, although they have no dependents that would need financial support in the event of their death, they do understand that the younger they purchase life insurance the less it will cost, and the better deal they will get.

Young adults talked about the need for diversity in saving and investment products. They own stocks, mutual funds and CDs, and demonstrate an understanding of the language of savings and investment instruments.
THE BORROWING EXPERIENCE

Participants said they would research loan options before borrowing. They saw the borrowing experience as a process rather than a simple product purchase. The ideal borrowing experience includes a number of elements, as shown in figure 2-3. They want background information about the scope and flexibility of the products they’re considering, and believe a relationship will ultimately give them better service and a better deal. They talked about their parents having established relationships with financial institutions, and wanted to build a similar relationship with their own financial institution.

Young adults see the ideal relationship as a face-to-face experience. They don’t believe the Internet or telephone can establish the kind of relationship they want. Personal contact is much more important to them than speed. It gives them a comfort level that’s not available through remote channels.

Participants talked about the ideal borrowing experience being customized and personalized. They aspire to be names, not numbers, and the financial institution should be there to care about them as people. If a loan officer appears to be focused on merely selling a product, young adults are turned off by the experience. Young adults are interested in establishing a relationship with a person rather than with an organization.

Young adults want a mix of channels. They use the Internet for information and the phone for following up. They use face-to-face
contacts to conduct complicated transactions. The more complicated the process, the more they need face-to-face contact to help them understand the complexities.

They want the loan process itself to be as simple as possible, and often find that getting approved for a loan is very stressful, because their financial life experience is displayed on the loan officer’s screen. Young adults want the loan officer to be direct and forthright, and make the experience as comfortable as possible.

Our young adults also talked about facilitation. They want to be coached through the loan process. They want the loan officer to understand that for them it’s not just a loan – it’s a car or a home or a chance to further their education. They appreciate a loan officer getting involved with them and sharing the experience.

**BUILDING THE RELATIONSHIP**

When we asked these young adults about the role of the loan officer, they said the loan officer is currently a processor, but they would like the position be a personal counselor and advisor, someone to talk to them about the advantages and the disadvantages of various options (figure 2-4). They also feel vulnerable because they don’t have the knowledge and experience to be able to make informed financial decisions. As they build relationships they want to be able to pick up the phone and call a person: not the credit union, but a person with whom they’ve developed a relationship.

In an ideal loan process for these individuals, the loan officer asks them questions about their financial situation and offers certain options. The loan officer becomes involved in the process, and asks their permission to follow up with additional information as necessary. That sort of relationship building takes time and talent, but it helps to forge long term alliances between the credit union and its younger members.
Young adults believe they can recognize a product pitch as opposed to a genuine attempt to provide counsel and information. The loan officer needs to explain why a particular course of action is being suggested. On the savings side, if the member hopes to purchase a home within the next five years, the credit union may suggest an investment that will help save for the down payment.

Young adults see the Internet as a valuable tool, but realize that it has both strengths and weaknesses. They like online banking to check balances, make transfers, and make payments on a loan. But it falls short in building a relationship. Young adults are likely to start their shopping experience on the Internet, but far less likely to conclude a purchase there. They also have concerns about online security and privacy.

In discussing response times using electronic channels, these young adults said they are concerned when responses are delayed. They want fast feedback to let them know the status of their account. If they’re applying for a loan, they want a response within a reasonable amount of time to let them know everything is in order.

For today’s young consumers, the Internet is a powerful research tool, an empowering force that’s never before been available. At the same time, their financial lives are more complex. They need advice and guidance in making the right choices. They want services customized to their needs, and the flexibility to adapt financial products to their situation. They want to be involved in the design of products being developed for their use.
MARKETING IMPLICATIONS

In summary, 18-25 year olds have some very specific expectations of their financial service providers, as shown in figure 2-5. They build relationships with providers that are willing to ask them about their priorities. They want to be asked what their objectives are, and have a hand in developing products to achieve those goals. They want relevant information and flexible product design. They would like options in terms of delivery channels, so that they can access their financial institution where and when it’s convenient for them. They see their situation as unique, which requires a long, hard look by providers in segmenting this market.

Young consumers are interested in more than just loans, so it is important to integrate the financial products we include in our service to them. They may not want to talk savings and investments at the time they’re applying for a loan, but they are open to follow-up afterwards.

By demonstrating to this group that we are listening and acting upon what they tell us, credit unions can reap substantial competitive advantages that will help both members and the credit union over the long term.
DISCUSSION

PARTICIPANT: Many of our systems are set up to bypass contact with the borrower. Only about 20 percent of our loans are done face-to-face. Most of them are through an automated lending system. If we want young adults to make the credit union their primary financial institution, we’re going to have to change the way we do business.

PARTICIPANT: The process often depends upon the complexity of the loan. If it’s a simple loan, the borrower wants speed. But if the transaction is more complicated, they may need discussion and advice. And if a loan is turned down, they want somebody to tell them why, and what they can do to change the outcome in the future.

PARTICIPANT: If we look at attitudinal segmentation compared to age or income, there are those people whose preference it is to do things online and those whose preference it is to conduct business face-to-face. It’s in our best interest to make all those channels available. The availability of a broad spectrum of channels is critical in capturing various market segments.

PARTICIPANT: If people want a personal relationship, our systems may stand in the way of making it happen. Along with some of our other rules, we’ve set up systems that have placed barriers between members and the credit union.

PARTICIPANT: That’s typical in the banking industry. An order taker sends the application to a central headquarters, where a decision is made.

PARTICIPANT: We’re getting tremendous loan business over the Web. We’ve even added a live chat connection, so there is someone to talk to during business hours for our contact center. If members have a problem, they access a secure connection to ask questions about the process, or follow up on why a loan may have been turned down. Ultimately, high touch and high tech go together to overcome some of these barriers, not just with youth but with all of our members.
PARTICIPANT: One of Filene’s recent projects focused on consumer preferences for high tech versus high touch channels by product line. On simple transactions, consumers don’t need high touch. But if it’s a mortgage transaction, for example, even experienced, well-educated and technologically sophisticated individuals want to see somebody in person.

SCHNAGL: When we do anything for the first time, we’re likely to be anxious about how the process unfolds. Young adults are telling us that their trust levels are increased if there is a relationship, a personal involvement. The challenge is to build that kind of involvement into our systems.

PARTICIPANT: We may not be able to deliver high level relationships across all products and services, but there are some life events for which we can give that kind of service. For example, the first time a person buys a used car they need advice. We can help educate them. We can explain credit scores and ratings, and how they are affected by prompt payment. We can provide a list of mechanics to check out used cars. We can demonstrate that the credit union is a place to get help at decisive moments in the consumer’s financial life.

PARTICIPANT: We also need to define the word relationship. There are times when we receive a certain warmth and specific response over the phone, for example. That could be defined as building a relationship. The same thing may be true of e-mail. Building a relationship doesn’t necessarily mean tying up a staff person for long periods of time across a desk. There may be other ways to do it. After we’ve established a connection through a life event, it may not take much to maintain a sense of relationship.

PARTICIPANT: For many of our services, particularly lending services, we offer several options on access. Members make the choice. Some need human contact, others prefer technology. That’s true whether it’s a first-time buyer or an experienced borrower. But we need to communicate, make them aware that they’ve got several options to achieve the desired end. This is a challenge not just with young adults, but with all our members.
SESSION 3:
Credit Union Experiences in Youth Marketing:
Listserv Feedback

MICHAEL MILLIS

Michael Millis is President of Solstice Training. He was previously director of councils and executive education for CUNA's Center for Professional Development (CPD). In that capacity, he guided the direction, development, administration and marketing of CUNA Councils and executive level schools, seminars, institutes, and conferences. In this session, Millis reports on a review of the content on the CUNA Marketing Council (CMC) listserv: white papers, conference sessions, newsletters and Diamond Award entries. These media reveal that credit union marketers struggle with identifying the best approach to reach the youth and young adult market. Major challenges to the development of these programs include identifying efficient delivery channels for youth and young adults, and tracking the retention of these members as they age.

In this session, we share research from the CUNA Marketing Council (CMC) regarding service to young adults. The ideas are based on information collected from the Marketing Council's listserv site and from a CU Executive Journal survey report. We can summarize this research in five key points.

Number one, credit unions represented on the Marketing Council agree that youth and young adult marketing is important. However, not many of them think they're doing a good job in reaching out to young adults. As a result, they are reluctant to share information on this topic. For example, between January 2001 and August 2002, only 2.7 percent of all messages on the Council listserv addressed youth and young adult marketing. And none of the eight files currently available for sharing among council members addresses youth and young adult marketing.

Further, only one of 12 white papers currently available to members on the CMC Web site addresses youth marketing. And only a single session at CMC annual conferences was devoted to this subject over the past three years.

Figure 3-1 shows the topics related to youth and young adult marketing that have been discussed on the CMC listserv over a period of one-and-one-half years. Note the relative absence of
subjects addressing products and services to younger members, as well as the absence of research information on this subject.

<table>
<thead>
<tr>
<th>Figure 3-1 – CUNA Marketing Council Listserv Youth Topics</th>
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<tbody>
<tr>
<td>• Prize levels for kids clubs (10)</td>
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<td>• Youth financial education (7)</td>
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<tr>
<td>• Checking accounts for minors (6)</td>
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<tr>
<td>• Newsletters for young members (6)</td>
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<tr>
<td>• Kids clubs (5)</td>
</tr>
<tr>
<td>• Scholarship policy (5)</td>
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<tr>
<td>• Youth lending (4)</td>
</tr>
<tr>
<td>• Teen savings clubs (3)</td>
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<tr>
<td>• Teen club incentives (2)</td>
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<tr>
<td>• Credit unions in high schools (2)</td>
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</table>

The low volume of discussion on the subject of youth marketing suggests that credit union marketers, while acknowledging a need to reach out to this market segment, are not confident that their past efforts rise to the standard they hope to achieve.

Idea number two suggests that when there is information sharing among credit union marketers on the subject of youth and young adult markets, it tends to focus on information about programs geared to younger children. CMC members inquired most often about prize levels for children’s clubs, and wanted information about features and benefits of children’s savings accounts. The focus appears to be on fun, rather than on service. Very little of the information that we see discussed on the listserv focuses on relationship building opportunities. Only a handful of respondents reported tracking results of programs or retention of members beyond the age of 12.

Legal issues figure prominently in discussions about offering checking and lending products to younger members. And financial
education programs are usually offered in conjunction with the public school system.

Idea number three is that most credit union youth programs appear to address individuals in the age group of 5 to 14 years. It is that segment of the youth population that the programs are aimed at, rather than older age groups that are about to embark upon their financial lives.

Of the programs described on the listserv, about half appear to have been developed in-house, and the other half purchased from a vendor or an outsourced provider. Overall, CMC members acknowledge that youth and young adult programs are perceived as providing no immediate return on investment to the credit union. Instead, these programs promise less measurable benefits over the long term to youth and their parents.

Fourth, tracking is a problem. Sixty-five percent of credit unions in a national survey about youth and young adult marketing say they don’t track youth accounts. The job is daunting given the data systems currently in use. For example, the system must be able to show that a person joined at age five, that they were a member of the Kangaroo Club, that at age 10 they transitioned to a member of the Kawana’s Club, and that at age 18 they became an adult member and were served for the rest of their lives. Most data systems can only report that an individual is a member of the kids club, and that’s where they stay. A 40 year old member may still be on record as a member of the kids club on the data system.

**PARTICIPANT:** Our credit union’s program is conducted in the schools, and we qualify individuals for membership as a school select employee group (SEG). That tells us the student was in the school program at some point, but it also allows us to track and identify them later as a member of the school credit union program. When they continue membership beyond school, we can track their lifelong credit union participation on our data system.

We also establish the parents of students in the school program using a separate SEG designation, so we can track the business we’re receiving from them as a result of the program. By using SEG designations in this way, we’re able to track the business impact of our student credit union program.
We’ve operated this program for ten years. Some of our early student participants are now out of school, and we have tracking data that tells us how they’ve continued to use credit union products and services.

**MILLIS:** We also learn from data in the *CU Executive Journal’s Youth and Seniors Marketing Survey Report* that larger credit unions are more likely to have formal youth recruitment efforts (figure 3-2). It appears that the larger the credit union, the more likely it is to spend on youth programs. On average, credit unions over $100 million in assets spend $10,500 per year on youth programs, according to the *CU Executive Journal* report, compared to only $4,000 for all credit unions.

![Figure 3-2 – Youth Recruitment Efforts by Asset Size](image)

*Source: Youth & Seniors marketing: Survey Report, CU Executive Journal*

Our fifth main idea is this: now is a good time to put together a model for reaching out to youth and young adults, not necessarily by reinventing everything that’s gone before, but by compiling the best practices currently in place. We know there are many credit unions operating effective programs specifically targeted to segments within the youth and young adult market. What we need
to do is to describe and consolidate those best practices in a comprehensive program that includes a tracking element, so that program benefits can be weighed against costs. We’ve heard from credit unions that when they calculate the fully-loaded expenses for their youth programs, they can identify no ROI on them. These programs build relationships, but cost/benefit measures are difficult to pin down.

For example, how do we measure the impact of a parent who comes to the credit union as a result of the child’s participation in a student credit union, or a presentation to a class by the credit union president? Parents may not have realized that they could be members of the credit union until their child received a presentation on financial education.

**PARTICIPANT:** If we measure these effects in terms of households, we can see the value of the household of which the children are a part. That allows us to demonstrate the impact of a youth program on the present as well as the future success of the credit union. Our households with children are profitable, and part of that profit is due to the children’s involvement.

**PARTICIPANT:** We’re currently tracking the dollars contributed by our student credit union program. For our board that’s the bottom line. We track loan dollars and deposit dollars. We also track how many of our members joined the credit union at a very young age and are still with us. We believe there are retention benefits to reaching out to members at a young age. We also agree that there is a household benefit. We see that in relationships with member households.

**PARTICIPANT:** It stands to reason that people who are more engaged with the credit union have a deeper loyalty and commitment.
SESSION 4: Life Cycle Marketing for Credit Unions: Young Households

BILL KELLY

Bill Kelly is Director of the Center for Credit Union Research, University of Wisconsin-Madison. He received his B.A. in economics from Rice University and earned a Ph.D. in economics from the University of North Carolina at Chapel Hill. Kelly taught economics and finance, serving on the faculties at Rice University, the University of North Carolina at Chapel Hill, Penn State University, and Clemson. His teaching and research fields were money and banking, and financial markets and institutions. In this session, Kelly examines the demographic parameters beyond age that influence buying decisions among young adults. A Filene Research Institute report by Kelly and Jinkook Lee, of the Ohio State University, examines the elements that define financial service needs among households in which the head is age 18-34. Life Cycle Marketing for Credit Unions: Young Households is one of four publications on life cycle marketing for credit unions.

Over time, credit unions have grown by giving great service and good rates to their members. Often in the past, that service was achieved by having a close common bond that allowed word of mouth to work well. Marketing professionals know that’s the very best marketing we can get.

Much credit union expansion over the last 10 to 20 years has been from adding select employee groups (SEGs), but that method of expansion is limited, and we now need to find new ways to expand membership. That’s where marketing comes in.

Based on extensive research in the literature on consumer behavior, the Center for Credit Union Research selected a life cycle model using four segments of households for which the age of the head of household is 18-34.

This research was one of a series of four studies on life cycle needs based on age. We examined youth, mid-age, and senior adults, as well as financial product use over household life cycles to discover how they differ in terms of financial service needs.

However, research on consumer behavior reveals that segmenting by age alone does not provide adequate information to assess the
financial needs of consumers. In order to develop an effective marketing program, further segmentation is required. The model we chose was developed by Mary Gilly and Ben Enis. This model has been recognized as the most effective life cycle model to use for marketing purposes.\(^2\) The model segments households in which the head of household is 18-34 into four life cycle categories:

1. Childless singles
2. Childless couples
3. Single parents
4. Couples with children

Couples refers to married couples, and the presence or absence of children is based on whether children under age 18 are living at home.

**COMPARISON OF LIFE CYCLE CATEGORIES**

Demographic analysis of the four life cycle categories on which we focus shows that they differ significantly (Figure 4-1). For example, the percentage of African Americans varies from 3.4% for couples with no children, to 32.3% for single parents. Hispanics vary from 8.3% for childless singles to just over 15% for childless couples and single parents. The range of white, non-Hispanic households runs from 48.9% to 75.9% across the four life cycle categories. Gender also varies, from 65.5% male for childless singles, to almost exactly the reverse, 34.6%, for single parents. The percentage of households with a college degree is the highest for childless couples, at 54.5%, and lowest for single parents, at 15.4%. As to income, couples have much higher incomes than singles.

The four groups also differ in wealth. Median net financial assets – total financial assets less short term unsecured debt – for single parents is just $250. The median jumps to $1,600 for

childless singles, and rises to $4,500 and above for couples. Median non-financial assets, excluding debt used to purchase them, is in the range of $4,900-$6,800 for singles and $32,200 to $84,700 for couples.

This brief sketch of demographic and financial differences among young households shows that marketing strategy can be improved by treating each of the four categories as a distinct group, and learning about their particular needs. To serve these segments most effectively, credit unions need to focus on each group in turn, to evaluate their circumstances and use of a wide range of financial products and services.

CUNA and Affiliates, in conjunction with PSI Consulting, has published a study on credit union members and their use of financial products. Our study focuses on life cycle marketing, whereas the CUNA-PSI volume is much more general. Therefore, there is little overlap.

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3 Credit Union Members Today and Tomorrow, Madison WI: CUNA & Affiliates/PSI Global, 2000.
### Figure 4-1 – Demographic Characteristics of Young Households

<table>
<thead>
<tr>
<th>Demographic Characteristics</th>
<th>Childless singles</th>
<th>Childless couples</th>
<th>Single parents</th>
<th>Couples with children</th>
<th>All 18-34</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Less than high school</td>
<td>8.1</td>
<td>10.9</td>
<td>27.9</td>
<td>12.4</td>
<td>14.5</td>
</tr>
<tr>
<td>High school graduates</td>
<td>29.4</td>
<td>15.8</td>
<td>34.6</td>
<td>28.3</td>
<td>28.3</td>
</tr>
<tr>
<td>Some college/</td>
<td>27.5</td>
<td>18.9</td>
<td>22.2</td>
<td>20.0</td>
<td>22.5</td>
</tr>
<tr>
<td>BS or more</td>
<td>40.0</td>
<td>54.5</td>
<td>15.4</td>
<td>39.4</td>
<td>34.7</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;$25,000</td>
<td>56.1</td>
<td>31.1</td>
<td>70.7</td>
<td>21.0</td>
<td>44.9</td>
</tr>
<tr>
<td>$25,000-$49,999</td>
<td>32.5</td>
<td>32.8</td>
<td>24.5</td>
<td>39.5</td>
<td>33.3</td>
</tr>
<tr>
<td>$50,000-$74,999</td>
<td>8.4</td>
<td>20.7</td>
<td>4.7</td>
<td>22.1</td>
<td>13.3</td>
</tr>
<tr>
<td>$75,000 or more</td>
<td>3.0</td>
<td>15.4</td>
<td>0.1</td>
<td>17.4</td>
<td>8.5</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Median</td>
<td>$21,000</td>
<td>$37,000</td>
<td>$13,000</td>
<td>$44,000</td>
<td>$27,000</td>
</tr>
<tr>
<td>Mean</td>
<td>$25,712</td>
<td>$47,361</td>
<td>$18,159</td>
<td>$55,642</td>
<td>$35,620</td>
</tr>
<tr>
<td>Std dev</td>
<td>$28,440</td>
<td>$44,711</td>
<td>$14,051</td>
<td>$120,808</td>
<td>$67,636</td>
</tr>
<tr>
<td><strong>Race/ethnicity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Hispanic whites</td>
<td>74.7</td>
<td>75.9</td>
<td>48.9</td>
<td>73.4</td>
<td>69.0</td>
</tr>
<tr>
<td>African Americans</td>
<td>12.6</td>
<td>3.4</td>
<td>32.3</td>
<td>7.2</td>
<td>13.7</td>
</tr>
<tr>
<td>Hispanics</td>
<td>8.3</td>
<td>15.5</td>
<td>15.3</td>
<td>13.7</td>
<td>12.7</td>
</tr>
<tr>
<td>Other non-Whites</td>
<td>4.4</td>
<td>5.3</td>
<td>3.6</td>
<td>5.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Gender of HH Head</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>65.5</td>
<td>NA</td>
<td>34.6</td>
<td>NA</td>
<td>74.1*</td>
</tr>
<tr>
<td>Female</td>
<td>34.5</td>
<td>65.4</td>
<td>NA</td>
<td></td>
<td>25.9</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Wealth (median)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Financial Assets</td>
<td>2,700</td>
<td>7,430</td>
<td>400</td>
<td>7,550</td>
<td>3,180</td>
</tr>
<tr>
<td>Net Financial Assets**</td>
<td>1,600</td>
<td>5,149</td>
<td>250</td>
<td>4,500</td>
<td>1,920</td>
</tr>
<tr>
<td>Net Non-Financial Assets***</td>
<td>6,800</td>
<td>32,200</td>
<td>4,900</td>
<td>84,700</td>
<td>12,300</td>
</tr>
<tr>
<td>Total Net Worth</td>
<td>5,550</td>
<td>27,200</td>
<td>2,600</td>
<td>25,900</td>
<td>9,000</td>
</tr>
</tbody>
</table>

Source: Survey of Consumer Finances, Federal Reserve System.

*In SCF, males are considered as the head of households in all families that include males, which includes both categories of couples.

**Net financial assets is total financial assets less credit card and other unsecured debts.

***Excludes debt used for purchase.
Among childless singles, eight percent have less than a high school education. Three times as many, 27 percent of single parents, have less than a high school education. These are not just marginal differences. Over half of childless couples have a college degree, whereas less than 40 percent of couples with children have degrees. If we focus strictly on age within the youth group, the data masks huge differences in education.

In another element of segmentation, income is related to both education and financial needs. Seventy percent of singles with children have an annual income of $25,000 or less, while only a little more than half of childless singles fall into that income category. And less than one-quarter of couples with children have incomes of $25,000 or less. Couples with children have less education than childless couples, but they make more money.

In race and ethnicity we also see differences. One of the most interesting is comparison between childless couples and couples with children. Hispanics comprise 12.7 percent of the total group, but they’re above average in being either married or having children. Only 8.3 percent are in the childless singles category. The inference is that this is a family oriented group.

Among single parents, half of this group is non Hispanic/ white. And more than one-third of single parents are male.

Wealth ties into financial issues, and when we examine net financial assets – financial assets less any unsecured debt such as credit cards – our groups range from $250 for single parents to $5,149 for childless couples. Childless couples have lower incomes than couples with children, but they’ve got greater assets because they have fewer demands on their resources.

The bottom line, total net worth, shows a tremendous difference among our four groups. Couples make more money and save more money than singles, even without the responsibility of children.

The important point is that in each of our demographic characteristics, we see sometimes vastly different traits within the 18-34 year age group. This suggests that marketing efforts need to be segmented not just by age, but by a number of other factors within the age group.
PRODUCT USE

Nearly two-thirds of childless singles have a financial institution credit card (figure 4-2). But fewer than one in three individuals in this group have a vehicle loan. Only about half of credit union members of all ages have a loan with their credit union. We might ask ourselves where all the other loans are. One answer could be that they simply do not exist.

<table>
<thead>
<tr>
<th>Loan Types</th>
<th>Percent Using</th>
<th>Median Balances</th>
<th>Average Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Childless singles</td>
<td>Childless couples</td>
<td>Single Parents</td>
</tr>
<tr>
<td>Non-bank credit cards</td>
<td>44.9</td>
<td>61.6</td>
<td>22.9</td>
</tr>
<tr>
<td>Bank credit cards</td>
<td>62.9</td>
<td>77.5</td>
<td>26.1</td>
</tr>
<tr>
<td>Vehicle loans</td>
<td>29.8</td>
<td>47.3</td>
<td>25.8</td>
</tr>
<tr>
<td>First mortgages</td>
<td>13.4</td>
<td>43.3</td>
<td>21.8</td>
</tr>
<tr>
<td>Consumer loans</td>
<td>14.5</td>
<td>16.6</td>
<td>12.7</td>
</tr>
<tr>
<td>Second mortgages</td>
<td>2.1</td>
<td>3.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Home equity loans</td>
<td>0.7</td>
<td>5.3</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Survey of Consumer Finances, Federal Reserve System, 1998

Credit Union Operating Ratios and Spreads, CUNA & Affiliates, Madison, WI, 2001, pg 38.
Only 13 percent of childless singles have mortgage loans, indicating that this is not the most promising real estate loan group. A much better product choice is a credit card, which is used by about 63 percent of the group.

Among childless couples, the use of bank credit cards goes up, and the use of mortgages is much higher than among childless singles. Forty-three percent of this group uses mortgages, with balances averaging in excess of $90,000. But the use of home equity loans and second mortgages is rather low, probably because young adults have yet to build equity in their homes.

Single parents present a much different picture. They use credit cards much less frequently, perhaps because their low income and low wealth makes it harder to qualify. These people need credit, but their opportunities are limited. However, a quarter of this group has vehicle loans, and they're similar to the size of vehicle loans held by other young groups.

With respect to first mortgages, among those who own a home, 69 percent have a mortgage. That means over 30 percent of this group have no mortgage. We can presume that they have significant equity in their homes. Yet we don’t see much in the way of home equity or second mortgage loans, so there may be some opportunity to market those products to singles with children.

Our fourth group within the young adult market is couples with children. Sixty percent of these households have first mortgages, with average balances of $84,000. Their average balance is lower than couples without children, but they’re much more likely to have a mortgage. They hold only modest amounts of home equity loans and second mortgages, but they’re the most frequent users of consumer loans.

Couples with children are a debt rich group. They have children at home, they make more money than the other three groups, but they’ve also got more demands on their resources, so they carry more debt, they are likely to have bigger mortgages and vehicle loan balances, and they are more likely to have vacation or signature loans.

This is the borrower segment of the youth market. A rich vein to target, they have the highest mean balance of credit card debt of our four groups.
FINANCIAL ASSETS

About 80 percent of young consumers have checking accounts (figure 4-3). Some have money market funds, and 37 percent have retirement accounts such as 401(k)s, IRAs and Keoghs. That implies that even young adults who are not married and without children are thinking ahead.

Figure 4-3 – Summary of Use of Financial Assets

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>Childless singles</th>
<th>Childless couples</th>
<th>Single Parents</th>
<th>Couples with children</th>
<th>All 18-35</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percent Using</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checking account</td>
<td>78.9</td>
<td>84.4</td>
<td>55.1</td>
<td>80.7</td>
<td>75.2</td>
</tr>
<tr>
<td>Savings account</td>
<td>51.0</td>
<td>52.8</td>
<td>36.9</td>
<td>64.2</td>
<td>52.0</td>
</tr>
<tr>
<td>Retirement account</td>
<td>37.2</td>
<td>45.3</td>
<td>19.0</td>
<td>53.7</td>
<td>39.0</td>
</tr>
<tr>
<td>Savings bonds</td>
<td>9.5</td>
<td>20.2</td>
<td>10.6</td>
<td>29.6</td>
<td>16.6</td>
</tr>
<tr>
<td>Cash value in life insurance</td>
<td>13.2</td>
<td>17.4</td>
<td>20.1</td>
<td>24.2</td>
<td>18.1</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>11.2</td>
<td>18.8</td>
<td>6.8</td>
<td>17.2</td>
<td>12.9</td>
</tr>
<tr>
<td>Stocks</td>
<td>14.6</td>
<td>18.2</td>
<td>2.7</td>
<td>16.9</td>
<td>13.3</td>
</tr>
<tr>
<td>Money market deposit accounts</td>
<td>6.5</td>
<td>10.7</td>
<td>1.5</td>
<td>8.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5.2</td>
<td>10.4</td>
<td>3.3</td>
<td>6.8</td>
<td>5.9</td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>3.1</td>
<td>5.2</td>
<td>0.0</td>
<td>5.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Bonds</td>
<td>1.0</td>
<td>1.9</td>
<td>0.0</td>
<td>1.6</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Median Balances</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checking account</td>
<td>800</td>
<td>1,500</td>
<td>400</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>Savings account</td>
<td>710</td>
<td>1,000</td>
<td>500</td>
<td>1,000</td>
<td>900</td>
</tr>
<tr>
<td>Retirement account</td>
<td>4,400</td>
<td>7,500</td>
<td>1,800</td>
<td>10,500</td>
<td>7,000</td>
</tr>
<tr>
<td>Savings bonds</td>
<td>500</td>
<td>1,000</td>
<td>550</td>
<td>300</td>
<td>450</td>
</tr>
<tr>
<td>Cash value in life insurance</td>
<td>2,000</td>
<td>3,000</td>
<td>4,200</td>
<td>2,500</td>
<td>2,700</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>8,000</td>
<td>10,000</td>
<td>660</td>
<td>9,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Stocks</td>
<td>3,700</td>
<td>4,000</td>
<td>1,000</td>
<td>6,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Money market deposit accounts</td>
<td>600</td>
<td>3,000</td>
<td>200</td>
<td>2,090</td>
<td>2,000</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>4,000</td>
<td>2,200</td>
<td>1,000</td>
<td>1,800</td>
<td>2,500</td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>3,600</td>
<td>1,700</td>
<td>Na*</td>
<td>900</td>
<td>3,000</td>
</tr>
<tr>
<td>Bonds</td>
<td>2,900</td>
<td>3,000</td>
<td>Na*</td>
<td>N/A</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Mean Balances</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checking account</td>
<td>1,753</td>
<td>2,489</td>
<td>592</td>
<td>3,059</td>
<td>2,047</td>
</tr>
<tr>
<td>Savings account</td>
<td>2,876</td>
<td>4,793</td>
<td>2,033</td>
<td>4,153</td>
<td>3,760</td>
</tr>
<tr>
<td>Retirement account</td>
<td>13,902</td>
<td>24,036</td>
<td>5,115</td>
<td>33,045</td>
<td>22,403</td>
</tr>
<tr>
<td>Savings bonds</td>
<td>1,599</td>
<td>2,681</td>
<td>2,081</td>
<td>889</td>
<td>1,378</td>
</tr>
<tr>
<td>Cash value in life insurance</td>
<td>11,516</td>
<td>24,576</td>
<td>18,190</td>
<td>43,871</td>
<td>25,014</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>15,693</td>
<td>20,784</td>
<td>832</td>
<td>25,795</td>
<td>18,743</td>
</tr>
<tr>
<td>Stocks</td>
<td>13,395</td>
<td>20,097</td>
<td>6,942</td>
<td>86,648</td>
<td>38,450</td>
</tr>
</tbody>
</table>
Childless couples’ median checking account balances are double those of childless singles. This group typically has two wage-earners, not one. In this group, financial assets and incomes are also about double those of childless singles due to two-income families.

Among childless couples, 45 percent have retirement accounts, somewhat higher than among the childless singles group. Their median holdings of mutual funds and stocks rises to $14,000, about twice what they have in retirement accounts. Here we see that couples as well as singles are putting money into savings in addition to what they’ve got in retirement accounts. Their interest in mutual funds and stocks suggests that they want and need guidance in managing those assets.

Among single parents, only 55 percent have checking accounts. That means nearly half of this group does not have a checking account. Among those that do have checking accounts, the typical balance is a few hundred dollars. It appears that this group has a real need for transaction services. If there is a way the credit union can offer them services such as check cashing, money orders, stamps and envelopes, it could provide a much-needed assist to this segment of the young adult market.

About 20 percent of single parents hold retirement accounts, but their biggest financial asset is cash value of life insurance. The implication is that even though they’re likely to be financially strapped, single parents are concerned about their children’s financial welfare if something were to happen to them. They prepare for that eventuality by buying life insurance, primarily whole life policies. If you’re looking at marketing insurance or preparing a plan to reach out to this group, life insurance may be an appropriate product to highlight.

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**Figure 4-3 – Summary of Use of Financial Assets (continued)**

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>Childless singles</th>
<th>Childless couples</th>
<th>Single Parents</th>
<th>Couples with children</th>
<th>All 18-35</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market deposit accounts</td>
<td>3,232</td>
<td>7,319</td>
<td>1,062</td>
<td>14,083</td>
<td>8,945</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>8,349</td>
<td>8,774</td>
<td>3,169</td>
<td>9,870</td>
<td>11,192</td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>13,906</td>
<td>2,438</td>
<td>NA*</td>
<td>35,711</td>
<td>19,983</td>
</tr>
<tr>
<td>Bonds</td>
<td>15,854</td>
<td>2,667</td>
<td>NA*</td>
<td>71,225</td>
<td>35,752</td>
</tr>
</tbody>
</table>

While couples with children can be described as debt rich, they are also asset rich. They have the second highest percentage of checking accounts and the highest percentage of savings accounts. Their retirement accounts are much larger than those in the other three groups. Their median mutual fund and stock balances are $15,000. That’s 50 percent higher than the $10,000 they hold in retirement accounts. They may be financially strapped because they’re young and they have children, but they are also savers. Like other groups in our market segment, they are thinking ahead, and they don’t expect Social Security to be there for them when they retire. Single parents are buying life insurance, singles with no children are putting money into retirement accounts, and couples that have children are also planning for the future.

Marketing is going to become a key management strategy within the credit union industry in the decade to come. We’re going to have to segment markets much more scientifically and carefully, to appeal to a much more diverse membership. Within the young adult market, we’ve seen that there are several distinct groups marked by differences in marital status and the presence of children in the home.

Young adults’ needs are very different, and their use of services is very different depending on these variables. So instead of marketing to the whole young adult group for loans, we need to think about what part of the young adult group we’re targeting, and what kinds of products they need. On the asset side, we need to ask what part of this group we’re targeting and which credit union services are most important to them.

We need to capture data about members when they become members. Children’s accounts are a starting point through which to collect data on the family. In order to do more sophisticated marketing, we need more sophisticated information.

For example, tellers may be a very good source of data. They meet and talk to members every day. If we had an incentive system that rewarded tellers for gathering information on marital status, children in the home, and other meaningful statistics, we might be able evolve a better member profile.
DISCUSSION

PARTICIPANT: The big banks have created a whole system of personal bankers. In a previous position, I managed a $40 million portfolio of customers that I developed relationships with. I had information on each of my customers and every relationship they had with the bank. There were notations on how many children they had, what their age was, and other pertinent data. My job as a personal banker was to talk with customers and find out when they were going on vacation, when were the kids going off to college, and making notes in the file to build the relationship.

PARTICIPANT: Financial institutions sometimes try to identify families with small children by offering to deposit money into a savings account for the child. We can’t identify everybody that way, but the theory in banking is that households with children are the best customers for consumer lending.

PARTICIPANT: If we access our loan applications we may find these questions answered. Then, if we had a way to transfer that information to our main frame system we would have a wealth of market research data.

PARTICIPANT: We already have many loans on the system that don’t contain this information, so developing a database would take a long time. At our credit union, we know who 7,000 of our children’s club members are, but we still don’t know enough about the rest of the household.

PARTICIPANT: We collect part of the data manually. We get some of it from our system, but a lot of it is gathered from tracking sheets that our youth representatives gather at our student credit union. It’s a very labor intensive process, but we feel it’s worth the effort.
SESSION 5: Creating Credit Union Services Programs for Youth-30 Members

A WORKSHOP DISCUSSION

How can credit unions attract young adults and begin building relationships with them? What product or package of products is most effective in getting their attention, and then keeping them as members? How can we get the biggest payoff for product development and marketing dollars? Workshop participants discussed these and other issues related to attracting and servicing the youth-30 market. A set of strategies, products, services and channels emerged as key to making the credit union a lifelong component of young members’ financial plans. These strategies include:

- Student Credit Unions
- Used Automobile Loan Marketing
- Transaction Accounts
- Education Services
- First-Time Mortgage Loans
- Continuing Relationship Management

Outreach Strategy: STUDENT CREDIT UNIONS

Beth Bruesch, Vice President, Branch Administration, CP Federal Credit Union, Jackson, Michigan, talks about her credit union’s student credit union program. For the past 10 years, CP FCU has operated student credit unions in schools throughout Jackson County, now numbering a total of 31. CP FCU originally served Consumers Power, a local energy company. Later, it expanded to serve many different employers, groups and associations. The credit union has thirty five thousand members and $228 million in assets.

At CP Federal Credit Union, our student credit union program evolved from a small start at one school. Over time, the program grew to the point where we needed a full time person to handle it, then two people, then more. It’s been an evolutionary process, growing at a pace we felt we could manage. By growing slowly, we were able to measure our progress in various areas and use our experience to determine what worked and what did not.
CP Federal chose to be practical rather than elaborate in our student credit union program. In many of our schools the credit union is simply a folding table in the hall. We take our PC into the school, hook up to their fax line and dial into our computer. We put our banner up and we’re in business. Other schools give us a whole classroom in which to operate, along with a dedicated phone line. We work in concert with the resources and needs of the school.

At the policy level, we first had to convince our board to approve the student credit union program. Some board members were skeptical in the first years of the program. Fortunately, our board chairman at the time was a champion for the student credit union idea. He supported its development, and he was connected with the first school to join the program. That individual is now our CEO, so the program is assured of continuing support.

For the past three to four years support on our board has grown, because we’ve been able to show them dollars and cents benefits that the program returns on their investment. It’s grown over the years to a budget of $200,000. We have a new data processing system that allows us to track financial results. The board can also see growth in membership and relationships, with both students and parents in number of loans, magnitude of loans, and deposits.

**Promoting the Program**

We promote the student credit union program at every opportunity. For example, we ran a contest within the schools in which one student became a millionaire for a day. The contest was designed to encourage pupils to save. Each pupil who participated was entered every time they made a deposit. We then chose a finalist from each school. Each of the finalists won money and prizes.

Our grand prize winner was a second grade boy. We booked him on a local talk show, and he talked about what he was going to do with his money – he was going to put it in CP Federal Credit Union, and watch it grow. His picture ran in the local paper, and we had two local TV stations present for the award ceremony. We picked him up from his school in a limousine, took him to the credit union, and rolled out the red carpet. Our board agreed that this kind of publicity and community outreach is invaluable. It demonstrates to our community that we support their children, and gives us a chance to talk about the credit union difference.
The contest winner got to keep the million dollars in his account for 24 hours, and the interest it earned for that day. Pupils saw the miracle of interest at work, and what they can earn when they allow their money to work for them.

Expanding Product Availability

At the start we offered only our basic products through the student credit union program. About three years ago we began holding teacher-principal dinners. As we talked to students about their needs, we realized that teachers and principals also know a great deal about what the students want. In some ways, teachers are better judges of student needs than either children or their parents.

At our teacher-principal dinners we asked how we could help teachers with financial education, what they needed by way of resources, and what students were asking for. Teachers told us kids wanted an account that paid interest. They didn’t want to withdraw money, but they did want to make regular deposits.

Students wanted to be made to commit to regular deposits, and somebody to discipline them to deposit money every month. We worked out a program to accomplish that objective. Student feedback told us that something in the magnitude of $10 was reasonable. Two students joined with our marketing and member services departments to develop the product.

Students also said they wanted their savings accounts to be targeted for specific purposes. For example, used cars are a major life event for high school students. Through our program, they are able to save for a down payment on their first auto purchase. And we reward them with a discount on loans for the balance of the purchase price.

Our students are also saving for their education. To encourage education savings, we developed a program through which we provide colleges with up to $200 in scholarship money for each student member who saves their own money toward that goal. This also gives us an opportunity to provide them with information on our student program.

We have a similar program for savings accounts targeting first-time home ownership. This program awards a credit of $200 toward closing costs for members saving for the down payment on
a home. These programs are our way of giving young members rewards for saving for specific goals and major life events.

We also have a campus checking program for young members. Students told us that when they go away to school, limited ATM use was a big problem. Our campus checking program addresses that problem. It gives them unlimited use of the ATM, and free access to our online service. We’re on the CO-OP Network, so we can offer the program nationwide to members age 18 to 25. We monitor the program so that when members reach age 25 we send congratulations and put them into our regular program.

It’s been two years since we started developing these youth-specific products. We realize that our young members want more than basic savings products, and we are now exploring a loan program that will offer rewards similar to those included in our savings programs.

Planning for the Future

We operate under a strategic plan for our student loan program, including the number of schools we’re going to add over the next five years and what percentage of participation we want to achieve in each school. We work with seven school districts in Jackson County, Michigan. Our goal is to expand into all schools in the county.
**Outreach Strategy:**

**USED AUTOMOBILES**

Workshop participants consider a plan to attract and retain younger members through loans for first-time car buyers. Used auto loans may be the linchpin that establishes a relationship between teens and the credit union.

Purchasing a first used auto is an important event in the lives of teenage members, and it’s never too early to begin reaching out to them. Some marketers suggest starting the outreach effort in sixth grade, giving students background and education on smart shopping and buying practices. A used auto arguably has the widest market appeal to the teenage group, and great potential penetration.

**Capturing a Singular Life Event**

The objective is to establish a relationship with younger members. If the credit union can encourage them to save regularly as part of a first auto savings program, that link is established.

A used auto loan program for young adults also fits nicely into the credit union’s existing product portfolio. It is a product that is well known to credit union lending departments, and requires little new product development. The board and senior management can feel comfortable with an auto lending program, because they’ve been granting auto loans for decades.

A car loan also offers collateral, as opposed to unsecured products such as credit cards. And an auto loan program can be established without the ongoing expense associated with transaction accounts.

Today’s used car is perhaps the best dollar value for the consumer, in many ways better than a new car because as the new car market boomed, used car prices dropped. And a used car does not drop in value the moment it’s driven off the showroom floor. A new car can lose $4,000 of its value immediately. Finally, the credit union has some pricing flexibility in the used car market.

**The King (or Queen) of the Used Car Deal**

How does a credit union become the used car king or queen in its market area? Used cars are a big part of the psychology of young adults, and could be the point of entry to a lifelong
relationship with the credit union. Credit unions can do a number of things to capture the imagination – and the borrowing dollars – of younger members.

First, the credit union can offer the same rate on a used car as it does on a new car. From an economic standpoint, that’s easy to do. Today’s used cars last a long time. A five-year-old Honda has many miles and many years in its future. Along with same rate financing, loan policies may allow 100 percent financing and a discount on insurance. By reviewing its policies top to bottom, the credit union can determine whether those policies make it easy for young adults to get a loan, consistent with safety and soundness.

Next, reach out to young adults early in their financial lives. Communicate with them before the dealer makes a bargain with them. If the credit union doesn’t take the initiative to tell young adults why they should get their first used car loan with it, they may be lost to the competition for the rest of their lives.

Special car sale events are a great way to attract the attention of young adults. Bill the event as a special outreach to first-time car buyers, and invite several dealers to participate. Make sure marketing materials focus on the used auto market niche, and position the message to maximize the benefits of used car ownership.

Communicate with parents, too. Parents have the experience and knowledge that kids may lack. The vehicle may even be in Mom or Dad’s name. Parents want to know whether this is a safe vehicle for their child, because parents know the driving habits of youngsters. They want to make sure, for example, that brakes and tires are good.

Take special care to educate younger members on how to buy a used car. Tell them how to give it a safety check, what specific points to look for, and how to hone their negotiating skills. Investigate partnership relationships with driver education programs in area schools.

One way in which the credit union can educate its younger members to prepare them for buying a first car is to offer a seminar on used car buying, including negotiating skills. Parents are likely to get involved in this kind of program, too.

One credit union invited car dealers to bring in different types and ages of used vehicles, from very old to relatively new. The students
were then asked to list all the costs involved in owning each vehicle. They were asked to calculate payments, insurance, maintenance and other costs involved in owning the vehicle. They were surprised to see the impact of owning a newer model car on their budget. The car dealers were willing to participate because it gave them positive publicity.

Offering an auto inspection service through the credit union is another helpful practice. A teen may fall in love with a car on the basis of appearance, but if a mechanic finds a brake problem, for example, the student may change his mind about the car.

Research the media to choose appropriate channels through which to communicate with young members. One credit union found that newspapers reached new car buyers most effectively, but to communicate with used car buyers, radio was a more efficient buy.

Another credit union partnered with a reliable used car dealership by placing a branch on the dealer’s lot. The dealership sought out the credit union’s credibility, and the credit union saw the benefits of having a branch at the point of sale. That branch currently does a greater volume in used car loans than any of the credit union’s other branches.

Pre-approval is another way to improve the credit union’s opportunities to finance used cars for young adults. The credit union can issue a draft to be applied to the individual’s credit limit. This is an effective form of first-time buyer promotion. Pre-approval captures the loan before the buyer goes onto the used car lot.
Outreach Strategy:
TRANSACTION ACCOUNTS

Transaction accounts are the most universally-used financial service for all classes of consumers, including younger age groups. Checking accounts have, in fact, been regarded as the key to establishing a primary financial institution relationship with consumers. Workshop participants explored potential strategies to attract young people through transaction accounts.

Some credit union marketers see checking accounts, with accompanying debit cards, as the key to capturing the youth market. A transaction account creates a package of convenience services that allows young adults to access their credit union any time, anywhere.

The transaction package includes physical checks and debit or credit cards. The package gives credit unions the opportunity to differentiate themselves from the competition. A checking account is a product the consumer uses and thinks about virtually every day. It gives the user frequent reasons to contact the credit union, either in person or through remote channels. For the credit union, a transaction account provides a better understanding of the member’s overall financial life based on his or her deposit and debit history. The successful marketer invests in building a transaction relationship at an early age so that it can be developed over time.

Project Differentiation

One of the challenges to creating an effective transaction account relationship is differentiating the product from those offered by other financial institutions. The package must be unique and exciting. To achieve a difference in the minds of young adults, one strategy is to find ways to allow high levels of ATM transactions at low-or-no cost. Transaction limitations are critical in this group, both debit and ATM. Statistics show that the number of checks being written is diminishing, but the number of debit card transactions is steadily increasing. Younger people are less likely to carry around a checkbook, and more likely to swipe a card at McDonald’s.

The credit union can help its younger members to understand that a debit card is a checking account, and an ATM card is a tool to
access their money. The convenience feature creates high interest in obtaining and using these tools.

Young adults are also looking for an organization that offers training and education on how to manage their checking account. They want tips on how to save money. The credit union can leverage what it knows about this group, such as their desire for independence and freedom, and incorporate those elements into its marketing messages. With a credit union transaction account, young members can go anywhere and have access to their money with a swipe. A marketing campaign might position the credit union transaction account as a ticket to freedom and independence.

**Bottom Line Issues**

But the credit union also needs to address profitability issues in a transaction package program. In recent discussions on the CUNA CFO Council listserv, the most profitable and most frequently-mentioned fee-based service cited was the NSF fee, a service often associated with younger members. For many credit unions, the good member who bounces two or three checks a month is their most profitable member. That individual has an income. Rather than taking away the member’s checking account, it might serve both the member and the credit union to continue the relationship. The objective is to balance the business interest of the credit union with a desire to serve the member’s perceived financial needs.

A related strategy might be to offer an overdraft privilege product. For those who find themselves chronically overdrawn, the service saves money because the member is not penalized twice for the same error. If the credit union returned the check, it would charge an NSF fee, and the business to which the check was written would charge them a returned item fee. One large California credit union has hired an overdraft coordinator whose primary responsibility is to manage overdrawn accounts and contact members personally to make sure they are not getting into serious financial trouble.

The youth market can be divided into two groups, one of which is employed and paid regularly. The other group is paid intermittently, either by their parents or by an employer. For the first group, the credit union can encourage electronic funds transfer from their employer. As a result, they deposit a paycheck regularly, thereby building a relationship.
Online banking and its associated services, such as bill presentment and payment, is another service that speaks loud and clear to young adult members as part of a transaction package. These services can be promoted as better than writing checks, because they offer a kind of forced account discipline. At the same time, a bill pay service involves cost to the credit union, and it is driven by use that can add up very quickly. As a precaution, the credit union may offer bill pay at reduced cost if the member has other relationships with the organization.

**Building Relationships**

A transaction package can be priced as part of the credit union’s relationship pricing strategy. If, for example, the member has a loan at the credit union, the package might be offered at no charge. If the transaction package is a price leader, it may be offered free in order to obtain other relationships with the member.

Life cycle stages also play a role in the total account package. At age 15 to 17, the credit union may offer a basic checking account with a debit card. At the age of 17 members may receive a special rate on a car loan, an education loan, or a credit card. At age 21 they may get bill pay services. That is one way to further segment the under-30 market. If at age 22 members still have only a basic checking account, their profit potential has not been realized, and the opportunity to build a long-term relationship is greatly diminished.

One credit union offers a product called a checkless checking account. If the member agrees to access that account exclusively by electronic means, such as debit card, Web site, and Web bill pay, there’s no charge for the service. By using these alternative means of access, credit union cost is minimized. And young members develop a habit of accessing their account remotely. Properly marketed, this service can lead to used auto loans, education loans and other credit union products.
Outreach Strategy:
EDUCATION LOANS

For the segment of young members planning to continue their education beyond high school, accumulating the financial resources to make higher education possible is a primary concern. Advice on this subject is often lacking or sub-par, and students are likely to be confused about the options available to them. Workshop participants developed the following strategies to create long term relationships with younger members through effective education loan programs.

More than one-half of credit union members have at least some college education. That statistic and the rapidly rising cost of higher education suggest an enormous market for student loans. There is a synergy between the student loan a member applies for at the time he or she enters college and the education savings account that helps pay part of the expense. Once the credit union has the member’s college savings account and student loan, it has established a solid basis for a long term relationship. It can help consolidate accumulated debt when the member leaves college and embarks upon a career, and follow the member through the rest of the financial life cycle.

An education loan has an impact on the member’s life over the long term. Therefore, it provides an excellent opportunity to engage in identifying members’ long term goals and objectives – for example, saving for a home and mapping out the future.

Marketing education loans needs to begin early in the young member’s life. The credit union might send a congratulatory letter to new parents or grandparents upon the birth of a child, suggesting that the baby get started off right with an education savings program. A small deposit in an education IRA grows to serve the needs of the child later. Parents and grandparents can be encouraged to talk to the credit union at this signal life event, while the issue is top-of-mind and they are filled with pride about the new arrival. The credit union can offer a needs assessment to determine how young members will be empowered to fulfill their educational dreams.
One credit union has a formal new baby program. The credit union staff reviews current birth announcements, then sends parents a $5 gift certificate on behalf of the baby, applicable to opening a savings account in his or her name.

**Off to College**

College loans have the advantage of being extremely inexpensive to initiate. All that's required of the credit union is funding. Student loans are a profitable product for which no underwriting is required, since they are guaranteed by the federal government.

But the education product package can include much more than government-guaranteed loans. With a student loan program anchoring the package, the credit union can tie in savings programs to finance college costs, personal loans, vehicle loans, and ultimately, real estate loans.

Cost to the credit union for embarking on a student loan program is virtually nonexistent. That makes the product attractive from a management standpoint, because the credit can enter this line of business at low cost and low risk.

To support an education services program, the credit union might consider supporting a scholarship program. A scholarship program calls attention to the credit union as a contributor to the needs of young adults, and to the community. It also creates interest among younger members in the corporate culture of the organization. The scholarship promotion packet can include an application for a student loan.

**Lending Opportunities**

Many young adults – and their parents – who come into the credit union to inquire about guaranteed student loans also need supplemental funds to buy items such as books or computer equipment. This gives the credit union additional opportunities to provide loans associated with the educational experience, another source of revenue.

A valuable service the credit union can offer to young members is education about education loans. Many young adults report that the student loan process is extremely confusing and intimidating. They sign on the dotted line when presented with an application in the college financial counselor’s office because
they don’t understand the process. They would greatly appreciate help in learning the details from a knowledgeable advisor. The credit union can help make the student loan application experience user friendly.

One credit union offers educational seminars that serve as a learning experience for members and as a business development activity for the credit union. Each branch manager contacts high schools in the area and inquires about their college night activities. The credit union requests a place in the event, either with an information booth or with a presentation on student loans. Through displays, conversations and presentations, the credit union has opportunities to offer good information and to present its lender code number to student loan customers. The credit union also partners with a discount used textbook company through which it includes student loan fliers in used textbooks.
Outreach Strategy:  
FIRST MORTGAGE LOANS

As younger members form families and begin careers, their need for financial services continues to expand. For those in the twenty-to-thirty age group, a home – and the mortgage that makes a home possible – is a fundamental need. Workshop participants considered how credit unions might reach out to this age group with first mortgage and other real estate lending programs.

As young members proceed through their life cycle, their saving and borrowing needs expand. At age 12 their focus is likely to be on a new bike. At 16 that focus turns to a used car, and at 18 to higher education. By the time young members reach their mid-twenties, they are likely to be thinking about a down payment on a home, and a mortgage to finance the balance of the purchase.

To encourage younger members to start thinking about their own home, the credit union can offer a first-time home buyer certificate of deposit, to help them save for the all-important down payment. The special savings program can provide a premium rate and a low minimum to attract members who may not have accumulated large assets. The program might also offer no penalty for early withdrawal if the member gets a first mortgage at the credit union.

The first-time home buying experience offers tremendous opportunities for credit unions to establish a bond with young adult members. Future home equity gives tremendous borrowing power to the young member. Over the course of their lives, members are likely to use their home equity in a variety of ways, including second mortgages and home equity lines of credit. Each time they access their equity presents an opportunity for the credit union to cross-sell a variety of other products and services.

As databases continue to be refined and expanded, as credit unions come to know more and more about their members’ financial needs and develop new products to serve those needs, the opportunities for cross-selling expand exponentially. The loan officer becomes a financial advisor, and concentrates on building relationships rather than on single product sales.

Another consideration in offering a first-time home loan program is the magnitude of real estate loan accounts. The average account
balance on a mortgage may be more than $100,000, far exceeding the size of the average personal or auto loan. Whether the credit union elects to sell its mortgages into the secondary market, or hold them on its books as part of its portfolio, mortgage lending can be a very profitable line of business.

In addition, the financial services community is finding that mortgage lending is a key to becoming the primary financial institution for consumers. Mortgages and home equity lines of credit have supplanted checking accounts in defining PFI.

A subsequent HELOC offers a number of advantages for both the member and the credit union, not the least of which is its potential tax deductibility. The credit union’s job is to craft a loan in a way that makes the most sense for the member. If a member wants to buy a $25,000 vehicle and they have $100,000 in home equity, the credit union should offer a home equity loan as an option, and point out its tax advantages and lower rates. For the credit union, such a loan is also more secure, and cements the longer term relationship with the member.

A trend survey of lending managers by CUNA Research Services includes a question on how real estate borrowing is being used to finance consumer purchases. About three-quarters of lending managers report an increasing use of real estate equity rather than personal loans and credit cards to finance consumer purchases such as cars. The implications are clear: consumers are relying on the equity in their homes to finance a broad array of purchases, from vacations to automobiles.

Outreach Strategy:
CONTINUING RELATIONSHIP MANAGEMENT

The specific strategies detailed above suggest an opportunity to secure the future of the credit union and at the same time serve the financial needs of younger members. These programs build upon one another to create relationships that will endure for decades. While the particular services offered to younger members may vary from one credit union to another depending upon field of membership, economic conditions and other factors, the critical task is to create a program that will serve younger members at each stage of their life cycle.

Once the credit union has attracted young members through programs such as used auto loans, student credit unions, education loans, transaction accounts and first-time homeowner programs, it has a continuing responsibility to serve these members with products and services that will make them lifelong credit union members. Management must remember that a majority of members have business relationships with banks as well. Filene research indicates that households that use both a bank and a credit union have higher income and wealth than households that use only a credit union or only a bank. As households accumulate wealth, they often increase the number of institutions they use. The task for credit unions is to maintain their share of total household wallet as assets grow.

When talking to young adults, one preference that’s heard time and again is that the institution talk to the member directly, keeping member needs and desires in mind. Young Americans want the respect that accompanies making their own decisions. In communicating with young members, much can be accomplished with little things: A loan officer’s attitude during the application process, addressing student loan mailings to young members instead of to their parents, choosing communication media to which young adults relate.

Young adults know that the stakes rise as they make more substantial financial decisions, and they want to take that responsibility. As their decision-making skills develop, they grow in terms not only of what they need, but also in terms of who they want to help them achieve their goals. If the credit union is there
for them now, they will repay its counsel and advice later with long term loyalty.

As the credit union serves young adults in each phase of their life cycle (teens, college students, young adults) it must also look forward to the kinds of services they are likely to need in the next phase of that cycle. The successful financial marketer anticipates future needs, and begins to educate the young person about them even before those needs are recognized and confronted. To do that, the credit union might examine youth spending habits, using its own member data and research available in the marketplace. Look at spending and lifestyle habits. A data system may be capable of developing a product acquisition timeline, to forecast typical products that follow the opening of a checking account.

It is also important to thank young adults for their business. When they make prompt payments on a loan over a period of 12 months, for example, the credit union can send them a message telling them that their promptness has helped them in terms of how they will be viewed when they apply for future loans. In this way, the credit union shows that there is a payoff for behaving responsibly, and educates the young member with respect to sound financial management.

One credit union initiates a series of letters that are automatically generated when members approach the successful completion of their loan payment schedule, or when a certificate of deposit is about to renew. The message is a sincere thank you for dealing with the credit union, and solicits their future business.

Other communications vehicles include a question hotline for young adults, links on the credit union’s Web site to information about scholarships and student loans, and Googolplex information online (www.cuna.org). The credit union might also consider a special student page on its own Web site. Some Web sites focus on life events, such as marriage and becoming a parent. These sites offer tips to successful management of life events.

One credit union has introduced a kit to attract 18 to 34 year olds as primary members. The kit includes simple instructions moving a checking account to the credit union, a daunting task for many young adults. If the credit union makes that process as painless as possible it might convert a one-service household to a PFI household by making the process quick and easy.
A key event that often results in the loss of young members is high school graduation, and the move to college or the world of work. This is a time to communicate with young members, to reassure them that the credit union is there for them and wants to continue to serve their financial needs as they enter adulthood. If the young person is moving out of state they will appreciate tips on how to keep in touch with the credit union. A going-away-to-college kit, including tips on the moving process, settling into a new residence, and how to make the most of their money in a new environment gives valuable information on a life transition. The kit should also include information on how they can access their credit union account while away, and give locations where they can use their ATM card. A discount on a long distance calling card is another valuable service.

One credit union focuses on 18 to 34 year olds in the new member process. When an individual comes into the credit union to open an account, the member service representative evaluates the member's needs and tries to match specific credit union services to those needs. The representative may ask the member if they've ever seen their own credit report, and offer to pull one for them. Once that is done, the credit union has a wealth of information about the new member.

During this process, it is extremely important to do more listening than talking. The credit union needs first to discover what the member's needs are, then offer possible solutions at every life stage.
Resources

CUNA & Affiliates’ Web site www.cuna.org contains a wealth of information on youth programs. Click on Youth Education, and find Programs and Products for Youth; National Credit Union Youth Week; Desjardins Youth Financial Education Award; Online Director of Credit Unions with In-School Branches; Youth Education & Marketing Information; and Links to Affiliates & Partners Serving Youth.

CUNA Marketing Council listserv www.cuna.org/data/cu/councils/. An interactive membership forum to exchange views on marketing topics.


2001 Youth and Seniors Marketing: Survey Report – Credit Union Executive Journal, CUNA & Affiliates. Addresses key questions regarding the youth market segment, including how well credit unions are serving the youth market, how widespread youth and student based credit unions are.

Targeting Young Members, by Mark Arnold and Taylor Wells, Dallas Postal Credit Union – A CUNA Marketing Council white paper on young members. Sets forth compelling reasons credit unions should build relationships with younger members, suggests programs for young members, details specific youth programs and financial products.

Marketing Across the Generations: Youth – CUNA & Affiliates Center for Professional Development.
About the Presenters

**Vicki Lenz Joyal** is Vice President, Research Services for CUNA & Affiliates. She provides market research services and strategic intelligence to credit unions, leagues, and internal CUNA & Affiliates departments. She oversees CUNA’s market research functions and the Information Resource Center (IRC).

Under Joyal’s direction, CUNA Research Services provides primary market research services, and conducts background research, credit union market analysis, and policy research. It also houses and maintains archives for the credit union movement. Joyal is the relationship manager for the TowerGroup, one of CUNA’s strategic intelligence providers. She is also the project director and publisher of CUNA’s annual Credit Union Environmental Scan.

Before joining CUNA in 1988, Joyal held research positions with AAL, a financial services organization in Appleton, Wisconsin; and with the State of Wisconsin. She has a master’s degree in public policy and affairs, with an emphasis on policy analysis for the University of Wisconsin-Madison.

**William A. Kelly, Jr.** is Director of the Center for Credit Union Research, University of Wisconsin-Madison. He received his B.A. in economics from Rice University. After serving in the U.S. Air Force, he earned a Ph.D. in economics from the University of North Carolina at Chapel Hill. He taught economics and finance, serving on the faculties at Rice University, The University of North Carolina at Chapel Hill, Penn State University, and Clemson. His teaching and research fields were Money and Banking, and Financial Markets and Institutions.


He is also the author of Macroeconomics, a textbook published by Prentice-Hall. Dr. Kelly has extensive credit union experience as Executive Director of the Filene Research Institute, Vice-
President and Senior Economist, Economics and Statistics Department of CUNA & Affiliates.

**Michael A. Millis** is President of Solstice Training. He was previously director of councils and executive education for CUNA’s Center for Professional Development (CPD). In that capacity, he guided the direction, development, administration and marketing of CUNA Councils and executive level schools, seminars, institutes, workshops and conferences. He was a frequent presenter at national and regional programs sponsored by CUNA, the leagues, CU chapters, and other organizations. His areas of expertise include corporate training and development, communication, ethics, leadership, and marketing.

Millis previously served as manager and director of Educational Programs and Events, and as director of educational resources in CPD. In these positions he worked with staff to strategically develop and administer training programs in both classroom and print-based delivery channels.

**Pam Schnagl** is Research Manager in the MEMBERS Enterprise at CUNA Mutual Group. She designs and coordinates research efforts directed at increasing understanding of the lending market. Recently her research has focused on analyzing trends in lending strategies, understanding the lending product and service priorities of credit unions, and generational marketing.

Prior to joining CUNA Mutual, Schnagl was a researcher in the utility and health care industries. She has worked in the private sector and for government regulatory agencies. She has been involved in research that impacts distribution, marketing, service and policy decisions.

Schnagl hold a Bachelor of Science degree in sociology, a Master of Science in Sociology, and an MBS in Marketing from the University of Wisconsin-Madison. She is a member of the American Marketing Association.
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**YOUNG ADULTS WORKSHOP**

**September 18-19, 2002**

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