

2019

# CEO Strategies Week



## CEO Roundtable: Scribe Notes

### Scribe Name

Esteban Camargo

### Group #1

Name	Credit Union
Bill Burke	Day Air CU
Mark Richter	First United CU
April Tompkins	Services Center FCU
Nelson Tavares	Taunton FCU
Ken Acker	TruChoice FCU
Tracy Miller	Kellogg Community CU

### Scribe Name

Julie Gessner

### Group #2

Name	Credit Union
Greg Gurka	Forest Area
Bill Bikolauk	1 <sup>st</sup> Community
Steve Cobb	BlueOx
Justin Bamford	HarborLight
Jodi Ritthaler	H.P.C

### Scribe Name

Barb Cooper

### Group #3

Name	Credit Union
John Rupert	Muskegon Co-Op FCU
Barb Page	Kent County CU
Dean Wilson	Focus CU
Kris Lewis	Allegan Community FCU
Peter Bernard	RKgoBig CUSO
Corinne Coyle	Advantage CU

## Scribe Name

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Emily Claus

## Group #4

Name	Credit Union
Vickie Schmitzer	Frankenmuth Credit Union
Scott Harriman	Cumberland County Credit Union
Chuck Papenfus	Inland Valley Credit Union
Leo Vaulin	CU*South

## Scribe Name

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Annalyn Hawkes

## Group #5

Name	Credit Union
Janet Borer	MEMBERS1st Community Credit Union
Kent Hartzler	Everence Federal Credit Union
Scott McFarland	Honor Credit Union
Carma Peters	Michigan Legacy Credit Union
Cathy Ellis	Meijer Credit Union

## Scribe Name

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Jalyn Lindeman

## Group #6

Name	Credit Union
Jim Miles	MidUSA CU
Linda Bodie	Element FCU
Rick Preble	RVA Financial
Carolyn Mikesell	Public Service CU
Robert Shane	ATL FCU

## Scribe Name

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Kristian Daniel

## Group #7

Name	Credit Union
Kim Hall	Tri-Cities Credit Union
Karen Browne	TBA Credit Union
Connie Taylor	First General Credit Union
Adam Johnson	Safe Harbor Credit Union

## Scribe Name

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Danielle Caliendo

## Group #8

Name	Credit Union
Kim Bourdo	Service 1 Federal Credit Union
Tom Gryp	Notre Dame Federal Credit Union
Thomas Flowers	Calhoun-Liberty Employees Credit Union
Scott Shelton	Members Source Credit Union
Liz Winner	Xtend
Patty Preuss	Filer Credit Union

## Scribe Name

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Peter Meyers

## Group #9

Name	Credit Union
Janelle Franke	River Valley
Page Bennett	Horizon Utah
Jeff Jorgensen	Sioux Empire
Chris Ison	Tahquamenon Area

## Topic #2

### Increasing Returns for Your Members



- What are the top 3 tactics a CEO could deploy to **radically increase returns to members** in 2020?
  
- What member groups do you think have the chance to see the biggest increases in the next 5 years?

**Topic #2**

You all have plans for consumers, but sometimes stumble when you talk to individuals face to face as owners

What does the owner's persona get out of supporting your organization, beyond vague good intentions?

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## What are the top 3 tactics a CEO could deploy to radically increase returns to members in 2020?

### Group #1

- Mark: Growth, because with growth comes economies of scale. But we need to define what “returns” mean. Dividends? Rates? I think the biggest impact comes from that dividend at the end of the year.
- Nelson: Rather than dividends or rates, I think giving back to the community and making it known is what’s giving back the most to members; investment in the community and helping those who need it.
- Ken: Our concern with dividends at the end of the year, is that in some cases, that dividend might only be \$5, and is that may seem like more of a slap in the face than getting nothing.
- Bill: Day Air has not gone down the path of dividends and that’s mostly due to circumstance. Since we’re close to the biggest credit union in the state who can make a big splash with a \$5M+ dividend, what will \$500k seem? From a financial standpoint, we’d rather segment the population of the credit union and reward those that do more for the credit union.
- Mark: How does the *member* define returns? We did a cash back credit card and that’s the one members want. We have a non-rewards card with lowest rate, rewards card with higher rate, and then a cash back card. Basically, it comes down to options: give the members the opportunity to choose how they get their returns.
- Nelson: It’s the fringe benefits like cash back cards that move the needle with members, not the core benefits like rates or dividends.
- Find a way to give back to members in the ways in which they participate with the credit union.
- When doing community engagement, give credit to the members for the work that’s being done, not the credit union itself; it’s their money that is going towards helping.
- Nelson: We have a structured giving plan and try to be as splashy as we can. Send the message out and you’ll get member engagement.

### Group #2

- Put the members first in your budget – That’s why we are here.
- Put processes in place with your staff to ensure the cooperative value is communicated in all you do with the member – onboarding, milestones, relationship lending.

- Invest in community initiatives and sponsorships – volunteer, grants, drives; we get more from these than from traditional advertising
- Think of returns as more than monetary – Services that can save members more than going someplace else.
- Establish infrastructures that make it easy for members to do business with you. Mobile, Home Banking, Call Centers.
- Making intellectual and financial investments that are aligned with the members we will have in the next 5 years.
  - Align business partnerships that will help you achieve (Medicare, advisory boards, financial counselors)
- Getting better at communicating in the way our members communicate; help them foresee and achieve their financial goals
- Member experiences: will the experiences of today be the same as they were 10 years ago?
- Rewarding Membership in Radically Ways:
  - Cash back options – match programs/rewarding electronic members for doing business with us and good behaviors.
  - Use Year End Dividends as a bonus to members (before the end of the year).
  - Reward by basis points based on years of membership.
- Pay members for business and referrals

### **Group #3**

- Reward “meaningful” members (Tiered Services/Marketing Clubs). Suggestion: Have CU\*BASE pay the Marketing Club Rate Benefits on an annual basis so the amount is higher in value – provides a better perception by the member.
- Consider using the standard bonus dividend or loan rebate programs as well. Make any dividend or loan rebate meaningful.
- Take a portion of earnings and donate to a charity. Select a list of local charities that members would choose – and market this effort
- Carma Peters: evaluate how we communicate with our members (too many branches that serve too few members is a waste of income), make the rewards apps more meaningful.
- Mark Richter: community involvement, products – diversify, engagement – target market and sell products accordingly.
- Randy: budget for a bonus dividend, not based on “if we have anything at the end of the year, we’ll pay a bonus dividend”
- **Ownership comments:**
  - Bob Fizzle: Show respect to your owners and use the returns to invest in the ‘company’.
    - What does “showing respect” mean?
  - Randy: Tactic 1: Clearly define what is an owner is at your credit union. Then show what portion of your or dividend is for being an owner.
  - Randy’s response to what he wants as an ‘owner’:
    - Want to respect the credit union
    - Offer the products/services that I want
    - Be democratic
    - Do business with other cooperatives
    - Have a financial plan for ME
- Critics say this is a rigged game.
- Randy: when the game in the marketplace changes, what are credit unions going to say that sets them apart that is different from what all credit unions have been saying? Include the spirit of ownership.
- Scott (Honor) ask the member how they want their dividend – check, loan payment, rewards card etc.
- Give a mobile app that is called ‘Ownership Dividend’.

#### Group #4

- The group decided that analysis on returns to members is very important but discussed more of the definition of such a return. What are the returns?
- Every member wants something different (lower loan rates, better access to products). What is a radical return to members? Having a mobile app before others? But not all members will want that.
- Credit unions need to categorize members and decide how to compensate each of these groups. One group can't be compensated more than others. If you value one over the other, you lose on group. Be consistent. Know your groups.

#### Group #5

- **Tactics**
  - Patronage dividend – no CUs in the group are currently doing this.
  - Tiered Rewards – one CU in group is currently doing this (Michigan Legacy).
  - Converting teller line to video - Provide leading technology & reduce operating expenses.
    - Carma: We is doing this since just 7% of transaction volume was through teller line. Also looking to go 24/7 and staff a call center to support.
  - Business Card – Thanks for being a member!
    - Scott: We hand cards to members, they redeem for \$20.
  - Points App Idea.
    - Carma: Similar to Starbucks rewards – members earn points for interactions. Member picks gift card they want and receive when points goal is met.
- Scott: We always say we give back every day with lower fees and better rates is classic, but we need more than that.
- Cathy: Where is the money coming from?
  - Charge base-only member a higher amount of maintenance fees. Encourage them to transition into lower-fee situation via tiered scoring and marketing higher engagement = lower fees.
- Scott: Would any of us be bold enough to say “I will target giving a \$1.5 million dividend in 2 years”? Budget for it and make it the investment back into the member.
- Kent: We need to make it worth it; members may ignore it if it is just \$8.12.

#### Group #6

- **Publicize the give back/patronage dividends in terms members understand;**
  - 1 – identify what it means to be an owner and/or differentiate owners vs. consumers, 2 – explain exactly what this means to members in their terms, 3 – give them rewards they are looking for, 4 – explain “budgeted” vs. “bonus” rewards; bonus being anything exceeding your pre-approved budget.
  - Chase CDs/Services, ensure loans and deposits are rewarded or reward based on member engagement level.
  - How can you tell the member upfront how much extra money you can make?
    - If you do X amount of business with the CU, you'll receive X in return.
  - Use DFCU as example: Running total on their website with plug and play calculator.
    - Also quantify at the CUSO level/build the core family.
  - Be sure to review and adapt your plan as times/ needs change
- **Drive financial education/ offer your assistance:**
  - Teach members how to increase/ correct credit.
  - Create/utilize an outbound service team – make it your responsibility to be there for your members.
  - Limit the ways members can be of risk (strict savings procedures/limitations to keep savings \$\$ higher for higher return?)

- Meet members where they need you/deliver their “wants” - Build trust from the top all the way down, profit share at the member level.
  - Rva saves 50k/yr from previous core with more functionality
- From Randy Karnes:
  - Be responsive to my request.
  - Have a plan for me – the owner – and show me that plan.
  - Drive my respect.
  - Be democratic.
  - Do business with other co-ops.

### **Group #7**

- We can begin to pay bonus dividends, and base it off if they have a loan or other criteria for how you can pay members. I know some credit unions have done this – however, it does not seem to be as catchy as it did.
- We need some type of other income that can generate to give back to members, such as rewards checking - however can credit unions justify the fees for this? Do they help in all areas to make this a successful program? We have been doing some advertising and coming in for rewards checking, and they are coming in for a reason. We also need to train staff to sell these types of products/services. Can we offer these types of services without vendors (as it is a HUGE cost to the credit union)?
- Offer unique loan products to the right members, listening to what members are saying and trust members. Using different names/terminology for members to identify these types of products that can increase returns.

### **Group #8**

- Giving back, PR from community outreach.
- Word of mouth, member testimonials.
- Lower a fee and publicize it – toot your own horn.
- Rethink what the CU is all about – can’t serve 2 masters – only thing CU needs to be is sustainable – generates more than needed to sustain, then give “extra” back to community.
  - Example – if you got a car loan, we will give you 1% cash back; if your mortgage is with us, we will pay the closing costs.
- Reset what CU is and should be – middleman between borrows and sellers. Run it lean to have more to give to members.
- Return to member is more than better deals, it’s the whole reason why the credit union is there.
- Set us apart from banks – we have the stuff to change it, we (as CEOs) need to start the change.
- Is this radical? Are these radical ideas? Something that the group is not catching – pushing the dialogue
- Part of a collaborative – essentially, we are all merged. You want to do that program I want to as well, let’s do it together.
- How much is too much? Retained earnings? ROI?
- There are ways to experiment around the fringe to see what works

### **Group #9**

- Be willing to fire some members.
  - How many of your members are leaches?
  - How do you find which members to retain?
- How does the average member know what you are going to do?
- Chris Ison: Re-evaluate your products and services.
- Have simple solutions:
  - One savings plan.
  - One loan plan.

- If it doesn't make us \$\$\$ we aren't doing it
- Do we need to do focus groups?
  - Some members are borrowers, others are savers.
- Janelle: How do you know what your members want?
- Jeff: What type of credit union are you?
  - Service, Savings, Loans, Rewards?
  - Who do you want to be?
- Page: We're afraid to piss off our members
  - Board members are afraid
  - The members are resilient
  - One or two people can be vocal and scare us off
- Page: If you're going to return to your members what is going to allow you to continue growing
  - You can reduce staff

## What member groups do you think have the chance to see the biggest increases in the next 5 years?

### Group #1

- Bill: the biggest returns will come to those with the most transactions.
- Bill: There's a tremendous risk of losing a lot as members age out.
- Nelson: The new member that was attracted to you for a rate offering, product, or other benefit – they're likely to see the biggest returns.
- Ken: Business members – they're ready to engage with us and will get those returns when we're ready.

### Group #2

- Business = Lending
- Seniors = Savings
- Students coming out of high school today.
- Youth lending encouraging and funding in their goals.

### Group #4

- There are three main groups. Borrowers, savers, transactors; everyone falls under those. Even introducing products, can you give loan products that change rate in the middle based on payment? If someone is a borrower and they move into being a transactor, do you compensate them for that? The more they do, the more they get.
- The group also decided that there are three ways members pay the co-op: money on deposit, loan, and fees. Scott said his credit union felt that members paying for fees were not getting a fair share. They made a way to cash in points, get fees back, and give them ways to cash in assets. They paid back 650,000 back in overdraft fees last year.
- The group then debated which of those groups was the most loyal, landing on the fee group, while also determining that savers are the least loyal because they move around a lot to get the best rates and that there is no barrier to moving. The highest earners for the dividends are transactors, the lowest is the money you have on deposit.
- Vickie from Frankenmuth noted, "What we give back to members is branches, convenient hours, trust banks, credit unions in schools with kids running the branches. The biggest thing is our communities – we have the advantage of small communities where we can make a difference. We are there for child/abuse causes, the museum, whatever is important to that town. We put the money into the



community. They call us, we come and provide the hands, and that's our advertising." Ultimately, her return to members isn't tangible cash, it's service/convenience/community outreach.

- Chuck agrees and says his credit union is striving to do that. The group decides that member return is a tangible amount. I think it's more of a feeling. The credit union needs to define it and be focused on it.

#### **Group #5**

- Kent: And like we talked about on the previous question – who is the “core” member?
- Carma: We give back over \$1,000,000 in fee waivers via tiered reward system. So we are having Xtend send members and individualized email once per quarter that tells them how much money they received in fee waivers.
- Group comments:
  - Charge member who is base-only higher.
  - Charge indirect member more money.
- If a member doesn't get a dividend check – let them know and ask them to engage with you.

#### **Group #6**

- Varies per credit union demographic.
- Business members.

#### **Group #7**

- Members who are frequently using their debit card, and members with checking accounts. Members who are getting multiple loans from the credit union.
- The average member needs to perform activity to pay for the increase, members need to be educated and trained on how to respond to members.
- Members who are keeping higher balances in their checking account and offering tiered services with their engagement. For example, if they are VIP level and have a loan, we are giving money back each month.

#### **Group #9**

- Are your members getting old?
  - If average age keeps getting older, you have to replace it.
- Culturally, in the United States, things are changing:
  - Goals are changing
  - Younger generations

## **Additional comments**

#### **Group #9**

- Janelle wanted to know if we could combine the login credentials for board sites & Analytics Booth, and then push CUSO Magazine with it.