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NEWS FROM THE CUNA MARKETING COUNCIL WINTER 2001

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Philanthropy as a Marketing Tool

By Marlee J. Ehrenfeld

Bank of America is running a distinctive marketing campaign in California. Television, radio and print ads all praise teachers and educators throughout the state. BofA has even created a TeacherFlex™ mortgage product to help teachers buy homes in the expensive California home market.

This type of marketing brings the best of corporate giving and philanthropy into a directed marketing campaign that grows sales and goodwill. The booming economy has allowed many companies to be more creative with community outreach dollars as well as more expansive with donations.

Just this year, a group of San Diego credit unions developed its own coalition cause marketing effort. The Credit Union Alliance (CUA) of San Diego is made up of 23 local credit unions that market the benefits of credit union membership collectively. Thirteen of its participants raised a record total of \$80,000 in support of a “Miracle Month of May” promotion. This annual program is sponsored by the Children’s Miracle Network (CMN) and provides financial assistance to hospitals that specialize in treating sick children. All proceeds go directly to Children’s Hospital of San Diego.

The thirteen CUA participants were involved with the local Credit Union for Kids effort. This year’s totals were approximately 59 percent above the projected goal of \$50,525.00. The majority of funds garnered by CUA

participants were received from “Miracle Balloons” – paper, balloon-shaped cutouts — which sold for a minimum of one dollar at credit union branch locations and over the telephone. The name of the donor was written onto the balloon and displayed in branch lobbies.

The final tally was also boosted by the introduction of online donations. Two CUA members, Cabrillo Credit Union and Santel Federal Credit Union, used their web sites to allow members to make secure online donations by simply logging on using their account number and password. The donations were then conveniently drawn from the members’ designated account.

Cause Marketing is an effective way to involve members and credit unions alike. Credit unions continue to be distinguished by the personalization of their services and community involvement. What better way to marry these two principles than through developing comprehensive cause marketing programs.



Marlee J. Ehrenfeld is President of MJE Marketing Services, San Diego, CA and will be a guest speaker at the CMC Conference on March 22, 2001.

Career ExCELL: The Next Level of Professional Development

Career ExCELL is a comprehensive new professional development tool for key credit union executive personnel. It was created through a joint effort between the CUNA Councils and The Cardwell Group, a credit union consulting firm with a history of cultivating top performers among credit union executives.

Those who serve as a credit union's top marketer, human resources professional, chief financial officer, head lender, chief operations officer and chief technology professional will find Career ExCELL's performance criteria and development strategies geared toward them. Career ExCELL even has a section outlining the competencies required for chief executive officer!

What's most interesting about Career ExCELL is that it has multiple uses. Along with being a career development tool, Career ExCELL can be used as a recruitment tool defining job descriptions. It can serve as an aid in staff coaching and counseling or as a strategic planning tool in organizational design and accountability models. Career ExCELL can also be used as an objective measurement tool for staff evaluations.

The research done in preparing Career ExCELL revealed a host of technical expectations required for each of the seven professions it covers. The program breaks down core competencies for each profession and

–the credit union movement's single most comprehensive professional development resource–

lists crucial sub-elements in those competencies. This information is presented on cards accompanying Career ExCELL's binder, with instructions on how to use the cards for macro-level assessment processes and training.

Mary Olson, Vice President of Marketing and Training for Delta Employees Credit Union, is enthusiastic about Career ExCELL. "We recently hired a new Human Resources Coordinator, and one of her first priorities was to rewrite job

descriptions. She found Career ExCELL to be so valuable in writing job descriptions that she is also using it to recruit new employees," says Olson. "I plan to share Career ExCELL with other managers so they can use it as a coaching and counseling tool. I've personally used it in my professional development to assess my current competencies and identify those I need to work on."

The credit union movement thrives due to its growing number of highly capable, visionary leaders. Career ExCELL was designed to be the credit union movement's single most comprehensive professional development resource for bringing others alongside those leaders.

For more information on the ExCELL program check out the cuna.org website under CUNA councils.

Increasing Your Volume of Accounts or Levels of Balances Does Not Necessarily Increase Your Profitability

By John Coffey and Gene Palm

You've probably heard the statement, "We're losing money but we'll make it up in volume!" As marketers in today's marketplace, it is no longer good enough to simply increase the number of accounts or the level of balances of the products at your credit union. You need to have the tools to help you make decisions that increase your credit union's profitability.

What kinds of profitability assumptions are used in your MCIF?

Unlike other businesses that sell tangible products, you sell intangible services. The income and expenses these intangible services generate are difficult to measure at the product level because your credit union's income statement and balance sheet aren't set up for this task. In light of this, you need to allocate or assign various types of income and expenses to your products. This is an art as well as a science!

Product profitability has four components:

Net Interest Income: This is by far the largest driver of profitability. It is the difference between the interest income that is generated from your loans and the interest expense that is paid on your deposits. There are various

means of calculating this at the product level, but the most accurate method is called historical funds transfer pricing (FTP). This method assigns a funding expense to a loan or funding income to a time deposit on the date the account was opened.

Non-interest Income: Your credit union probably has a detailed non-interest income statement that breaks out the fees generated by your products. However, these fees are not organized by product groupings. For instance, your NSF fees need to be allocated to your checking products and your late fees on loans need to be allocated to your loan products that generate late payments.

Non-interest Expense: Your credit union may also have a detailed non-interest expense statement that breaks out the costs of the credit union. Again, these costs are not organized by product groupings, which means you will have to allocate them.

For instance, you could allocate the cost of your loan collection personnel to your various loan portfolios that generated late payments and charge-offs. If most of your marketing efforts are geared toward increasing your credit union's deposits, you can allocate these expenses to your deposit products.

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MCIF: Part II, continued

Provision for Loan Losses: Unfortunately, some of your loans will need to be written off and the credit union needs to provide for this eventuality.

Some loan products such as unsecured personal loans will have a higher percentage of bad loans than home equity loans and this needs to be taken into consideration when allocating these expenses to your loan products.

How do you integrate your financial statements into your MCIF?

For your MCIF to calculate the profitability of individuals and households, it needs to contain product profitability assumptions in a useful format. Net-interest income and provision for loan losses will need to be broken down to percentages of balances for particular product groupings. Non-interest income and non-interest expenses need to be broken down to unit fees and unit costs that will be applied at the account and transaction levels.

How do you use profitability data within your MCIF?

There are three reports that are particularly helpful in understanding the profitability of your products and households:

Service Combination Report: This lists the most popular combinations and average profit of services purchased by your members. You might see that your share draft-home equity combination is generating a healthy amount of profit

each year.

Product Summary Report: This report can be used to identify your most profitable products. You can use this report to help you research which members are using these profitable products.

Profit Decile Report: This report shows the number of households and profit per decile (10 equal household portions). You might see that as few as 35% of your member households are providing all of your profit. You can then find out who these people are!



John J. Coffey, CPA and Gene Palm are the principals of Profit Resources, a consulting company that specializes in MCIF technologies. Learn more about MCIFs on the web at www.profitres.com.

John Coffey will be a guest speaker at the CMC Conference March 23, 2001, speaking on MCIF Use and Maximization.

Excitement Builds for the CMC Conference

The CUNA Marketing Council International Conference is quickly approaching.

With just a few months to go, conference organizers have finalized the schedule, confirmed a terrific roster of guest speakers and arranged the curriculum for four days of non-stop learning.

The 8th annual CMC conference will be held at the Hilton Torrey Pines Resort in La Jolla, California, from March 21 to March 24, 2011. Following the theme, “Blueprint for Success,” the conference will set out strategies to ensure credit union marketing success. Lectures, breakout sessions, mini workshops and plenty of networking opportunities are sure to make this year’s conference one of the best ever.

Participants who focus on the conference’s educational offerings will not be disappointed. Pre-Conference workshops will set the tone:

Statistical Segmentation & Targeting Techniques will teach the nuts and bolts of segmenting.

Marketing: By the Numbers will be geared toward marketers trying to make the most of e-commerce channels and the effective use of data.

Turbo Charging Business Development will cover the basics of developing a business plan then move on to more advanced levels including SEG profitability and service strategy criteria.



After Dr. Janet Lapp, President and CEO of CLD International opens the general session on Thursday, speaking on best-practice risk-taking that leads to success, breakout sessions will offer a choice of topics:

E-Mail Marketing: The New Killer App will show how to take advantage of e-mail as a marketing tool.

Strategies Within Your Community will discuss the value of networking and getting involved in your community.

Understanding the Balanced Scorecard—Measurement & Management in the Information Age will help you articulate your credit union’s strategy and achieve common goals.

Building a Research Plan will teach you how to design, evaluate and use research data effectively.

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CMC Conference, continued:

Friday's breakout sessions will be just as valuable:

MCIF Use and Maximization will introduce the concept of value-driven marketing as a holistic approach to database marketing.

Using Public Relations to Grow Your Credit Union will show you how to use public relations strategies for growth and brand awareness.

Is Your Career Blueprint Working for You? will explore the questions that help you achieve what you want from your professional life.

Media Buying by the Numbers will help you become a wizard of media buying, turning magical messages into effective results.

Before our closing speaker, Carol Y. Schillios, CEO of Schillios Consulting Group, talks about how to "outrun the lion," telling inspirational stories about real people who have made a difference in the credit union movement, Saturday will offer three great mini-workshops:

Asset Liability Management for Marketers will cover the basics of well-balanced ALM and how it can improve your credit union's profitability.

Lending Trends and Online Lending will focus on emerging trends, competitors and innovations in products and service.

2001: A Deposit Odyssey will teach the latest concepts and techniques in deposit acquisition.

The 2001 CMC conference promises to build a foundation of ideas and inspirations for everyone who attends. It is our chance to share, to learn, to explore and to have some fun. **Don't forget that registrations received before Feb. 19, 2001, will receive a discount!**

*CUNA Marketing Council's
International Marketing Conference*

**Blueprint
for Success**

March 21—24, 2001

Hilton Torrey Pines Resort

La Jolla, California

cunamarketingcouncil.org

Telemarketing for Credit Unions—Second in a Series

Making an Effective Telemarketing Call

By *Bill Vogeney, Fairwinds Credit Union*

Here are some of the keys to making a positive impression when you're calling credit union members.

Don't use a script!

I prefer having the employee sound natural to sounding mechanical. It's even okay if they stumble over a word or two. The key is the employee should have a few phrases rehearsed, like the opening statement. "Mrs. Smith, this is Bill Vogeney from FAIRWINDS Credit Union, how are you tonight? Do you have a moment to talk? The reason I'm calling is..." I also believe in having the employees introduce themselves by using their title. With this strategy, the member won't associate the employee with telemarketing.

Use a quick attention-getter.

Most people are a product of the television age, as we have a 5-7 minute attention span (before the next commercial). The attention-getter could be congratulating them on their new car purchase if you're using DMV information to generate a refinanced auto loan. It could be telling them about another member that saved \$250 a month with a home equity loan. Make it peppy!

Get the member to talk as soon as possible.

From the last issue, you'll remember most consumers don't like telemarketing because they are forced to listen to the caller for an extended period of time. First of all, ask if they have a moment to talk. Most members want to talk to their credit union. Ask them about their new car or what bills they have they would want to pay off.

Ask for the sale.

"Mrs. Smith, if we can lower your monthly payments by lowering the interest rate on your car loan, would you refinance it at FAIRWINDS?" "Mr. Jones, we'd love to have your home equity loan here. What can I do to earn your business?"

In the next issue, I'll tell you about an approach I developed for calls when you don't have a specific loan to sell. It's more of a relationship building call.

