



New Markets for Financial Services: *The Challenges of Innovation*



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Forum*
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Canada's Credit Unions



Credit Union Central of Canada

- National association for credit unions in nine out of 10 of Canada's provinces
- 521 credit unions and caisses populaires
- 4.9 million members
- Over 100 years
- Modern financial institutions
- Co-operative financial institutions



New Markets for Financial Services



Overview of this session

- Should you expand?
- Examples of innovation
- National Credit Union Innovation Award
- How credit unions can innovate



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Should you expand?

- Evaluate your current strength (Is it based on long-term trends?)
- Is there a need for your new product or service? What are competitors doing?
- Get ready to change
- Consider logistics (capital, staff, legal)



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Growth in a crowded market

- Credit union services are “commodities”
- Loans, mortgages, savings, investments are available at our competitors
- Must find ways to differentiate ourselves
- In Canada, the 5 largest banks dominate marketplace



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Attract new members

- Police Credit Union
- Restricted membership base
- Program to reach out to new police recruits (“cadets”)
- Pre-approved Cadet Training Loans
- More incentives for recruits depositing paycheques

the
Police
Credit Union



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Meeting local needs

- Eagle River Credit Union in Labrador
 - Smaller credit union
 - Rural community
 - Local bank branch closed
 - Fragile, resource-based economy
 - Community participation
 - Low delinquency, growth





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Giving life to an old idea

- ING Direct started in 1997
- Slogan: “Save Your Money[®]”
- Today: one million clients, 750 staff and over \$14 billion in assets



Saving money
shouldn't
cost money.

ING DIRECT
save your money



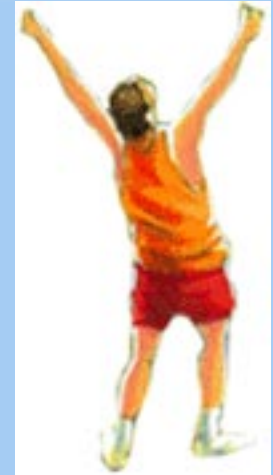


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A holistic approach

- Encourage members to complete a financial plan
- Life Events Financial Planner
- Define financial goals, stay disciplined, reach goals
- Credit union as financial advisor



LIFE EVENTS PLANNER



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Finding unserved markets

- Community Savings Credit Union
- Canadian Forces Base Suffield
- Access to an unserved community
- Military base provides \$120 million a year to the local economy
- Economic multiplier effect





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Micro loans/Microfinance

- Microfinance differs from small business lending
- Alterna C.U. micro loans program
 - Total loan portfolio \$325,000
 - Loans \$15,000 to \$1,000
 - Borrowers training



Alterna Savings
Caisse Alterna



New Markets



Significant life “events”

- MatriMoney a new C.U. product for engaged couples
- Weddings in U.S. average \$20,000
- MatriMoney is an interest-bearing account and gift registry for the couple
- Credit union opened two MatriMoney accounts a week



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Networking with business groups

- Central Star Credit Union
- Hispanic Chamber of Commerce
- Financial education, scholarships
- Patient approach
- Specific services for the community



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Networking with businesses

- Newfoundland and Labrador C.U.
- Energy-Efficient Mortgage
- The result of business networking and innovative thinking
- Credit union's Board acted quickly
- Business network used to market the product - presentations, trade shows



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Reaching out to women

- Credit unions were the first financial institutions in Canada make loans to women in their own names
- Ottawa Women's Credit Union
- Helps low-income women return to the work force
- Addressing challenges for women-owned small businesses



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Introduce a new product

- Daily interest savings account “Plan 24”
- Introduced in the 1960s
- Convenient for members with fluctuating cash balances
- First payroll deduction service - to automate loan payments, savings



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Services for Youth

- Hi 5 Youth Savings Account in U.S.
- To encourage savings in mid-, low-income families
- Monthly “matching” deposit
- Mandatory monthly savings, financial education
- Access to funds at age 18



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Addressing member concerns

- Debit card fraud
- MemberNote service
 - Instant message every time the debit card is used
 - Idea came from a credit union staff meeting
- Photos on debit cards

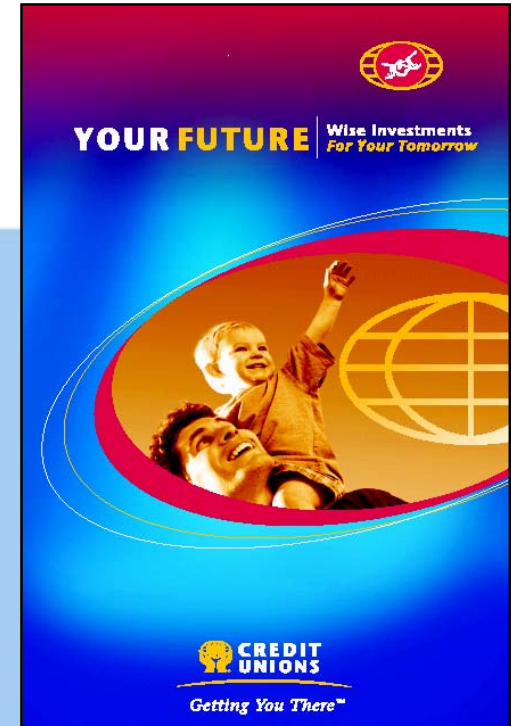


New Markets



Don't forget branding

- Branding is a long-term proposition
- Mirror your external branding campaign with an internal campaign
- Electronic channels
- Put your name out there in new ways
- Deliver on your brand promise





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National Credit Union Innovation Award

- Contributing to organizational and operational effectiveness
- 2006 - Energy-Efficient Mortgage
- 2005 - Community Builder Mortgage
- 2004 - Credit union youth program
- 2003 - Technology solution for commercial credit monitoring



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How credit unions can innovate

- Open communication
- Encourage flow of small ideas
- Challenge yourself
- Get frontline people involved
- Supportive Board of Directors



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Tips for innovation

Focus on member needs

Observe the marketplace

Implement - Don't just talk about it

Celebrate failure

Develop a culture of innovation

Learn from other industries



THANK YOU!

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