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Building Lasting Relationships with Members



Why do we want a "Member Relationship"?

- Generally, long term members are more profitable

Simply having long term members however does not guarantee success


The ultimate aim is to achieve member loyalty



How can we describe a loyal member?

Faithful, reliable, dependable, sincere, bonded, devoted....

From a credit union perspective, loyalty describes members who also exhibit certain economically beneficial behaviors



Council on Financial Competition data shows that

- 75% of loyal members will recommend your credit union to others
- 65% of loyal members will forgive the occasional mistake
- 90% of loyal members will come to you first for a financial product
- 40% of loyal members will not bother to check prices/products of competitors



The Case for Loyalty

- High Infidelity

\$1k term deposit rates


22-Jul-2010	30 days	90 days	180 days	270 days	1 year	
Institution	days	days	days	days	nom	off
	nom	nom	nom	nom	nom	
Bank South Australia	2.45	3.25	3.25	4.50	5.00NA	2.00
Australian Credit Union	3.00	3.50	3.50	3.50	5.10NH	0.15
Australian Defence CU	-	5.85	6.30	5.80	6.05NA	6.05
Banquefirst Community CU	4.30	4.55	5.05	4.30	5.25NA	5.25
Bank of Cavanus Australia	2.00	5.20	4.75	-	4.95NA	4.95
Bank of Queensland	0.40	1.00	1.10	1.10	1.25NA	1.25
BankSA	3.55	3.25	3.75	4.25	5.50NA	5.50
Bankwest	-	5.00	5.01	-	6.05NA	6.05
Banking Bank	0.50	0.50	1.00	1.00	1.20NH	1.25
CarriPenny Superbanks	3.50	4.50	5.60	4.50	6.10NA	6.10
Community CUP Australia	-	1.80	1.80	1.80	2.00NH	2.00
Community Mutual Group	3.75	4.00	4.25	4.25	4.25NH	4.25
Compassion CU	-	1.80	1.80	1.80	2.00NH	2.00
CUA	2.40	4.50	5.20	5.25	5.35NA	5.35
Defence Force CU	-	3.45	5.50	3.50	6.00NA	6.00
EQU Australia	3.05	5.15	5.50	-	6.00NH	6.15
IndoAsian Credit Union	-	4.35	4.35	4.50	4.80NA	4.80
Family First CU	-	2.00	2.00	-	-	-
FCU Credit Union	-	1.80	1.80	2.00	2.00NA	2.00
First Western CU	-	1.75	2.00	2.00	5.15NA	5.15
German Credit Union	-	5.45	5.50	-	6.00NA	6.00



The Case for Loyalty

- Lower Attrition = Higher Returns


- Positive correlation between keeping members and profitability
- Higher net interest margin
- Greater efficiency (less costly)
- Greater asset growth



Loyalty is Good for Business


Strong loyalty produces strong financial results

Well run CU's generate both loyalty and returns



Earning Member Loyalty

- Join, then resign
 - Member resignation is most likely in the first year
 - Poor service cited as the main reason to leave
 - Good service is the most important factor in generating loyalty, twice as important as rates/fees



Earning Member Loyalty


- What do members want ?

– Easy to deal with	5.0
– Is prompt	4.8
– Shows empathy	4.6
– Listens to me	4.2
– Reasonable prices	4.0
– Short application times	3.8
– Convenient branches	2.7



Earning Member Loyalty

- The right products and staff trained to
 - Listen
 - Understand
 - Identify member needs
 - Offer the right product




Earning Member Loyalty

- Monitor Performance
 - Member surveys
 - Identify member irritants (fees, poor service, inefficiency)
 - Rectify main irritants
 - Mystery shopping
 - Reward high performing staff
 - Listen to the member!




Earning Member Loyalty

- Early-Term Relationship Management
 - Between 4 and 6 contacts in first 6 months
 - After joining
 - After product issue
 - After loan funding
 - Before deposit maturity
 - etc



Earning Member Loyalty

- Reward Programs
 - Based on balances
 - Based on aggregate of business conducted
 - Based on length of membership
 - Based on number of products



Earning Member Loyalty

- The Common Bond – both opportunity and threat
 - Geographic, employment or trade based CU membership can itself cause a measure of loyalty
 - Word of mouth remains the most effective referral mechanism
 - Efficiently get the message to target audience
 - However, consumers much more likely to complain than to praise
 - Poor perception rapidly becomes major threat



At Your Service

Importance of high quality member service

Member Relationship Essentials

- Skilled and helpful staff
- Personalised, individual service



At Your Service


- The Tools of the Trade
 - Communicate with member facing staff
 - Regular product training
 - “Mystery shopping” and feedback
 - Let staff know member service is important and is monitored
 - Branch staff performance evaluation



Canadian Banks Survey 2002


Members Ranking

Courtesy and respect from staff	22.5%
24 hour account access	14.0%
ATM access	13.7%
Easy access to Branch	12.7%
Cost of service provided	11.7%
Interest Earned	7.5%



Focus on What's Important

- Service failure is the root cause of resignation
 - Reduce errors
 - Analyse problem areas by frequency and impact on members
 - Fix problems that affect members

 **Exploit your Knowledge**

- Product and service needs change over time
 - Maintain contact by indentifying life events
 - Examples are:
 - entering workforce
 - career change
 - marriage
 - first child
 - home purchase
 - family holiday
 - retirement
 - Maintain contact so as not to risk losing business to competitors


 **Marketing Strategies**
Recognisable identity – develop brand




 **McDonalds Logo – intended message**
“Fast food, clean restaurant, always open, child friendly”


Mercedes Logo – intended message
“Hi-tech, exclusive, luxury, engineering excellence”

How can a single image portray a consistent message?

 **Marketing Strategies**

- Consistent communication with members
- Statements, mail brochures, web, telephone
- Financial organisation must not be perceived as amateur
- Glossy brochures v sloppy actions
- Must be helpful, professional, consistent

 **select**
Credit Union



“Great service”
“Trusted financial advice”
“Helpful”
“Great value”
“My Credit Union”