



Building a Sales & Service Culture & Growing Non-Interest Income

July 2016



Thank you





Welcome

HILLSDALE

It's The People



WE ARE A
NONPROFIT * INDEPENDENT
THINK & DO TANK

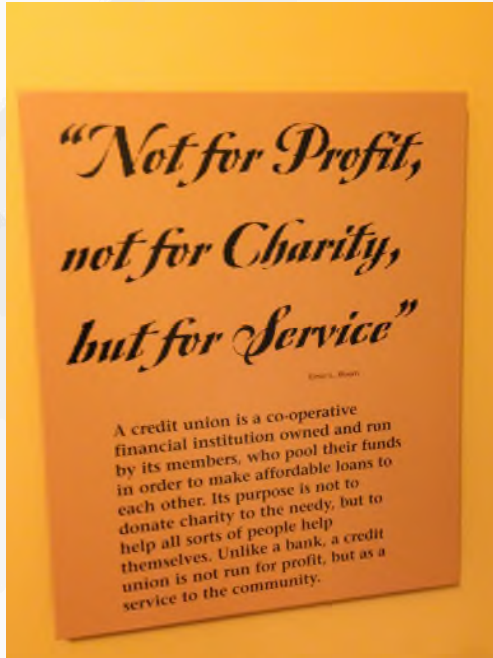
1000

**NEARLY
1,000
MEMBERS &
CONTRIBUTORS**



America's Credit Union Museum

Our Roots



There's Never Been a Better Time...

“Let us not fool ourselves. Credit unions are made of fine or average human character. We must every so often review our humble beginnings and rediscover what traits of human character made the present staffing growth of the credit unions possible. We must grow big, without growing “biggity.” We must constantly increase in size and potential power without ever losing sight of the individual borrower and his very personal problems. Having been entrusted with a few things, we must prove our worth to be master over many things. Credit unions are not banks, they are institutions of the people which are finer than any banks because they are operating way down at the level of the people. They are banking democracy and our great responsibility is to prove constantly our ability to operate in large fields with the same old fashioned honesty and simplicity which made credit unions so very exceptional in the beginning.”

- Roy Bergengren



Why Do Either of These Things Matter?

“The only source of competitive advantage is the one that can survive technology-fueled disruption: An obsession with customer experience.”

- Harley Manning, Forrester Research



Best Kept Secret



Omni-Channel. Nope: Omni-Presence.



55% ACROSS 60 COUNTRIES - PAY MORE TO DO
BUSINESS WITH THOSE THAT DO RIGHT BY THE WORLD

Rise of Values Banking



Trending: Credit Unions in 2025” Filene,
Rogers & Nat, October 2015

**78% OF MILLENNIALS RECOMMEND COMPANY BASED
ON THEIR INVOLVEMENT WITH SOCIETY**

Especially True for Millennials



“Trending: Credit Unions in 2025” Filene,
Rogers & Nat, October 2015



**Oxfam: 80 richest people as wealthy
as poorest half of the world**

Today's world: Struggling to Save

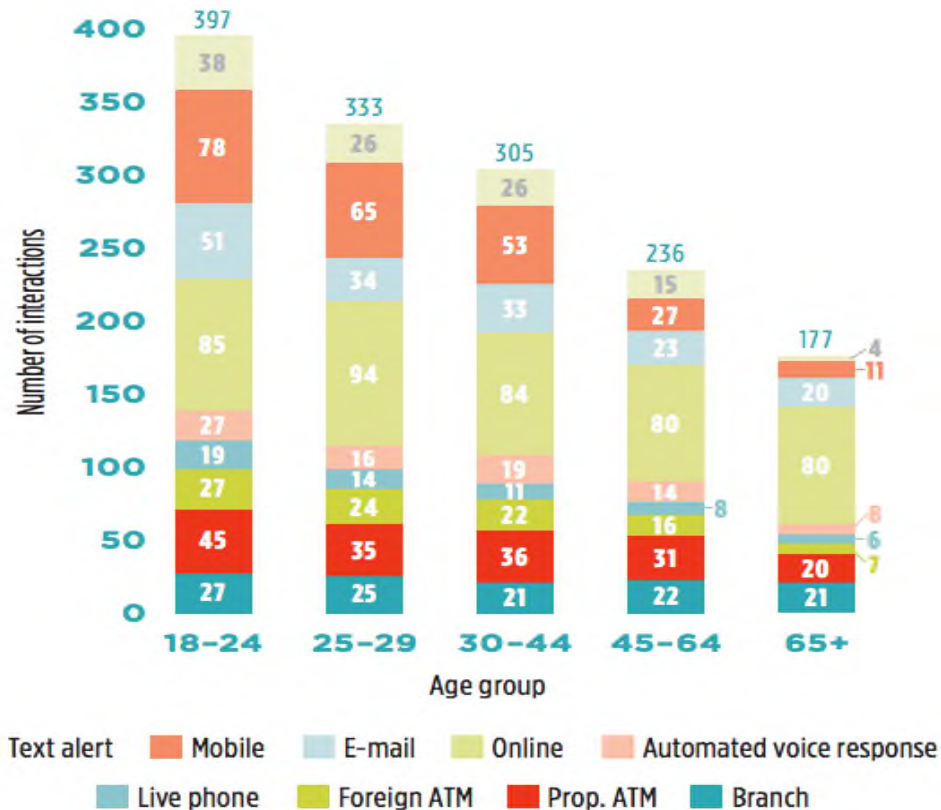


All Those Engagement Channels



Channels

SELF-REPORTED YEARLY INTERACTIONS BY AGE AND CHANNEL



The Future is Coming Fast

IN THE NEAR FUTURE

THE CONCLUSION

Branches Still Matter



But that Thing Called the Smart Phone...



Is Causing Expectations to Rapidly Evolve





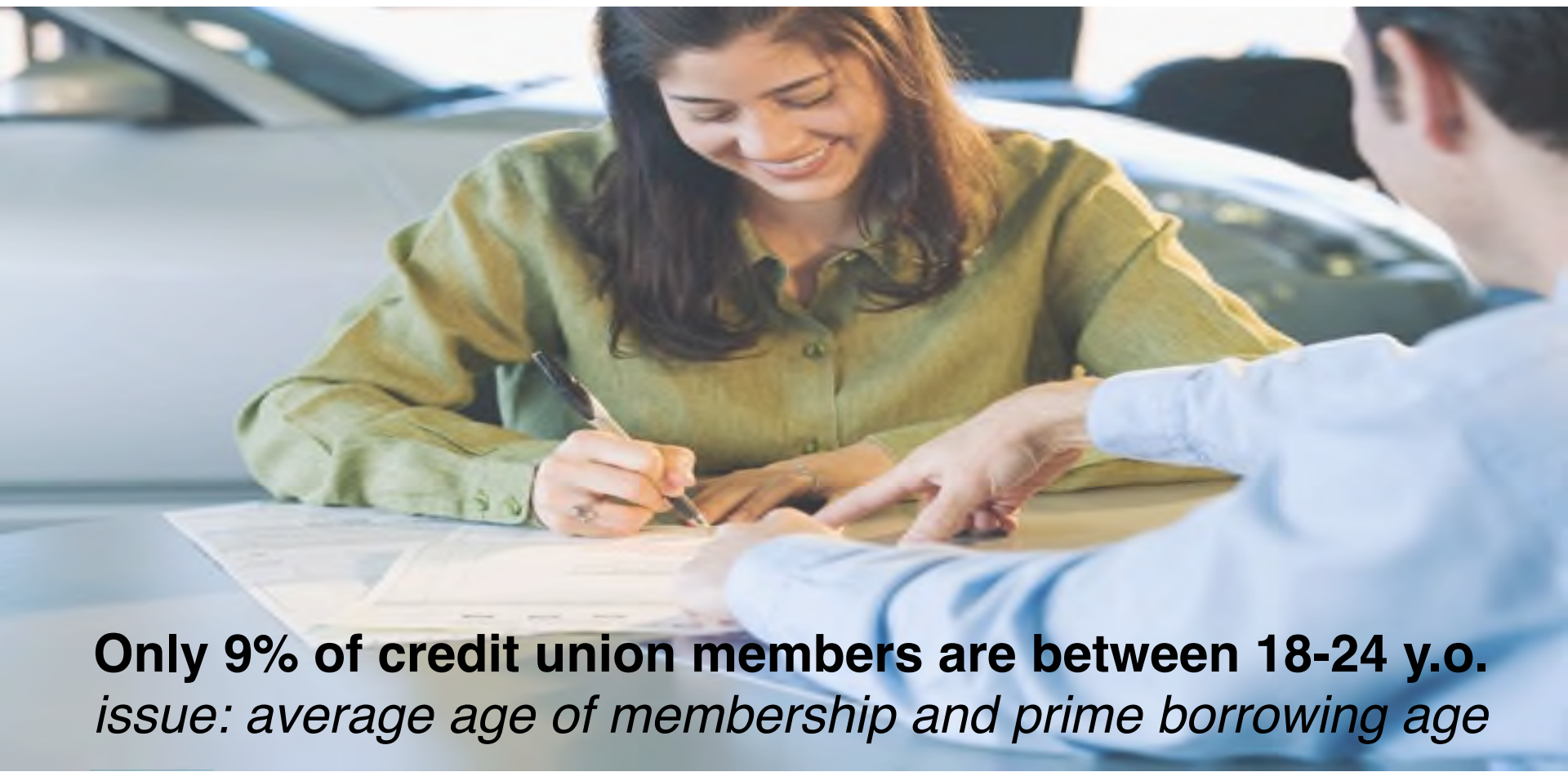
but 70%

of credit unions find
keeping up with
technology
challenging


In Just 10 Years Gen Y Will Account for 75% of the Work Force

yes, you need them





Only 9% of credit union members are between 18-24 y.o.
issue: average age of membership and prime borrowing age

A photograph of a person's midsection. They are wearing a bright green t-shirt and blue denim jeans. Their right hand is reaching into the back pocket of the jeans, pulling out a white, folded piece of fabric. The background is a plain, light-colored wall.

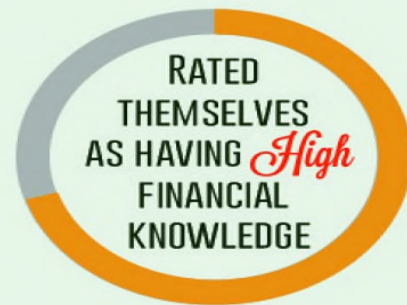
66% of all millennials
have at least one
source of outstanding
long term debt

74% SAY



“ I AM GOOD AT DEALING WITH DAY TO DAY FINANCIAL MATTERS, SUCH AS CHECKING ACCOUNTS, CREDIT AND DEBIT CARDS, AND TRACKING EXPENSES. ”

70% GEN YERS



but

WE ASKED THEM 5 SIMPLE FINANCIAL LITERACY QUESTIONS



ONLY 24%

ANSWERED THE FIRST 3 QUESTIONS CORRECTLY

AND ONLY 8%



OF GEN YERS ANSWERED ALL 5 QUESTIONS CORRECTLY



GENERATION Y IS OVERCONFIDENT

A Revenue-Generation Problem



Loan volume has grown for three straight years, yet interest income declined in each of those years.

HELLO!

My name is

Irrelevant



CU NPS \neq Long term relevance

Building a Sales & Service Culture



A black and white photograph of a swimmer in a black cap and goggles, splashing in the water. The swimmer is in a dynamic pose, with water splashing around their head and arms. The background is a bright, hazy sky.

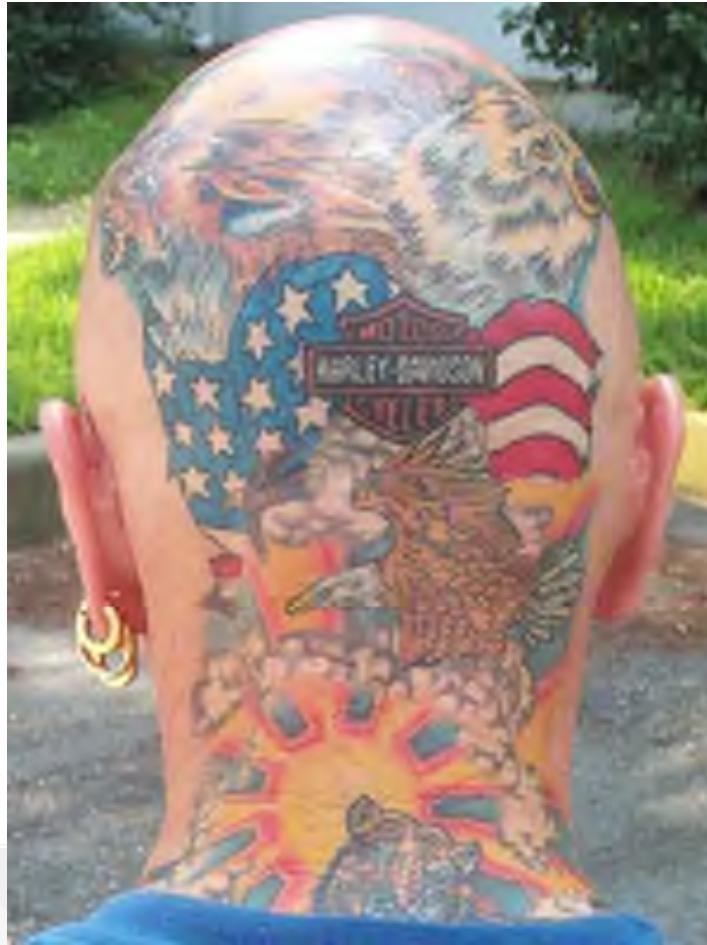
Where Does Experience Start?

You can't **Win** unless you
first **begin**. So start now.

Robin Sharma



Brand



THE EYES OF THE MEMBER

Member Centricity – Core to Us



IN ONE SENTENCE.

What's the Most Important Thing your Credit Union Does?

IMPORTANT
MESSAGE





Foundation: Strategy

- Board Support
- Executive Support
- Mission & Vision



Build the Infrastructure: Not an Activity or Program

Never regret. if it's good,
it's wonderful. if it's bad,
it's experience.

**In one sentence...what's
your experience?**



SO MUCH MORE THAN FAST, ACCURATE & FRIENDLY

Defining & Measuring “Service”

- Multi-Channel – Not Just People
- Net Promoter
- Wallet Allocation Rule
- Member Effort Score
- Internal & External

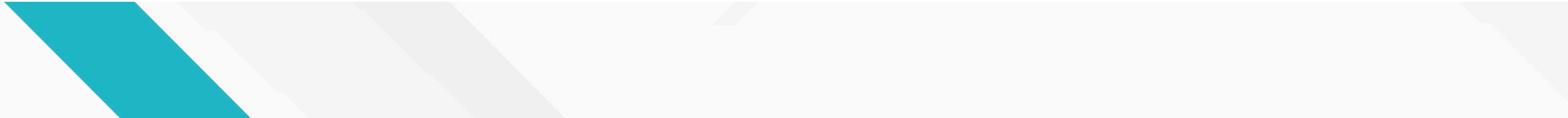


TOP 3-5 EXPERIENCES

Current Member Journey

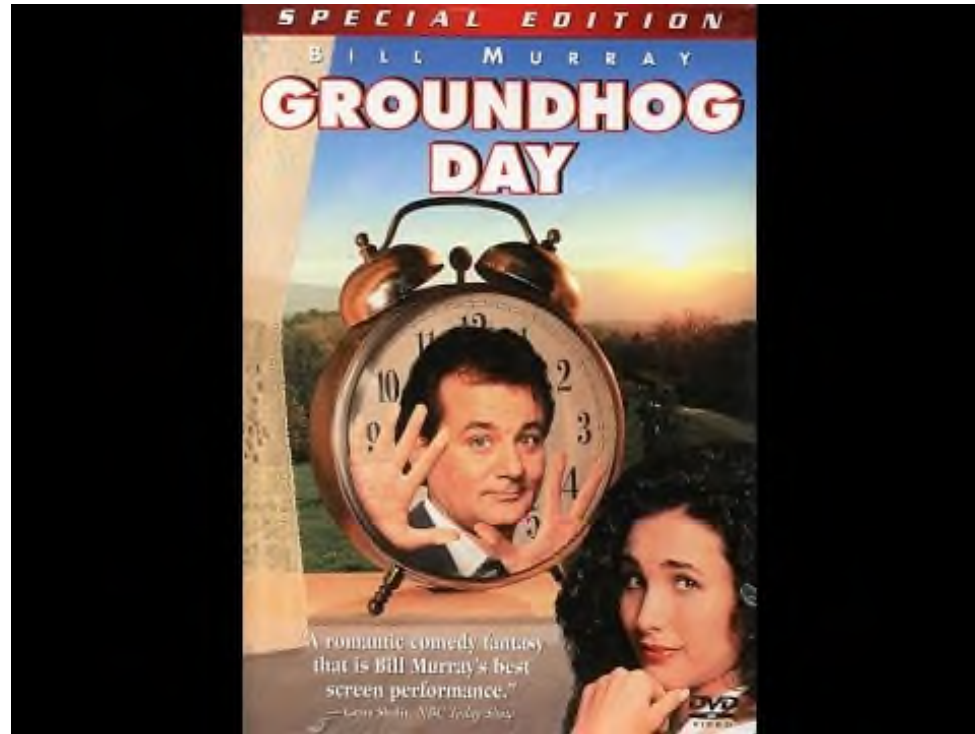
HALF OF CUSTOMERS EXPERIENCE ONE

The Big Three: Remove All Obstacles



MY MORTGAGE: ESCROW PAYMENT

Groundhog Day: Repeated Contact



Repetition

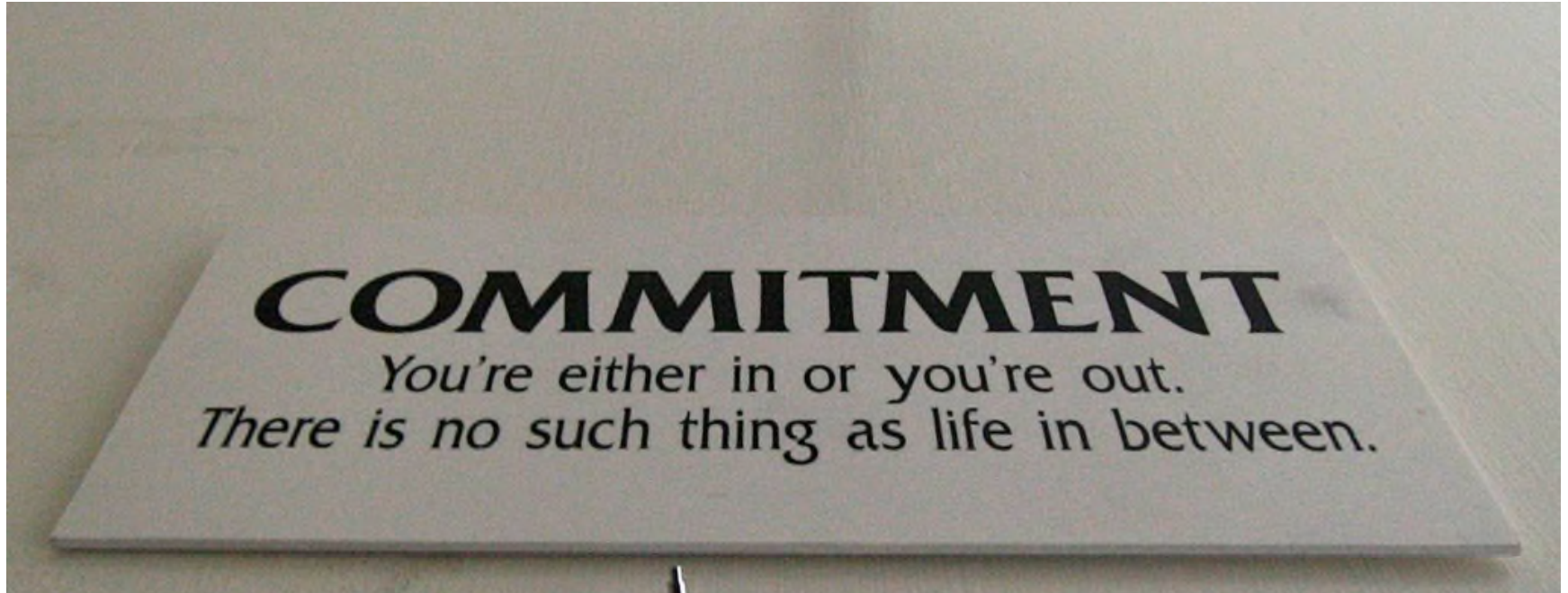


STUCK IN ONE CHANNEL - MOVE TO ANOTHER

Channel Thrashing



Service Commitments: What do You Expect?



Employee Survey



LEADER: HIGHLY AUTHORITATIVE OR HIGHLY CONSULTATIVE

Organizational Structure



Cross-Functional Member Experience



People, People, People

- SuperStar Seller Profile
- Mud Work
- Pre-Employment Testing
- Questions from your Profile
- Team Interview Process



Coaches: Why do We Need Them?



Sales Leaders

- Coaching
- Behaviors vs. Numbers
- Daily practice
- “Catching people doing it right”
- Shopping the Competition
- Coaching Roundtables



Product Knowledge



How Will We Know It's Working?

- 18-36 month process
- Milestones along the way
- Much you can measure AND it grows
 - Infrastructure Changes
 - Product Knowledge
 - External Service & Ease of Use
 - Internal Service Survey
 - Benchmarking – Incremental Improvements
 - Services/HH first 90 Days
 - Employee Survey

Goals & Tracking: Must Have Automated Mechanisms



Non-Interest Income



One Message: Member Centricity



SHEVLIN REPORT: 137 CREDIT UNIONS

The Revenue Growth Challenge

"You can't cut your way to growth... Cost cutting solves short-term profitability without building an engine for long-term growth. Stubbornly narrow interest rate margins mean that even credit unions that are growing loans are hungry for additional sources of revenue. Top-line growth is key for financial sustainability."

"Addressing the Revenue Growth Challenge" Filene, Shevlin, August 2014

Which products generate revenue for your credit union?

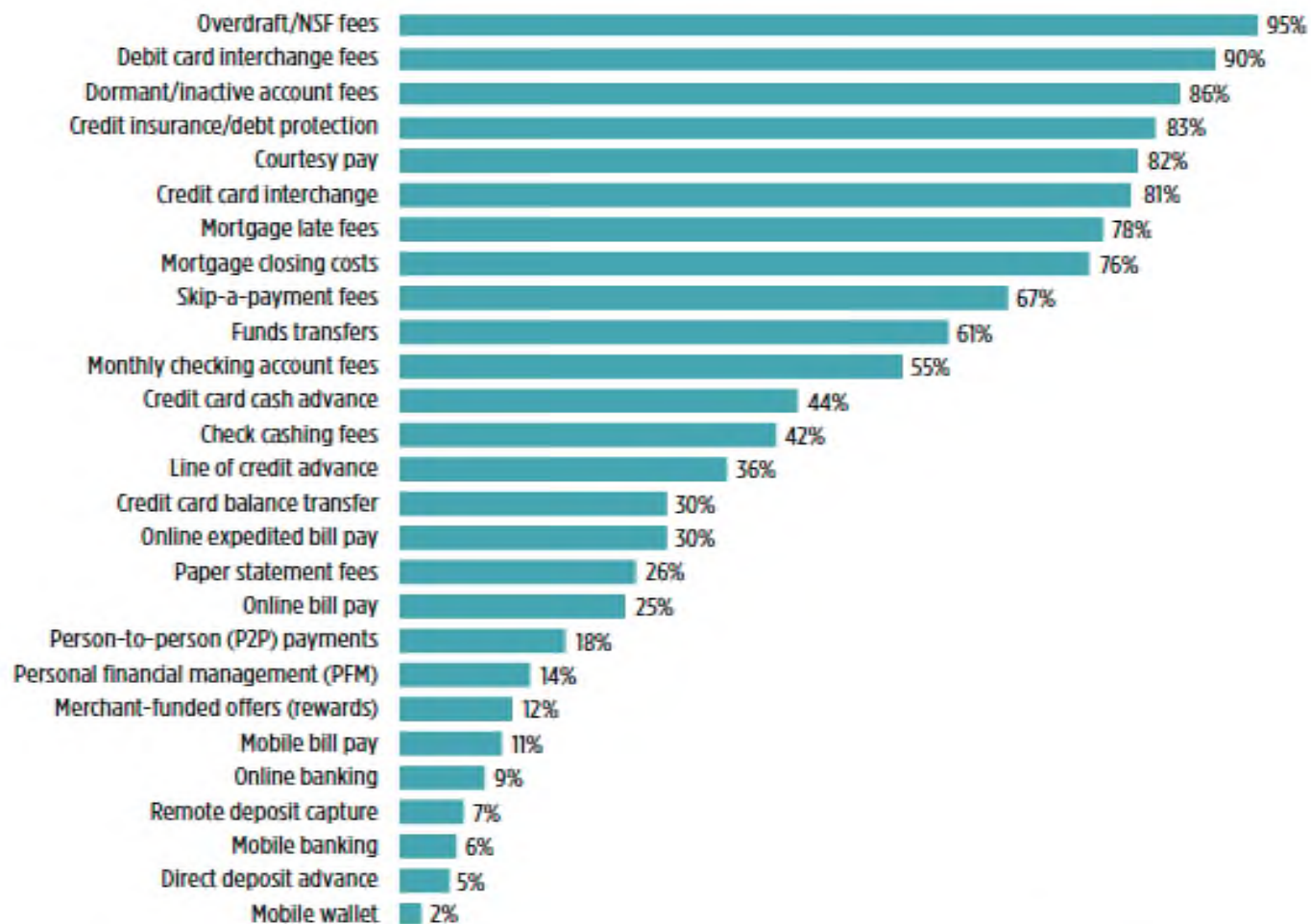


FIGURE 7

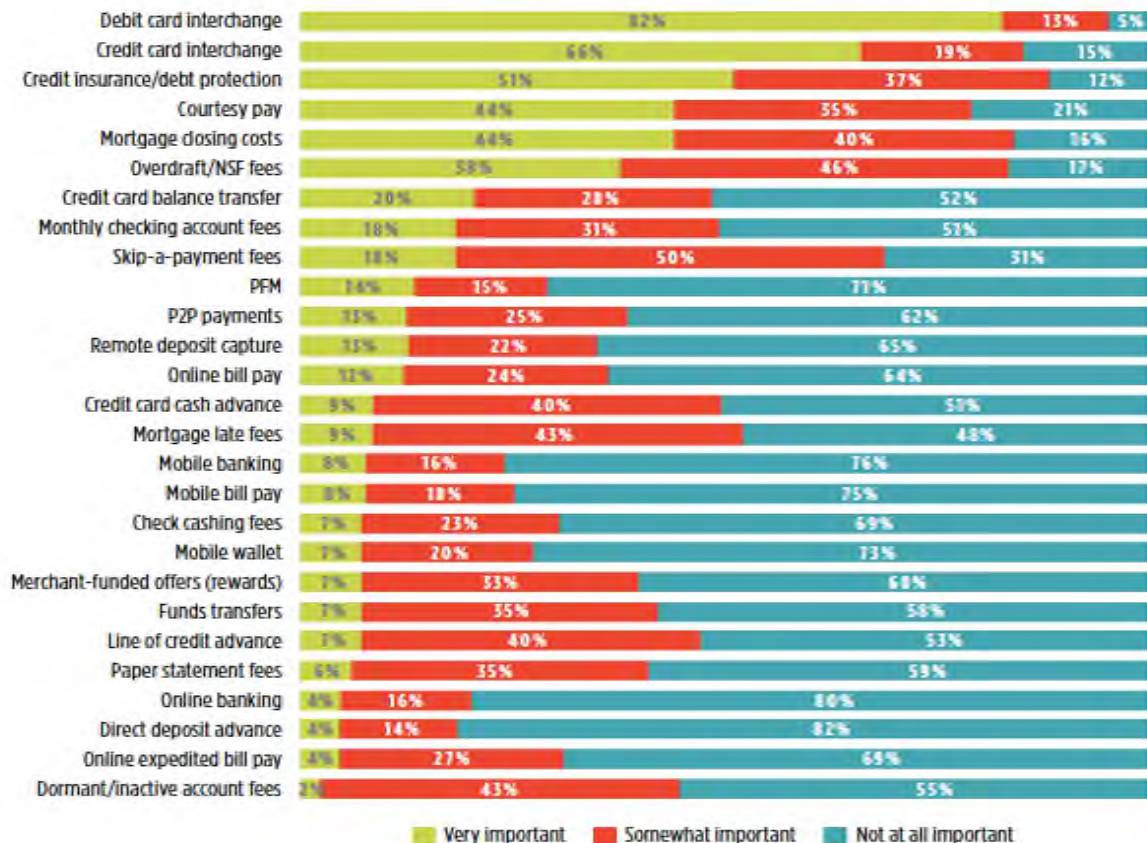
CHANGE IN REVENUE, 2012–2013

Product	Percentage of respondents				
	>10% increase	6%–10% increase	0%–5% increase	0%–5% decrease	>5% decrease
Debit card interchange fees	21	30	35	11	3
Courtesy pay	18	15	44	13	11
Overdraft/NSF fees	17	11	49	14	8
Credit card interchange	17	27	46	10	0
Credit insurance/debt protection	17	25	42	15	2
Paper statement fees	12	7	53	24	3
Mortgage closing costs	11	23	37	18	12
Dormant/inactive account fees	10	7	59	18	5
Skip-a-payment fees	10	25	47	14	3
Monthly checking account fees	5	10	57	24	4
Funds transfers	3	12	70	9	7
Mortgage late fees	3	16	50	25	6
Online expedited bill pay	2	9	61	23	5
Credit card balance transfer	2	16	60	21	2
Line of credit advance	1	15	64	18	1
Credit card cash advance	1	9	64	25	0
Check cashing fees	1	5	60	31	3
Online bill pay	0	9	64	25	2

Source: Alte Group/Filene Research survey of 137 credit union executives, Q1 2014.

“Addressing the Revenue Growth Challenge” Filene, Shevlin, August 2014

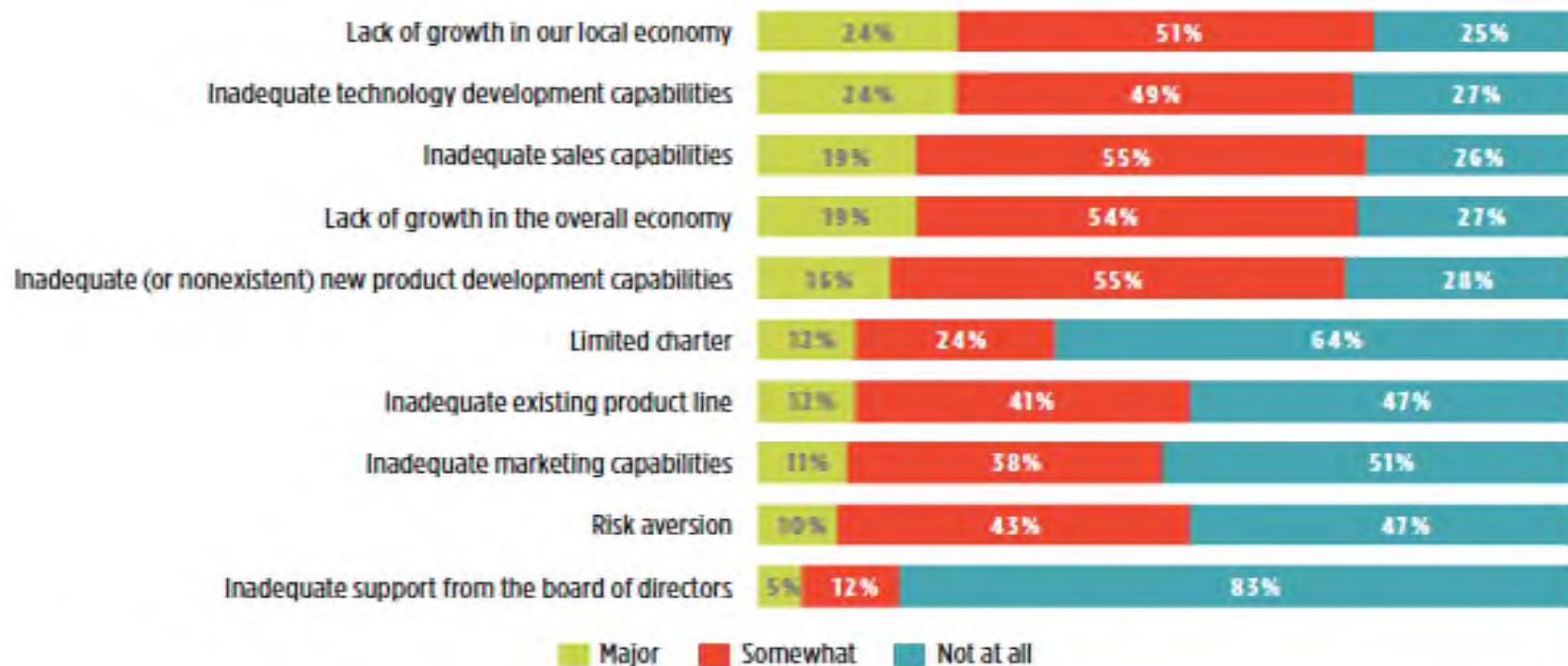
How important are the following products/services to increasing revenue at your credit union in 2014?



“Addressing the Revenue Growth Challenge” Filene, Shevlin, August 2014

CHALLENGES TO INCREASING REVENUE

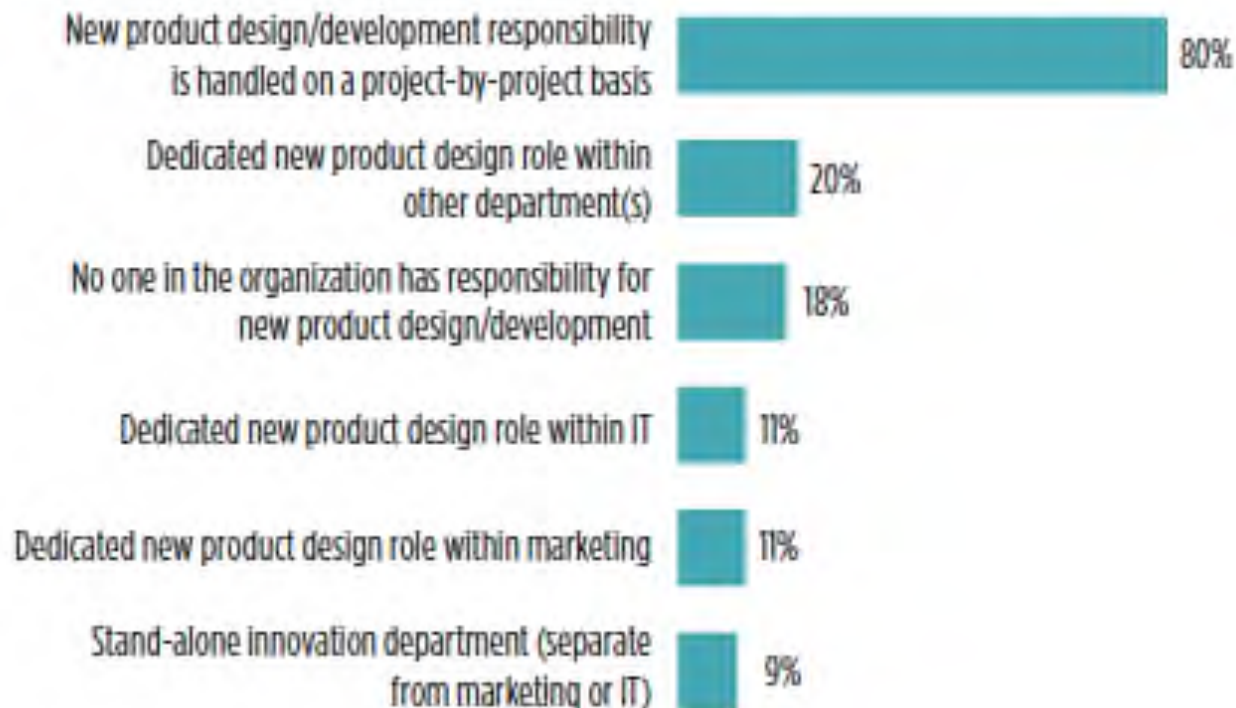
To what extent are the following factors challenging your credit union's ability to increase revenue?



"Addressing the Revenue Growth Challenge" Filene, Shevlin, August 2014

ORGANIZATIONAL APPROACHES TO NEW PRODUCT DESIGN/DEVELOPMENT

Which of the following organizational approaches to new product design/development does your credit union use?



**Things that Make You Go
Hmmm...**

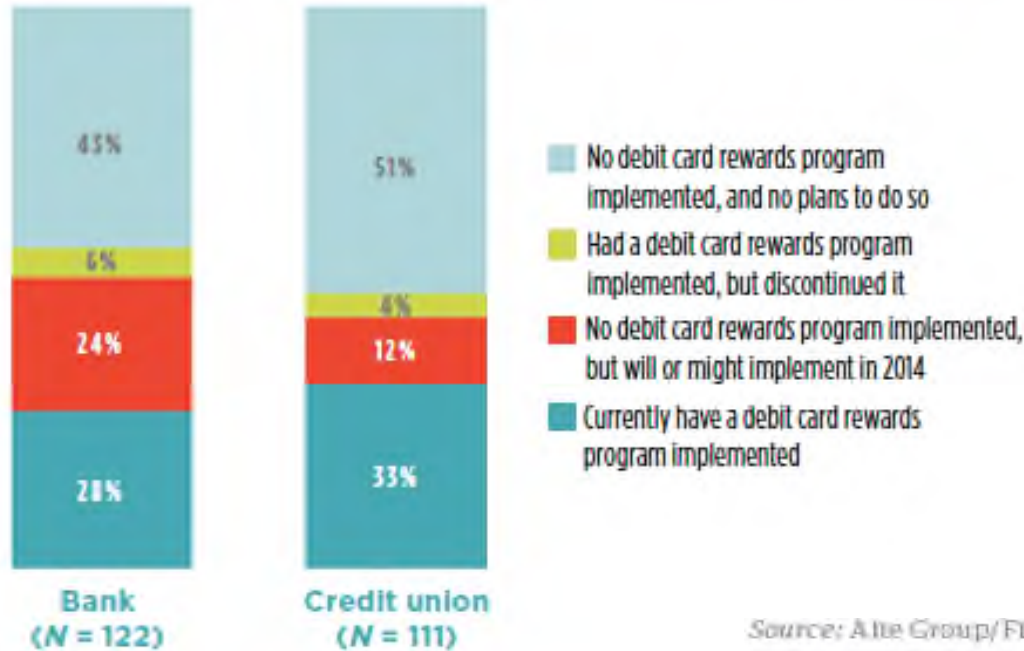


Four Recommendations

- (1) Deploy/Strengthen Debit Card Rewards
- (2) Reinvent Credit-Related Product Marketing Approaches
- (3) Launch PFM-Based Services
- (4) Develop New Product Design/Development Capabilities

STATUS OF DEBIT CARD REWARDS PROGRAMS

Which statement best describes the status of a debit card rewards program at your financial institution?



Source: Alte Group/Financial Brand survey of 233 bank and credit union marketing executives, Q1 2014.

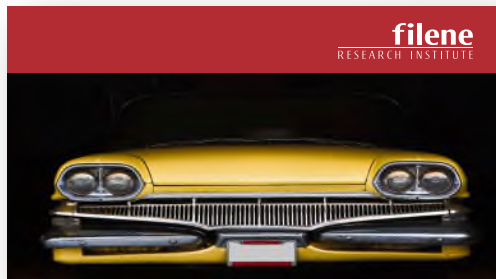
“Addressing the Revenue Growth Challenge” Filene, Shevlin, August 2014

Continual Improvement

77% of consumers said they would switch their cards for better rewards

Superior Consumer Lenders
During the Great Recession

Ben Rogers
Research Director
Filene Research Institute



"Superior Consumer Lenders During the Great Recession," Rogers, Filene Research Institute, October 2011

European Central Bank Study on Rewards

“Rewards programs can significantly affect the preferences for cards relative to cash payments,” and that “the impact of rewards on card usage is higher for debit cardholders than for credit cardholders.”

“WOULD YOU LIKE FRIES WITH THAT?”

Activity-Based Marketing: Context of an Activity Already being Performed



“Addressing the Revenue Growth Challenge” Filene, Shevlin, August 2014

USAA & Commonwealth Bank of Australia

ACTIVITY-BASED MARKETING MOBILE APP



Search for car types, track to compare, get a loan & insure

Augmented reality – take a picture, access real estate agent database, display pricing & details

Source: USAA, Commonwealth Bank of Australia.

“Addressing the Revenue Growth Challenge” Filene, Shevlin, August 2014

KEEP

PFM: Could you Make it Easy & Meaningful?

THINGS

SIMPLE



“Addressing the Revenue Growth
Challenge” Filene, Shevlin, August 2014

Through your Constituents' Eyes



Competency – Not a Hobby



Human-centered design

// Solutions that emerge should overlap all three lenses //

Desirable

Feasible

Viable

What do people desire?
Are you solving a problem
in a way that is attractive
to people?

Start Here

What can be
financially viable?
Can we justify the
expenses of
creating and
maintaining the
solution?

Not Here

What is technically
and
organizationally
feasible?
Technology, Talent,
and Infrastructure

Not Here

Source: IDEO Human-Centered Design Toolkit

Parting Thoughts...

- “The credit union movement...It is a great movement, worthy of great deeds, deserving of great loyalty.”
- Edward Filene
- “When positioning a brand, aggressively avoid becoming a “me too” by assertively becoming a “who else?”
- Crystal Black Davis

Questions



Stay in Touch

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