

Recession Reward? Building Loyalty

Credit Union Journal | Monday, April 6, 2009

By Matt Blumenfeld, Reporter

SOUTH JORDAN, Utah—Today's economic environment is a ripe opportunity for credit unions to foster greater loyalty among their membership and entice potential members to make the switch and stay for life.

"Looking at the market landscape right now, there is a tremendous opportunity for credit unions to strengthen their core value proposition and get new customers by pointing out the unique difference in the way they've serviced their members over the past several years," said Chris Cottle, VP Corporate Marketing at Allegiance.

As the recession deepens, credit unions across the country are implementing credit and financial counseling programs or buttressing their existing services for members that are struggling with payments or simply want to save more. Aside from reducing losses and supporting their mission to help their membership, a number of credit unions see these counseling services as a prime way to build loyalty and strengthen member relationships, noted Janine Moore, VP of marketing and business development at BALANCE.

"We're seeing a tremendous amount of credit unions building member loyalty, especially over the past year the way that it has been," she added.

Getting Debt Under Control

Workout loans and refinances have become more popular as members take every avenue they can to get their bills and debt under control. To that end, some CUs are requiring members to take counseling courses before they are approved for a loan—which not only helps educate the member but also cuts exposure for the CU, Moore explained.

"Our credit union partners are incorporating different levels of education in their lending practice so they can mitigate risk," she said, noting the tactic not only boosts the credit union's loan portfolio but also fosters loyalty with members as it gives them "a decent rate that they wouldn't have access to elsewhere."

Something as simple as financial education can ensure that "average to borderline members," many of whom would not be able to participate in a rewards program, and ensure they remain members for life. Delivering on relationships, especially in tough economic times, does more to forge a stronger bond with every type of member than dangling rewards in front of them, said Allegiance Best Practices Manager & Loyalty Expert Kyle LaMalfa.

He suggested credit unions take a close look at their staff and ensure representatives can "match the right product to the right person," arguing much of the current economic crisis was caused by big banks jamming consumers into a one-size-fits-all box. CUs must also work diligently to keep communication lines between members and staff open and respond to concerns quickly and assure their members that doing business with them will alleviate stress in a panicky economic environment.

"Credit unions know their communities well, they know their SEGs well and are going to be very well positioned to know the issues facing them," said Mark Meyer, CEO at Filene Research. "Credit unions have the perfect mechanisms to hold town halls with their members and explain to them what is going on."

While they may not be able to know the face of every member, larger credit unions can still speak at a personal level through their branches as well as other mediums such as blogs and podcasting.

Moore pointed to several instances of credit unions buying members' foreclosed homes on the courthouse auction block and then crafting brand-new mortgage loans at the reduced value as an indicator of how far some institutions would go to keep their members secure. In an informal survey, about 20% of BALANCE's CU partners said they would consider making that giant leap.

Fence-Sitting Banking Customers

For fence-sitting banking customers who are considering moving to a credit union, LaMalfa suggested reaching out to that potential membership by demonstrating leadership in the industry through innovation, branding and technology investment. "Non-credit union members look to that leadership and that is an opportunity to capture new marketshare and new membership," he explained.

Credit unions have provided leadership in even gloomier times, Meyer pointed out. The entire movement needs to get out in front of members and non-members alike and remind them of the steadying hand it provided during the Great Depression and lesser recessions like the ones during the savings and loan crisis.

"Credit unions at the federal level were born from this type of a moment back in the 30s," Meyer added. "I think it's very powerful to remind consumers and members that credit unions are born and governed from Main Street and not Wall Street."