

Cutting Through the Noise with the Value Members Want





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In a competitive market, businesses across every sector of the economy are looking for any advantage to get ahead of their competitors and to meet customers' changing expectations. Innovation has become central to success, particularly as companies increasingly rely on mobile customer engagement. This challenge may be no more palpable in any industry today, than it is in the financial services sector.

Member engagement has come a long way since the early days when mobile technology enabled credit unions to serve members where they are, when their needs arise and where their financial decisions are made. Now credit unions use the vast amount of data their members share with them to help deliver ongoing incremental improvements to member service itself. However, we must always keep focused beyond the horizon and look at the technologies that will drive member engagement of the future and how they will help credit unions continue to effectively fulfill their mission of people helping people.

THE OPPORTUNITY

Data processing enables further automation

Computer processing through algorithms or machine learning and data storage advances have opened up possibilities that seemed unimaginable just a few years ago. Today's consumer electronic devices can collect and analyze more than a terabyte of data in real time. This ability to collect, analyze and process data has fostered on-demand services enabling us to watch TV, stream music, or order a taxi on our phones almost instantly. Added to this is the automated intuition to know *what* we want to watch, listen to or go – and all this has increased expectations of what should be possible from the financial services offered by credit unions to their members.

With additional processing power, credit unions can look at multiple data sources to gain better insights. At the same time, greater processing creates new ways to make extra data easier for members to understand and draw valuable insights from. This will advance even further as our industry harnesses the ability to collect more contextually relevant data from a combination of sources.

Broaden member value to extend datasets... then enhance the value of your financial services

Rich member data lives within every credit union core, however there are many simple and inexpensive ways to supplement that data, enabling new insights that drive superior member experiences and the personalized and contextual communications that create loyalty and promoters.



Consumers always want the most value for their money, which explains the immense draw of discounts.

Consumers always want the most value for their money, which explains the immense draw of discounts. As a marketing device, discounts are transformative. When Atlanta businessman Asa Candler produced the first coupon to go along with the marketing for a then-insignificant beverage known as Coca-Cola, he was able capture the attention of thousands of customers almost overnight. Collectively, we have come a long way since cutting coupons out of newspapers and the backs of cereal boxes, but the draw of a good deal remains. How are organizations studying and adapting to the ways that consumers connect with deals today? The way that consumers engage with discounts have changed, how they get these discounts have changed and perhaps most importantly, the concept of value itself has changed.

Organizations are grappling with how to change their loyalty and rewards programs to adapt to the new paradigm of consumer-first marketing. It's a big business — according to the 2017 COLLOQUY Loyalty Census, there are an estimated 3.8 billion loyalty accounts in the U.S. alone. Financial services account for 17 percent of that number, nearly 664.1 million membership accounts.

What motivates a consumer?

- Brand affinity - "I love the brand"
- Personification - "This brand caters to me"
- Value - "I get my money's worth"

What a rewards/loyalty program needs:

- Communicates value - "A strong offer"
- Awareness - "The brand cuts through the noise"
- VIP status - "The brand is committed to me"



Communicates value - “A strong offer”

What do credit union members really want? Consumers at large have a lot of demands from the companies they do business with, and in the current context of a consumer-first economy, that is entirely to be expected. Consumers want to be catered to, to have businesses know their preferences and to have deals tailored to suit their needs. However, the ultimate demand from consumers is to gain more value for the money they spend. Or in the case of credit unions, more value from the relationship between the credit union and its members.

In today's hyperconnected marketing environment, consumers feel constant pressure to get the best deal for a purchase, regardless of what the purchase is. Even everyday purchases like ordering a pizza can be a conundrum for a consumer. What coupons or deals are available, where can they be obtained from, what combination of deals is the most effective? This is “deals fatigue” and can be counterproductive for businesses because oftentimes when consumers are confused on how to get the best value, they often jump to a competitor that offers a simpler, guided deal experience.

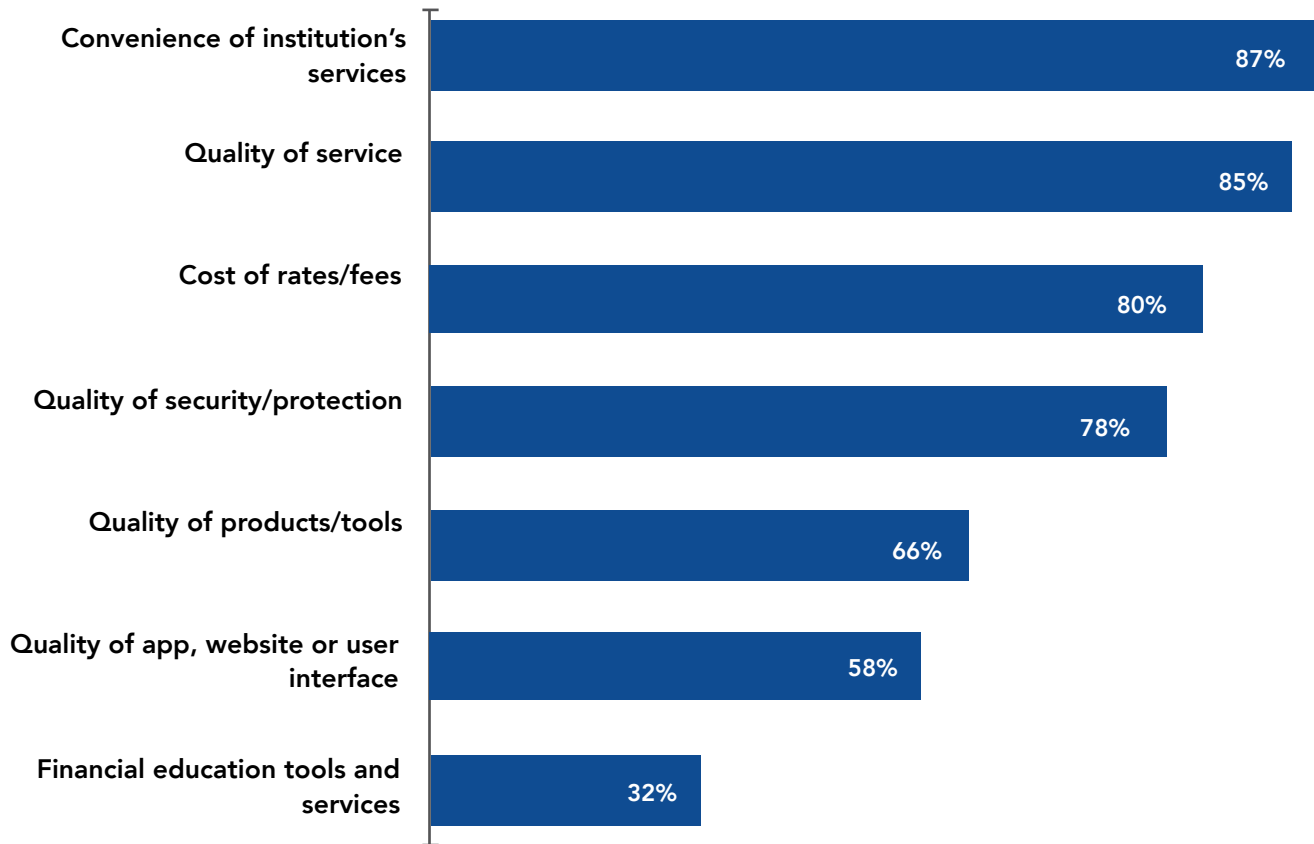
“If you aren't saving money, you're losing money.”

Communicate value

- There's no getting around the fact that consumers base their loyalty to a brand on the product first — mainly when it comes to quality, cost and convenience.
- Credit union marketers need to communicate the value and benefits of their products and services. Not only do products have to be at a high quality, but consumers must also realize greater value in them than from competitors, while at the same time having the appropriate support and accessibility.
- What is the credit union's differentiator?

Rewards programs are moving beyond just loyalty — marketers are now seeking to maintain brand relevance.

Why consumers have switched their institution in their lifetime



Source: The Secret to Consumer Loyalty: Relationship Banking, Everfi

Maintain relevance

Rewards programs are moving beyond just loyalty — marketers are now seeking to maintain brand relevance. Is the brand still relevant to the consumer's needs? Rewards programs that are an island unto themselves, without connections to a consumer's other needs, are often neglected. Companies are more interested in symbiotic relationships, especially to expand their reach.



Case study: Uber Visa Card

In 2017, ride-share giant Uber partnered with Barclays to offer a Visa credit card in a cross-platform rewards program. Passengers earn rewards by making purchases at local shops, rewards which can be redeemed for Uber rides, other services or cash back. This arrangement not only benefited both parties, but also increased customer satisfaction and interest.

Rewards need to match the audience

What do members want beyond the products and services that credit unions offer? Some financial institutions do not give much thought to this since those products and services are the main interaction with consumers. However, both banks and credit unions have had great success as a result of studying how consumers use their products, and how financial institutions can use those insights to provide greater value.



Case study: Navy Fed

Last September, Navy Federal Credit Union announced a re-launch of its premier rewards credit with an eye towards greater rewards for travel. Navy Federal made this change after members, primarily military, requested better rewards for frequent travelers.

Awareness - “The brand cuts through the noise”

One point that is inescapable for marketing in the modern age is that consumers are more informed than ever before. They have at their fingertips the ability to research, compare and leave feedback for any product on the marketplace, which includes the products offered by financial institutions. It takes years of excellent service to build a reputation, but only one mistake to ruin it.

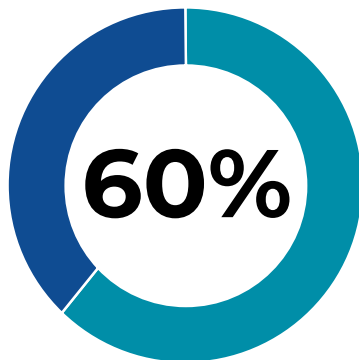
Leverage brand trust

Consumers have brand loyalty for a reason: that brand has demonstrated remarkable value and service for a length of time. How long does it take for a consumer to become loyal to a brand? According to a recent survey by customer experience management firm Infomoment, 77 percent of consumers have been doing business with their trusted brands for 10 years or more. Another survey, by cloud solutions provider YotPo, found that 37 percent of consumers consider themselves to be loyal to a brand after more than five purchases, and 33 percent say the same after three purchases.

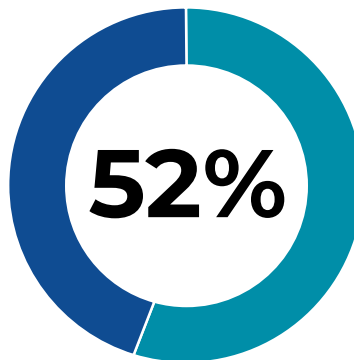
While this may not directly relate to financial services products, it takes a significant amount of time to build consumer loyalty and raise engagement. Credit unions don't have to go at this alone. What if they can borrow some clout? Partnerships with trusted brands can help credit unions leverage the brand loyalty of their partners. However, organizations should be wary of the downsides as well: a negative impact to a partner's brand reputation can affect their own.

All organizations want to communicate the value of their services to the consumer. Building awareness is important to rewards programs, but the marketplace can be saturated. How can credit unions get consumers to focus on their unique offerings? Leveraging brand recognition and trust is one way and oftentimes the most effective.

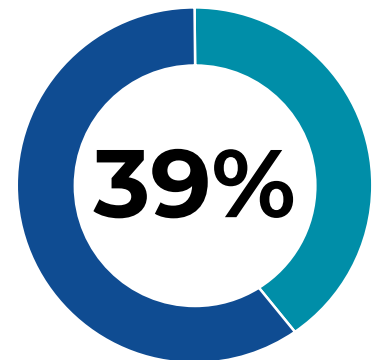
For brands they are loyal to, consumers are willing to:



of customers will tell friends & family about a brand they're loyal to.



of customers will join a loyalty or VIP program.



of customers will spend more on a product even if there are cheaper options elsewhere.

Source: The State of Customer Loyalty in 2018, Yotpo

Real conversations in addition to technology

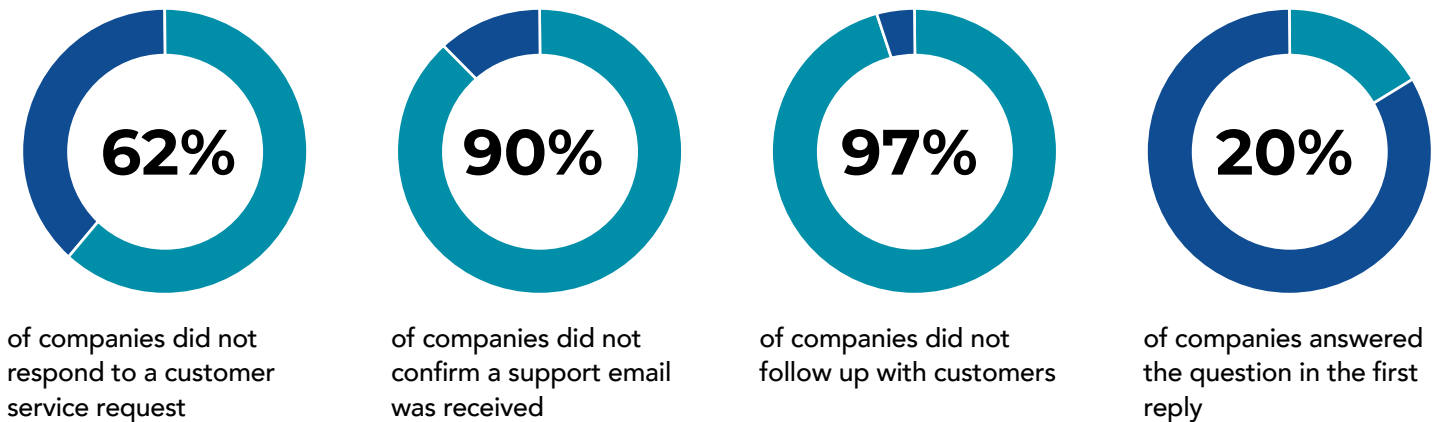
- Credit unions cannot afford to be complacent, especially with the consumer trust gap between banks and credit unions narrowing. According to the American Customer Satisfaction Index, banks now have the same customer satisfaction rating as credit unions, finally closing a long-held lead by credit unions.
- One powerful advantage that credit unions have over banks is their connection to their members and the community. Credit unions' strength is the real

addition to solid, user-friendly technology, not a substitute for it.

- The research also showed an interesting trend: The younger the consumer, the more likely they are to have enjoyable retail experiences in the digital realm alone and as a hybrid blend of digital-physical. Brick-and mortar stores will continue to be essential touchpoints, but retailers must address the need to elevate and embed digital elements if they hope to be relevant to their next-gen customers.
- Online-only banks, or so-called “neobanks”, continue to threaten traditional financial institutions with their ease of access, convenience and low fees. Credit unions need to formulate strategies to keep themselves competitive against online-only competitors.

Keep it simple

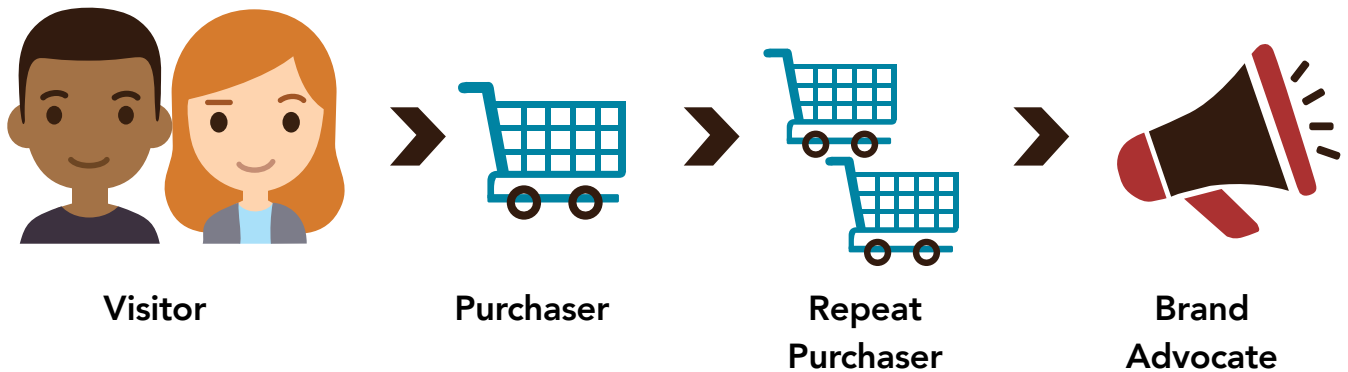
In addition to being exclusive, credit union rewards programs need to be simple to understand and redeem, without requiring consumers to jump through a lot of hoops. Having a lot of options for deals can be a bad thing, leading to deal fatigue. By limiting the options that consumers have, it is easier to pick out what works best for them.



Source: SuperOffice 2017 Customer Service Benchmark

VIP status - “The brand is committed to me”

“Credit unions want to get to the point where members become advocates.”



It is not simply enough for a rewards program to hold value and have generated awareness— consumers expect a certain level of commitment from their brands.

“Yes, it’s a good deal, but am I getting a better deal because of my loyalty to this brand?”

The answer should be a resounding “Yes.”

Consumers expect businesses to tailor loyalty programs to suit their needs, and they do not mind sharing a bit of information about themselves for this purpose as long as it provides them with a better shopping experience. According to the 2018 Personalization Pulse Check from Accenture Interactive, 91 percent of consumers are more likely to shop with brands that recognize, remember and provide them with relevant offers and recommendations.



Nearly 40% of consumers have left a website because they were overwhelmed with too many options, according to Accenture

Consumers want a curated experience

- 76 percent of customers felt that receiving personalized discount offers based on their purchase history was important, according to a study by LoyaltyOne.
- Poor execution on personalization is worse than no personalization at all. According to Accenture, 48 percent of consumers have left a brand's website and purchased somewhere else this year due to poor personalization.
- Be careful in gathering data. While consumers are generally tolerant of businesses collecting some information, they do have limits. Around 73 percent of consumers said no retailer or brand has communicated with them in a way that felt "too personal." Among the 27 percent who did feel the brand overstepped their bounds, 64 percent were uncomfortable because they didn't willingly provide the data used.

Customer service

Consumers do not like to be kept waiting. Millennials in particular do not like to call or email in (they prefer automated digital methods), but when they do, they expect it to be prompt. With the host of modern technology, credit unions have the tool to be as responsive as their members expect.

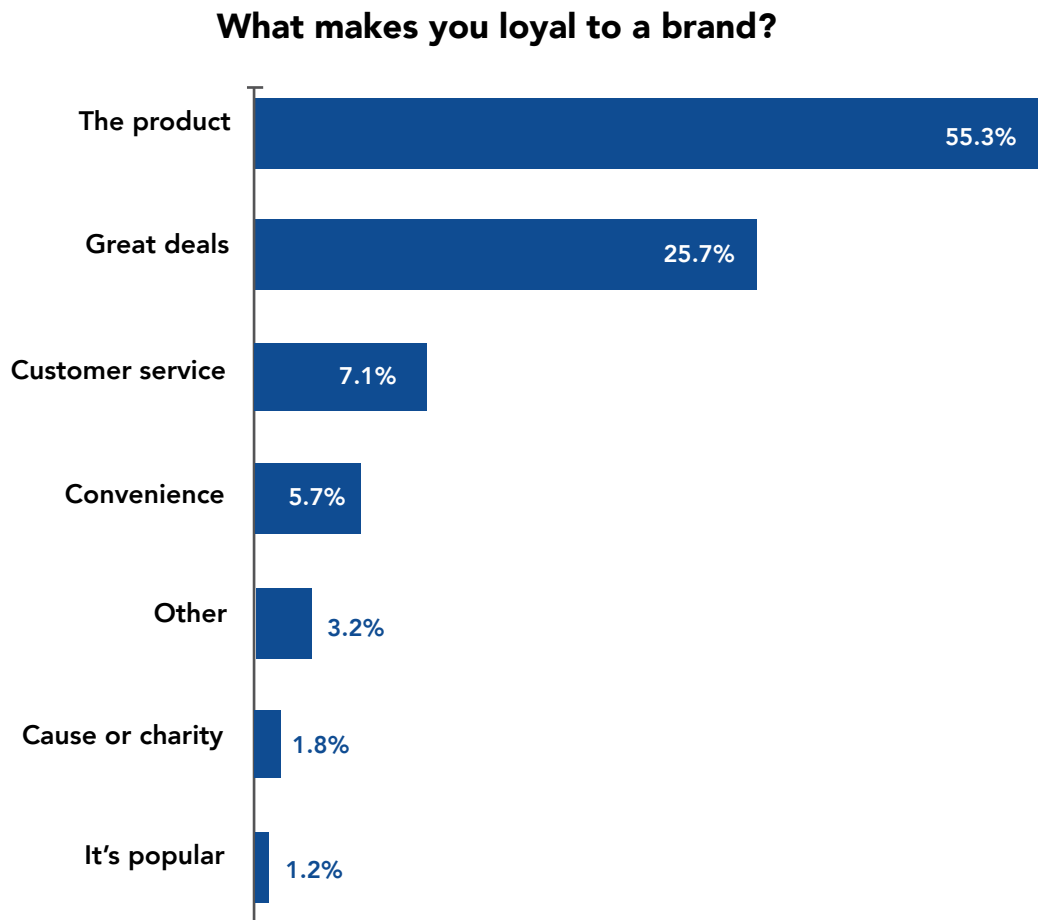
- The Clarabridge study found that just 67 percent of banking customers placed a customer service call to their bank. Only 42 percent of millennials have placed a customer service call. That's 25 percent less than the national average.
- According to a study by Zendesk, the time it takes for a business to make a first reply is directly connected to customer satisfaction. The type of channel also makes a huge difference. For email requests, consumers are content to wait about 12 hours for a response, while this time is reduced to two hours for social media and a mere few seconds for chat apps.

Is the credit union unresponsive on social?

- The Clarabridge study shows that 35 percent of customer service issues that are tweeted to banks go unresolved.

Offering real quality

It should not go without mentioning that the greatest motivator of customer loyalty — and in turn, creating customer advocates — is the overall quality of the product itself. Quality also extends to the quality of the platforms on which members interact with a credit union, namely the website and mobile app.



Source: The State of Customer Loyalty in 2018, Yotpo

Technology is improving credit union operations

Credit union members will soon expect a completely frictionless member experience. They will no longer need to manually input data or provide an update to a credit union teller, while credit union managers will automatically gain valuable insights to improve decision making. There is seemingly no limit to what data can be collected, correlated and analyzed to help to improve how a credit union is run, making it safer, more profitable and more enjoyable.

DIFFERENTIATORS

SMALL CREDIT UNION PERSPECTIVES

Members sometimes expect greater value out of smaller credit unions than larger financial institutions. The logic is reasonable: smaller credit unions have a smaller membership, so members expect their credit union to better know their preferences, what products or services they need, as well as tailoring deals specific to them. In practice however, small credit unions often struggle for meaningful ways to add value. More than just rewarding members for using their cards, small credit unions need to consider ways in which they can provide greater value on other products or services, perhaps even those outside of what the credit union offers.

HOW CU SOLUTIONS GROUP CAN HELP

Love My Credit Union Rewards provides your members with an irresistible, loyalty-building value addition that collects behavioral and other data, which your credit union can use to enhance your members' experiences, improve the perceived value of your financial services, and deliver contextual, relevant messaging at the moments when it matters most. Your credit union will be top of mind whenever a member enjoys savings in their day-to-day life. What's more, according to a recent consumer survey, member discounts are a big help to millennial engagement.

By providing credit union members exclusive offers for national brands, such as Sprint and Intuit TurboTax, Love My Credit Union Rewards can save your members hundreds of dollars a year — and with those savings adding up to \$2 billion, our program stands alone in the credit union marketplace.

Key features:

- Increases member value and loyalty
- Drives credit/debit transactions
- Earn non-interest income



Love My Credit Union Rewards was designed by credit union experts with landmark savings and industry contributions — building member loyalty, generating non-interest income, boosting wallet share and increasing deposits.



Read more in CU TrendScan

CUTrendScan.com

CU TrendScan is a quarterly digital publication that explores trends within the credit union industry. Focusing specifically on the areas of technology, marketing, and HR performance, CU TrendScan takes a closer look at the issues that drive the industry forward.



Love My
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More about Love My Credit Union Rewards

LoveMyCreditUnion.org

Love My Credit Union® Rewards is a program that benefits your members in their daily lives. By participating in Love My Credit Union Rewards, credit union members have enjoyed nearly \$2 billion in savings on products and services they are already using every day. These are rewards and incentives that nobody can ignore, and money talks — your members will be telling their friends, family and coworkers that the credit union difference is behind the extra spring in their step.



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