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Who Is in Your Member's Wallet & What Can You Do About it?

Credit unions have robust data at their fingertips – here are three ways they can begin using it to their advantage.

By **Anne Legg** | September 30, 2020



Source: Shutterstock

Credit unions are incredibly data-rich. As the member view of external relationships list below illustrates, credit unions have the ability to know their member's age, address, income, make and model of car, details about their home, creditworthiness, purchase behavior, preferred payment method and their high likelihood of having a spouse, parent and child.

Member View of External Relationships

- Average age: 48
- Making payments on a car to: Toyota
- Filled with gas from: Shell
- Parked in the driveway of a home financed by: Wells Fargo
- Filled with goods from: Amazon, Costco and Safeway
- Making payments with: PayPal

That is more data than Amazon has. With this much robust data at their fingertips, it might feel a bit overwhelming for credit union leaders to decide what to do first. So, here are three recommended places to start.

1. Put money back into your member's wallet. Regardless of where credit union members are right now, they would gladly welcome having a bit more money. One of the fastest and easiest ways to make this happen is to help members move their more expensive, high-rate loans to the credit union's lower-rate loans.

Here is a two-step way of accomplishing this:

First, identify your actual competition. Leverage member data to identify the other financial institutions where members have home, auto and credit card relationships. Next, create member-centric re-acquisition campaigns.

To increase the effectiveness of these efforts, make certain to do the following:

- Include the amount of projected savings the member will see by transferring the loan.
- Create a conversion process that's as friction-free as possible. Use the one-click rule. The one-click rule is a design method of reducing the number of steps to a minimal amount to achieve the desired effect. You may not be able to accomplish your goal in one click, but the number reducing steps is essential.
- Keep a running tally of the total amount of money the credit union is saving its members. Promote this aggregate amount on member communication channels.

2. Give members more of what they want. Transaction data holds an incredible number of gems. One spectacular one is spending behavior. With the increase in purchases made online, a credit union can find out more about a member's needs via their spending patterns.

Start with the staples: Gas and groceries.

Why gas and groceries? These two simple purchase data points can tell you volumes about your member. For example, identifying where members shop for food, i.e., fast food or specialized organic grocery, will provide indicators of other spending habits. This same insight is found with gas retailers as well.

Next, reward member behavior. Understanding member spend will help create incentives for members to use credit union purchase methods. If member spend behavior indicates a high use of local grocery store chain or delivery services, then creating a reward program for making these purchases will increase the use of credit union payment methods. Gas and grocery retailers are just the start. Leveraging data can help improve the member's financial condition and helps the credit union bottom line. A mid-size credit union located in the Pacific Northwest generated \$1.7 million in new loan balances in six months using this strategy.

3. Identify disruptors. Members' spending behavior also provides insight into potential disruptors. A disruptor is a new or existing entrant in your market that can take away market share. The obvious example is ride-sharing and its impact on the taxi industry.

Data collected through the work THRIVE performs indicates that PayPal is a significant disruptor. A \$1 billion credit union located in the Midwest region saw over \$4 million in funds leave the credit union in 60 days. This credit union offers a person-to-person payment solution, but it is not being utilized in the same capacity. While there is competition for payments services, further disruption can occur when PayPal starts offering its loans and credit cards. As relationships have already been established by PayPal, its product run-off may be slow until its customers' accounts are closed. And that is too late for the credit union.

As shown in the disruptors graphic below, there are other insights to be gleaned from this data. The presence of Robinhood, an investment firm, may indicate a need for investment services or potential desire for higher returns, regardless of the reason, among members. This is a viable insight worth pursuing, as it can help credit unions identify what they can offer these members. Identifying disruption is a preventative action a credit union can take to assess the likelihood of flight.

Member Insight: Disruptors



Data, the Gift That Really Does Keep on Giving

Identifying competition, spending behavior and potential disruptors is just the starting point to understanding members' needs, and creating deeper and more impactful relationships fulfilling the majority of credit unions' mission statements.



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