GROWING SHARE OF WALLET

By stepping outside their comfort zone, credit unions can deepen relationships with members — and help the bottom line

By Scott Westcott

SRP Federal Credit Union in North Augusta, S.C., wants to be known for more than checking and savings accounts. Much more.

Over the past year, SRP, which serves nearly 104,000 members in South Carolina and Georgia, has launched an insurance agency, offering a full suite of insurance products aimed at providing members with a broader range of services while also deepening relationships and developing a revenue stream that President and CEO Ed Templeton plans to grow steadily each year.

"At the end of the day, we expect that over time the agency will be a very lucrative part of our operations, generating a good and steady revenue stream," says Templeton, who is also chair of the NAFCU Board of Directors. "If we make a loan at some point, that rolls off the books, while an auto policy might be renewing year after year and generating revenue for 20 years plus."

Much like many credit unions across the country, SRP is focused on gaining greater share of wallet — shorthand for acquiring additional business from existing members by getting them to do more of their banking and finance-related business with the credit union. The need for greater share of wallet has taken on new urgency in an era in which prolonged low interest rates, increased regulation and fierce competition have squeezed margins and profitability.

Credit unions are achieving greater share of wallet in a range of ways, from simply doing a better job of promoting existing and often traditional products and services — such as auto and home equity loans — to venturing into new lines of business, such as insurance and investment services. For SRP, the effort to gain greater share of wallet is being fought on multiple fronts, from offering insurance products to relentlessly trying to raise member awareness about more traditional loan products and services offered.

"From time to time we will have a member who has done business with us for 40 or 50 years and will say something like, 'I didn't know y'all do mortgage loans,'" Templeton says. "That just about drives you insane, but it is a reminder that this

is an ongoing battle to communicate with members about the products and services you offer. We want to be top of mind whenever a member is thinking about anything with a dollar sign associated with it."

Benefits of Bundling

The first challenge for many credit unions is to expand their thinking about the many ways in which wallet share can be increased. That can mean brainstorming new products and services that extend beyond traditional credit union offerings or developing creative incentives and campaigns to raise awareness and generate new business. It can also be a go-to-market strategy in terms of how products and services are promoted and packaged.

When advising credit unions on how to increase wallet share, Sundeep Kapur, who specializes in consulting with credit unions on how to better engage members, often highlights successful tactics from other industries. In particular, he emphasizes the benefits of bundling products. For instance, in the mobile phone space, companies sell a smartphone that is bundled with a data plan — and typically sold by an associate who also promotes the purchase of accessories and insurance.

"They start by focusing on your core need, establishing their credibility and then tactfully offering you the other items," Kapur says. "Instead of simply selling a smartphone, they gain a greater share of your wallet before you ever leave the store."

A similar strategy can be employed at credit unions, where, Kapur says, too often a member gets assistance with a single product or service without even being made aware of complementary offerings. Kapur offers some key recommendations learned from examples in other industries:

- Your member has walked in with a need. They are inclined to listen to you, so leverage the opportunity to communicate while they are interested.
- Be willing to give before you take. Offer to fix a bad experience or dispel a misunderstanding. Make sure you have access to experts who can answer more complex questions.

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- Know your products and service offerings. People are hesitant to do business when they don't understand something, and they typically will buy from someone who takes the time and effort to make them feel comfortable.

Kapur points out that to consistently grow wallet share requires a robust onboarding process to make sure from the start that new members have an awareness of the range of products and services you offer. That education should be ongoing.

"You need to continually show your members that you care and that your credit union is valuable," Kapur says. "Do this well, and you will move past an average of 2.6 products per member. Your goal should be five products per member."

Leveraging member affinity

Of course, achieving a five product-per-member rate may require, quite simply, offering more products. Helping credit unions add to their product offerings is right in Jeff Chesky's wheelhouse. Chesky is president and CEO of Insuritas, the NAFCU Services Preferred Partner for outsourced insurance agency solutions. The firm provides a turnkey insurance agency distribution and works with many credit unions that want to expand into insurance products that can consistently deliver noninterest income.

Chesky says credit unions need to better leverage the advantage of customer affinity and appreciation they enjoy over banks and even over direct- and indirect-sales insurers.

"There is so much brand equity in credit unions that translates to significant value," Chesky says. "There is measurably higher affinity between credit unions and their members, so credit unions are much better-positioned than other financial institutions to consider offering nontraditional products and services. The key is to step outside your comfort zone and consider the possibilities."

Yet those first few steps outside the comfort zone shouldn't be to rush headlong into a new business. Chesky advocates a measured, methodical and, if possible, data-based approach to determining products or offerings that will be a win-win for both the member and the credit union.

Chesky references a familiar example of growing wallet share from outside the financial services industry: Home Depot, which began with a core business of building products for contractors and more advanced do-it-yourselfers, has been systematically replacing the standalone garden store, the plumbing store and other stores that were specialized.

"At Home Depot, you can see the products stacked in the aisles, but credit unions need to think in terms of virtual aisles," Chesky says. "What are the products stocked on those shelves that make the most sense for your members to meet their needs?"

That process can be significantly enhanced by mining data that your credit union already has ready access to — the products and services most frequently purchased by a significant percentage of members. For instance, Chesky has worked with credit unions that have studied spending patterns to discover

Long-Term Engagement Boosts Business

Want a greater share of your members' wallets?

Find ways to consistently connect and communicate with them. That's the key takeaway of recent Gallup research exploring the benefits of fully engaged banking customers.

The study found fully engaged customers brought 10 percent greater wallet share in deposit balances and 14 percent greater wallet share in investments compared to actively disengaged customers. They also bought more products.

While the study focused on banks, the lessons learned clearly play to the strengths of credit unions that have strong ties with members. Here are three simple steps to deeper engagement:

Keep in touch: Leverage a range of channels to let your members know you are thinking of their financial well-being. A strategy that integrates social media, email, newsletters, traditional mail, online content and workshops and seminars can keep you top of mind.

Be good listeners: Every interaction with a member holds the potential to strengthen the relationship and increase wallet share. Train and encourage staff to show genuine interest, ask the right questions and make suggestions and referrals when an opportunity appears.

Be timely: Pitching mortgage products or home equity loans in the middle of a Minnesota winter only shows you are tone-deaf to your members' lives. Make sure you are in sync with your members' needs and provide timely and relevant solutions that position you as the trusted adviser. — *S.W.*

that many members are traveling — for both business and pleasure — on a regular basis. That provides sound rationale for offering travel insurance as part of a larger suite of insurance products. In another instance, a similar examination revealed significant spending on pet supplies and veterinary care. The result — the credit union has successfully added pet insurance to its offerings.

The same approach has resulted in credit unions offering short-term medical insurance, renter's insurance and event insurance for weddings and other costly milestone gatherings, Chesky says. The potential to sell these products is steadily increasing as more consumers do their shopping — and buying — online.

"Credit unions need to embrace digital engagement," Chesky says. "Think about it. Credit unions and banks are the only business models that get repeat visitors to their websites because of online banking. Those are thousands and thousands of free eyeballs that could be adding to your share of wallet."

A low-maintenance model

A potential barrier to adding new financial products is concern about the cost and time involved with training staffers. Denali Alaskan Credit Union in Fairbanks, Alaska, has largely avoided that challenge by providing considerable autonomy to Denali Insurance, a wholly owned subsidiary.

Rather than pushing insurance products and services, tellers at the credit union simply have insurance agency business cards sitting on their desks. If there appears to be a potential need, they simply suggest the customer take a card and contact one of the agency professionals.

"Simply giving the card empowers the member to call or visit our website," says Mike Gordon, president of Denali Alaskan Insurance. "I think people who are pro–credit union want to do business with a credit union, regardless of what the product or service may be."

Gordon says last year revenue generated by personal lines of insurance increased 10 percent, and the agency recorded a 57 percent close rate on quotes provided for personal lines coverage: National closing rates come in between 30 and 35 percent.

Gordon says the insurance business, which is housed in the same building as the credit union and branded in the same way, has steadily contributed to growing the credit union's overall share of wallet. Last year, insurance generated 11 percent of the credit union's total net income.

"What is really beneficial for the credit union is that it's noninterest income," Gordon says. "While our business is driven in large part by the economy, my revenue is not directly connected to interest rates, so over the long haul it generates pretty consistent revenue."

Gordon says other than major expenditures or initiatives, he is largely able to run the insurance business with autonomy — an approach he views as a win-win for the credit union and agency. Yet he stresses that in order to be successful, there has to be full support from the executive leadership team and board of directors.

"It takes 100 percent buy-in from the CEO and leadership team and promoting it through the entire organization," he says. "Insurance is a different business model than banking products. Financial institutions are very month-to-month and year-to-date oriented, whereas insurance can be more cyclical. I look at my trailing 12-month results. As long as income is increasing and expenses are flat, then we are golden. Once the credit union leaders get their arms around that, then the benefits to everyone become very apparent."

A win-win for you and your members

Ultimately, creating greater share of wallet leverages an age-old maxim of business — *your best customer is the one you already have.* This is particularly true for credit unions, which already enjoy strong member loyalty and trust.

By drawing on tactics from other industries, identifying new ways to promote and package existing products and services, and considering new offerings, credit unions can increase and diversify revenue streams.

And the real beauty of an aggressive wallet-share strategy is that at the same time it helps your bottom line, it is making your credit union more valuable in the eyes of your members.

"We want to be the trusted adviser to our members," says SRP Federal Credit Union's Templeton. "When they are planning a major purchase or life change, we want them to be thinking, 'I wonder what the credit union can do for me?' By expanding our product and services and letting our members know about it, we are becoming top of mind. We're becoming that trusted adviser."

Scott Westcott is a freelance journalist who writes frequently on business issues affecting the financial services industry.

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