

Strategic Planning and Smaller Credit Unions-More Important Than Ever

August 15, 2023



First a word on purpose

**Let your hopes, not your
hurts, shape your future.**

Robert H. Schuller

The Importance of HOPE

- Important in goal setting because it provides a sense of optimism that **help people persist** in their efforts
- When people have hope – they believe their goals are attainable and **more likely to persevere**
- Promotes positive emotions and wellbeing and this **builds confidence**
- Leaders, cultivate a sense of hope and optimism to drive energy, resilience and motivation to **accomplish hard things**

Leaders – what do you and your team hope for?



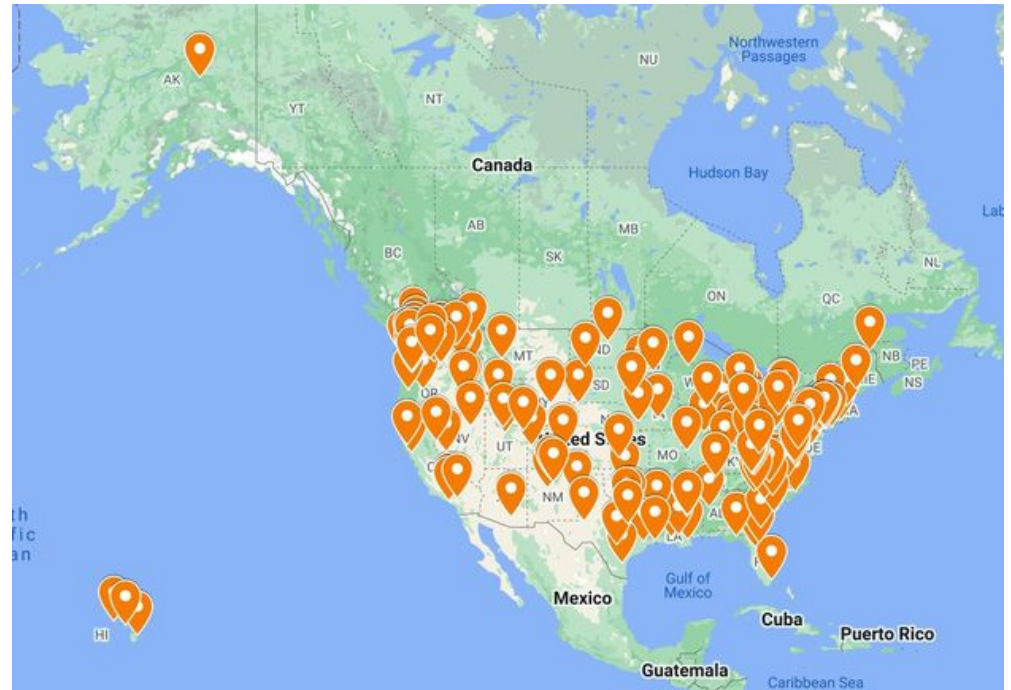
Are we seeing the end of smaller CU's? Why not?

	Asset Categories					
As of Q4 2022	Less than \$10 million	\$10 to \$50 million	\$50 to \$100 million	\$100 to \$500 million	\$500 million to \$1 billion	Greater than \$1 billion
Number of credit unions	1,159	1,541	687	1,063	279	370
Number of members (millions)	0.8	4.1	4.5	18.9	14.1	81.9
Total assets (\$ billions)	4.8	39.5	49.4	237.5	197.0	1,316.2
Total loans (\$ billions)	2.2	18.2	25.3	140.8	128.0	848.2
Total deposits (\$ billions)	4.0	34.5	43.4	209.1	170.8	1,125.8
Average ROA	0.06%	0.32%	0.43%	0.50%	0.61%	0.78%
All Credit Unions	Year-over-Year Growth					
Deposits	-12.3%	-2.9%	3.0%	6.1%	16.4%	26.0%
Total loans	-24.5%	-18.2%	-11.1%	-8.6%	3.5%	9.2%
Total assets	-13.1%	-4.2%	1.8%	4.3%	14.1%	22.9%
Members	-19.3%	-15.7%	-11.3%	-9.5%	1.8%	9.7%

Poll Question #1

What we're seeing....

- Firsthand **observations** at hundreds of smaller credit unions...
- **Clear vision and strategy** are needed most to successfully grow an organization.
- There are **three things** high performing credit unions consistently do well to grow their credit union.

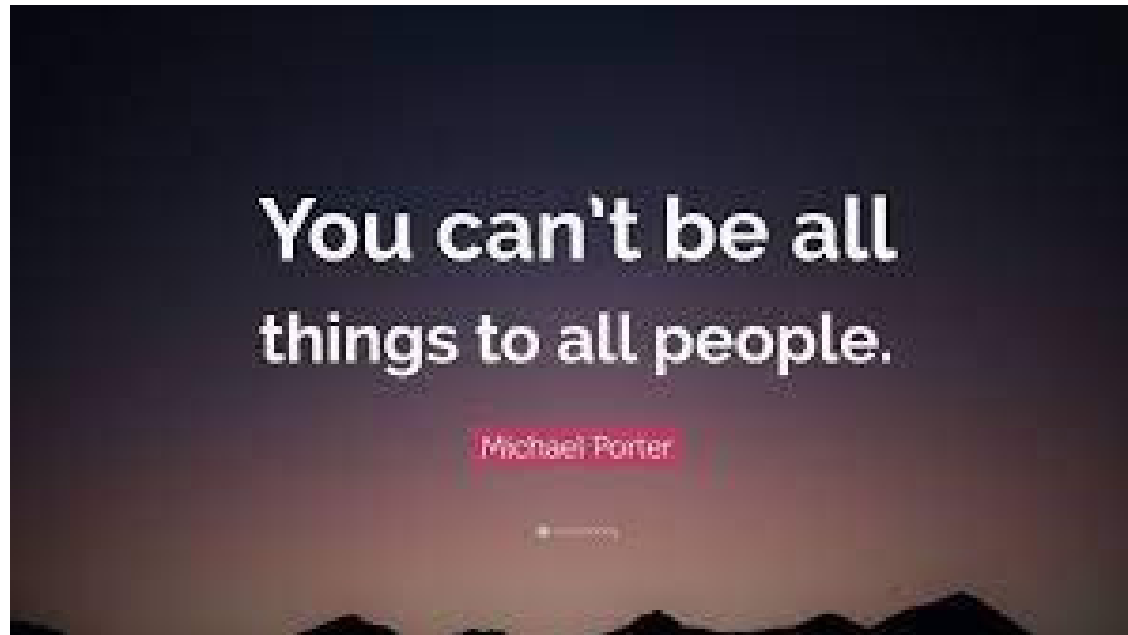


Common Characteristics- High Performing Smaller Credit Unions

Top three characteristics:

1. Well-defined market niche
2. Growth culture and mindset
3. Professional and relevant marketing





(Seriously – that means you)

Beware of differentiating with “great service and fees”

- Vast majority of leaders differentiate what they do simply as great service, better rates and fees. But beware –
- “service” means more than a friendly teller in a branch.
- Younger consumers place higher service satisfaction on technology.
- Fintech providers can offer better rates due to lower overhead.
- Small CUs do not have the scale to compete head-to-head consistently with larger competitors
- CUs fell behind banks in terms of customer satisfaction, according to the 2021 American Consumer Satisfaction Index.
- Banks earned a satisfaction score of 78 on a 100-point scale, while credit unions earned a score of 76—down 1.3% from a year prior and reaching a historic low.
- Customers were least satisfied with credit unions’ number and location of ATMs, number and location of branches and the competitiveness of interest rates.

Smaller CUs need more than a great service and fee brand differentiator to thrive

... must have a clearly defined niche

- **The last thing** most communities need is another financial institution. This is a reality.
- Long term survival and relevance demands a clearly defined niche.
- Smaller credit unions need a field of membership segment that has specific needs that are not being met by other financial providers, and to provide a solution that meets that need in a unique and compelling way.

Poll Question #2

2



Growth Culture & Mindset
CU's with a culture that drives performance

6 main reasons people work

After surveying over 20,000 workers around the world, analyzing 50 major companies, conducting scores of experiments... *Why we work determines how well we work. Harvard Business Review*

1. **Purpose** – the direct outcome fits your personal values and identify. You value the impact of the work.
2. **Play** – the work itself motivates – you enjoy the work
3. **Potential** – work enhances your future potential - advancement

These three motives **ENHANCE** performance

6 main reasons people work

4. **Emotional pressure** – you work because some external force threatens your identify (fear, guilt)
5. **Economic** – you work to gain reward or avoid a punishment. Work is separate from your identify.
6. **Inertia** – motive is so far removed from your identify that you can't identify why you are working

These three motives **HURT** performance

Credit Unions – what it looks like

- **Motive 1 Purpose**

- Have a **relevant and meaningful** mission/vision – clear outcomes that inspire people that value the same things
- **Buy in** across all levels – from oldest board member to newest employee – all are committed to the mission/vision
- **Agreed upon behaviors** support the mission vision
- Communication internal and external on outcomes and impacts – lots of **good news sharing**
- Have **connected the dots** between purpose/mission to growth and margin

Successful leaders **maximize the first 3** and **minimize that last 3.**

Credit Unions – what it looks like

- Motive 2 Play

- Organization **value alignment** with recruitment and development – people are more likely to enjoy the work
- Team **interaction and collaboration** –community committees and outreach
- Community **involvement** – more volunteers and fun
- Contest, games, **engagement**
- Experiment and try **new things**

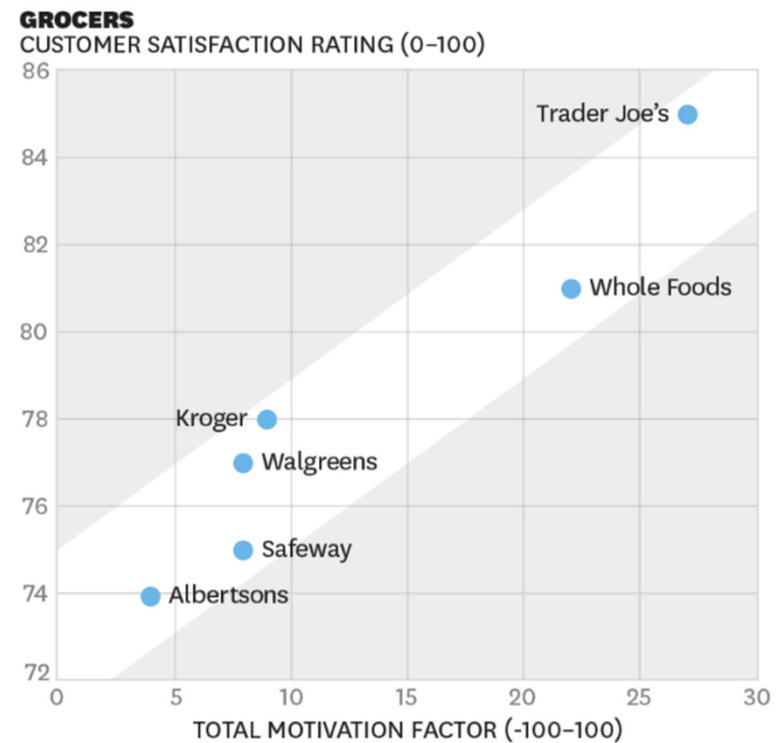
Credit Unions – what it looks like

- **Motive 3 Potential**

- Bottom line – credit unions with vibrant and healthy cultures are growing – **growth creates new positions** across all levels
- Growth cultures consistently and intently develop individuals
- **Education** is taken seriously and robust
- Leaders spend more time coaching and hands on **developing**
- Open opportunities to **interact, learn and collaborate** with other credit union professionals at other organizations.
- **Recognition** for employee development

Higher customer satisfaction scores linked to stronger workplace cultures

Research data reflect that cultures that **inspired more** play, purpose, and potential, **and less** emotional pressure, economic pressure, and inertia, produced better customer outcomes.



SOURCE PRIMED TO PERFORM

Poll Question #3



“Marketing is no longer about the stuff that you make, but about the stories you tell.” – Seth Godin

Professional and relevant marketing

Credit Unions – what it looks like

- Clarity on their “ideal” member
- Clear brand **differentiation**
- Really understand the **needs and wants** of the ideal member
- Communication is heavy on **impact stories** and light on competitive pricing
- Long-term financial **commitment** to marketing
- Willingness to **try new things** and fail
- Intentionally **steps out** of comfort zone
- Fun
- Use professional marketers with **professional plans** and methodologies
- Execute **conversion** of marketing efforts to new members, loans and accounts.
- Measure results

Why it matters

- The **survival** of your credit union **depends** on your ability to consistently attract a **growing number** of engaged members/borrowers.
- If your credit union has a negative membership growth trend – **alarms should be loudly sounding**, and people engaged to figure it out and fix it.

Good news – there is hope and many successful smaller credit union leaders to learn from to guide your way!

Next steps

- **Assess all the potential markets around you** – which one can you become #1 or #2? Next – create a plan to make changes needed to do so.
- **Honestly assess your culture** – how can you maximize the first three and minimize the last 3? Are your mission and vision still relevant – can they inspire your team to action? If not – invest time in defining them so that they are aligned with
- **Get serious about marketing** – are you using the best tactics? Consistent growth in a competitive market **REQUIRES** effective marketing.





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