



Leveraging Credit Information for Member Attraction and Retention

A White Paper by Syphr, LLC

With declining new member growth rates and the banking industry still reeling from the recent economic avalanche, member attraction and retention has become a priority for credit unions nationwide. After incurring marketing and staff expenses to establish relationships and set up accounts, credit unions are understandably anxious to retain hard-won business. But is member retention a rescue operation or something more?

The question is worth exploring because some of the imagery surrounding retention is of late-stage efforts intervening with members just as they are getting ready to leave. That's sort of like waiting until something really hurts before going to see the doctor. By then, things may have progressed to the point where the options are fewer, the remedies more dramatic, and the outlook for recovery less favorable. In member retention as in personal health, the better approach is to be proactive. This approach entails its own set of commitments that extend throughout the life of the relationship.

That's not to downplay the need to respond when member defections are imminent. There's a growing body of knowledge about the circumstances of customer attrition, including statistical models that interpret account activity and balance fluctuations and identify relationships that are at risk. Some institutions have found that their ability to generate such lists outstrips their ability to respond. Along with mobilizing staff in the branch and the call center, institutions are revising incentive plans so that people are rewarded for building and preserving relationships, as opposed to pushing products.

Still, this is but one component of member retention. Relationships often are either cemented or forever lost on the basis of how well the credit union recovers from mistakes and responds to special circumstances. Broadly in financial services, representatives are being given discretion to make corrections and concessions right on the spot, and some providers are adding dedicated trouble-shooters to assure skilled responses and complete follow-through.

So much for recovering from pressing situations, but what about managing perceptions and strengthening overall ties with the member? Viewed from this perspective, member retention comes into play at the start of the relationship.

From day one, educating members about the credit union movement and its generous philosophy only strengthens the member relationship – thus, complementing the retention efforts. Not only are the philosophy and movement motivating factors in the retention department but bringing the low rates angle to the table is a practical and applicable approach to keep members as well. Great rates are a primary reason why many folks join credit unions.

But do low rates make credit unions better? Maybe, but not totally. Unfortunately, there's so much deceit around rate offers today that consumers often don't know what they're really paying.



To understand rates today, a consumer must be diligent and disciplined in reading and understanding all account terms and conditions. The direct mail offer usually is only part of the story. The fine print behind the offer defines the true cost of the product or service.

Plus, rates are used to attract a prospect's attention, and it's virtually impossible to always have the best rates all the time. As for member retention, it's got to be more than about rates. It has to be acquiring viable member information to provide them with the best services and products possible to meet their individual needs.

The single biggest resource of consumer information is the credit report. That said, are credit unions fully tapping this important resource not only for member acquisition but member retention as well?

For credit unions looking to leverage credit reports' robust consumer information, New York-based CUSO, Syphr, has created a new method of using this data to generate leads and foster member retention. Its RateMatch™ solution sources new member prospects among 175,000 consumers who purchase a credit report each month. RateMatch links consumers with a participating credit union following the purchase of a credit report. Since this is a cost-per-acquisition model of Internet advertising, RateMatch offers credit unions a low-risk, high-reward advertising distribution system for generating qualified sales leads and new member prospects. In action, RateMatch compares the loans on credit reports with those of participating credit unions, shows the consumer how they can save money, then sends the consumer's information to the participating credit union.

Most marketing gurus believe that reaching out to new members during the initial 90 days after they join a credit union – using a combination of phone calls, e-mails, and direct mail – represents their best chance of cross-selling an additional product or service to a new member. Additional research indicates that offering an additional two-to-three financial needs for new members during this time means they are dramatically less likely to leave, improving a credit union's overall retention rate.

A member's credit report data can play a key role during this 90-day honeymoon period, called onboarding. RateMatch helps tremendously in this regard because it enables credit union staff to use its workflow features to track their efforts in real time, while managers can monitor progress and analyze performance metrics. Finally, senior management can view reports to understand the marketing ROI, sales performance, and easily determine how to drive business performance.

Research from Marquis Software reveals that about one fourth of new members will leave within their first 12-15 months. This fact leaves little doubt that credit unions must have a formal retention strategy in place; however, it must be coupled with great member service based on dialogue to be effective. Other studies have repeatedly shown that members with multiple accounts are far more likely to stay with the institution than those who have only one account. But to reach this higher level of involvement financial services providers need to become partners with customers in managing their financial affairs.

At the highest plane, member retention is all about creating dialogue, listening attentively, and getting people to open up about their needs and concerns and then the credit union responding with insights, products, and services that are both personally



and financially appropriate. The information gleaned from credit reports helps immensely in revealing what is financially appropriate – and RateMatch helps loan officers and MSRs by automatically highlighting direct savings opportunities and demonstrating true member value.

Putting all of this together, outstanding success in member retention rests not on piecemeal tactics, but rather on the quality of interaction over the life of the relationship. To focus only on managing the crisis aspects is to miss the bigger picture. Again, the better approach is to be proactive – which entails research, technology, and service commitments that extend throughout the life of the member/credit union relationship.