

# A Brand **All Your Own**



Increasingly, credit unions look to charter conversions or name change strategies to solve the problem. In reality, these tactics—implemented alone—can solve only a fraction of the overall problem. Considering a credit union's name or brand recognition evaporates immediately upon approval of an expanded field of membership, these tactics can potentially exacerbate a credit union's competitive position.

Within your new, larger community, who knows you? What do they know about you? And the biggest question of all: what makes your offer to these new prospects so compelling that they will switch from their current financial institution to become a member of your credit union?

The good news is that there is a high likelihood that your prospects' current personal experience with their financial institu-

tion is not overly satisfying. The question remains whether the experience they can have with your credit union would be significantly better.

Across a variety of industries, researchers conclude that perceived brand quality drives financial performance. Further, there are many who believe the quality of the brand experience is the principal driver of customer satisfaction and loyalty, which in turn affects return on investment.

At D. Hilton Associates, we believe brand management is the critical first step to creating and maintaining a credit union's competitive and economic success. Initiating a strategic credit union branding program ensures the development of a well-defined brand name and a visual identity that will appeal to both your current and potential members, and effectively differentiate your

brand from the competition.

In essence, your brand should be positioned as an emblem of the vision and values of the entire credit union. It is used as much to motivate staff as it is to communicate with members.

A well-focused branch staff and telephone center are enormous brand-building assets. This places a great responsibility on training. It is impossible to expect employees to make a vision happen if they do not understand or buy into the vision. A strong training program can help instill and nurture the brand/employee roles over time. Ultimately, credit union employees are the one-to-one makers of the new brand experience.

Successful branding should be thought of in the context of singularity. The credit union must create and deliver a brand experience so compelling that consumers will be willing not only to switch, but also to consolidate accounts. The hurdle, in order to beat the competition, is creating and maintaining a credit union experience that is more than just “better.”

Investing in brand and brand positioning enables a credit union to create a unique niche in personal experience that can only be characterized as “WOW!” In an age where consumers are increasingly overwhelmed with service and service delivery, re-branding a compelling member experience can be an effective strategy for increasing credit union growth and revenue.

D. Hilton Associates believes strong credit union brands are built on an integrated foundation of:

<b>VISION</b>	The management and board’s aspirations for the credit union’s uniqueness
<b>PROMISE</b>	The expectation you create in members’ minds about what the credit union stands for
<b>DELIVERY</b>	The consistent member experience from employees, living the promise every day

Viewed as the personification of a credit union, the brand must be regularly monitored and measured to successfully deliver the credit union’s promise. All too often, the brand light is bright when launched, but dims over time due to a lack of follow-through and commitment.

Delivering “WOW” usually demands a shift in employee culture. Historically, employees have been trained and measured by how well they follow policy. The “WOW” lives by principles. The spirit is imbedded in your brand promise. This shift inevitably requires greater responsibility and empowerment at the point of member contact.

People can only trust products and services when they trust the company and its people. Whether intended or not, employees, at every point of contact, are the voice and image of the credit union’s brand.

Simply put, your brand image is shaped by every interaction that a member has with the credit union. Yes, this means every access channel and all employees—front and back office—must deliver a consistent “WOW” experience. Anything less is a dilution of your brand vision and promise.

In the retail industry, Nordstrom is widely recognized as having an effective brand position. Nordstrom employees deliver an exceptional in-store customer experience. However, for loyal customers the brand is just as special thousands of miles away. In the online retail world, Amazon.com has created an equally successful brand position. Even though they never meet their customers face-to-face, Amazon.com lives up to the Nordstrom benchmark for service standards and customer experience.

## Positioning

Across the country, credit unions, intent on positioning themselves for future growth, are undergoing charter conversions at an accelerating rate. While many SEG-based credit unions believe a community charter is the best approach for competing with banks and other credit unions, it is not without its challenges. Appealing to the larger community market means a credit union must be prepared to somehow solve consumer pre-conceptions or myths about

credit unions.

People have learned to rank products on mental ladders. For example, many business travelers would position Hertz on the first rung and Avis on the second rung of the rental car ladder. So, before brand re-positioning, it is critical for the credit union to know where they rank on the consumer’s financial services mental ladder.

Faced with an almost endless array of financial product and service choices, consumers typically consider five factors when selecting a financial services provider: convenience, products/services, image, advice and price. However, when considering a credit union relationship a sixth factor comes into play: member eligibility. This is not a filter in their typical set of selection criteria. They are accustomed to opening a checking account without having to qualify.

*Between 1997 and 2003, over 640 federal credit unions converted to community field of membership charters.*

Research indicates that a majority of consumers associate credit unions with employers, companies, or labor unions. Overcoming the general perceptions that to qualify one must belong to a union or be employed by a specific company is a significant hurdle. The perception is compounded if the credit union’s current name or logo suggests something other than an open membership. Discovering solutions for these pre-conceptions is a critical part of the re-branding process.

Metaphorically speaking, it is often more effective to attract consumers to the credit union brand through a focused and powerful magnet rather than to trap them in a widely cast net. By honing the credit union strategy and message to target a definable market niche, the credit union can more easily create a leadership position and competitive advantage. In general, there are four market positions or categories in which the credit union may focus, namely: price, product design, technology and service.

For credit unions, creating and sustaining market leadership based on price or product design is problematic. In most markets, it's just too simple for competitors to match price or replicate new product offerings and features. Similarly, only a few financial money centers can afford the costs of leading-edge technology that will serve as a unique differentiator.

This leaves service as the market differentiator that most credit unions build their strategy around. On the surface, selecting service as a brand position either wins by default or seems the easiest to deliver. However, most credit unions quickly discover that service at the "WOW" level of delivery is one of the hardest market positions to achieve and sustain.

For most credit unions, service positioning requires some level of culture change. Upon completion of image and member satisfaction surveys, many credit unions discover a significant gap between the credit union's service promise (internal) and member experience (external).

The degree of culture shift required for service positioning depends on the current service experience gap. The benchmark is not what the credit union promises, but rather what the member experiences.



Once a brand baseline is established, core brand attributes, brand personality

and imagery can be explored. These elements compose the true value proposition, which can serve to differentiate the credit union. With assessments to delivery and tracking, the brand evaluation process is complete.

With the brand value proposition defined and brand identity created, the credit union's sales and service champions must internalize the brand promise and positioning.

In the hospitality industry, Marriott International serves as an example of a company that has successfully translated brand positioning into a premiere service experience for its guests. By intentional and careful engineering of their sales and service culture, Marriott employees deliver consistently on the company's service guarantee.

After launching a new brand appearance and promise in the community, tracking and measurement are the final but essential stages to ensuring the credit union is delivering the brand membership experience as envisioned. If the branding light has dimmed or totally faded, so too has the credit union's market niche.

Market research can develop nuances of member selection criteria that refine the quality perceptions about the brand. The findings also identify the cues that influence perceived quality. If customers highly value being "called by name" followed by a "handshake" when forming judgments about financial relationships and trust, then the credit union contact protocol must include calling the member by name and a handshake.

In the manufacturing industry, Volvo has built a reputation for surviving accidents, while Subaru has built a reputation for avoiding them. Positioning involves a decision to stress only certain aspects about a brand. The sales experience with new car owners stresses the safety and engineering features of the Volvo or Subaru. While Volvo and Subaru have other brand attributes, safety and engineering control are their primary differentiators in the auto category.

The D. Hilton Associates Positioning Model helps credit unions to determine their brand differentiator. If executed well,

the brand position or niche becomes your credit union's unique DNA—something that cannot be replicated.

After selecting a market niche, the credit union must determine who it targets. Has the credit union re-branded and repositioned itself in order to attract low-balance, unprofitable prospects? Probably not.

Does the credit union plan to continue to serve all current members with equal levels of service? Hopefully not. Doing so would mean that members with only a low-balance checking account who come in frequently to withdraw \$10 are of equal value and importance as high-balance members who have consolidated all their financial accounts with the credit union.

Developing a pre-emptive market position demands that the credit union identify its target segment, or the segment for which the brand appeal will resonate. Every member has the right to quality service, but not all will be the focus of the credit union's "WOW."



Image market research can help identify what community members want in a financial service provider and where gaps exist. These findings will reveal the credit union's strengths and weaknesses, plus perceptions about local market competitors. This discovery will ultimately serve as the foundation for the brand repositioning.

Dynamic social and economic circumstances periodically challenge companies in all industries to reposition themselves and their target customer. That is why it may be helpful to think of brand positioning as an

iterative process. Consider Johnson & Johnson Consumer Products' successful repositioning of baby shampoo. Once targeted solely for babies, it is now positioned to include people who needed a milder shampoo because they wash their hair frequently. Brand evolution is fluid.

## Segmentation

Market segmentation involves the partitioning of a large market—such as a county or local community—into smaller clusters of potential members with similar lifestyle needs or characteristics. From those clusters, the credit union must select their primary or target membership group.


Every credit union member deserves satisfactory member service. Your target audience, however, requires exceptional service if it is to serve as the credit union's brand differentiator. Segmentation helps to identify and qualify the credit union's target audience.

Each year, D. Hilton Associates helps hundreds of credit unions build member segmentation models and analysis through strategic research, largely from DHA's proprietary Member and Image Surveys. Data collected by these surveys are used as a baseline to create statistically significant clusters that differentiate member segments along financial service needs.

The key to effective segmentation is to keep the model and cluster groupings easy to manage and understand. The purpose of segmentation findings should be more than just management reports. Rather, the segmentation analysis should report causal findings that can be tapped for specific actions. Segmentation analytics are vital components in developing the credit union's strategic corporate and marketing plans in addition to assisting the preparation of the sales platform and telephone center script for proactive selling and service.

Once market segments are identified, the credit union must decide which segments it wants to pursue. Whether the credit union is SEG based or community chartered, the outcome of member segmentation clearly identifies the credit union's primary target audiences for future marketing and planning initiatives. By dividing exist-

ing and potential members into small groups, the credit union can effectively align marketing strategies with the benefits sought by each targeted member segment. Matching credit union promotions to targeted member profile groups allows the credit union to recognize member preferences and anticipate their changing financial needs, thus creating a superior membership experience.



*An orange...is an orange...  
is an orange. Unless of  
course that orange happens  
to be a Sunkist, a name  
eighty percent of consumers  
know and trust.*

—Russell Hanlin, President/CEO  
Sunkist Growers, Inc.

## Loyalty Chain Reaction

D. Hilton Associates' proprietary studies reveal member satisfaction levels to be the leading indicator of member loyalty. The value in identifying a credit union's most satisfied members is that they tend to be the credit union's best primary financial institution (PFI) member—a relationship that is typically reflected in product ownership and household profitability.

Research tells us that brand-loyal members are least likely to switch products, services or relationships because of a price-cutting strategy. Extremely satisfied members are predisposed to tell a friend about their credit union "WOW" experience and value. This progression, which D. Hilton Associates calls the Loyalty Chain Reaction,

is critical to strong brands.

On the other hand, DHA has found that simply satisfied members frequently behave more like indifferent or dissatisfied customers. Satisfied members often maintain minimum balances and use the credit union as a direct deposit pass-through to other financial service providers. These members demonstrate situational loyalty to the credit union. They are highly sensitive to changes in perceived value and view each purchase decision as an opportunity for banks and credit unions to compete for their business.

From this perspective, it is easy to see why designing the right appeal to the right target audience is critical to the credit union's competitive and economic success.

The travel industry exploits the Loyalty Chain Reaction through investments in customer loyalty programs. In the United States, 75 million consumers have joined frequent traveler programs through an airline, hotel, car rental, credit card or telephone company. With more than 82% of loyalty program members actually redeeming their awards, there is strong support for offering your most avid and loyal customers added value they perceive as worthwhile.

For credit unions, member loyalty generates additional product and service purchases, deepens the member relationship and increases profitability. By investing in brand positioning, credit unions exert greater control over purchase frequency, member retention, relationship development and member advocacy—effectively driving the Loyalty Chain Reaction.

Clearly, strong brands achieve greater sales momentum. Credit unions that are interested in thriving, rather than just surviving, must create and sustain brand differentiation to achieve lasting competitive and economic success.

For more information about DHA's advertising and brand consulting services, contact Terry Puster at 800.367.0433 ext. 145.