

Demographic Trends and Marketing Age, Ethnicity and Other Demographic Factors Impacting Marketing

Credit unions exist in a competitive business environment. If they are to better serve their existing members, and attract new members, it is imperative that they be aware of any demographic changes. Credit unions need to remain aware of their present demographic environment; yet, staying alert to trends and factors that will alter the make up of their memberships over time. Fortunately, an area's demographics usually evolve slowly over time, so staying current of a locality's demographic changes and needs is manageable.

The following pages contain information on current and future demographics compared with demographics of credit unions followed by marketing techniques to better serve the changing marketplace.

Demographics

The United States population is steadily increasing. Population trends are changing in the areas of age distribution, ethnicity, household composition and income.

Population Growth

The U.S. population, currently estimated at 297.3 million, is expected to increase to 335.8 million by 2020 and 363.6 million by 2030, according to U.S. Census predictions. California has the largest state population of 36.6 million people, which will grow by an average of 575,700 a year to approximately 43.9 million by 2020, and 48.1 million by 2030.

For the eighteenth consecutive year, Nevada is the fastest growing state with its population increasing 4.1 percent to an estimated 2.4 million. Nevada's population is expected to increase to 3.4 million by 2020 and 3.6 million by 2024.

[Data is all in Excel, TotalpopU.S.CANV.xls you can make a bar chart out of it or not use it at all.)

Age

The U.S. Census Bureau 2003 American Community Survey Profiles revealed that, while a significant portion of U.S. population (30 percent) was in the 35 -54 age group with the median age at 36, there was a substantial portion (34.6 percent) close behind in the 10-35 age group. California and Nevada had similar age distributions, only differing by higher rates for 25-34 year olds with California

at 14.8 percent and Nevada at 15 percent versus the national rate of 13.7 percent 25-34 year olds.

Projections of future age distributions show a minor decrease in younger populations while there will still be a good portion (31 percent) of the population in the 20-44 year age group by 2030. Once again, California and Nevada will have higher percentages in the 20-44-age range. (Demo 1, 5, 6)

Credit Union Member Information by Age

The age distribution of credit union membership is not keeping pace with the growth of younger generations. According to CUNA Research and Advisory Services, the average age of adult credit union members is 47 years old and 50 percent of members have been with credit union for over 15 years or more. Only 22 percent of credit union members are under 34. A majority (54 percent) of credit union members are over 45 years old and past the prime lending years. (Demo 7)

The Filene Research Institute's *Who Uses Credit Unions?* shows the distribution of financial affiliation by age, people 65-74 and over 75 are most likely to use banks only. Household ages 35-44 and 45-54 are more likely to be primarily credit union users while households ages 45-54 and 55-64 are most likely to be primarily bank users. Households under 35 are most likely to use a credit union only. Unbanked households are most likely to be under 35 and aged 35-44. From this data, it is clear that credit unions ought to consider additional marketing directed towards the under 35 and unbanked.

(Taken from Page 13 of *Who Uses Credit Unions?*)

Analysts at the Credit Union National Association estimate that the average credit union stands to lose \$14 million dollars annually if it does not increase membership of 18-24 year olds. "The Nation's Face and Age is Changing" by the Point Staff revealed that the percentage of members that fall into the prime borrowing age group of 25-44 continues to decline, making the lending market tougher for credit unions.

Assisting the underserved is important to credit unions whose missions have always been to assist those of modest means and it also increases credit union membership. There is a great need to provide services to those who do not have access to other financial institutions, and credit unions are well-situated to fill the void.

Race/Ethnicity

In the United States, 76 percent of the population reported their race as white; 12 percent were African American; and 4 percent were Asian. The Hispanic population grew to 14 percent of the national population according to the U.S. Census. The state of California had much higher concentrations of Asians and Hispanics and less allocation of whites and African Americans: 66 percent were white, 6 percent were African American, and close to 12 percent were Asian. Hispanics of any race were 34.58 percent of the California population. The Nevada population was 77 percent white, 6.4 percent African American, 5 percent Asian and the Hispanic population was 22 percent.

Increased Hispanic and Asian Populations

The nation's Hispanic and Asian populations will continue to grow at much faster rates than the population as a whole. The U.S. Census projects that by 2030, Hispanics will comprise 20 percent and Asians will comprise 6 percent of the nation's population. California projections from the State of California, Department of Finance, demonstrate even greater Asian and Hispanic growth, with 47 percent Hispanic and 13 percent Asian California populations by 2030. The non-Hispanic white California population will decrease to 29 percent. The Nevada State Demographer's Office predicts that Hispanics will comprise 31 percent and Asians 7 percent of the Nevada population by 2024.

(Demo 2, 3, 4)

Race/Ethnicity Credit Unions

Although credit unions continue to serve the majority population with CUNA Research Services' National Consumer Survey (NCS) showing 74 percent of credit union members are non-Hispanic white, and 13 percent African American, only 9 percent are Hispanic and 4 percent belong to other ethnic groups.

This rapid growth of the Hispanic population should be considered important to California and Nevada credit unions that want to expand their markets and grow. The increase in Hispanic population is not only spurred by births, but over half the recent growth is due to immigration according to CUNA's E-Scan. The Hispanic population is the most likely racial/ethnic group to be unbanked.

By 2007, Hispanics will have \$900 billion in spending power, an increase of 315 percent since 1990 according to The Point in "The Nations Face and Age is Changing." Diversity will be the key to economic survival of all businesses. The Fall 2004 Issue of FDIC Outlook recommends that banks should look to the Hispanic market for new sources of revenue. TowerGroup estimated in 2003 that up to 70 percent of the growth for U.S. financial services between 2003 and 2008 could come from the Hispanic market alone.

FDIC Outlook reports that as Hispanic purchasing power continues to increase, Hispanics will have significant needs for credit cards, mortgages, consumer loans and other products. A study by the Thomas Rivera Policy Institute, at the University of Southern California's School of Policy Planning and Development found that a majority of Hispanics wanted to own the roofs over their heads but didn't know how to go about it. An estimated 2.2 million Hispanic households could become homeowners by the end of the decade if real estate and financial institutions were to reach out to them.

Households

According to the U.S. Census, the households of the United States consisted of 50 percent married couple families; 17 percent other families; 27 percent single person households and 6 percent non-family households. Female-headed households with no husband present accounted for 12.57 percent of all households. California and Nevada households were close to the U.S. household patterns. The average household size was 2.61 people. The reduced size of households followed the trend of declining family households and a rise in single-person households.

(Construct chart from American Community Survey?)

Marital Status

The America's Families and Living Arrangements Census showed fewer Americans were married. Young men and women in their 20s were much less likely to be married. In 2003, 54 percent of men ages 25 to 29 and 40 percent of women ages 25-29 had never been married. Eleven percent of females and 8.8 percent of males 15 years and older were divorced. Close to 10 percent of females and 3 percent of males in this group were widowed. California and Nevada new marriage statistics are comparable.

In Nevada, however, the divorce rates were higher with 14.8 percent divorced females and 11.8 percent divorced males 15 years and older.

[Note this information combines America's Families and American Community Survey]

Households Credit Unions

A larger segment of credit union members (61 percent – CUNA NCS) are married as compared to the general U.S. population (50 percent U.S. Census.) Only 18 percent of credit unit members are single while the numbers of single

households continue to grow. NCS shows a higher percentage of credit union members who are widowed (7 percent) than the general population.

Filene Research reports, however that those who are separated/divorced and never married are most likely to use credit unions exclusively. The never married are twice as likely as households in general to be unbanked.

Income

The median U.S. household in 2003 adjusted dollars was \$43,564; both California and Nevada median incomes were higher with California at \$50,220 and Nevada at \$45,395. There was a considerable portion of low-income households with 28 percent of U.S. households, 24 percent of California households and 25 percent of Nevada households earned less than \$25,000 a year, a benchmark for identifying the unbanked and underserved.

(Demo 3 you could make the incomes under \$25,000 in another color or have different shading.)

Income Credit Unions

According to the Filene Research Institute, the average income of households that use credit unions exclusively is \$42,664, whereas the average income of households that use only banks is \$76,923. The income of those households that primarily bank is \$74,303 while the income of those that primarily use Credit Union is \$67,475. The average income of the unbanked is \$17,225.

Languages

The American Community Survey revealed that English has remained the primary language in the country, with 81.6 percent of the population 5 years and over spoke English only at home and 18.4 percent spoke a language other than English. The most spoken language after English was Spanish at 11.28 percent. 3.6 percent spoke Asian/Pacific Islander languages and 2.8 percent of the population spoke other Indo-European languages. Languages spoken in Nevada were quite similar to the nation as a whole; however, California had a greater portion of other languages.

In California six in ten people spoke English only at home, U.S. Census figures show 59.2 percent of Californians spoke English only and 40.8 percent spoke another language at home. Spanish speakers were 27 percent and Asian/Pacific Islander speakers were 8.8 percent of the population. In major metropolitan

areas such as Los Angeles County, the concentrations of “other language” speakers were even higher.

[Note they had language data in U.S. Census Survey]

Marketing Focus Underserved and Youth

To increase profitability and acquire new members, credit unions need to offer new services to existing members and look to new sources for membership. The two areas where credit unions can look to grow and expand are serving the underserved and youth markets.

Who are the Underserved/Unbanked?

The number of “unbanked” Americans, people who do not have a basic checking and savings account, may be as high as 22 million, most earning less than \$25,000.00 a year, according to The New American Foundation Brief, “Breaking the Savings Barrier” by Anne Stuhldreder and Jennifer Tescher. The authors contend that there are even more “underbanked” persons who may have accounts but still rely on alternative financial service (AFS) providers such as check cashing outlets. This sector of the population is referred to as “underserved” because they pay more for basic financial services at check cashing outlets (CCO), payday loan providers, pawnshops, auto title lender and rent-to-own stores. Alternative Financial Services (AFS) charge higher fees and payment plans that can lure users into a spiraling circle of debt.

There is an estimated \$78 billion in revenues generated annually by non-bank financial services firms, showing the great demand for financial services by lower-income households.

There are many characteristics of the financially underserved and many of the groups overlap. In general they are likely to have low incomes, be people of color, have less education and are often female-headed households. To understand how to market to this group, credit unions need to understand why these groups have not entered the financial mainstream.

Segments of the Underserved Market

- **Immigrants** – More than 30 million foreign born Americans, who may have experienced bank failures in their country of origin, do not trust financial institutions, face cultural/languages barriers and may believe they do not have the documentation needed to open an account.

- **Liquidity Driven** – People who live paycheck to paycheck, such as benefit recipients, the unemployed and low wage earners, do not open a bank account because they have no need for money storage or are afraid of minimum balance fees, restrictions or bounced-check fees. Most traditional financial institutions will not cash a payroll check or government benefit check without waiting for it to clear. Check cashing outlets will charge a fee of 2 percent to 4 percent for payroll or government checks and may charge as much as 10 percent for personal checks.
- **People of Color** – In 2000, one-third of Latin American immigrants did not have a bank account. African Americans were over four times more likely to be unbanked than whites.
- **Convenience Conscious/Geographic Barriers** – These customers may prefer AFS which are open extended hours, are conveniently located, and offer other need services such as money orders, bill paying, envelopes and postage stamps. Often there are fewer banks in low-income areas.
- **The Underbanked** – AFS are used by tens of millions of people with bank accounts for some services, such as paying bills and purchasing money orders, which are often more affordable or not offered at banks or credit unions.
- **The Formerly Banked** – Almost half of the unbanked previously had accounts. Many have negative credit histories or have “merger fatigue” and gave up on their financial institutions after mergers. This group relies heavily on check cashing outlets.
- **Limited Financial Education** – A study from the Financial Services Review by Angela Lyons and Erik Scherpf showed when underserved participants attended the FDIC Money Smart Program once they established long-term financial goals and wanted to meet their goals or establish financial security, they were more likely to be planning to open a financial account. After the financial education, they felt more knowledgeable and more comfortable opening an account. Stacey D. Stewart, president and CEO of the Fannie Mae Foundation, in the Bay State Banner, in reference to a Fannie Mae study on the unbanked concluded, “The study suggests that a customer’s lack of information about money management and banking, combined with a lack of effective outreach to the ‘unbanked’ community by mainstream financial services providers, are probably bigger factors in a person’s decision to avoid banks.”

Options for Credit Unions

Check Cashing & Bill Paying

Credit unions who serve the underserved can generate income providing services to the underserved and help many of them make the transition to low-cost credit union deposits and loans, discloses *Check Cashing and Savings Programs for Low-Income Households* by John P. Caskey and Susan J. Brayman. Because credit unions are non-profit, have a higher level of trust than banks and were conceived from the philosophical value to deliver high-quality financial services to the people of modest means, credit unions are ideally poised to create innovative services for the underserved. Caskey and Brayman suggest that credit unions can serve AFS customers effectively by adding check cashing and bill paying services to traditional credit union services.

New Specialized Services

Also recommended in the study are special products to meet the payment and saving needs of members with small month-to-month savings (similar to Christmas Club); credit products for those with acceptably flawed records; and educational programs that help households accumulate savings, clean-up credit credits and learn about financial products. Moreover, they advise credit unions to partner with other credit unions for a shared branch location or partner with community-based organizations to share costs.

Filene Research, in an earlier report "Check Cashing Opportunities for Credit Unions," suggests that credit unions should offer check cashing services to non-members because of the large market; credit unions can provide services at a lower cost using existing staff. Through financial educational programs, the check cashers can be converted to members.

In the future Filene Research will further investigate salary advances, check cashing, international remittances and tax preparation services.

In regards to the underserved in California, Anne Stuhldreher and Ray Boshara, in *The California Journal*, "Building Assets: What Should California Do?" recommend the implementation of financial literacy programs. Twenty-eight percent of Californians lack at least a transactional account; without an account they cannot build assets. They suggest that California should encourage financial institutions to accept the Martrricula Card that is issued by the Mexican government. When midwestern banks accepted the card as identification, as of January 2005, 50,000 unbanked customers opened accounts with an average balance of \$2,000.00

Case Studies

Second Chance Checking - WestStar Credit Union

In 2001, the WestStar Credit Union in Las Vegas, devoted to gaming industry employees, started their special "Second Chance Checking" program with a fee of \$10.00 per month for members who had been reported by ChexSystems. The program was designed so that when a member stayed in the program successfully for one year they could graduate to other services. Courses were offered to help members learn how their accounts work. Fifty-six percent of class attendees have been converted to a regular account. Program participants can also qualify for "Second Chance Visa Card."

Eddie Garcia, the training development manager believes that the most important reason for shaky financial history is the absence of financial education. WestStar Credit Union is planning on expanding the program to include credit workshops.

Charter Oak FCU, Groton Connecticut

An analysis of the Charter Oak FCU showed that members primarily used the credit union to cash checks. Many maintained low-balance savings accounts to access check cashing privileges which was costly, says Ray Currier, Product Development and Implementation Officer in *The Implementation of Check-Cashing Services* by Mark Meyer. In the fall of 2001, the credit union advised members if they did not maintain at least a \$100.00 share account, they would have to pay a one percent check cashing fee. Many members increased balances, while others chose to pay the fee.

Charter Oak began marketing its fee-based check-cashing service in February 2002, and in its first 11 months the program took in \$55,000 in fees from members and non-members. In 2003 they expected to double their income from the previous year.

Marketing for the fee-based check cashing service is mainly through word-of-mouth; except when they market it at tax time through contacting tax preparation companies. Another popular service they added was the sale of stamped envelopes for easy bill payments. The fee for money orders was cut in half and more money orders were sold than ever before.

SCE Federal Credit Union Boyle Heights Branch

"The underserved are not just the unbanked, immigrants and the poor; they are people who have not been exposed to traditional financial services, including small businesses," said George Poitou, CEO of SCE Federal Credit Union.

In 2001, SCEFU opened a branch in the Boyle Heights district of Los Angeles, a primarily Hispanic and lower income community; within a year and a half of opening, the branch became profitable and now has \$11.5 million in loans and \$8 million in shares. Almost one third of its members were formerly unbanked. Residents of the area, who worked at a local commercial bank, joined the SCEFU because they couldn't qualify for loans at the bank where they worked.

The Boyle Heights branch generates car loans, small personal loans and home equity loans. Many small business customers, such as local remittance and check cashers are members and refer new members to the credit union. The fact that credit unions offer money wiring and remittance services has lowered the prices for money wiring to foreign countries in the area, Poitou explained. They're involvement in community charities has also contributed greatly to word-of-mouth marketing.

The branch is fluent in Spanish, all promotional materials, loan documents, and forms are in Spanish, and employees all speak Spanish.

The popularity of the branch encouraged SCEFU to open a new branch in May 2005 in Plaza Mexico, a large retail development in Lynwood, California with a design that follows the basic principles of the ancient city of Monte Alban, Mexico.

(Note: I think we should be able to get a photo of Plaza Mexico somehow...it looks fabulous.) <http://www.plazamexico.com/index.html>. George might also have a photo of the Boyle Heights branch, hey it's not that far away maybe someone from CCUL can take a photo.

Wisconsin Credit Union Shared Service Centers, Inc., Greenfield, Wisconsin

The Wisconsin Credit Union Shared Service Centers, Inc., began offering check cashing services to non-members in July 2003 according to President Rick Hagopian in Filene's *The Implementation of Check-Cashing Services*. The credit union chose to charge a flat fee which was in the consumer's interest rather than the sliding scale used by CCO. They also offered money orders, traveler's checks, stamps, envelopes and bus passes for their convenience-oriented customers. They promoted the check-cashing services with exterior banners, balloons in the lobby, flyers and window signs.

The board wanted the shared service center to offer the widest possible range of services to and assist in recruiting new members from among the unbanked. A majority of the checks cashed are payroll checks and the credit union hopes to introduce the check-cashers to the value of credit union membership.

Latino Community Credit Union Durham, North Carolina **[Note: I cut this down, about a half.]**

The Latino Community Credit Union in North Carolina is a model for serving the underserved. LCCU is completely bilingual. All forms, tellers, management, mortgage documents and the Web site are in English and Spanish. They provide considerable financial education to members because most (85 percent) of its members have never had a bank account.

Classes offered include:

- How to file for a social security number or taxpayer identification
- How to file a tax return
- Budgeting
- Managing a checking account
- Consolidating debt
- Home buying

The classes may be required for applying for some services. As members learn how to clean up their credit rating, they then can apply for a small-collateralized loan. The loan helps them establish a good credit history for future loans.

LCCU caters to the Latino families. In an article from Cues, Herrera says that because Latinos go everywhere as a family, they often bring extended family members to the credit union branches. He suggests not only extra chairs, but also benches that fit more people and a children's play area.

LCCU membership has grown rapidly at a rate of 1,300 members a month and has expanded to five branches. Their success at serving the market has many banks and credit unions asking for help in following their model.

Arrowhead Credit Union

(Note: I've e-mailed you Larry Sharp's Phone number, ask him for advice for reaching the underserved..)

In a Cues article, Arrowhead CU CEO Larry Sharp, states that he believes that credit unions should take the place of community banks that have disappeared. Arrowhead CU sponsors Arrowhead Credit Union Park and offers free home buying and Medicare workshops. The Arrowhead foundation provides scholarships to college bound students from the area.

During tax season, Arrowhead Credit Union members who make less than \$35,000.00 can have their taxes done for free by Cal State San Bernardino accounting students. Arrowhead CU has branch offices at the Mexican Consulate, a car dealership and at several Stater Brothers markets. The Corona-Norco branch is shared with First Financial Credit Union of West Covina. Arrowhead Credit Union shares space with First Financial Credit Union at its Riverside, Victorville and Chino locations.

Developments to Watch:

Pacoima Development Federal Credit Union

The Pacoima Development Federal Credit Union is being built on the site of a former pawnshop in a largely ethnic, low-income area. The credit union's low-income designation entitles it to receive low-interest loans through NCUA's Community Development Revolving Loan Fund, and to accept non-member deposits. The union partnered with the City of Los Angeles, which provided grants, and Wescom Credit Union, which helped draft the credit union's business plan.

Unlike banks, they will offer checking and savings accounts with no minimum balance requirements and loans for as little as a few hundred dollars, as well as savings accounts. They plan on offering check cashing and pay day loans in the future.

(Note: From the press releases and other research, it's not clear if check cashing to non-members is legal in California and Nevada, and what the recent bills passed mean. I assume it is legal. Pacoima people should know (818) 897-8485.)

The Youth Market 30 Years Old and Younger

Young adults are the future of the nation and all business. They have incredible spending power. The group can be divided into three categories, each category with different characteristics: the Teen portion of Gen Y, Gen Y and young Gen X. The Gen Y group is also referred to as Millennials, Generation Next and Echo Boomers because they're the genetic offspring and demographic echo of their parents, the Baby Boomers. Readers should note that there isn't really a firm consensus regarding the exact age of Gen Y; however, Gen Y is usually considered to be people in their mid-20s downward.

On the CBS News Web site in an article summarizing the "60 Minutes" segment "The Echo Boomers," Gen Y is profiled as "a generation in which rules seem to have replaced rebellion, convention is winning out over individualism, and values are very traditional." Gen Y is the most diverse generation ever: 35 percent are

non-white and the most tolerant, believing that everyone should be part of the community. Analyst Jane Buckingham of the Intelligence Group is quoted, "One of the things with this generation is word of mouth. Buzz is more important today than it's ever been. And that can get started on the Internet. That can get started just through friends. And it's very hard for a marketer to tap into that unless it's really a product that they like." "

Credit Unions marketing to the young population need to understand their characteristics and what they like.

Teens – Teenage Portion of Gen Y

American kids aged 12 to 19 spent \$175 billion in 2003 according to "Child's Play" in Bank Marketing International. For decades, financial institutions marketed to teens and children by largely preaching to them, but Marc Waldman, creative director of Marketing Partners, says that preaching is for elementary schools. The financial marketer must walk a fine line marketing products as beneficial tools that offer convenience and can teach youth about responsible spending, rather than coming off as advocates of reckless spending.

Waldman in an article "The Best of 2004, Demographic Issue," available at the Marketing Partners Web site, profiles the group:

- They're the most informed and media-aware group in history.
- They're extremely tech-savvy and viewed as CTOs (Chief Technology Officers) of their households.
- They've been marketed to their entire lives. As a result, they're marketing savvy.
- They're the first generation of true multitaskers, easily balancing email, chat and other communications simultaneously.
- Their entire lives have been spent in a world where everything's immediate: instant downloads, overnight delivery, microwave meals.

Attracting and Retaining Young Adult Members, produced by the Filene Research Institute, further notes about the teen group:

- They typically save a short time to buy something specific (bikes, skateboards and eventually cars) then abandon their saving.
- They aspire to being older, so marketing should aim on the higher side, they see don't want to be talked to as a child or immature.
- Customer service is important to them, according to Teen Research Unlimited.

Waldman warns that marketing must appeal to the teens' wants and needs. As more homes and schools hook up to the Internet, credit unions should consider online opportunities for reaching this young, technology-savvy generation. He

points out that traditionally, most financial services marketing to this age group was aimed at their parent and recommends credit union should market financial services directly to them. But credit unions need to speak their language and communicate through the channels they frequent.

The Feline Report recommends that a marketing strategy to younger members should have the credit union be the first financial service they use, and the first to offer a variety of services. Because the young are information-oriented, be sure to emphasize information services and have staff available to give advice. Establish a presence where young people tend to “hang-out” in person or through media.

Gen Y (Mid-Twenties and Lower)

The older portion of Gen Y has similar characteristics and different financial needs:

- They are highly educated.
- They are less trusting of social institutions.
- Referrals from friends and virtual marketing are very important to them.
- They have large discretionary income and high debt levels.
- Many move back in with their parents after college.

Filene's *Cool Solutions, Say Hi to Gen Y* further characterizes Gen Y:

- They have access to information all the time.
- They cell phone and instant message each other everything.
- They expect something for nothing and typical marketing gimmicks do not work.
- According to Forrester Research, 60 percent of Gen Y will be loyal to their financial institution, and Gen Y members are twice as likely as Boomers to be interested in purchasing additional products or services from their financial institutions.

Financial Preferences of 18-25 Year-Olds

Filene's interviews with 18-25 years old showed that:

- They are aware of differences of financial service providers.
- They realize that they will need loans, savings and investments to reach their goals.
- Their relationship with their financial provider is important.
- They want personalization and expect loan officers to be counselors.
- Although online banking is important, they prefer banking face-to-face.

Gen X (25-36 Years Old)

This group has their own unique qualities :

- Many postpone marriage and parenting.

- Women are buying houses, even if they are not married.
- They are loyal to people, not companies.
- They are more likely to be liberal.
- They are risk-takers in investments.
- They are very entrepreneurial, starting 70% of new businesses.

Programs that focus on key life events and other services that offer bonding experiences will help maintain young members. Forrester Research found that one out of every three people who moved, got married or changed jobs – life events that typically trigger financial decisions – were between 18 and 28 years old in 2003.

Programs that relate to key life events include: student credit unions, transaction accounts, education services/loans, first-time homebuyer loans, used automobile loans and continuing relationship management.

Student Credit Unions

By working with high schools and colleges, credit unions create a presence on campus. Often all that is needed is a table, banner, fax machine and computer. Sometimes schools may offer a classroom. Students can be involved in education, contests and marketing. Students like savings geared towards specific goals, such education or home and car purchases. Credit unions can offer scholarship incentives and money towards closing costs. When students go away to college, ATM access is very important; therefore unlimited ATM access, which can be provided from a co-op network, is a good opportunity. When they outgrow the student programs, be sure to extend an invitation to new programs.

Transaction Accounts

Checking accounts with debit cards are considered a key place to capture the youth market. Allow for high levels of ATM access because the young are less likely to carry a checkbook. Package and reduce the transaction account prices by bundling with other products such as auto or education loans. One credit union offers a product called a “checkless” checking account. The account only allows access to the account by electronic means, such as debit cards, Web site usage and online bill pay. After establishing this relationship, upgrade and market other products.

Education Services

Education is a primary concern of youth planning to continue on to higher education. Student loans and educational savings accounts provide the opportunity for a long-term relationship. Upon graduation, the credit union can

help consolidate debt and help the member through the rest of the financial cycle, such as saving for a home and the actual purchase of a home.

Marketing for education loans should start early in a child's life with congratulations letters to new parents and grandparents suggesting a new education savings account. To support college loans, a credit union should consider scholarships that call attention to the credit union as a contributing member of the community. Educational seminars and presentations at college nights in high schools are great opportunities for promoting credit union services.

First Time Home Loans

Home savings programs with a premium rate and low minimum can attract young members who have not accumulated large assets. The first-home buying experiences help establish a strong bond with young members. Mortgage lending is a key to becoming the primary financial institution for consumers. Equity lines of credit are proving to be a way for consumers to finance big-ticket purchases, autos and vacations.

In *Cool Solutions* the author points out that today young people have much more information about home buying, and an increasing number attend home-buying seminars. Young people are attracted to programs with little or no down payments, interest-only and forty-year loans. Also singles are now more likely to purchase homes than in the past. The typical first time homebuyer is 32, has a \$54,800 household income and starts with a 6 percent down payment on a \$136,000 home price (per CUNA's 2004-2005 Environmental Scan.)

An innovative loan product to consider is an "intergenerational" mortgage loan, where parents or grandparents participate in the lending process with the parents or grandparents retaining ownership of their assets and having the option of making payments on the loan.

[For details look at *Cool Solutions*, pull out on page 16]

Used Automobile Marketing

Cool Solutions reminds credit unions that a used auto loan has the widest market appeal to youth and an important aspect of a teen's life. A collateralized car loan can help build credit history without the ongoing expense associated with a transaction account. The report suggests:

- Offer the same rates as new car loans, due to the long life of used cars.
- Reach out to students early, offer car-buying workshops for students and invite the parents.
- Promote packages at high school and college graduations.

- Be sure that marketing materials emphasize that the loans are for used autos.
- Offer an auto-inspection service.
- Partner with a reputable used-car dealership and open a branch on the lot.

Continuing Relationships

After implementing programs and products geared towards youth, the credit union has to continue to serve the new members with products and services to keep them as lifetime credit union members. Contact them directly and help them throughout their financial lives from student loan mailings, directed to the student and not the parent, and by choosing media that young people relate to. Anticipate their future needs. When young members graduate high school, offer a “going-away-to-college kit” that includes information on ATM locations and discounts on long-distance calling cards. Remember to listen to their needs and to offer solutions.

When teaching Millennials, it is important to remember that they require constant stimulation, according to “Millennial Invasion: Are You Ready?” by Jon J. DiGilio, Gayle Lynn-Nelson and Richard M. Reis in Information Outlook, November 2004. Millennials need more interaction and customized learning. When teaching Millennials, it is best to offer a variety of activities that move at a fairly rapid pace.

Case Studies

Growth of Student Credit Unions

“Banks Are Heading Back to School; Credit Unions, Big Players Are Establishing Branches for Students of All Ages” by Jennifer Sarranow appeared in the March 8, 2005, issue of The Wall Street Journal. Banks and credit unions opened up branches in high schools, middle and elementary schools in an effort to attract members/customers from the in-school branches.

About 150 credit union branches were in high schools. Branches ranged from a simple table in the cafeteria to a full-staffed office. Students or volunteers staffed some branches. Robert Allen, president of Teachers Federal Credit Union, said that students who open accounts with the credit union are more likely to continue when they get out of high school. TFCU had seven branches in Suffolk County high schools.

CP Federal Credit Union Jackson, Michigan

During the past ten years, CP Federal Credit Union has operated 35 school credit unions throughout Jackson County, Michigan. Beth Bruesch, Vice President of CP Federal Credit Union, shared her experience in *Attracting and Attaining Young Adult Members*.

The program started slowly over time from a small start at one school; by growing slowly they were able to measure their progress. In the beginning, they only offered basic products, when they surveyed teachers and principals they learned that the students wanted to commit to regular deposits for specific purchases, such as cars or education. Savings for car down payments were rewarded with a discount on car loans. They also offered college scholarships.

To serve their students after high school, they developed a campus-checking program with unlimited ATM access.

Tinker FCU, Tulsa Oklahoma

The Tulsa branch of Tinker FCU operates an Internet café. Members can come in and have a cup of coffee while doing online research to buy a car or a home. Their SVP of marketing, Matt Stratton in *Cool Solutions*, said, "Gen Y is much more comfortable with electronic transactions than anyone before them." Online bill paying and other online services are already offered. The technology savvy Tinker FCU also offers loans for financing new computers.

State Employees' Credit Union, Raleigh North Carolina

The State Employees' Credit Union, Raleigh, North Carolina introduced its "Zard Program" geared towards teens in 2002 reports "Rites of Passage: Teen Marketing" in Credit Union Management. By December 2003 the credit union opened more than 27,000 Z-Share and nearly 8,000 Z-Checking accounts.



The credit union offers special youth Z-Share, Z-Checking, Z-Certificates, loan and a Zard check card for ATMs and Internet banking. Zard Members have their own dedicated newsletter and Web site. The word "Zard" was created in-house from the word lizard, because this age group is like chameleons, ever-changing.

SECU also offers car and student loans. They visit schools and teach National Endowment for Financial Education Curriculum. Students can nominate teachers for "Zensational Teachers" on the Zard Web site.

(Note: Terrin, a Leigh Brady is mentioned in the story, you might want to call and update the enrollment figures to up date to more recent #s <http://www.ncsecu.org/>)

North Island Credit Union San Diego—Family Auto Program

Parents with good credit are able to fund an auto loan for their children through the “Family Auto Program” at the pre-approved rate of the parent at the North Island Credit Union, according to *Cool Solutions*. The child may be listed as either the applicant or co-applicant, since both parties are responsible for the loan. The minimum age for the loan co-applicant is 18, but with loan committee approval, that age can be lowered to 16. Within 12 to 24 months, the child establishes individual credit because payments are reported to credit agencies on both names and Social Security numbers.

Non Credit Union Case Studies of Marketing to Youth

“The Scenario,” MSN & Sprite Online Music Marketing Platform for Teens

Both instant text messaging and music are very popular with teens. Microsoft recently announced via several Microsoft Web sites that MSN Internet Service and Sprite have partnered to create the first-of-its-kind online music marketing platform for teens, “The Scenario.” It is a unique place on the Web where teens can experience ten of the hottest hip-hop DJs in the country and connect with each other through MSN Messenger and connect with the Sprite brand.

The Scenario combines features especially designed to attract young music lovers. Teens can discover, listen to and buy new music picked by top DJs. They can also listen to “Surf the Thirst” radio and interact with Sprite’s spokes-character “Miles Thirst” (a ten-inch urban vinyl figure) via MSN Messenger. Teens can share audio clips, display pictures and contact each other.

The marketing campaign will employ cross-network promotions. “The Scenario is an entirely new way of connecting with teens where they live on MSN, in MSN Messenger and on MSN Music,” said Gayle Troberman, director of Branded Entertainment Experiences Team at MSN. “We expect the campaign to help make Sprite part of the teen consumer’s digital experience every day.”

Word-of-Mouth Foot Soldiers---Proctor and Gamble’s Tremor

Procter and Gamble enlisted 280,000 teens in a program called Tremor in word-of-mouth marketing of an unprecedented scale. Melanie Wells in a Forbes article, “Kid Nabbing,” writes that Tremor looks for kids with a wide social circle

and gift for gab by using e-mail invitations, prize offers, and Web banner ads. When they register, the kids fill out a questionnaire, which asks them to report how many friends and family members they communicate with every day. Only the most gregarious and well-connected are invited to join. P & G then sends them exclusive music mixes, and prizes such as trinkets, shampoo and watches.

The Tremor members poll their friends, get free samples, give out coupons and feel empowered because their views are listened to. Sometimes a Tremor member will host a party for all her friends to try out the latest make-up from Cover Girl. The Tremor Web site says, "As a Tremor Member you get to: influence everything from music to fashion to movies; get exclusive access to special events and insider info; be the first to preview new products and meet other Tremor members at Tremor.com."

Products such as Valvoline's SynPower oil, Sony's Net MD, and a new chocolate malt drink were marketed. Sales for the chocolate drink were 18 percent higher in Phoenix than Tucson. Phoenix had the marketing help from Tremor members and coupons (which had a 21 percent redemption rate).

Due to the success of the program, P&G is developing a similar network for mothers who use Tide, Pampers and Bounty paper towels.

Westwood College/Scion

To target Generation Y for Westwood College, a technical trade college that recently launched courses in software design and animation, Bill Obermier, chairman of Stratecom, a marketing and P.R. agency in, Boulder Colorado, had to figure out a way to reach Gen Y. In an article in The Boulder County Business Report, Obermier relates how he marketed an event that featured an industry game software developer. Word was spread through non traditional media such as local chapters of game developer organizations and national Web sites. The event had more attendees than expected.

"The Echo Boomers don't have traditional media habits such as mainstream newspaper and TV," said Obermier. In Chicago, Stratecom bought advertising space on the EI, the city's public transportation system. The new Westwood campus was advertised on rock radio stations, through contests and remote radio appearances in Grant Park.

Also highlighted in the article was a Toyota Dealer, who found that normal mainstream marketing seemed to turn off Generation Y. Toyota markets three models of the Scion to Generation Y. Instead of advertising in local newspapers sections and buying time on network television, the dealer reaches the youth market by parking a Scion near local nightclubs, sponsoring special events and

linking to sites on the Internet. It has been estimated that more than 70 percent of buyers have checked out the car at Scion.com.

Spending of Credit Unions

When you are expanding into new markets and creating marketing plans, it is necessary to consider your budget. The average marketing dollar spent per credit union member ranges from a low of a \$1.30 per member to a high of \$14.71 per member. As you develop your marketing strategies, based upon local trends and demographics, you will be looking to attract new long-term members.

2004 Average Marketing Expense Per Credit Union

Asset Size	Geographic Area					
	#CUs US	US	#CUs CA	CA	#CUs NV	NV
\$0-\$5 million	2937	\$884	88	\$701	1	\$1,000
\$5-\$20 million	2754	\$7,890	135	\$7,645	5	\$3,346
\$20-50 million	1541	\$36,617	123	\$35,538	7	\$18,874
\$50-\$250 million	1451	\$151,962	132	\$143,704	11	\$234,825
\$250-\$500 million	276	\$505,820	41	\$518,289	3	\$447,080
\$500+ million	249	\$1,232,493	55	\$1,270,908	2	\$872,604

2004 Average Marketing Expense Per Credit Union Member

Asset Size	Geographic Area					
	#CUs US	US	#CUs CA	CA	#CUs NV	NV
\$0-\$5 million	2937	\$1.34	88	\$1.30	1	\$2.51
\$5-\$20 million	2754	\$3.35	135	\$3.80	5	\$2.41
\$20-50 million	1541	\$6.32	123	\$7.57	7	\$5.69
\$50-\$250 million	1451	\$9.13	132	\$10.39	11	\$14.71
\$250-\$500 million	276	\$11.35	41	\$14.25	3	\$12.62
\$500+ million	249	\$9.76	55	\$12.76	2	\$12.23

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