

Formula for Success

Four critical marketing elements to dramatically increase your profits.

By Scott McClymonds

In business there are no magic bullets to success. Anyone who has even a little experience knows a business has to excel in numerous areas to be a successful company.

However, in an effort to keep things simple, let's consider the words of the great business philosopher Peter Drucker, who said, "The purpose of a business is to create and keep a customer." Isn't it interesting that he didn't say the purpose was to create profits? It's because he knew that without customers no business could survive. Adding my own perspective to Drucker's comment, I would say the purpose of a business is to get and keep *profitable* customers.

Drucker also said, "Business has only two functions: marketing and innovation." He knew the competent execution of these two functions is what draws customers to a business. First, the business has to have innovative products, ideas, or services. Next, marketing has to ensure its target market knows about its offerings. Because both functions are so important, we are going to leave our discussion of innovation to another day and focus our full attention on four fundamental but often overlooked components of a marketing strategy.

These four pieces of marketing can set your credit union apart from your competitors, and provide the strategic foundation for innovation in such areas as product development, distribution and member service.

The four elements are not difficult to

understand, but they are hard to execute consistently. Their successful execution requires hard work, commitment, discipline and continuous measurement. Tragically, most credit unions either omit them altogether or execute them sporadically, and deprive themselves of untold thousands, or millions, of dollars of additional profitability.

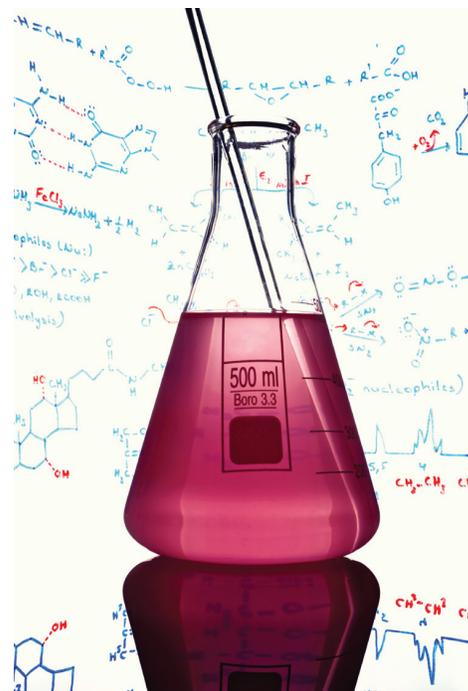
These four often overlooked but critical and interconnected elements are:

1. brand promise;
2. marketing analytics and automation;
3. referrals; and
4. leadership.

Brand Promise

In my opinion, the importance of your brand promise cannot be overstated. It is one of the most powerful business ideas in the marketplace, but unfortunately many executives either don't know about it or neglect to give it serious attention. However, a good brand promise gives clarity to your employees, and brings satisfaction to your members.

Your brand promise is a statement that lets everyone in your credit union know what you stand for, why you're in business, and what your members can expect from you. More than a trite marketing phrase, a brand promise becomes a strategic force when everyone in every function within your company embraces it.



As an example, a few years back my wife and I owned a preschool named Busy Bees Christian PreSchool. Were we insane for being in the preschool business? Possibly. Nevertheless, we certainly learned tremendous lessons. One of those lessons was to create a brand promise that all our employees bought into and delivered to our customers.

Our brand promise was, "We provide high quality education in a safe, fun environment where students are introduced to the basics of the Christian faith." This brand promise kept us focused on what was important to our business, and every aspect of our company was built around it. It drove our staff meetings, our hiring and training, the meals we served and even our pricing.

This promise completely reflected our values and screamed our purpose for being in business. It differentiated us in our local marketplace, and let parents know clearly what they were going to receive from us if they enrolled their children in our school. This particular brand promise encapsulates many underlying values and principles, as I'm sure yours will. However, the key is to state them simply in a memorable, understandable way.

Marketing Analytics and Automation

Now we come to the scary part of a marketing strategy. For many people

marketing analytics and automation is the domain of geeky propeller heads who speak in incomprehensible terms. They talk of statistics, databases, systems design and integration, and other subjects that make most of our eyes glaze over.

When we encounter smart folks in this field who can't relate to our everyday business needs, it has the unfortunate effect of causing us to put this function on the back burner. I'm here to tell you we do so at our peril, no matter the size of our credit union.

Despite the intimidating nature of it, marketing analytics and automation has great strategic and tactical value. Combined with a strong brand promise, it can have an enormous impact on your bottom line.

While credit unions have a gigantic amount of data on their members, the majority of CUs, large and small, underutilize it for the purposes of building loyal, profitable member relationships. Core systems are used to process transactions and track our profitability (in some cases), but few credit unions take advantage of the gold within their databases.

The Gold Mine

The gold mine, as I refer to it, is both tactical and strategic in nature. Let me give you a relatively simple example of how it can be used strategically.

In the banking industry where I come from, 10 percent of the customers account for 90 percent of the profitability. While the numbers for your credit union may not be as skewed as banking, it's a safe bet that a minority of your members account for the majority of your profitability. But who are these members, and what do we know about them?

Here are some basics we would like to know about our most profitable members:

- Are they in certain age or income ranges, or in particular locations?
- Do they have similar educational backgrounds?
- What are their product purchases, and why do they find these products appealing?
- How did they come to our business and why did they choose us?
- If they are businesses, what markets do they serve and what products do they sell?

Is this all we want to know? Even if we knew this information, what would we do with it? I have known many managers who have struggled with the last issue,

making the information actionable. That's where strategy meets tactics, and that's why it takes a strategic thinker rather than a geeky propeller head to deliver the goods for your credit union.

To start, we look at the information at a big picture level and summarize our findings about our most profitable members. Then we want to do at least three things with it:

1. Retain our best members, gain referrals from them and help them benefit from more of our services.
2. Search our database to determine which remaining members have the potential to become like our top members so we can focus our marketing resources on them.
3. Evaluate whether to realign our business and products around the profile of our best members. We might miss out on the mass market, but our brand may become stronger and, as a result, our credit union may become more relevant and impactful.

You can see both the strategic and tactical implications of our questions and analysis. It isn't rocket science. The key is knowing the right questions to ask about

the primary drivers of your business, brand promise and overall strategy.

Referral Strategy

The need for a referral strategy is another easy-to-understand concept, but not widely implemented. How unfortunate since our existing loyal members will so readily, effectively and inexpensively do our marketing for us if we let them.

I have worked for major corporations and have known hundreds of business owners, but only about 1 percent of them have a system for consistently generating referrals from their existing customers. All of them acknowledge the benefits of customer referrals, but most assume referrals are at the random discretion of the customer. Let me show you how a system like this works and why it needs to be part of your marketing strategy.

A Case Study From Busy Bees

I mentioned previously that my wife and I owned Busy Bees Christian PreSchool. We tried a number of different marketing

Brand Promise Tips

Here are some tips to get you started thinking about your brand promise. They are not exhaustive, but will certainly get you on the right path.

1. Think about what makes you unique and special.
 - a. Your personality and attitudes
 - b. Your values
 - c. Why you are in business
 - d. How and why you want to serve your members
2. Consider how you will improve the lives of your members, or condition of your community.
 - a. Faster and/or superior service
 - b. Easier access
 - c. Better quality
 - d. Superior reliability
 - e. Longer lasting products
3. Try to understand how you want your members to feel when they do business with you.
 - a. Like you understand them and have products that meet their needs
 - b. Like you care about them and they are important to you
 - c. Like you appreciate their business
 - d. Like you have anticipated their needs and are delighted to serve them

When you have well-thought-out answers to these questions as well as others you may think of, narrow down your thoughts until you come up with the essence of what you want to deliver, what and how you want to deliver it, and who you want to deliver it to. Then build your business around it. It will take time, but the effort is worth it because you will eventually build a strong, differentiated brand. If I can do it at a preschool, you can do it in your credit union.

tactics, including radio, magazines, direct mail and newsletters. Of course we tracked each of those channels rigorously to evaluate which yielded the best results.

All were expensive except the newsletter, and none generated the results we needed. With the help of a business coach, we decided to develop an intentional referral strategy where our customers would deliver warm qualified leads to us.

Here are the steps we took to build this process:

1. Survey our entire customer population to determine satisfaction levels and willingness to refer friends, family and colleagues to us.

2. Create a strategy to systematically meet with each parent about their child's progress, determine additional needs and ask for three referrals if the first part of the meeting went well.

3. Build a daily routine for our director to have a meeting with one predetermined parent.

This system yielded dozens of new customers for our school and, along with our website and electronic newsletter, became our primary source of marketing. It was cheap and effective and you can do it too.

The Role of Automation

The system I described at Busy Bees was fairly simple, but it still required tracking tools. For most CUs I highly recommend an automated system that reminds you exactly who to contact and when. For example, a system I brought to my former employer mined our customer data daily according to certain business rules, then electronically transmitted customer names and their product needs to the desktops of our branch associates.

If you don't have an automated system that keeps you on schedule and tracks results, you will become disorganized, frustrated, and eventually feel like this referral system is more trouble than it's worth.

Even if you have hundreds or thousands of members, not all are going to give you great referrals. You may find it is worth your while to build your system around generating referrals from your top members, going on the theory that birds of a feather flock together.

After you have worked your system for a reasonable period of time, you will want to go back and see how you did. The bulk of your analysis will be around which

members provided the most referrals and which produced the least. Next you can test tactics like limiting your referral strategy to member types that refer the most to you, and reducing or eliminating the referral attempts you make with member types who generate the least referrals. Simple, right?

This is simple enough to understand, but hard to implement and stick to. Nevertheless, if you can combine a systematic referral strategy with

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marketing analytics and automation and a strong brand promise, you will be miles ahead of your competitors, and your credit union will be transformed.

Leadership

If marketing analytics and automation was the scary part, leadership is the underestimated and often non-existent component of financial services marketing. You won't hear about it in any undergraduate or graduate classes in business schools, and even the best companies hire for technical skill and functional knowledge rather than leadership capabilities.

In my experience with small businesses and corporations, leadership is the missing link that prohibits strategies like I've outlined above from becoming realities. Even the best systems, strategies, and talent will never overcome a leader's inability to lead the marketing function or recognize the critical nature it plays in the credit union's success.

No one expects you to understand all the technical details of the systems, or the quantitative techniques used to analyze and interpret the data. You don't even need to be a marketing expert.

However, you do need to embrace what Drucker said about the purpose of a business and the main functions of marketing and innovation. If you don't emphasize these concepts your credit union will be mediocre at best, and out of business at worst. To be a success you must play a strong leadership role in each of the following:

1. acquiring a top-level understanding

of what the systems can do for you;

2. developing and implementing your brand promise;

3. basing strategy on the stories told by the data;

4. creating referral strategy content;

5. hiring internal or external strategic marketing experts; and

6. rallying your team around new processes and procedures.

As leaders of companies, we are all extraordinarily busy. You know how quickly your calendar can fill up. However, leaders like you and me ignore the strategic side of marketing to our great detriment. The people actually doing the marketing need our strong direction and support, and we're negligent if we don't give it to them.

As a leader, you don't have to have all the skills, expertise, or technical know-how. However, you do need to be committed to active participation in the process, get the help of big picture strategic experts who can make this entire process part of your credit union's DNA, and engage your team in the changes you are making.

So, what's your next step? Are you ready to step up to the challenge and do the hard but vital marketing tasks that will let your credit union meet its potential and fulfill the dreams you have for it?

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