

Chrome for Young Adults: Franchise Branching for Membership Growth

Ben Rogers

Driver, CU Tomorrow

Filene Research Institute



About Us

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process.

The Filene Research Institute is a 501(c)(3) not-for-profit research organization dedicated to scientific and thoughtful analysis about issues affecting the future of consumer finance. Through independent research and innovation programs, the Institute examines issues vital to the future of credit unions.

Ideas grow through thoughtful and scientific analysis of top-priority consumer, public policy, and credit union competitive issues. Researchers are given considerable latitude in their exploration and studies of these high-priority issues.

CU Tomorrow is a Filene Research Institute clearinghouse for credit union young adult strategies. The project publishes research and open-source business plans to help credit unions attract younger members, promising young professionals, and younger volunteers. Initiatives include:

- **Business briefs**—open-source, young adult business plans for credit unions.
- **30 Under 30**—entrepreneurial SWAT team of young credit union professionals.
- **Community**—CU Tomorrow and Filene Web sites for publication and idea sharing.
- **Leagues**—statewide collaboration to implement CU Tomorrow programs.
- **Recruiting**—talented interns and new hires from high-profile universities.
- **Research**—academic research, focus groups, online surveys, and interviews.

Visit www.cutomorrow.org for more details.





Ben Rogers

The author, Ben Rogers, is driver of the Filene Research Institute's CU Tomorrow project and director of the Institute's 30 Under 30 group. Ben is a former editor of *The CEO Report* and chairman of the National Directors' Convention. Ben holds a master's degree in journalism from Northwestern University and graduated cum laude from Brigham Young University with degrees in English and philosophy.

Acknowledgments

The Filene Research Institute would like to thank PSCU Financial Services, the nation's largest credit union service organization, for its generous financial support of past, present, and future studies of the under-30 population and the potential that young adults represent for the continued success of the credit union system. We also gratefully acknowledge the Credit Union Executives Society (CUES), Fiserv, and the Corporate Credit Union Network for their financial and intellectual support of research and projects focused on credit union growth.

Additionally, we would like to thank Visions Federal Credit Union and DEI Incorporated for supplying our cover image.

Introduction

Chrome is a credit union retail delivery concept that has been percolating at the Filene Research Institute for several years. It first surfaced as an i³ concept in 2005. As interest in attracting young adults to credit unions continues to grow, the early concept passed to CU Tomorrow for more in-depth treatment.

The original Chrome concept envisioned financial information made available in an environment that included WiFi; music download capabilities; TV/video games; quiet, private financial consulting areas; kiosks for online research and product information; and a state-of-the-art vehicle prominently displayed.

The niche-focused brand piqued enough interest among i³ participants that additional research was undertaken to assess the concept. Chrome is the young adult version of a potential multipart branding system. The larger vision is to approach the financial services space in the same way a carmaker approaches potential auto buyers or a clothing retailer approaches mall shoppers: segmenting.

In the same way that Gap Inc. aims its Gap-branded products at young adults, its Old Navy clothes at cost-conscious families, and its Banana Republic stores at upscale professionals, Chrome carves out older and younger demographics by focusing just on the financial needs and habits of young adults with one delivery system. And just as Toyota targets young urbanites with Scion, the mass market with Toyota, and luxury buyers with Lexus, Chrome envisions the design of one brand that is synonymous with young adult financial services.

The Chrome concept is a manifestation of a long-term priority at Filene: large-scale collaboration. Beginning with a 1999 report that recommended that small credit unions outsource non-crucial business tasks, the Filene Research Institute has long urged collaboration as a unique tool for credit unions to gain a cooperative competitive advantage. The collaboration emphasis grew with a 2007 preliminary study detailing a credit union franchise model and a corresponding symposium at the Wharton Business School to further the conversation.

Because the credit union system has a well-established business footprint and operating model, building a comprehensive franchise model would be difficult. Chrome envisions an intermediate step: building collaboration around the challenge of attracting young adults. Credit unions can invest in this concept without abandoning their hard-won brands and loyal members. But they can take advantage of the economies of scale that broad collaboration can bring in order to build a franchise that matches up to their much larger competitors.

Franchise to Grow

A McDonald's restaurant in Portland, Oregon, serves up the same Big Mac and fries as its sister restaurant in Portland, Maine. The McDonald's Corporation markets for and supplies both locations, but local franchisees own and operate the locations. The same goes for True Value hardware stores in Reno, Nevada, and Raleigh, North Carolina. In each case, the brand name promises consumers a comfortable, familiar experience even though the legal owner of each store is different.

The franchise concept is critical to the success of Chrome. Even the largest credit unions lack the resources to deploy a new financial brand in multiple markets. But imagine a franchise model where the credit union buys into the system and in return for its investment gets a Chrome branch and delivery system.

The franchise concept is critical to the success of Chrome. Even the largest credit unions lack the resources to deploy a new financial brand in multiple markets. But imagine a franchise model where the credit union buys into the system and in return for its investment gets a Chrome branch and delivery system. ABC Credit Union, eager to attract young members, gets built-in cachet by introducing Chrome (powered by ABC Credit Union).

Achieving a seamless experience from one Chrome provider to another calls for three main shared components:

- **Branches:** Young adults should see the same or similar layouts, branding, products, and services from one branch to the next. A Chrome member who signs up in Dallas should be able to easily find and use a Chrome branch in Denver.
- **Electronic delivery:** Because so many transactions today rely on online and mobile technology, and will continue to do so in the future, a full-featured Chrome-branded online component accompanies the branches.
- **Marketing:** Just as McDonald's and True Value Hardware franchisees trust the national franchise to do high-level marketing, an ongoing awareness campaign includes multiple delivery channels and constantly refreshed messages.

Still, Chrome is like shared branching, not a brand new credit union. Each Chrome branch opens products within the franchising credit union, so share and loan accounts still flow directly to the local franchisee's balance sheet.

Branching

Rumors of the retail branch's demise have been greatly exaggerated.

Consumers, and especially young adults, now use online delivery, ATMs, telephone banking, and, to a lesser extent, mobile banking. But a strong majority of consumers still desire a physical branch location, which is essential for signing up new members and distributing a credit union's most important services: opening new accounts and selling new loans.

Consumers young and old are loath to switch financial institutions. A national survey from 2006 asked consumers what it would take to make them switch: 41% wouldn't switch at all, no matter the financial incentive.

Branch location and ATM location are among the most important factors for young adults in choosing a financial institution, second only (barely) to rates and pricing, according to a 2007 survey by financial consultancy

Celent LLC. On a scale of 1–5, survey respondents ranked location as 4.35 in importance and rates as 4.41.¹

Young adults do like learning about financial institutions through multiple channels, but not exclusively. While 71% of the Celent survey respondents did say viewing information online was their preferred way to research a financial provider, visiting branches came second, cited by 21% of respondents. Yet the study suggests that young adults still prefer to open accounts and ask complicated financial questions in person, meaning that branches oriented toward young adults can be an important tool for attracting young members.

Consumers young and old are loath to switch financial institutions. A national survey from 2006 asked consumers what it would take to make them switch: 41% wouldn't switch at all, no matter the financial incentive.²

Those who do switch, however, most often do it around a life event. Between the ages of 18 and 25, young adults notch many:

- High school graduation.
- Moving out of parents' house.
- First job.
- Military enlistment.
- College enrollment.
- Second job.
- Moving to a new city.
- Marriage.
- Divorce.

Of those willing to switch, 50% cited a life event as the reason; 48% said they would switch because of product or service shortcomings; and 38% would switch following a bad experience or poor customer service.³

“Too many people are opening branches that are attractive but focus on a 30-year old transaction model with teller lines, desks, etc.,” says Mark Weber, president of Weber Marketing Group. A better approach to branch layout marries a credit union’s financial offerings with young adults’ lifestyle needs: buying a new car, getting a mortgage, managing consumer debt.

The same survey highlights the continued demand for face-to-face financial interactions, so even if young adult members are not immediately profitable, they do value branches as a place to open accounts, transact, and build relationships. Across all age groups, consumers like a branch for:

- Deposits—69%.
- Loan applications—65%.
- Account opening—64%.⁴

The majority of U.S. adults use multiple channels to conduct their financial transactions, which include the stand-alone bank branch, drive-through windows, in-store banking, online banking, and ATMs. Despite the multichannel adoption, though, 76% of Americans “love” or “don’t mind” going inside the branch to conduct business, according to branch design firm IBT.⁵

“Too many people are opening branches that are attractive but focus on a 30-year old transaction model with teller lines, desks, etc.,” says Mark Weber, president of Weber Marketing Group. A better approach to branch layout marries a credit union’s financial offerings with young adults’ lifestyle needs: buying a new car, getting a mortgage, managing consumer debt.

Architecture and building consultants confirm that credit unions are increasingly shopping for branch elements that will attract young adults. “Nearly every one of our clients asks for branches that will attract and retain younger members,” says Paul Seibert, vice president of financial services at EHS Design.

Shared Chrome Products

A common brand experience includes common branded products that would be available and marketed at every branch. The pared-down list offers products to match the lifestyle needs of young adults without overwhelming them with the full range of financial

products—many of which they're unlikely to take up. The Chrome model depends on heavy use of plastic and the resulting interchange income, so new accounts should be bundled to offer checking and a credit card that doubles as an overdraft protection vehicle (thereby minimizing one of the fees that members detest).

Transaction Account

An account tied to a debit card fills the primary transactional needs of young adults and promises interchange income for the credit union. The most promising, and easy to market, option is a high-yield account that pays dividends if members agree to receive e-statements, use their debit card at least 12 times per month, and use online bill pay. Alternately, the rewards could include prize entries for every point-of-sale debit transaction or nonmonetary rewards like media downloads. Smart-phone-optimized mobile and online interfaces provide easy access to account balances and to unposted transactions, so members maintain a real-time view of their funds. Also included are optional modules that show transactions and balances through social networking pages, Twitter updates, and text updates.

Consider PNC Bank's Virtual Wallet,⁶ which bundles a transaction account with two savings accounts: one that serves as overdraft protection, and another with a higher APY to compete with online-only competitors. It also has a calendar interface that shows balances and expected deposits, a "wish list" for setting up savings goals, and a "savings engine" that makes shunting small sums into savings easier than swiping a debit card.

Even more ambitious, says Jeffrey Pilcher, editor of *The Financial Brand* Web site, is a card like that offered by Virgin Money in South Africa.⁷ This credit card can carry a positive balance on which the member earns an APY instead of paying interest. If the member carries a negative balance, he or she pays the regular (and much higher) APR.

Credit Card

Chrome augments young adults' transaction options with a credit card and makes it attractive by offering three reward options:

- 0% APR for members who have a student, auto, or home loan through the credit union. The card carries a hard cap of \$2,000 and has a 10% instead of a 5% minimum payment. When the larger loan is paid off, the card returns to a default APR.
- Cash-back reward of 1% on all purchases, with a higher reward of 2% or more on necessary items like fuel and groceries.

- Targeted catalog rewards for media downloads, cell phones, or entertainment options. Larger rewards could include socially responsible trips like building houses in Mexico or preserving national parks.

Socially Responsible Share Accounts

The basic share account carries the option of contributing earned dividends to local, national, or international charities. Members contribute to a better world by depositing at Chrome.

Micro Loans

Micro loans come in two flavors: (1) signature loans based on a member's credit history and (2) a payday loan with a competitive 18% interest rate for those with no credit. Micro loans are marketed as emergency loans or as seed loans for small-business projects.

Personalized Financial Management

Software advances like MoneyTracker,⁸ Quicken Online,⁹ and Wesabe¹⁰ make it easy to bundle real account data with budget management tools. In addition to offering these tools to members, the software can offer personalized budgeting or investment advice. For example, "Members who switched over to XXX also spent money on YYY." The same could go for causes: "Members who donated to AAA also donated to BBB." If members consistently overspend, the system offers general and ledger-specific advice on how to stay on target.

Auto Loans

Auto loans are one of the few ways young adults will be profitable members, so the Chrome concept relies heavily on selling them through the branch. An easy-to-understand risk-based pricing system places members in tiers where they can easily see—in the branch or through the online channel—how much they can qualify for, what their interest rate would be, and what the estimated monthly payments would be. To make the system more visual, cars representing the level at which the member qualifies could be displayed: a low-tier member would see an attractive compact car, a mid-tier member would see a moderately priced performance car or truck, and a high-tier member would see a higher-end car. The visuals might change depending on the member's gender and even age. Additionally, Chrome offers a concierge car-buying service with a guarantee that the member will get the best possible deal, thereby removing the first-time buyer's fear of overpaying.

Student Loans

Chrome is a one-stop shop for student loans. Credit union employees sort through funding options with members for part-time study, community college, or full-time study. In addition to helping members fill out their federal loan information and offering a private student loan program to fill funding gaps, Chrome points members toward scholarships and other funding options.

Investing

Chrome provides a low-cost online delivery system for investing with as little as \$100.

Shared Chrome Branch Features

Every Chrome branch can be (and should be) slightly different. These suggestions, gleaned from research and from building experts, will help make each Chrome branch compelling and useful for young adult members.

Financial Zones

Matching young adults' financial needs with visual depictions of lifestyle goals makes the Chrome branch compelling and even tactile. A new car, motorcycle, or moped anchors the vehicle lending area. Similarly, a section with home furnishings or digital signage of houses and condos allows Chrome staffers to engage members in conversations about saving and qualifying for a credit union mortgage. Consider additional zones built around savings products, and consumer credit cards and consolidation loans.

ID Technology

Whether with RFID (radio frequency identification) or cellular technology, hardware in the branch recognizes members as they approach the branch and as they rove within it. Members can customize the way the branch interacts with them by uploading song playlists that play near them or by reminding member-service representatives (MSRs) which coffee or beverage the member enjoyed during the last visit. For the credit union's benefit, the RFID signals the member's name and the products the member lacks, and provides a credit score update for cross-selling purposes.

Local Artists

Each Chrome branch features local visual artists and musicians, with a place to display visual works and listening stations to hear local talent. The art and music rotate several times per year to keep the feel fresh.

Advisory Table

Like the Genius Bar at Apple retail stores, the Chrome advisory table is a place for more in-depth advice. Members make appointments online to sit down with a Chrome advisor to get a handle on their outstanding debt; to learn to budget with online financial software like MoneyTracker,¹¹ Quicken Online,¹² or Thrive¹³; and to put together a savings plan for larger purchases. The advisory table allows Chrome employees to cross sell appropriate products that simplify members' financial situations, like credit card consolidation loans, refinanced vehicle loans, lower-rate credit cards, and overdraft protection deposit accounts.

Roving ATM

A vehicle outfitted with transactional capabilities boosts the profile of Chrome in the community. The vehicle would be parked at locations heavy with young adults, like sporting events, concerts, and schools. It becomes doubly attractive by waiving surcharges for members and non-members alike, and by offering an ongoing giveaway (e.g., once per day, it dispenses an extra \$20 to a lucky user).

Cash Handler

Whether it's a traditional ATM or an employee-managed cash dispenser, experts agree that automation is a long-term cost saver and that young adults will generally be the group most comfortable adopting this new transaction model. Interactive kiosks can help members through simple transactions or signal an MSR for more complex needs. Separately, a tech-forward motion-sensing screen at new Citizens Bank branches lures passersby from the sidewalks outside.¹⁴

Retail Employees

MSRs in the Chrome branch work on the floor and not behind a counter. Roving employees are trained and able to answer product questions and offer advice around all of the financial zones. Hiring priority should be given to applicants with strong interpersonal skills and customer service experience rather than just cash handling or drawer balancing abilities. Floor employees would serve as ongoing advisors by giving out business cards and staying available via phone or e-mail for individual questions.

Digital Displays

Continued drops in the prices of digital displays make it increasingly efficient to plan in-branch marketing as a mainly electronic affair. Marketing messages and offers reinforce the themes of each financial zone.

Financial Reading Room

Independent personal finance magazines like *Money*, *SmartMoney*, and *Kiplinger's Personal Finance* add credibility to the Chrome credit union's position as a trusted financial brand. Present issues of these periodicals along with a carefully selected list of aspirational but reputable personal finance books like *The Millionaire Next Door*; *Rich Dad, Poor Dad*; and *The Intelligent Investor*. Better yet, make the magazines and books available for in-branch reading on electronic readers like the Amazon Kindle or Sony's Reader Digital Book. Place comfortable reading areas nearby, and offer the books for sale at a discount for members.

Informational and Transactional Kiosks

Install interactive kiosks that can handle deposits and withdrawals, and that also offer additional product information organized around the financial zones above (vehicle lending, saving/investing, consumer loans, and mortgages). Kiosks could also allow members to play simple financial games.

WiFi is inexpensive to deploy, and young potential members are increasingly carrying WiFi-enabled devices. The upside is the chance to make a lounge in the branch into a homework hub or a place to check e-mail while subliminally considering the credit union's products.

WiFi

WiFi is inexpensive to deploy, and young potential members are increasingly carrying WiFi-enabled devices. The upside is the chance to make a lounge in

the branch into a homework hub or a place to check e-mail while subliminally considering the credit union's products.

Flexible Space

Part of the Chrome layout should include flexible space that serves as a comfortable seating area during business hours but can be repurposed for community events as needed. The right events will vary by geographical and cultural location, but they could include movie and video game nights; community seminars about building good credit, reducing debt, or writing business plans; live music; campus group meetings; or volunteer coordinating centers.

Electronic Delivery

Today, a financial institution's online brand is as important as its physical branch presence. Credit unions that want to do a good job of attracting and serving young adults should pay careful attention to their e-delivery channels. The good news: "The core set of functionality is not going to change. What will is the blend—getting it all to interact well in the platform," says Jim Bruene, publisher of

Online Banking Report, which tracks advances and innovations in the electronic banking market.

Chrome's online delivery can take advantage of already popular online functions, which are detailed in the following sections.

Smartphone Interaction

An application developed for the popular iPhone platform allows members to check balances and transfer money in a simple, attractive interface. It also allows members to find the nearest fee-free ATM. The iPhone application serves as the base for future applications on Google's Android platform and Microsoft's Windows Mobile.

Customizable Text Alerts

Customizable text alerts allow users to set their own parameters for text notifications. Members can receive alerts when balances drop below a certain threshold or for any transactions larger than a specified amount, allowing them to track their finances in real time and on the go.

Personal Financial Management Software

Credit unions are ideal partners to install financial management software that not only lets members see a budget or track their spending online but also suggests spending or budget tips to improve their overall financial well-being.

Easy Electronic Transfers

Chrome members can send an e-mail message to parents or others with a link that allows them to complete a direct deposit to the account. This is especially useful for college students or other dependents away from home.

On-Demand Credit Scores

As young adults increasingly recognize the importance of their credit scores, Chrome users get quick access to their scores through the credit union. The credit union places information about improving the score next to the display and markets loan products that match the credit score.

Deposit Comparisons

Just as Progressive Insurance compares auto insurance rates across a range of competitors, Chrome compares competitors' existing deposit rates to offer members a transparent view of where best to deposit their money.

Remote Deposit

Chrome members can “deposit” a check by entering the amount in online banking. The credit posts immediately, and the member has 10 days to mail the physical check into the credit union. To avoid fraud, deposits are initially capped at an acceptable amount but rise after five error-free deposits. They rise further after 10 error-free deposits.

Single Brand Users

Young consumers are particularly attractive because, despite lower balances, they are almost twice as likely as baby boomers (42% vs. 22%) to be interested in purchasing multiple products from a preferred financial advisor. Three out of five would consider their current bank for their next banking product purchase, compared to just 50% of Gen Xers, 45% of boomers, and 35% of seniors.¹⁵

What’s more, two-thirds of Gen Yers are “validators” who turn to experts to help them validate decisions made following their own research. And they desire objective advice: Only 34% of Gen Y consumers think that their primary bank offers them fair rate and performance comparisons.¹⁶

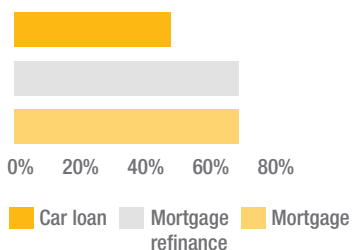
Attracting a new member through a branch increases the odds that the member will use your credit union as his or her primary financial institution. Though young adult members are not often immediately profitable, they, like other consumers, give preference to their primary financial institution when considering loan sources.

According to *BAI Banking Strategies*, credit unions can use branches to turn young adults into “loyalists” who will bring additional business by:

- Keeping evening and weekend hours.
- Making account and fee decisions locally.
- Presenting knowledgeable employees who don’t have to hand off members to specialists for product information.
- Providing personable staffers who know and remember members.¹⁷

A separate BAI/NewGround study identifies 29% of the banking public as “Service Seekers” who would trade off greater product pricing and product choice for superior service of the kind offered at a Chrome-style branch. “Branches with a relaxed, open, and less formal feel will appeal to this segment. In particular, the interactions

Figure 1: Percentage of Consumers Who First Consider Their Primary Financial Institution as a Source for a Loan



that Service Seekers have with tellers are critical to their perceptions of service quality. They also display the highest receptivity to weekend and evening branch operating hours,” according to the research. These customers skew younger and carry above-average student loan balances and higher overall loan and deposit balances.¹⁸

The New Advisor

Imagine a Best Buy, a Nordstrom, or an Apple store where the only visible employees stayed behind the checkout counter, then referred you to another employee in the back office if you had questions. Chrome staffers show up to work to build relationships, offer expertise, and cross sell products—not to complete transactions.

Several experts point to the Genius Bar service at Apple retail stores, where Apple “Geniuses” turn store browsers’ computer needs into purchases, train customers on the features and functions of their hardware and software, and troubleshoot problems. Owners of Apple’s Mac computers can set up appointments with Geniuses for basic information on how to operate a Mac or more in-depth sessions on running photo-editing programs or complicated business software.

Drawing on the Genius Bar model, “why not change ‘investment advisor’ to ‘financial advisor?’” EHS’s Seibert asks. Rather than focus on computers, credit union advisors could use appointments with young members to demonstrate budgeting, saving up for a mortgage, or buying a car.

It might be helpful if the advisors were registered investment advisors, but it’s not necessary. Rather than thinking of these employees as tellers who focus on cash management or transaction speed, advisors would be trained to help young members with common financial questions like, “Which cell phone contract is best for me?” “How can I improve my credit score?” or “What are my best payday loan options?”

“More than 50% of young adults in their early to mid-20s admit they have little knowledge about financial planning. Only 5% consider themselves ‘very knowledgeable’ about money management and investing issues. Millennium generation women are even less confident than their male counterparts about handling their finances.”

Be careful of striving for ultra-hip advisors, though, warns Jim Haack, owner of the branch-building firm Momentum. Customers at a technology store can tolerate edginess, but potential members of a credit union want someone professional. “When Gen Y walks into

a branch they expect someone with financial knowledge. They don't [necessarily] want their credit union to look like them," he says. The ideal advisors are mature but still hip, dressed professionally, and on their feet moving around, he adds.

"More than 50% of young adults in their early to mid-20s admit they have little knowledge about financial planning. Only 5% consider themselves 'very knowledgeable' about money management and investing issues. Millennium generation women are even less confident than their male counterparts about handling their finances."¹⁹

The "Third" Space

Starbucks Coffee's success at becoming the daily stop between work and home leads some branch planners to assume that adding couches and good coffee will win new members. Not so fast, says Haack. "It only works if you have something to do there."

Umpqua Bank, a regional bank in the Pacific Northwest famous for its unorthodox "stores" (not branches), launched the Umpqua Discover Music Project in 2005. In an effort to attract younger consumers, the bank hired a firm to check out local bands and choose promising ones to highlight at in-branch listening stations and on CDs. Lani Hayward, Umpqua's senior vice president of creative strategies, noted a 20% lift in deposits within the first year of the program.²⁰

BankWest of Australia has blown up the concept of a traditional branch with a new space that fulfills customers' needs without making them feel as though they're in a bank branch at all. Warm colors, open teller kiosks, an open plan that still includes private areas, and cappuccino machines right next to the coin counting machine make customers feel as though they're in a lifestyle lounge rather than a bank branch.²¹

A heavy investment in a new branch can pay double dividends to managers who find ways to make the branch a part of the community, says Kevin Blair, CEO of building and design consultancy NewGround. These institutions are already well on their way:

- Amplify Federal Credit Union in Austin, Texas, capitalizes on the connection between young adults and music by hosting regular live music events at its branches on weekend nights.
- North Island Credit Union in San Diego commissioned an intricate wall mural that highlights the best parts of its San Diego community, including an interactive version for branch displays and Web viewing.²²

- Umpqua Bank has offered free movie nights, “Stitch and Bitch” sessions for knitters with a social need, and meeting space for local groups and volunteers.
- North Shore Credit Union in Vancouver, British Columbia, built in mountain bike washing stations to cater to its active, outdoor-oriented members.

In every case, advisors stress the need to build the gathering place around two things: local culture (like art, music, activities, etc.) and financial services. In both cases, the connection is obvious as either a celebration of community or a part of the credit union’s core business. Referring to the prospect of a video game lounge, Seibert says, “I don’t think you should [build a branch] around ‘Road Warrior’ or ‘Mario Kart.’”

Location, Location, Location

Real estate matters. Given the expense of a new branch and the Chrome branch’s goal of attracting young members, deciding where to place one is critical.

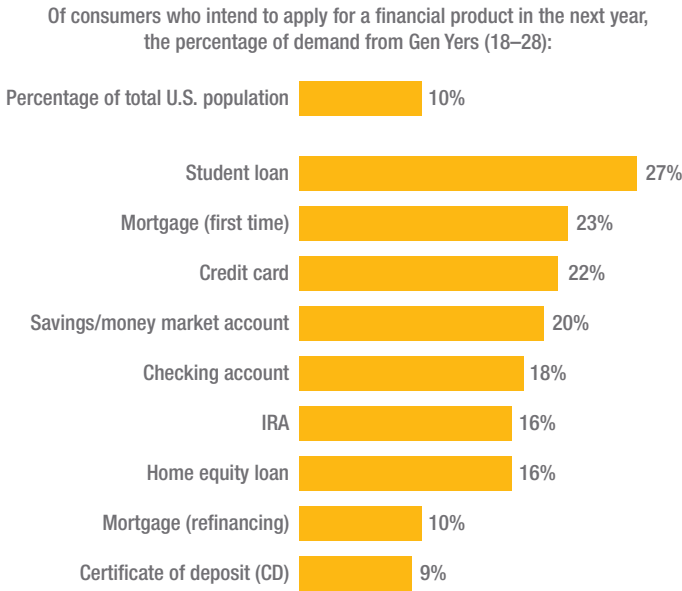
College campuses and college housing are the most obvious targets for credit unions with field of membership access there. New potential members are constantly arriving, and branches in high-traffic areas are sure to be noticed without substantial additional marketing.

Mixed-use urban developments also offer a good target because residents are generally younger and already expect convenience, Haack says. If demand for housing in mixed-use developments continues to grow, Chrome branches would flourish there. Several firms offer customized demographic reviews for financial institutions without these obvious outlets.

ING Direct, best known as an online-only bank, has opened seven ING Direct cafés in busy metropolitan neighborhoods around the country. Customers and potential clients can use built-in computers to browse ING’s banking products, but the storefronts don’t offer any transaction

College campuses and college housing are the most obvious targets for credit unions with field of membership access there. New potential members are constantly arriving, and branches in high-traffic areas are sure to be noticed without substantial additional marketing.

Figure 2: Gen Yers Account for a Disproportionate Percentage of Product Demand



Base: U.S. households that intend to apply for a product in the next 12 months.

Sources: Forrester's Consumer Technographics Q3 2003 North American Study; Forrester Research, Inc.

capabilities. Instead, they're brand-building facilities that offer specialty coffees, branded apparel, music, and financial books. The bank builds community meeting space into the buildings and invites local groups to use the space for free. Employees are on hand to answer financial questions while serving coffee.²³

Conclusion

The Chrome credit union branch is a forward-looking franchise concept that promises a whole new delivery and member-attraction model for credit unions. By signing onto the franchise model and collaborating more deeply than they have in the past, credit unions can compete with national banking brands.

The upside is enticing. Visions Federal Credit Union (see case study), Amplify

Federal Credit Union, BECU, and the financial institutions mentioned in this brief are seen by their members and customers, and by outside experts, as innovative and friendly places to manage money. Credit unions that can use the Chrome model to get ahead and stay ahead of the turn toward retail-oriented branches stand to grab market share, grow organically, and attract the next generation of loyal members.

CASE STUDY

VISIONS FEDERAL CREDIT UNION

(\$2.2 BILLION)

Endicott, New York

Visions Federal Credit Union had a problem. It had a long-standing branch in Vestal, New York, next door to Binghamton University in the southern center of the state, but the branch wasn't attracting the university's 14,000 students very well. So, in 2008, Visions started a branch project to design a new facility geared towards the students.

The branch is located in a commercial center next to Starbucks and several casual dining restaurants. To attract students, the new Visions branch offers the following:

- Free WiFi to encourage students to visit and familiarize themselves with the branch even if they're not transacting.
- Several large flat-screen TVs, including a 52-inch display at the entry, two 42-inch displays behind the teller line, and a 65-inch display on the "impact wall." Two-thirds of the display time is dedicated to sports and news, and the remaining one-third is spent broadcasting credit union marketing messages.
- Music café, where members can don one of the 10 headsets hanging from the ceiling and listen to music.
- A floor-to-ceiling telephone pole in the center of the branch that serves as a community bulletin board.

- Four full-service ATMs that take envelope-less cash deposits.

The credit union will continue to emphasize credit cards and student loans at the Vestal branch and plans several events to highlight the reopening. These include using the big screens for an open competition with the popular Guitar Hero video game, placing invitations in college orientation bags and mailboxes, buying ad time on the campus radio station, and handing out T-shirts that feature a new University Center branch logo in Binghamton University colors.

Additionally, Visions will launch a microsite, VisionsFCURocks.org, to correspond with the return of students in Fall 2009. The site is a marketing tool that highlights the new branch and offers videos explaining student lending and pointing toward the credit union's products. It will also provide a link to the regular home page, which is where members still transact business.

A full-size goalpost with Binghamton University's school colors graces the new entrance to the Vestal branch. This is not the first town with a themed Visions branch, because the credit union has seen such success with it in the past, says Jayne Searles, assistant vice president of marketing and business development. "There's value in being unique and getting people to talk about the branch."

1. “‘Millennial’ Customers: Branches Still Matter,” *BAI Banking Strategies Retail Delivery Insights* 2, no. 24, August 7, 2007.
2. 2006 IBT/MCA Market Pulse Survey, www.ibtenterprises.com (retrieved February 9, 2009).
3. Ibid.
4. Ibid.
5. Ibid.
6. Virtual Wallet by PNC, PNC Bank, www.pncvirtualwallet.com.
7. Virgin Money South Africa Ltd., www.virginmoney.co.za/vmsa/index.jsp.
8. www.jwaala.com.
9. quickenonline.intuit.com.
10. wesabe.com/springboard.
11. www.jwaala.com.
12. quicken.intuit.com/online-banking-finances.jsp.
13. www.justthrive.com.
14. Jeffrey Pilcher, “Motion-Sensing Window from Citizens Bank,” *The Financial Brand*, thefinancialbrand.com/2009/02/10/citizens-interactive-window-display/.
15. Ron Shevlin, “Why Banks Can’t Afford to Ignore Gen Yers,” Forrester Research, August 2004.
16. Ibid.
17. Paul McAdam and B. Joseph Pine II, “Customer Experiences Rule,” *BAI Banking Strategies*, November/December 2006.
18. “The Frontline Experience,” BAI Research, 2005.
19. “Millennium Generation Not Ready for Prime Time,” *Financial Planning*, October 2004.
20. “Innovation in Action,” *Brilliant Results Magazine*, June 2006, p. 12.
21. Interactive tour of BankWest branch, bankwest.com.au/Find_Us/National_Expansion/index.aspx.
22. Interactive San Diego, North Island Credit Union, www.myisland.com/nicu/about/island_difference/interactive_san_diego.do.
23. Cathy Cruz-George, “ING Direct Offers Coffee, Talk but No Teller Windows at ‘Café,’” *Pacific Business News*, November 14, 2008.



ideas grow here

PO Box 2998
Madison, WI 53701-2998
Phone (608) 231-8550

www.filene.org

PUBLICATION #186 (4/09)

ISBN 978-1-932795-65-3

filene 
C U T O M O R R O W

