

# Connecting with Indirect Members:

More Contacts, More Conversions

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Maria Bladorn, former Vice President of Marketing at a southeastern credit union, discusses the benefits and challenges associated with indirect member conversion. Converting indirect borrowers into active credit union members continues to be a major struggle for many credit unions. Credit unions tout “the difference”, and automated outbound calling can be the difference when it comes to indirect member conversion.

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Auto loans continue to be a main stream of income for many credit unions. One of the best sources for credit union auto loans is indirect lending. What differentiates indirect lending is that the loan is initiated by the auto dealer instead of the credit union. Once the consumer/borrower accepts the loan, they become a member of the credit union without ever going near a branch or talking with a credit union employee.

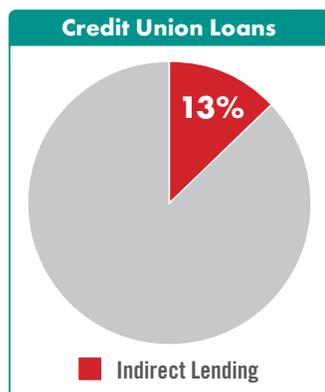
### The Good News:

Indirect lending brings in income and members without much effort on the part of the credit union. It is also a great way to bring in younger members. Since the average age of a credit union member is 47, attracting younger members is critical for credit union growth.

### The Bad News:

Many borrowers don't realize that entering into an indirectly-financed loan means that they become a credit union member.

According to the NCUA, credit unions hold \$73.8 billion in indirect loans on their books, accounting for 13% of all credit union loans. Indirect lending augments a credit union's membership numbers, but how valuable is that augmentation if the borrowers aren't using other credit union products and services? Converting indirect borrowers into full-fledged, engaged members continues to be the "white whale" of the credit union world.



Historically, the statistics on long-term relationships from indirect lending programs are somewhat discouraging, and some credit unions pull out of indirect lending programs because of their inability to develop additional financial relationships with indirect borrowers. The conversion rate for these members is said to be only 10% at best.

Raddon Financial Group, a financial institution market research firm, reports that credit unions are 2.5 times less likely to cross-sell an additional product to an indirect household. Raddon has also found that indirect borrowers are three times more likely to leave a financial institution.

## What does an indirect borrower look like and why are they hard to convert?

The primary difference between an indirect borrower and a direct credit union member is the way they became a member. According to Raddon, indirect borrowers tend to be in the prime borrowing years. Like retail households, they are fee driven and credit driven and usually have favorable income demographics.

While bringing in members via indirect channels is somewhat effortless, converting and keeping these members requires concentrated effort and a special touch that many credit unions just haven't been able to put

their finger on. Many feel that the borrower is too overwhelmed with the new purchase and the impending monthly payments to be concerned with taking on a new financial institution and its set of products and services.

Again, many indirect borrowers don't realize they have just become a member, or owner, of a credit union. This suggests that additional efforts, above the typical welcome letter and brochure packets, must be employed to get the attention, and wallet share, of these new members. The lack of credit union face-to-face contact typical of the indirect deal makes it even more challenging to engage these potentially profitable members. The loss of personal touch makes the upsell harder, if not impossible.

## My Experience

As a former Vice President of Marketing at a southeastern credit union, I had first-hand knowledge of this as we faced our own struggles with indirect member conversion. At my credit union, I assigned a list of indirect members to branch managers each month based on the new member's proximity to a branch. Branch managers reached out with personal calls to welcome the new member, verify loan information and hopefully reveal other products and services. Even with a list as small as 10 names, sometimes branch managers found it hard to get someone on the phone or to hold their attention long enough to get to the cross-sell opportunity. They were calling at random times during the day, whenever they had the time to spare. We weren't aware that there were better, optimal times we could be trying to get in touch with these members.

Branch managers for the larger branches had a difficult time finding the time to even make their calls. It was a wasted effort on my part gathering, segmenting and distributing the lists. It was often wasted time on their part in that they weren't able to accomplish one of the main goals of the call –the cross-sell. We also sent letters and packets welcoming the new member, tailoring the contents to what indirect members are most likely to be interested in. However, we didn't include a special offer or other means of tracking, so I'm sure it was yet another wasted effort, along with wasted postage.

### Indirect member conversion, no matter how it's carried out, seems to boil down to these facts:

1. The first 90 days is the prime window of opportunity to cross-sell additional products and services, as it is when members are more likely to add two or three "sticky" services.
2. Successful on-boarding, especially for indirect members, requires that you reach out at least 3 to 4 times during this 90-day window.
3. This time also represents an opportunity to convert the member's other lending relationships to your credit union. Identify the members with loans at other institutions and offer a competitive rate and added value.
4. Members living within a three-mile radius of a branch are usually the best candidates for targeting and conversion.
5. Timely, proactive and professional follow-up is key.

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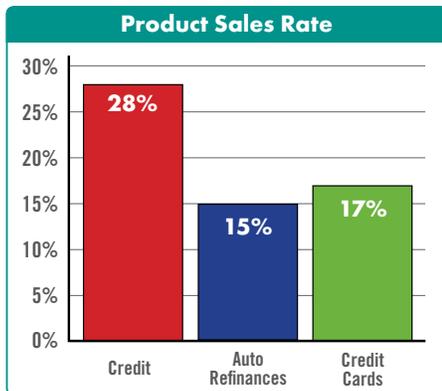
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## What is the best way to follow-up?

Outbound calling in indirect member conversion can make the difference. A pilot conducted by CUNA Mutual Group in April 2007 focused on helping credit unions deepen product relationships with indirect members through outbound calling. The pilot found:

- The phone call had a relationship building effect.
- The most successful product offered was a line of credit, which had a 28% sales rate. Auto refinances had a 15% sales rate and credit cards a 17% sales rate.
- Most members appreciated the call, even if they failed to purchase an additional product.



- The home phone is the best number to use.

### So here's the challenge:

You need to reach out multiple times in the first 90 days, but branch managers and most other staff don't have the time to do it.

Automated outbound calling can deliver this outreach and take it one step further – incorporating the personal touch but for much less expense. This type of calling is an effective and efficient way to reach a large number of members in a short amount of time. This allows for more touches than manual calls could accomplish. Automated outbound calls can be easily managed, and scripts can be personalized with individual member information. Messaging can also be static or interactive, allowing members the option of transferring to a call center representative during the call. Calls can be deployed at any time, but the best time to reach members has been found to be Monday through Thursday, from 3 to 7 p.m., and during the day on Saturdays. Note that this includes times when a credit union is likely not open.



## What should the call convey?

Calling within the first few days to confirm the details of the loan is a good start. You can introduce the credit union and welcome the member during this initial call. Subsequent calls at set intervals can continue the on-boarding process by educating the member about the credit union's other products and services. As mentioned previously, a line of credit seems to be the most successful cross-sell to indirect members. Offering to convert their other lending relationships to your credit union could be another touch.

It has been said that it takes the average person hearing something seven times before they learn it. Automated outbound calling is a way to help indirect members learn about the credit union and the benefits of adding additional products and services in a way and at a cost that manual calls and direct mail can't. The success of this application also suggests that outbound calling can be effective in other areas such as collections, account alerts, policy and rate change notifications, card activations, event and financial education notifications and inactive member maintenance.

## Conclusion

Indirect lending brings in income and members without much effort on the part of the credit union. Converting indirect borrowers into active credit union members continues to be a major struggle for many credit unions. The success of indirect lending for many of those same credit unions tends to overshadow the difficulty of conversion and therefore isn't going away. Indirect lending will continue with many of those borrowers never realizing the full benefit of the opportunity they have been given through credit union membership. Credit unions tout "the difference", and automated outbound calling can be the difference when it comes to indirect member conversion.

**Maria Bladorn** serves as Marketing Manager at TeleVox, specializing in engagement communications between credit unions and their members. Learn more about TeleVox by visiting [www.televox.com/creditunion](http://www.televox.com/creditunion) or calling 1-800-644-4266.