Perspectives

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GROWTH & ENGAGEMENT

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MARKETING

> **"Credit unions, in particular, should take advantage of their not-for-profit status and volunteer boards, because they have no one to please other than their members—and perhaps regulators. Use that countercyclical business model to grow market share as others pull back.**

As the world was clutched in the depths of the Great Recession in 2007-2008, Harvard Business Review wrote, "This is not the time to cut advertising. It is well documented that brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at a lower cost than during good economic times. Uncertain consumers need the reassurance of known brands—and more consumers at home watching television can deliver higher than expected audiences at lower cost-per-thousand impressions."

Credit unions, in particular, should take advantage of their not-for-profit status and volunteer boards, because they have no one to please other than their members—and perhaps regulators. Use that countercyclical business model to grow market share as others pull back.

Even as consumer debt has risen over the last several years, it's nothing like before the last financial crisis, brought on by low- and no-documentation mortgages. But rates won't be doing any favors for net interest margins, as the Fed has already

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Shana Richardson, CEO, Ser Technology

begun lowering rates to avoid a yield curve inversion, often a precursor to recession, and they can't go much further.

Refinancing loans of all types is a great opportunity for credit unions right now. For example, a recent Edmunds Report projected the average purchase price of more than $37,000 for cars, an almost 9% increase over three years. Credit unions hold about 30% of the nearly $1.2 trillion in auto loans currently outstanding, according to a report from Experian, meaning 70% of auto loans are available for credit unions to recapture in a tightening lending market. Credit unions have the best auto loan deals in the market and should use that advantage to expand their market-share position.

As temperatures begin to cool, consumers are starting to think about their holiday budgeting and spending. Credit cards are another great opportunity for credit unions to aggressively offer better rates and rewards, while also helping members to save money. After the holiday hangover hits, refinancing will also be on members' minds.

The near-prime market presents additional opportunity when priced accordingly. Value Penguin reported that the average interest rate auto-loan borrowers with a 620-659 credit score across all financial institutions is nearly 10% APR, while a customer with a credit score of 700 can expect a rate of nearly 5%. With the average APR on credit union loans coming in at 3% and 5% for new and used vehicles, respectively, credit unions with the right messaging and targeting can lure borrowers away from their competitors into better options for the member, while also serving the credit union's interest income needs. Credit unions exist to serve their members, and, in part, that means those who are credit challenged but also a smart risk.

Messages that resonate with consumers during an economic downturn are different from those during the good times. Let them know you're there for them, to assist with financial stability so they can worry less about finances and take care of themselves and their families. Credit unions and other value brands perform better than most during recessions, because they offer lower-cost alternatives that appeal to consumers' frugality when they may be worried about decreased income. Provide consumers that critical sense of security during uncertain times.

Credit unions' focus should also turn toward marketshare more so than profits, because you can afford to as not-for-profit financial institutions. You may want to adjust your pricing tactics with short-term discounts to take advantage.

A potential economic downturn should not scare your credit union out of the opportunities that lie in a recession. Maintain your marketing spend to the extent possible to share the messages mentioned above, and keep your brand in front of consumers so they know who was still there for them, lending for home repairs or cars to get them to work when no one else would.

The members you help when they need it most will recognize your credit union's value and, with a little nudging, bring more of their accounts to you because your credit union was there for them. With the right data and messaging, credit unions have a clear path to greater market share as they help members, building trust and loyalty. Credit union lending is countercyclical. When others are not lending, credit unions are because they don't have investors to serve. Credit unions serve their members, and many are going to need their credit unions to step up for them.