



CREDIT UNION

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MAGAZINE

E-mail marketing
Shared management services
CUs and the global economy
Profile: Gary Wolter



Meet the CU movement's top marketers

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FEATURE

MAY 2003

Cover Story

E-MAIL MARKETING

E-mail marketing sometimes seems too good to be true. One reason is it creates measurable results almost instantly.

[Resources](#)



DEPARTMENTS

NOTES BEARING INTEREST Cycle sales put this CU in HOG heaven ... electronic payments ... and top auto lenders.
Resource: www.towergroup.com

MANAGEMENT

EMPLOYEE BENEFITS If a full-fledged cafeteria-style benefits plan isn't suitable for your CU, a Section 105 plan could be an option.
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MARKET SHARE Most ads—even those with a good response—can be more effective with a little polishing.
Resource: www.cuva.us

TRENDLINES A new survey says CUs are doing a good job serving members of modest means. And it says there's more work to do.
Resource: www.filene.org

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SERVICE SOLUTIONS

MARKETING SOFTWARE E-mail marketing software can be used for simple purposes, but it contains sophisticated capabilities.
Resources: www.libertysite.com/creative
www.reeddata.com
www.adfluence.com
www.fiserv.com

RATE INTELLIGENCE A Rate IQ Quiz indicates whether your CU needs to improve its rate-setting practices or policies.
Resource: www.datatrac.net/cuna

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FUTURE FORUM Expect the CUNA Future Forum to be unlike anything you've ever experienced.
Resource: training.cuna.org



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Web site: www.strunklp.com

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E-mail marketing

An illustration of a man in a light-colored shirt and dark pants, seen from the side, holding a computer mouse. He is standing in front of a computer monitor that displays several small envelopes. The background is a bright blue sky with several larger envelopes with wings flying out from the monitor. The overall style is clean and modern, with a focus on digital communication.

By Darla Dernovsek

*The practice
delivers results
while driving
down costs*



At Delta Employees Credit Union in Atlanta, e-mail marketing sometimes seems too good to be true. It can be prepared efficiently, sent quickly, and delivered cheaply. Best of all, it creates measurable results almost instantly.

"We're really high on it," says Mary Olson, vice president of marketing and business development for the \$2.3 billion asset credit union.

Seventy thousand of Delta Employ-

ees' 175,000 members now receive electronic statements and e-mail promotional offers. The credit union uses its marketing customer information file (MCIF) system to identify members who fit the profile for special e-mail offers for credit cards, car loans, e-statements, financial education seminars, new-car sales events, and other offers. In addition, all e-mail members receive an e-mail newsletter once or twice a month, depending on the timing of news and special offers.

Most e-mail offers are pared-down electronic versions of direct mail pieces that are delivered via U.S. mail. Delta Employees' most successful promotion to date has been a Visa platinum conversion, which originally was offered via direct mail to 15,000 members who held gold and classic cards. After the credit union discovered that 7,900 of the members who failed to respond to the direct-mail appeal were on its e-mail list, it sent a "very simple e-mail" reminder. The e-mail netted a 26.4% response rate—the highest response Delta Employees' e-mail vendor ever experienced.

"Our average e-mail response rate is 8%, which is phenomenal," says Olson, who also chairs the CUNA Marketing Council. "With direct mail, if you get 2% you're happy."

A QUICK SOLUTION

When Delta Employees launched e-mail marketing in April 2002, the credit union tried to use Microsoft Outlook to handle e-mail distribution. Olson says the credit union quickly discovered it lacked the features required for mass distribution. So Delta Employees hired DocuMatix, Salt Lake City, for a \$5,000 initial license fee plus four cents per e-mail. It since has switched to a flat fee of \$1,400 per month for unlimited e-mails.

"We spend more than that monthly fee designing and printing one traditional statement insert," Olson notes. DocuMatix provides software that aids in developing e-mail marketing pieces and surveys, and "scrubs" the list to remove discontinued addresses and deal

with blocks applied to mass e-mails by some Internet service providers. Delta Employees specifies when e-mails are distributed and sends most pieces at night to avoid clogging the Delta Air Lines system, because many members choose to receive e-mail at work.

Delta Employees collects e-mail addresses by asking permission to contact members via e-mail when they open an account. Members also can sign up to receive e-statements on the credit union's Web site (www.decu.org).

Its e-mail list received a major boost when Delta Employees offered free online bill payment to members who use both e-statements and a Visa check card. Members appear to like the service. On average, just 0.1% of members click the "opt-out" button included in every e-mail message to allow them to unsubscribe from the list. Only 519 members have opted out so far.

Olson estimates it typically takes less than an hour to use the MCIF system to designate appropriate users for a particular e-mail piece, design the piece, and transmit it to DocuMatix via a secure Internet link. Because results are available within hours, the credit union can test the appeal of an e-mail message with a target group and then refine it for a second set of recipients at no additional cost. Depending on the campaign, the e-mail message may either complement a direct mail piece or replace it entirely.

"We use the same techniques that we use for direct mail, only honed to shorter, simpler messages," Olson says. Messages link members to Delta Employ-

FOCUS

- Response rates for e-mail marketing efforts generally surpass those for traditional direct mail.
- Getting members' permission to send them specific types of e-mail offers is a vital element of successful e-mail marketing.
- It's essential for credit unions to understand what they want to achieve with e-mail marketing.

ees' Web site for additional information, applications, or special offers.

About 10% of Delta Employees' e-mails are undeliverable due to address changes or other factors. Olson says maintaining the e-mail list is simplified because members want to receive e-statements. That motivates them to visit the credit union's Web site to update their e-mail addresses when needed.

GETTING PERMISSION

Getting members' permission to send them specific types of e-mail offers is a vital element of successful e-mail marketing, according to Seth Godin, author of "Permission Marketing and Unleashing the Idea Virus." But once permission is provided, Godin says it must be used promptly.

"If you don't do it right away, the deal is off," Godin says. When credit unions collect e-mail addresses and then fail to send messages to members in a timely manner, the opportunity is lost.

"What they're missing is an opportunity to talk to someone who wants to hear from them," Godin says. "One of my favorite examples is the whole idea of refinancing a mortgage. The average consumer doesn't know the day on which it's most efficacious or profitable to change their mortgage."

Instead, the credit union could ask these members for permission to use e-mail to notify them when interest rates drop or new mortgage options become available.

"The opportunity here, in this and many situations, is to say that if we can help both sides, we should have the dialogue," Godin says. "And if we can't help both sides, we should leave the person alone."

Godin believes e-mail permission requests should address the frequency of e-mail the credit union sends. Sending e-mail that fulfills your promise to members will ensure the credit union's offers avoid the dreaded title of "spam," or unsolicited e-mail that is the online equivalent of junk mail. But the e-mail always must be created from the member's point of view, not the credit union's.

"No one wants to get 'e-mail' from their credit union. They want to get

'me-mail,'" Godin says. "The sooner marketers stop thinking they're important, the better it will be for their business."

E-STATEMENT OPPORTUNITY

Unfortunately, some credit unions that collect e-mail addresses or have e-mail capabilities fail to use them. The 8th Annual American Interactive Consumer Survey conducted in 2002 by The Dieringer Research Group in Milwaukee found that of the 18% of survey respondents who shared their e-mail address with their financial institutions, only half actually received e-mail. And it's not uncommon for credit unions planning to implement e-mail marketing to delay its launch.

"That's surprisingly predominant," says Bret Weekes, president/CEO of Reed Data Inc., Midway, Utah. Weekes says he knows of many credit unions that have purchased e-mail software or services and then failed to use them. "It boils down to a core commitment to make this work."

When credit union leaders commit to e-mail marketing, they typically have two motivations, Weekes says. They want access to members in the online world, and they want the cost savings resulting from online delivery of both statements and marketing messages.

Reed Data currently provides e-statement services to about 70 credit unions for a one-time user fee that varies by the size of the institution. The cost of delivering an e-statement is "tenths of a cent," Weekes says. That compares with a traditional statement mailing cost that ranges from 80 cents to \$1.25 per member per month, including paper, postage, and inserts.

KNOW YOUR GOAL

Experts say it's essential for credit unions to understand what they want to achieve with e-mail marketing. At Shell Employees Federal Credit Union in Houston, the goal is to move members to the Web site to perform self-service functions and cross-sell services with coupons and special promotions. It purchases e-mail marketing services from Bluestreak, Newport, R.I., at an annual cost of less than \$2,500.

About 2,000 of the 27,500 members

at the \$238 million asset credit union currently are signed up for the monthly e-mail newsletter that provides a brief introduction to events and special offers and then links members to the Web site for detailed information.

"The greatest barrier to e-mail marketing is the low penetration of total members who take advantage of the service," says Christine Perry, marketing director. "We need to focus on how to increase our e-mail list to the point that we can use e-mail marketing first before we do other promotions. The ultimate goal is to save money."

Shell Employees Federal collects e-mail addresses when it holds contests or special events. Members also can sign up for the credit union's electronic newsletter and other e-mail offers on its Web site (www.sefcu.org). In the future, electronic "coupons" will offer special benefits to members who sign up to receive e-mail messages. Perry expects the launch of e-statements later this year will boost its e-mail marketing list because many members are asking for e-statements.

"The other barrier is, we all receive so many e-mails throughout the day that it's a challenge to make members want to open ours," Perry says. In three years of e-mail marketing, Shell Employees Federal has obtained its greatest response by promoting educational seminars on home buying, car buying, and financial planning. Of 1,700 e-mails the credit union sends for a financial planning seminar, 30 to 50 members typically respond.

A STEP-BY-STEP APPROACH

Dale Tomalin advises credit unions to take a step-by-step approach to e-mail marketing. Tomalin is a senior consultant for Members Marketing Source, a unit of marketing consultants at CUNA Mutual Group, Madison, Wis., which helps credit unions define and execute strategies to reach members.

Tomalin, a former executive at a company that specializes in e-mail loyalty campaigns, advises credit unions to:

- *Pick a vendor.* While some credit unions may prefer to purchase the equipment and expertise required to create an in-house system, Tomalin says "it's a buyer's market" for afford-

able outsourced solutions. Key considerations include security features, privacy safeguards, and scalability to ensure the system can handle continuing growth in the e-mail list.

- *Plan ahead.* Define your objectives for e-mail marketing, which may include acquiring new members, retaining current members, or expanding member relationships. The credit union then tailors its e-mail list development and messages to match its target.

- *Examine database capabilities.* It's essential to be able to create and maintain an e-mail list. Refining the list requires integrating MCIF systems or other databases to create member profiles so e-mail appeals can be matched to specific member needs. At the most advanced level, analytical software is integrated with e-mail marketing capabilities to create personalized offers.

- *Gather e-mail addresses.* Collect e-mail addresses when opening an account or establishing a relationship. "Can we communicate with you via e-mail?" becomes one of the first questions the teller or loan officer asks," Tomalin says. Other options include using a direct-mail campaign that offers better rates or other benefits to members who agree to receive e-mail messages. Members also can be approached at branches, kiosks, and call centers.

- *Protect privacy.* Gramm-Leach-Bliley Act requirements for protecting member privacy also apply to e-mail lists. Credit unions must have mem-

bers' express permission to send information via e-mail. Sharing the e-mail list with affiliates or partners is forbidden.

- *Keep it short.* "Brevity is clarity," Tomalin says. The maximum length of e-mail messages should be six to 10 lines of information that can be skimmed in two to three seconds. Some members may have limited bandwidth. So credit unions should avoid intricate graphics or "rich media" messages that incorporate sound and motion, unless they have the capability to ask members to specify the type of message they can accept.

- *Include a call to action.* Options include asking members to visit a new branch, apply for a loan online, or activate a link to the Web site. Messages can be tested with small groups to see whether the call to action is effective.

- *Let members opt out.* Always offer members a way to remove their address from future mailings.

- *Track results.* A 2% to 3% response rate is considered standard. Vendors often track results as part of their basic services.

- *Maintain the list.* Weekes says credit unions can expect 25% turnover annually. E-statements can help maintain a current list by providing an incentive for reporting address changes.

E-MAIL FOR EVERYTHING

In the future, credit unions may use e-mail as part of every marketing campaign. That's already the practice at

Delta Employees. Its next experiment will be using only e-mail messages to approach 4,700 members age 13 to 18 about participating in a new teen savings program.

With members in that age group, Olson believes e-mail will get a better response than any other type of marketing approach. "E-mail," Olson says, "will be part of everything we do." ■

RESOURCES

- "Catch Members With the Net: A Guide to Maximizing Web Site Effectiveness," published by CUNA & Affiliates. To order, call 800-356-8010, press 3, and ask for Stock No. 22261 or visit buy.cuna.org/detail.php?sku=22261. The price is \$34.95.

- CUNA Marketing Council, Madison, Wis. Call 800-356-9655, ext. 4357, or visit www.cunamarketingcouncil.org.

- Members Marketing Source from CUNA Mutual Group, Madison, Wis. Call 800-356-2644 or visit www.cunamutual.com.

- Reed Data Inc., Midway, Utah. Call 800-425-7766 or visit www.reeddata.com.

- DocuMatix, Salt Lake City. Call 801-746-2511 or visit www.documatix.com.

- Bluestreak, Newport, R.I. Call 866-258-3787 or visit www.bluestreak.com.