Introducing Innovative Products and Creating Marketing Success

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September 2005
Challenges of New Products

• “There is already too much to do…”
• “I don’t understand it…”
• “Members don’t want to hear about…”
• Passive-resistance from managers
• Lack of sales training – focused on back office operations, not front-line staff
• Not consistent in message – talk about the importance of new products, but reinforce differently through incentives
Many Forms of Prepaid Cards

**BUSINESS PROCESS RE-ENGINEERING**
- **Value Proposition**
  - Cost Reductions
  - Faster Processing of Disbursements
  - Greater Control
  - Less Fraud/Risk
  - New Income Streams
  - Improved Experience for Constituents

**Check Cashing, Incentive & Pay Day Loan Cards**
- Flexible Spending Accounts & HRAs
- Visa, Discover & MasterCard Gift Cards

**NEW PRODUCTS**
- **Value Proposition**
  - Superior (cost and/or functionality) to Existing Product Alternatives
  - Enables Entirely New Payment/Purchase Options
  - Greater Security than Checks or Cash
  - More Convenient
  - Prestigious

**Payroll Cards, Social Security Disbursements & Disaster Claims**

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## Prepaid Market Potential

<table>
<thead>
<tr>
<th>Segment</th>
<th>Estimated Opportunity</th>
<th>Branded Product</th>
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<tbody>
<tr>
<td>Consumer Gift</td>
<td>$175 Billion</td>
<td>Branded (MasterCard or Visa) gift card – in-branch or web-ordered</td>
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<tr>
<td>Employee/Partner Incentives</td>
<td>$125 Billion</td>
<td>Branded Incentive, Branded Promotion and Rebate</td>
</tr>
<tr>
<td>Teen Spending</td>
<td>$170 Billion</td>
<td>Visa Buxx, Branded Teen Card</td>
</tr>
<tr>
<td>Travel / Travelers’ Check Replacement</td>
<td>$20 Billion</td>
<td>Visa TravelMoney, Branded Travel Card</td>
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<tr>
<td>Underserved</td>
<td>$600 Billion</td>
<td>Branded General Purpose Reloadable, Cross-border Remittance</td>
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</tbody>
</table>

Source: Visa (Some overlap between applications)
Premier Credit Union

• $63 million in assets, 12,000 members, two branches
• Primary sponsor: Principal Financial Group
• Situation:
  – Decided to not pursue a community charter, but focus on a SEG-based businesses that align with strategy
  – Focused on “white-collar,” professional companies
  – SEG-based allows Premier to focus on specific market segment
  – Focus on being each company’s credit union instead of trying to be a credit union for the entire community
Innovation as Marketing Tool

- Partnered with The Members Group in 2003 to pilot credituniongiftcards.com
- Credit union looked for ways to use the new product to create unique marketing position with potential SEGs
- Innovation happens in implementation – different applications emerged as credit union rolled out to membership
Positioning as Strategic Product

- **Sammons Annuity Group**
  - Incentives for independent brokers for sales incentive

- **Principal Financial Group / Kemin Industries**
  - Departmental incentives and bonuses
  - Incentives for agents

- **Gift cards as incentive for SEG recruitment**
  - Home Builders Association – offered as “awards,” incentives for golf tournaments
  - Sent SEG contacts gift cards (executives, receptionist, mail room employees)
Integrating into Product Mix

• Other ways of integrating prepaid cards:
  – Employees: Gave staff cards as initial – ordered own cards on web site (also provided operational feedback)
  – Annual meeting / member appreciation giveaways
  – Door prizes for Business After Hours (chamber-sponsored event for community business leaders)
Success in Marketing

• Product Success:
  – 115% month-over-month increase in gift card sales for December 2004
  – Strong performance in 3rd quarter 2005 (card sales up three times over 2004 through August)
  – Projected 55% growth in card sales in 2005 over 2004

• Maintained department relationships in Principal Financial Group as overall relationship changed with start-up of Principal Bank

• Built new SEG relationships with Sammons Annuity Group and Kemin Industries
## Responding to the Market

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<th>Issue</th>
<th>Response</th>
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</thead>
<tbody>
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<td>Internet-only platform did not allow for last minute purchases.</td>
<td>Launch of in-branch (instant issue), non-personalized gift card product.</td>
</tr>
<tr>
<td>Lack of focus from credit unions on prepaid as a product.</td>
<td>Concentrate on credit unions where prepaid is a strategic differentiator, not a “me too.”</td>
</tr>
<tr>
<td>Lack of marketing and sales success.</td>
<td>Development of national brand, marketing materials and sales training for branches.</td>
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<td>Lack of integration into operations.</td>
<td>Focus on front-line training and back-office simplicity.</td>
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Moving to the Next Phase

- TMG’s vision for the prepaid market:
  - Develop a credit union-owned national prepaid brand to create a unique selling proposition to members
  - Position credit unions to be leaders in the prepaid card market, regardless of how the industry matures in the next 2-5 years
  - Create a turnkey marketing and sales strategy for credit unions to maximize success
  - Partnership with Wildcard Systems, the country’s #1 prepaid processing company, to deliver superior functionality
Atira: National Prepaid Brand

- Focus on collaboration among credit unions to compete with the larger, national banks
- Create an association of credit unions that builds and owns a national prepaid brand
- Credit unions would have control of the brand through their ownership (board of directors) and an advisory process
- TMG has invested in the initial development and will remain a partner in the brand / association
Why a National Brand?

• Enable credit unions to compete with larger issuers in an emerging product line
• Build a new identity to position credit unions as the answer for members and a new way to use their money
• Create sustainable, competitive advantage
  – What if credit unions had created a brand around credit cards in 1980 or 1985? Would the industry have more than 1.5% of receivables?
• Member recognition of credit unions as the leaders in prepaid card offerings
Turnkey Marketing Materials

Really? Snoopy? How did you get that from Snoop Dogg?

Really? Steak knives? How did you get that from a pair of blades?

Really? A pennant? How did you get that from a diamond pendant?
Key Points

• The best laid plans…
• Partner with the people who believe in your product / idea / concept
• Development of a new product never stops – continue to listen to the market and refine the product idea
• Just when you think you have it “done,” the market changes and you have to rethink your assumptions

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