



The Importance of Long-Term Member Value – Tangible and Intangible

By Bucky Sebastian, CEO, GTE Federal Credit Union

Arguably the most important job of a credit union manager is assuring that the members receive the greatest possible value. The second most important job is communicating that value to the members. After all, members who do not understand the value they are receiving may soon be lured away by the Siren calls of teaser rates.

It is not particularly difficult to demonstrate a value on any particular day, a sort of snap-shot value. This would be the higher savings rate and lower lending rate that a credit union offers members compared with the rates at competing banks. Harder is to communicate to members a lifetime's worth or the long-term value – and it is enormous – that members enjoy by being lifelong member/owners of a cooperative. But this is work vital to the continued life of our movement. If we do a good job of communicating the tremendous long-term value of being members, those members are far less likely to trade that benefit for a short-term benefit that might look good on a given day.

Tangible and Intangible Value

Some credit unions lately have been making large distributions, “patronage refunds,” they are sometimes called. These are distributions of excess capital, in effect, super dividends, returning members money back to members. There is nothing at all wrong with this. Members instantly see a tangible portion of the value they enjoy from their membership.

But there are also less visible and less tangible means of delivering value back to members that are just, if not more, vital to our mission. These are investments in a credit union's infrastructure, in the IT systems, shared branches, ATMs and so on that can make a credit union more efficient in the future and

capable of delivering greater value year after year to members. These investments make the member value of

nationwide network of shared branches, ATMs and so on. We might also add the benefits of being an owner of an

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tomorrow as good as or better than the member value of today, and they assure value year after year into the future for a lifetime of a member.

Investment in System as Well as Credit Union

But this kind of investment not only raises the value proposition for every member of that credit union. It also raises the capabilities of the credit union system itself, which increases the value proposition for members of other credit unions, too. This, of course, is because the credit union system is a network; an improvement at one credit union is very likely to help members at other credit unions.

Our investment at GTE FCU in, among other things, shared branches, ATM systems and IT, is going to help credit union members from across the nation who might be in Florida or near one of our branches or shared branches. Our own investments do not merely raise the value proposition for our own members, but also for other credit union members. In turn, improvements at a credit union some place else are very likely to help our own GTE FCU members.

Quantifying Long-Term Member Value

So if we were to attempt to demonstrate the value of membership over a lifetime we would have to calculate: a day's difference in savings and lending rates multiplied by a lifetime of days, plus the benefits of being part of a

institution rather than a customer. A member-owned institution will respond to the member/owners' needs more than would a stockholder institution to a customer's needs. A member/owner as compared to a customer is like a homeowner compared to a home renter. Over time, the advantage of owning rather than renting is tremendous.

One attempt to make the long-term value more evident to members is to start something like an ownership account. It would accumulate money from retained earnings and grow with the length of time of a person's membership. Its value would be periodically reported so the members could see their accounts growing. If a person had to leave the credit union for some reason, the account would be surrendered to that member. Such an account would not represent the whole value to a lifetime of membership, but it takes a step in that direction.

A Major Challenge: Communication

No question that credit unions deliver good value to members, and over a lifetime of membership members benefit enormously. But one of the great challenges that we now face is communicating that value, both the tangible monetary side and the less tangible investment-in-the-future side plus the benefits of ownership and being part of a national service network. If we can't, members will be increasingly tempted by teasers and come-ons, or to accept buy-outs that offer one-time payments for their memberships. ◆