



LOYALTY, MEMBER RELATIONSHIPS AND
FINANCIAL LINKAGE
IN THE CREDIT UNION INDUSTRY



• MEMBER LOYALTY GROUP

WHAT IS THE FINANCIAL IMPACT OF MY CREDIT UNION'S MEMBER EXPERIENCE PROGRAM?

This is a question we hear often from credit union Chief Executive Officers, especially those who are considering making major investments to proactively manage the member experience.

Having collected over 5 million surveys on behalf of more than 125 credit unions during the past 11 years, Member Loyalty Group has gained key insights about the link between loyalty scores and financial performance.

In this guide, we compare key financial performance indicators of our participating credit unions (committed to improving the member experience) with the industry average for all credit unions over \$100M in assets. Participating credit unions were broken into three groups, based on their performance on a Relationship Net Promoter® survey.

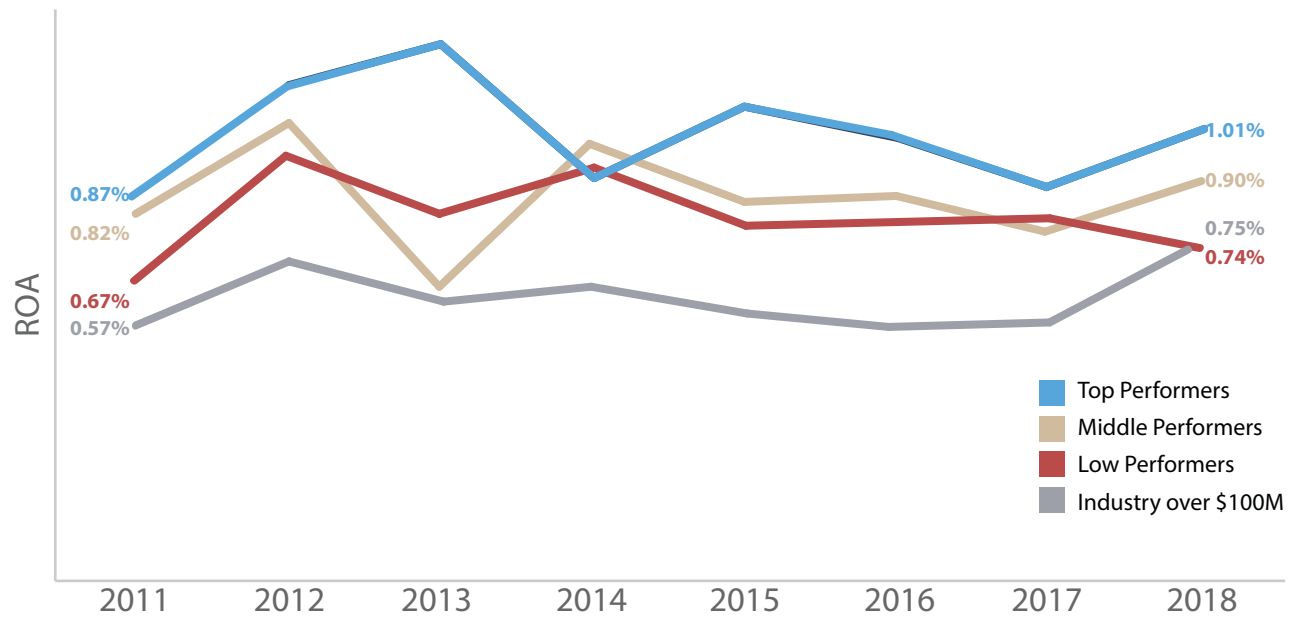
For more information visit www.memberloyaltygroup.com



ROA PERFORMANCE

LOYALTY LEADERS YIELD 36% HIGHER ROA THAN LOW PERFORMERS

The average Return on Assets (ROA) for credit unions participating in MLG's Member Experience program continues to outpace low performers and the industry average.

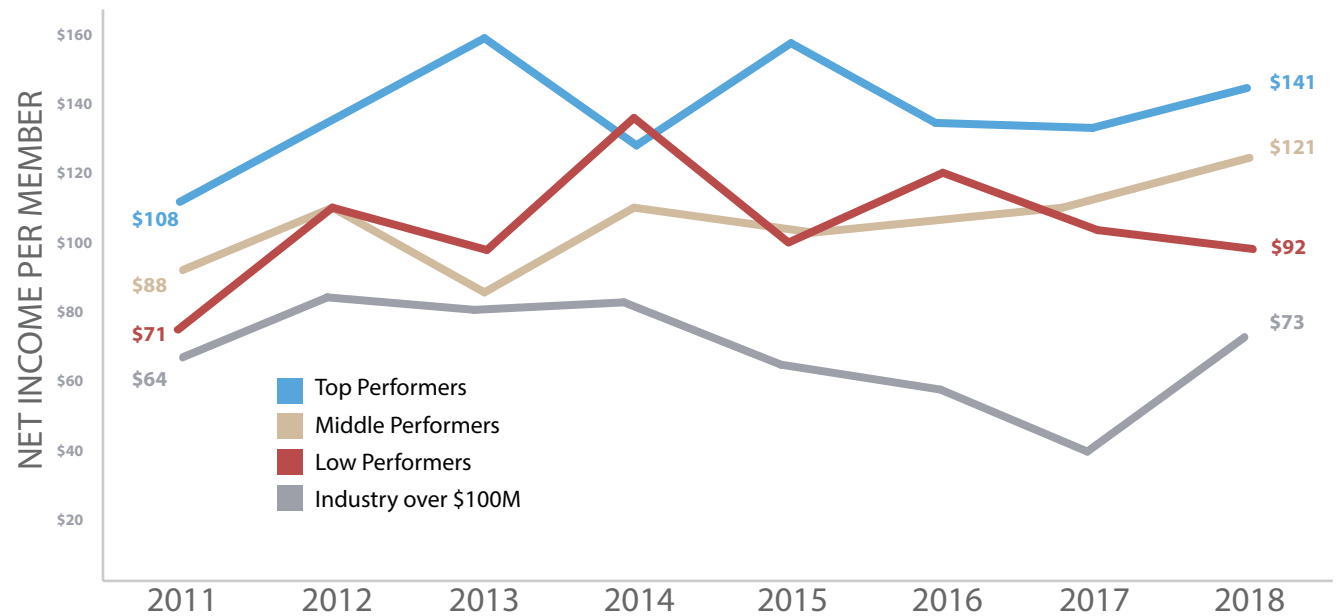


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NET INCOME

LOYALTY LEADERS YIELD 53% HIGHER NET INCOME PER MEMBER.

The link between Net Promoter Scores (NPS) and financial performance is clear as you compare high performers to low and mid-range performers. More, net income per member among loyalty leaders is a remarkable 98% higher than the industry average.

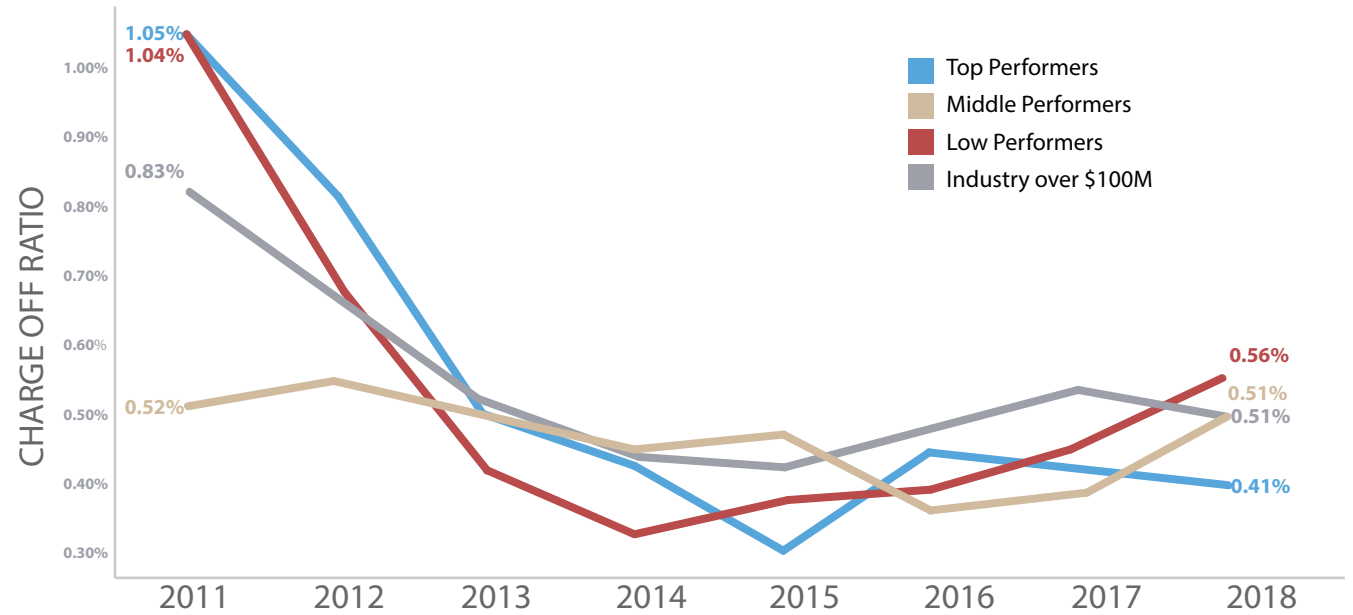


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CHARGE OFFS

LOYALTY LEADERS HAVE 37% FEWER LOAN CHARGE-OFFS.

MLG credit unions consistently have lower charge-off rates compared to the industry average, with top performing credit unions having the lowest percentages.

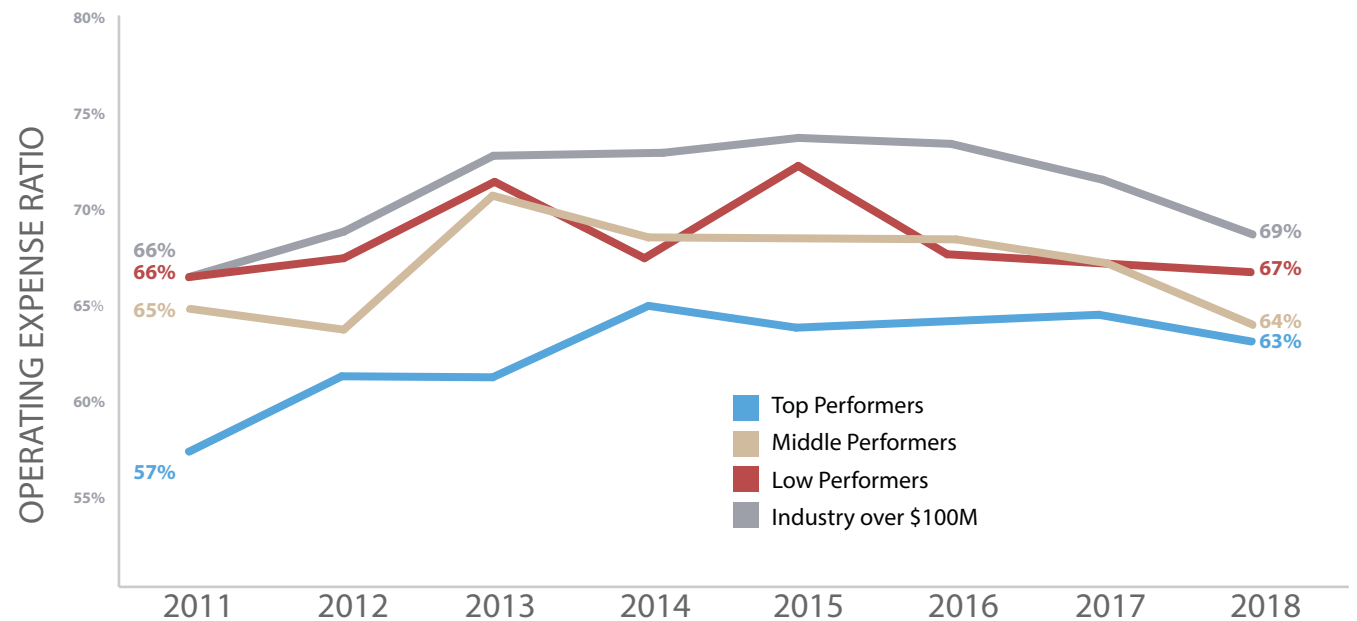


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OPERATING EXPENSES

LOYALTY LEADERS HAVE A STRONGER CONTROL ON OPERATING EXPENSES.

Loyalty leaders have a lower operating expense ratio than the industry average. They have some of the strongest productivity metrics and operate very efficiently. Additionally, they're receiving more revenue from their engaged member relationships (e.g., other income is stronger for loyalty leaders). This allows them to keep the operating expense ratio low.

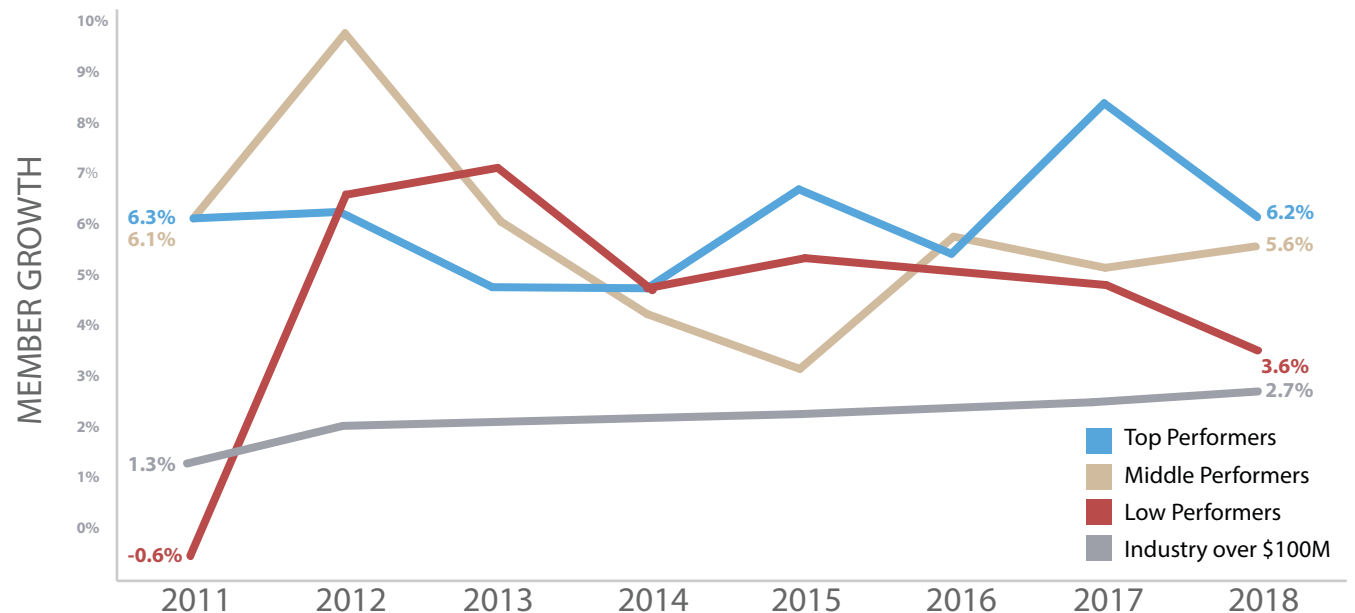


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MEMBER GROWTH

LOYALTY LEADERS EXPERIENCE 72% HIGHER MEMBER GROWTH.

A key component of a Voice of the Member program is a recommendation from members. This positive word-of-mouth is clearly a factor, as top-performing credit unions' membership growth rates were more than double the industry average.

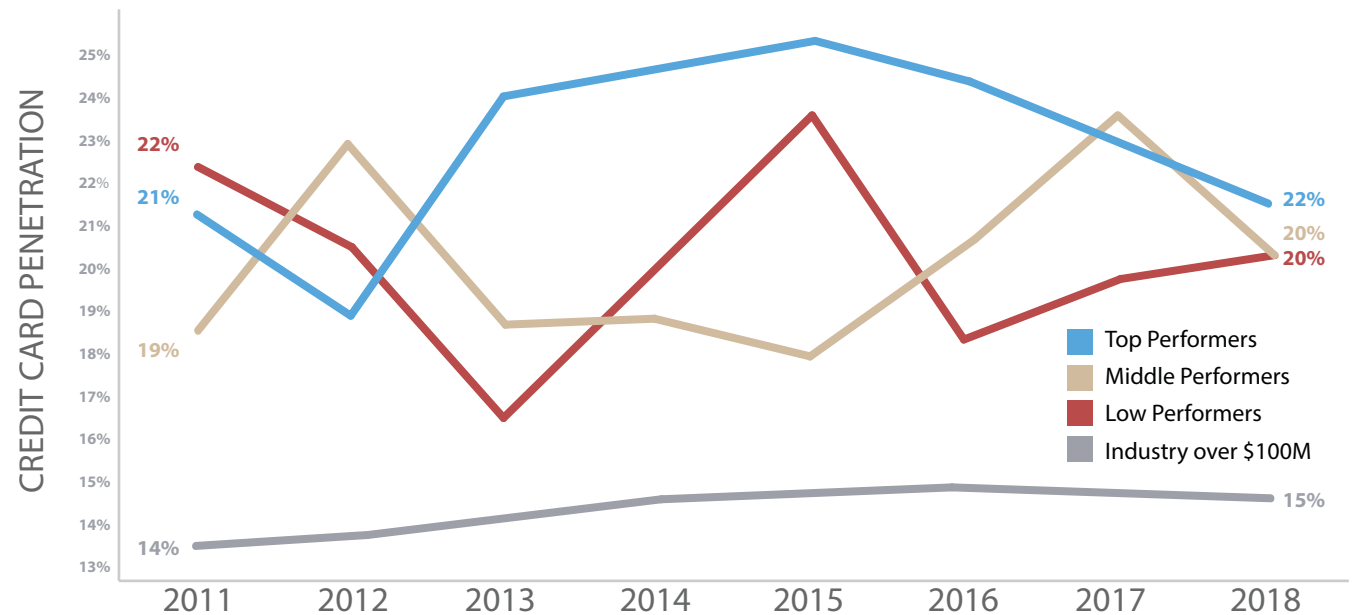


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CREDIT CARD PENETRATION

LOYALTY LEADERS HAVE HIGHER CREDIT CARD PENETRATION.

More loyal members are more likely to obtain a credit card from their credit union. The chart below shows a distinct variance between MLG credit unions and the industry average. This is an important sign of member engagement and primary financial institution status.



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SUMMARY

The trends we've been able to observe demonstrate that credit unions who focus on creating loyalty and deepening member relationships have enjoyed stronger financial results. The data shows that Loyalty Leaders' financial success isn't driven through higher fees, nor is it underwritten by increased operating expenses. It's a function of increased member engagement.

Here are five key takeaways about loyalty leaders:



Loyalty leaders are seeing strong ROA and net income per member.



Loyalty leaders experience fewer delinquent loans and charge-offs.



Loyalty leaders are controlling expenses very well.



Loyalty leaders enjoy more active membership growth



Loyalty leaders have higher product participation and accounts per member.



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ABOUT MEMBER LOYALTY GROUP

Your Partner in Perfecting the Member Experience

Member Loyalty Group is a CUSO, (Credit Union Service Organization) formed in 2008 to develop a common member loyalty benchmark for the credit union industry. We go beyond NPS to offer expert advice based on industry experience and best practices. Ask us about member effort scoring, comment coding benchmarks, goal setting and more.

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