



Asking the Right Questions

*How to reach – and best serve – the Hispanic market
in your credit union's neighborhood*

While it's true the Hispanic market is the largest, fastest-growing group in the United States, that's not the only reason the country's credit unions are working hard to learn more about this community.



Smart credit union executives understand that the Hispanic population is very young as compared to other U.S. ethnic groups. They see the potential for lowering the average age of membership by bringing Hispanics into the fold. These leaders also know Hispanics are largely underserved, and they view helping Hispanics navigate the U.S. financial system as an important part of the overall credit union mission. Lastly, credit unions' strategic thinkers realize that the face of the American consumer is changing, and that to grow membership, they must adapt to their new consumers, instead of forcing them to adapt to the credit union.

Seeing the benefit of serving the Hispanic population is one thing. Truly understanding what it takes to do so is quite another.

To gain that understanding credit unions must begin by fully examining their current outreach and potential for growth. This places the credit union in a much better position for defining success and for developing a strategic plan for achieving that success.

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 Hispanic
 growth simple

One way credit unions have pursued this strategy is through the use of Coopera's Hispanic Opportunity Navigator (HON). Designed to make strategic planning for a Hispanic growth simple, the HON not only provides a benchmark to use in measurement; it supplies a road map to follow. And this is true regardless of where a credit union is on the Hispanic outreach continuum. Whether just beginning to explore the possibilities or nearing the end of an existing outreach strategy, the HON gives credit unions a customized strategy for achieving their goals.

Hispanic Opportunity Navigator

The HON is quickly becoming a standard in the industry. In fact, Texas credit unions hoping to attain the Juntos Avanzamos designation are strongly encouraged to perform a HON analysis. The Juntos Avanzamos designation, which translates to "Together We Advance," is an indicator to consumers that the designated financial institution is not only welcoming, but prepared to handle the financial needs of the Hispanic community



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Intended as a starting point, the HON uncovers a credit union's readiness to reach a new market or to take the efforts to the next level by encouraging credit unions to ask the right questions. It is an assessment that often represents the most thorough review ever conducted of a credit union's Hispanic outreach efforts.

But more importantly, it sets forth a plan of action for credit union staff to follow on its path to growth through the Hispanic market. With this plan, credit unions implement tactics in the proper sequence, ultimately achieving results much faster and much more cost-effectively than they may without a charted course.

It's important to understand that the HON also provides a baseline of existing Hispanic membership, current credit union tactics and culture. It then compares those findings to best practice credit unions, making it an important tool to measure against as the credit union implements the HON's recommendations.

Following are a few of the basic questions that Coopera's HON will ask – not only of the credit union, but of the community at large.

Is the credit union well-positioned to target and serve the Hispanic market?

The goal here is to determine whether a credit union, as a culture, is excited by the philosophical and business imperative to serve the Hispanic market – and to serve it well. Leadership must be aware if staff are uncertain about their roles within the initiative or if there exist conflicting feelings as to whether the initiative is the right thing for the credit union.

Answers can be found in a variety of ways, including internal staff/board surveys and a review of materials, such as marketing collateral and strategic planning documents.

How many Hispanic members is the credit union currently serving?

This question is about more than numbers. Rather, it is designed to help the credit union understand how far it has come in the process. Around

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**Three stages
for success:**

Discovery

Emerging

Best Practice

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Coopera, we refer to three stages in the quest to become a successful Hispanic-community credit union: Discovery, Emerging & Best Practice.

Credit unions in the Discovery phase are considering Hispanic outreach but have not yet pulled the trigger on any tactical portions of their plan. In fact, most do not yet have a fully formulated plan. They want to learn more; just don't quite know where to start.

In the Emerging phase, credit union staff have recognized the benefits and importance of serving the Hispanic community. They have laid the foundation and taken steps to adapt their products and services to Hispanic members (rather than waiting for the Hispanic members to adapt to them).

Best Practices credit unions are defined as those financial institutions that have successfully served the market for years. They are preferred by Hispanics in their area, have strong financial educational programs and maintain an innovative growth culture.

Coopera has developed the definition of a Best Practices credit union based on years of research and experience. We've studied and closely monitored credit unions actively engaging the Hispanic market and have seen what works and what doesn't, as well as what kind of credit union culture best supports Hispanic outreach. We also continually monitor the fringe financial service markets to understand how the underserved are currently using alternative solutions. The base of knowledge and experience, once applied to a credit union's strategic initiatives, keeps staff from spinning their wheels or acting on incorrect assumptions. Rather, they are able to learn from the mistakes and successes of others who have successfully traversed the road before them.

What milestones has the credit union already achieved?

The answers to this question provide a snapshot of the credit union's current Hispanic outreach. They outline steps the credit union has taken on the road toward becoming a best practice credit union. Leadership should look at things like groundwork, personnel, products, processes and systems, and promotion and marketing strategies.

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More importantly, this question illuminates missing steps. It drives the strategic planning process by determining which steps have yet to be taken and provides the opportunity for staff and board members to prioritize tactics. Each individual credit union must determine a sequence that is both viable and realistic. Because the HON analyzes each credit union's strengths, weaknesses and unique environment, its recommendations are prioritized and customized to the credit union's unique circumstances. This helps achieve results more cost-effectively because you'll take the right steps in the right order.

How many Hispanic members could the credit union serve and what is the income potential?

One measure of a credit union's potential success in Hispanic growth is total income. It can be calculated from three figures: 1) number in the target market, 2) credit union penetration rate, and 3) average income per member.

- **Number in Target Market x Penetration Rate = Number of Members**
- **Number of Members x Average Income per Member = Total Income**

For example, let's assume an average per-member income of \$750 and penetration rate of 10 percent. Given 150,000 Hispanics in a field of membership, this would provide an estimated \$11,250,000 annually in total (gross) income to the credit union. The HON will analyze this and provide this calculation for your specific credit union, as well as an estimate of Return on Investment given what we know about typical expenses when serving this market

What are the opportunities and challenges faced by the credit union?

A large part of determining a credit union's readiness for successful Hispanic engagement is to examine the opportunity presented by the area. Credit unions must take a hard look at elements like the distribution of Hispanic residents in neighborhoods surrounding branch locations; median income of area Hispanics; percentage of local Hispanics who prefer Spanish. This type of analysis not only paints a picture of the opportunity, it sheds light on areas where the credit union may be weak in communicating with or serving the unique Hispanic community local to their institution.



What are the best-practice strategies that will attract and retain Hispanic members?

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While there are many recommended strategies, the following are examples of those tactics fundamental to any initiative. Including them in the strategic planning process is strongly recommended for credit unions interested in growing their Hispanic membership. Keep in mind these are examples taken from a sample credit union's HON. Recommendations provided to you may vary depending on your market, what you've already accomplished and how well you've accomplished it.

- Board of directors, collaboratively with management, develops a strategic plan with milestones and goals for serving Hispanic populations.
- Employees receive training on the business case for serving Hispanics and on issues related to reaching Hispanic populations.
- Provide basic introductory financial services, including international non-wire remittance services and low or no-cost check-cashing in a way relevant to Hispanics.
- Track Hispanic ethnicity and analyze data to examine Hispanic contribution to the bottom line in a way that assures non-discriminatory practices and is compliant with Fair Lending standards.
- Establish at least two long-term relationships with community organization partners trusted by the Hispanic community.

Hispanic outreach is an indispensable investment in the future. Yet having a Hispanic growth strategy on its own will not generate the kind of success a credit union needs. It is the integration of a Hispanic growth strategy with the credit union's overall strategic future that will ultimately create sustainable success.