

Six Steps to Generating And Promoting Loans

Good financial promotions require attention-getting devices, but lowering the rates doesn't have to be the first step.

by Richard G. Adams

Want to generate loans? The last step you take should be to lower interest rates. Instead of cutting your rates, (and cutting your income) consider these marketing options first:

1. THE LOAN "SALE": The staple technique of retailing—a limited time rate offer. Instead of 15 percent APR, new car loans "this month only" are 13.8 percent. (On a variable rate loan, the "sale rate" may apply only to the next rate change.)

In effect, you've lowered your interest rate. However, you have not set up for an automatic negative member reaction when rates increase to "normal".

2. LOAN COUPONS: A variation of the sale, this is actually a series of mini-sales focusing on different loan types. One month a newspaper coupon or statement stuffer offers a percent off a home

improvement loan. The next month, another coupon features auto loans. And so forth. The coupon, of course, is merely a psychological ploy, the dotted line that says "take action now."

3. REBATE: Even better than a "sale," and particularly ideal during periods when auto dealers are offering up-front cash rebates.

Griffiss-Oneida FCU of Rome, N.Y. doubled its normal auto loan activity by using rebates. Members received the dealer's \$300 to \$400 rebate when purchasing a new car, then another \$100 to \$400 (or more) when they financed at the credit union.

A rebate offer is stronger motivation to most members than a percent-off sale. The \$100 to \$400 seems significantly larger than "1 percent or 2 percent off," and the up-front money may enable the member to purchase some other desired item (or maybe pay for licensing fees and taxes on the car). And yet, properly structured, a rebate promotion can cost less per loan than a percent-off sale.

4. NEW LOAN CATEGORY: Perhaps your loan types are

broad and encompass many items. In that case, separate selected items for special attention. You've always had funds available for personal computer purchases (probably under the furniture and appliance category). How about advertising "Personal Computer Loans"? Same rate. Same terms. New category. New activity.

5. PREMIUMS: If your goal is to generate one type of loan activity—say, auto loans primarily—a premium or gift is most suitable; one loan/one gift.

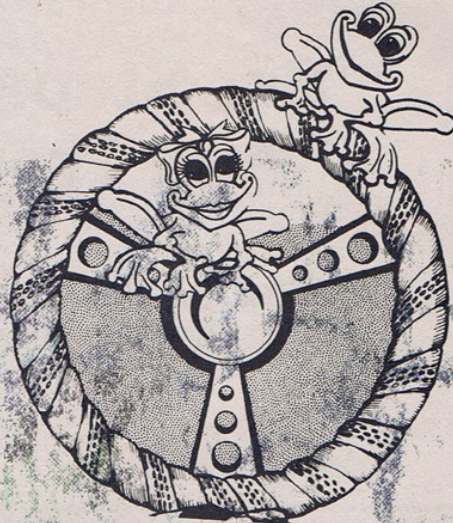
Your choice of a premium is tricky, and worthy of a separate decision in itself. But, in brief, the most popular premiums are unique, not-available-in-stores items. They should be useful, and even related to the loan type being promoted—a road atlas for auto loans, for example.

Some of our clients have enjoyed good success with multiple gift offers, or Select-A-Gift. Select-A-Gift features a catalog of 40 or 50 quality items from which the member chooses one and orders by mail. The advantages are obvious: (a) a wide range of attractive premiums to promote, and (b) no



THE \$11 Million Man: The "Crystal Ball Contest" generated a 31 percent increase in loans for the Motorola Employees Credit Union-West in Arizona and Texas. . . .

REBATE.



Rebate, Rebate: Pun intended, this up-front cash rebate doubled Griffiss-Oneida FCU's auto loan activity.

storage or breakage problems for the credit union.

6. PRIZES: Easily the most successful type of promotion, for loans or anything else. Why? The "sizzle" of winning a large, exciting prize—a dream trip, a bundle of cash, or a home computer.

This can either be a sweepstakes (random drawing) or a contest (the member must answer a question to qualify). The contest is preferred for loans because it involves the member and educates them about the credit union.

Crystal Ball

Motorola EFCU-West's "Crystal Ball Contest" is a prime example. Borrowers were challenged to predict the number of loans the CU would make by year's end. In case of a tie the winner would be the member who entered the earliest (i.e., who borrowed earliest).

Members were provided with a wealth of data such as number of loans made during the credit

union's history and daily updates in CU offices. Motorola attracted more than \$11 million in loans, about 31 percent more than their normal activity for a two-month period.

A sweepstakes or contest, via the prize, focuses attention on one thing—the essence of good marketing—though at the same time enables you to promote several different loan types. Added stimulus can be an "early bird bonus" (such as using a coupon) for loans made during the first few days or weeks of the promotions.

General Tips

The essence of any successful financial promotion is usually the interest rate. But while the rate is the heart of your promotion, attracting attention to your loan rates is its soul.

Attention-getting requires a truly "special" offer—be it percent off, cash rebate, gift or prize—a time limit (which you can always extend if the promotion is working very well), and good graphics.

Within the promotion literature, comparison details are an excellent device. Other lenders don't always tell the full story, so when you reveal it—and the bottom line total finance charge—today's smarter borrowers will see the clear choice.

As a last resort, lower your rates.

This assumes, though, that in keeping with the credit union spirit you've always attempted to maintain fair and competitive rates. That's why promotions are so important.

Final Note

Promotions don't necessarily stimulate people to borrow. They do, however, inform and motivate those who are inclined to borrow (but who aren't sure when or where). Nor is a promotion a cure-all or substitute for an on-going overall marketing program. The member's decision to borrow is a complex and time-consuming process. A good, creative promotion near the end of that process can be just the impetus needed.