

Case Study

Hispanic Market Expansion Plan Southwestern U.S. Credit Union

The Challenge

This forward-thinking institution's board of directors requested a shift in focus to target their local market's fast growing, underserved Hispanic population. In addition to providing non-traditional banking services, the board was interested in broadening their ten-branch network by expanding a Hispanic-focused branch into a "community service center." However, the executive and management teams had no prior experience with this market segment.

Key Management Issues

- How can the credit union develop long-term, competitive advantages with local community Hispanic consumers?
- How should the credit union tailor the offering to appeal to the various segments of 1st and 2nd generation immigrants (e.g. Hispanic dominant, culturally mixed, assimilated, acculturated)
- How can the credit union establish credibility and demonstrate its sincere commitment to the Hispanic community?
- What is the most effective and efficient way to communicate, sell and deliver products and services to Hispanic members?
- How can the credit union mitigate the risk of providing non-traditional banking services?
- What is the optimal product mix and how should the current product line be expanded/reduced to achieve this mix (e.g. check cashing services for non-members)?
- How should the branch be designed to draw the "under-banked" and "underserved" Hispanic sub-segments into the facility while maintaining the experience/satisfaction of more mainstream Hispanic members?
- What operational issues must be addressed?
- How to create a "community feel" in the new branch?
- Who are the optimal alliance partners and tenants, and how should the credit union approach them?

The Action

PHASE I – The Current Assessment

Align FSC consultants first engaged in a focused review of the credit union's current capabilities in serving the needs of the Hispanic market and its sub-segments, its product and positioning strengths and weaknesses and the local competitive environment.

A detailed analysis of the market size and demographics of the proposed trade area was also performed.

Next, the team set about to answer the following questions:

- What are the goals of the program?
- Where does the credit union stand today?
- What are the gaps?

The resulting Current Assessment Report provided the executive team with an objective evaluation of the credit union's current position, a review of industry best practices and a summary of the critical challenges to be addressed in building a successful Hispanic market program.

PHASE II – The Current Assessment

Building on the foundation of the Current Assessment Report, the project team then began development of the strategic implementation roadmap by:

- Conducting extensive interviews with Hispanic community leaders to further define the needs of the community
- Analyzing the costs and profitability of non-traditional banking products in high demand by the underbanked Hispanic market (e.g. wire transfer services, check cashing services, small loan products)
- Completing further investigation of the investments associated with achieving the goal of expanding the branch facility to support community outreach programs.

After extensive financial modeling based on forecasted member acquisition, segment-specific product contribution, and the associated capital and operating costs, a comprehensive business plan was developed, including a three and five year ROI comparing a base case with pessimistic and aggressive scenarios. Aligns FSC also delivered a detailed action plan that prioritized activities and investments necessary across all functional areas over the next 12 months.

The Result

A site has been chosen, the design has been finalized and a Hispanic Market Manager has been hired. Product line expansion is under development and the community outreach program is underway. The credit union is considering expanding the program to other branches where there are large concentrations of Hispanic members.