

# HISPANIC MARKET EXPANSION BUSINESS PLAN: \$600 Million Credit Union in the Southwest U.S.

## 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 the Hispanic-focused branch into a "community service center." However, the executive and management teams had no prior experience in this market segment.

## Key Management Issues:

How can the Credit Union develop long-term, competitive advantages with local community Hispanic consumers?

- How should the Company tailor the offering to appeal to 1st and 2nd generation immigrants?
  - The Hispanic dominant
  - The culturally mixed
  - The assimilated
  - The acculturated
- What are the demographics of the Hispanic population in the proposed branch trade-area?
- 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 do we 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?
- What is the best way to create a "community feel" to the new branch?
- Who are the best alliance partners and tenants, and how should the company approach them with a compelling story?

## BGS Group Approach

Our consultants followed a two-phased approach in tackling this assignment

### 1. Current Assessment: What are the goals of the program? Where does the Credit Union stand today? What are the gaps?

BGS Group 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.

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The 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.

## 2. Hispanic Market Roadmap: How do we get from here to there? What are the prioritized steps to success?

Building on the foundation of the Current Assessment, BGS Group:

1. Conducted extensive interviews with Hispanic community leaders to further define the needs of the community;
2. Analyzed the costs and profitability of non-traditional banking products in high demand by this segment, (*e.g. wire transfer services, check cashing services, and small loan products*);
3. Completed 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 customer acquisition, segment-specific product contribution, and the associated capital and operating costs, a comprehensive business plan was developed providing a three and five year ROI comparing a base case with pessimistic and aggressive scenarios.

A detailed action plan was developed prioritizing the activities and investments necessary across all functional areas of the Credit Union over the next twelve months.

## The Results

The branch is on-track for an opening in late 2006. A site has been chosen, 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.

DEPOSIT PROJECTIONS (\$MILLIONS)

