

How One Bank Beat The Recession By Focusing On Their Customer



A BELDING GROUP CASE STUDY



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About This Case Study

It was called “The Great Recession,” and in 2008, the global banking industry was crippled, marked by the failure of over 100 financial institutions. This Case Study examines how a Credit Union used Customer Experience to not just survive, but flourish, during that time.

Overview

The Canadian banking industry is dominated by five ‘Schedule 1’ banks: Royal Bank of Canada, Toronto Dominion Bank, Bank of Montreal, Bank of Nova Scotia and Canadian Imperial Bank of Commerce.



Credit unions, although smaller in size than the “Big Five” play a significant role in Canadian personal banking. Over a third of Canada’s population currently dealt with one of the country’s 440 credit unions.

DUCA Financial Services Credit Union had been founded in 1954 by a group of Dutch-Canadian immigrants who saw the need for an alternative to the big banks, which at the time were largely inaccessible to the general public. With the simple philosophy of people helping people, DUCA opened its doors in Toronto and has since grown to be one of the most stable financial institutions in the province of Ontario, with assets exceeding two billion dollars. Over the years DUCA had grown to provide full financial services to 60,000 members with 16 branches.

DUCA's Philosophy

During his tenure as DUCA's President and CEO, Jack Vanderkooy had made member-focus a priority for the organization. From a financial management perspective, DUCA's history of prudent lending, conservative investing and controlled expenses has ensured continued success and stability for members' assets.

Internally, member-focused processes have been put in place. And at branch level, DUCA has made a point to hire individuals who have strong customer service skills, and train them to deliver consistent world-class experiences.



Global Banking In Turmoil

Just past the mid-point of 2008, market uncertainty began to impact the banking sector world-wide. Six U.S. banks had already failed that year, and it was widely predicted that this was just a fraction of things to come. The predictions came true as, in the U.S. alone, 25 financial institutions failed, including the mammoth Washington Mutual Bank. DUCA was not immune to the global financial problems. The market uncertainty caused a significant drop in the company's deposits beginning in August.

DUCA Fights Back

To counter the downward trend, DUCA began making concerted efforts to increase communications with members. The message was simple: DUCA was solid, profitable and well capitalized. The company had always been there for its members, and would continue to be. Duca invested heavily in ensuring that the customer service provided to their members was consistently outstanding. Every employee was acutely aware of the role they played in the company's success.

By December 2008, they had effectively halted the downward trend

DUCA continued its efforts into 2009 with profound results. The company paid a 4% dividend to its members on existing shares, and added 10% in new patronage shares in January. This, with the ongoing efforts to ensure competitive products quickly restored confidence. Against the backdrop of one of the worst economic periods in many people's lifetimes, DUCA actually grew.

Performance, as of August 2009 looked like this:

	YTD Growth (8 mths)	12 month growth
Assets	8.23%	7.76%
Loans	4.65%	7.11%
Deposits	8.43%	7.58%

This was in stark contrast to the industry. During this same time period, over 100 financial institutions in the U.S. had failed.

DUCA's Ongoing Recipe For Success

There were five core reasons for DUCA's remarkable success when so many had failed :

1. In-Touch Leadership

Beginning in late 2008, Jack Vanderkooy created a CEO Advisory Council, a small group of individuals representing a cross-section of DUCA's employees. This group served as a sounding board for ongoing initiatives and current business practices. It enabled the CEO to stay in touch with all aspects of the business, and ensured that DUCA would continue to resonate positively with employees and members.



In addition to member surveys, DUCA also retained The Belding Group to implement two internal surveys. The first was a Work Environment Study, targeted to identify employee satisfaction levels and potential areas where the organization could be improved. The second, a Service Value Study, was implemented 6 months later to follow up on the benchmark results of the first.

2. Ongoing Customer Service Training & Development

Belding Training was retained to design and deliver a comprehensive customer service training program which significantly impacted member satisfaction. It was followed by an internal customer service training initiative to ensure that all employees were aligned and working together.

3. Continuous Improvement

DUCA had always focused on continuous improvement. But despite its indisputable success, DUCA continues to seek ways to improve the experience for its members and its staff. Using feedback from the CEO Advisory Council, the internal surveys, member surveys, the training sessions and a number of other sources, DUCA continues to hone and refine its processes and practices.

4. Fiscal responsibility

DUCA's commitment to providing excellent value for its members also drives the profitability focus. DUCA keeps operating expenses significantly lower than that of other credit unions – 1.62% of average assets as compared to the Credit Union average of 2.87%. This increases profitability, and allows for lower service charges.

5. Rewarding Loyal Members

One of the unique member benefits offered by DUCA is its “Class A” bonus share program.

DUCA's Class "A" Bonus Share program is based on the concept of sharing profits with its members. Since 1998, DUCA has paid most of its profits back to its members in the form of Bonus Shares. Members receive shares based on the interest they pay into the credit union or receive during the previous calendar year.

The result of the Bonus Share program is that members see a tangible value to banking with DUCA, with a net impact of less interest being paid and more interest being earned.

What Was The Long-Term Payoff?

72 years old, DUCA now the fourth largest credit union in the province with over \$7.5 billion in assets – a 650% increase since the recession – with a remarkable reputation for stability and unparalleled member satisfaction.