



Towson University College of Business and Economics Fall 2017 Live Strategy Case Competition

SECU is a membership-owned, full-service financial institution (FI) serving over 240,000 members and managing over \$3.4 billion in assets. Membership eligibility is typically based on your affiliation (current or past) with a Maryland employer, agency or organization (such as a state university or labor union), or by being related to someone who is eligible. All account holders that maintain at least \$10 in a share savings account are members for life (regardless of job or residency/location changes).

SECU competes as a credit union with banks and other FIs for market share and is ranked among the top 50 credit unions in the U.S. for total assets. With 22 financial centers/ branches and hundreds of ATM's throughout Maryland, SECU is the largest credit union in Maryland.

Our top competitors are the larger commercial financial institutions. We offer the same products and services but strive to tell the "credit union difference." As a nonprofit organization, SECU makes a positive contribution to the financial well-being of those we serve.

SECU'S Challenges

Disruption has become an almost daily occurrence within the financial services sector which provides both a challenge and an opportunity for SECU as Maryland's largest credit union. Overall, "disruption" within a financial institution is anything that changes or challenges the current or conventional means of business. There are three specific areas of disruption that concern SECU: regulatory, technological, and membership growth.

Regulatory

The 21st century has been and continues to be a very interesting period for financial institutions. Since the collapse of the housing and stock markets in 2008, large commercial banks have been at the center of controversy surrounding their practices and exposure to risk. Fortunately for SECU, credit unions have always upheld lending practices that are in the best interest of their members and avoided sub-prime lending that contributed to the global financial collapse and recession. Regardless of that fact, credit unions are subject to increased regulations and consumer protections from the Consumer Financial Protection Bureau (CFPB) and similar consumer watchdog organizations. These regulatory changes impact all areas of credit unions and affect their daily operations. While the issues addressed by such regulations are well-founded, the burden of implementation and facilitation is often very costly in terms of time and capital investments needed.

Technological

With the emergence of new technologies and changing markets, the financial sector is ever-evolving. SECU faces increasing competition from new 'disruptive' fintech companies that have unconventional business models or unique offerings within the market. A fintech is normally an online company that offers new financial transaction methods for payments, loans, fundraising, and/or asset management. Venmo is one such company that exists within the digital payments space. Fintechs are often not subject to the same regulations as traditional banks and credit unions. In recent years SECU has

invested within its online, mobile, digital, and omni-channel platforms, but still faces disruption from an ever-expanding suite of banking technology options.

Membership Growth

Although SECU has tended to achieve steady membership growth, some recent quarterly membership growth stagnated. At its core, membership growth involves two separate yet equally important objectives: (1) the acquisition of new members for SECU and (2) the retention of SECU's current members. If SECU experiences a large influx of members but simultaneously realizes an outflow of current members, the net measure of growth is offset. Over the coming years, the organization will strive to double its growth results while maintaining an existing cost base between branches, marketing, and personnel.

SECU's overall focus will be on quality growth. It will pursue 55% of new business from disproportionate income segments, and 45% of new business from all other segments.

Project Requirements and Evaluation Criteria

In addressing the case challenge, rely upon your university's library resources and the below reports and data which are posted on the competition Blackboard site.

- SECU's Company Background
- SECU's Organizational Chart
- SECU's 2015 and 2016 Annual Reports
- SECU's Call Report 5300 Charter Filing
- SECU's NCUA Filing
- SECU's 2014 - YTD 2017 Total Loans Ending Balance Summary
- SECU's Total Loan Breakdown and Growth vs. Forecast Analysis
- SECU's July 2016 - July 2017 12 Month Rolling Loan Growth
- SECU's Heavy Weight Flyer
- SECU's Summary of Membership Growth
- Harland Clarke's 2015 '4 Things to Know About Millennials and Lending'
- FICO's Millennial Insight V16 Report
- Allpoint's Summary of 'Millennials Most Important Factors in Picking a Financial Institution'
- PwC's Millennials & Financial Literacy – The Struggle with Personal Finance

External and Internal Analyses (40%): Employ the tools of strategic management to provide complete analyses of SECU's external and internal environments. The analyses must consider the following factors:

- The differences in the regulatory environments between regular banks, credit unions, and fintechs.
- The differences in how regulations affect the differences in competitive advantages between regular banks, credit unions, and fintechs.
- The competitive advantage(s), as well as potential disadvantages of SECU over other banks, credit unions, and fintechs.

Recommendations (30%): Based on your internal and external analyses, develop a three-year membership growth strategy that includes milestones for the age segment of 26-34 year olds. The strategy must serve current members and attract new members through a balanced approach to grow members' outstanding loan and deposit balances. Be sure to identify specific tactics you will use to accomplish the milestones.

Resource Requirements (10%): Specify the resources that are needed to support your strategy. These should be feasible. Be mindful of the resources your strategy will require (capital expenditure, staffing requirements, etc.). Total budgeted resources across the three-year period cannot exceed **\$870,000 (\$290,000 per year)**.

Limiting Threat of Imitation (10%): Explain why competitors, both commercial banks and fintechs, will find it costly to imitate this strategy.

Writing/Presenting Quality & Convincingness (10%): Refer to the attached grade rubric and employ high quality business communication skills for the business audience.