



Karma  
Direct

PROBLEM DEFINITION

CONCEPT DOCUMENT

KarmaDirect

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In today's society, many of us appreciate the opportunity to "give back." Whether it's donating an extra dollar at the grocery store, or giving canned food items to the local food bank, we are asked to donate in some way or another almost every day of our lives. For credit unions, the power of giving back is directly tied to our reason for being: *people helping people*.

In the spring of 2016, Karma Direct was created by a Filene i3 team to provide members with influence over their credit union's charitable giving activities. The original concept was simple, yet powerful: based on a member's relationship with their credit union, they would be awarded a set amount of karma points. The member would then choose how to allocate these points toward causes that resonated with their values. Whether it was the local children's hospital, or the food bank – or both – members chose how to allocate their points; thus communicating with the credit union what causes mattered most to them.

Fast forward a year and a half later, and a new group of Filene i3 participants decided to pick up where the original Karma Direct concept left off. Karma Direct 2.0 would now expand its footprint and include an in-branch and online community engagement solution, designed to empower members to direct their credit union's charitable giving activities.

*So, we ask. How might we build impactful relationships through deeper community engagement?*

## INNOVATIVE SOLUTION

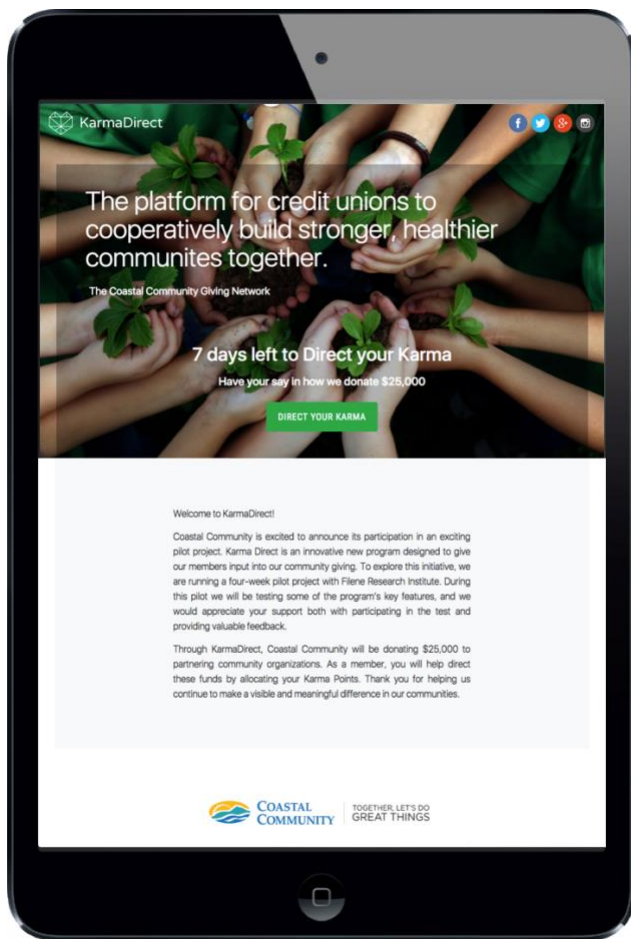
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Giving back has never been simpler. By choosing Karma Direct, your credit union's charitable giving activities will reflect the voice of your membership. If Karma Direct is implemented, credit unions will not only deepen member engagement, but will also strengthen relationships with local community groups and in turn unleash the power of grass-roots advocacy.

So, how does Karma Direct work? It's simple. Karma Direct utilizes a platform which includes an in-branch and online community engagement solution designed to empower members to direct their credit union's charitable giving activities. In essence, your members decide and allocate dollars to the charities of your choice. As a result, your members will not only believe that they are part of the solution, but they will also be rewarded with the intrinsic "feel good" that comes with making a difference in other people's lives. The best part is that each credit union has the ability to customize the Karma Direct platform; from the charitable organizations included, to the overall points structure, all of these components are customizable.

# PROTOTYPE

The Karma Direct prototype was built via a partnership between a Filene i3 team, Think|Stack, and Coastal Community Credit Union. From the start, the goal was to give credit union members control over where and how their credit union donated within the community. In the case of Coastal Community Credit Union, members were given 10,000 karma points when they chose to sign up for e-statements. Based on the karma points allocated by members, Coastal Community committed to donate \$25,000 to local community groups.<sup>1</sup>



In this application, the prototype was delivered in branch, at the time that members opted for paperless statements. Members who accepted e-statements were given a device (either an iPad or PC), that would allow them to assign their karma points to the community organizations of their choice.

The Karma Direct home page is where members start the process of assigning their karma points. Members are greeted with an up-front call to action that leads them through the process assigning Karma Points.

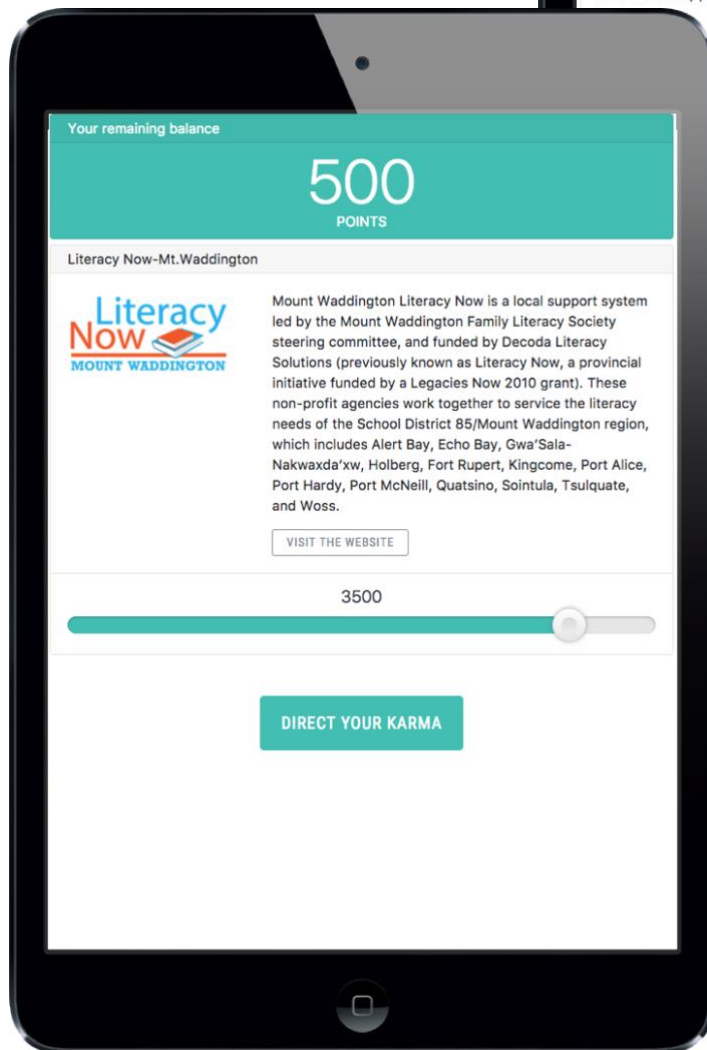
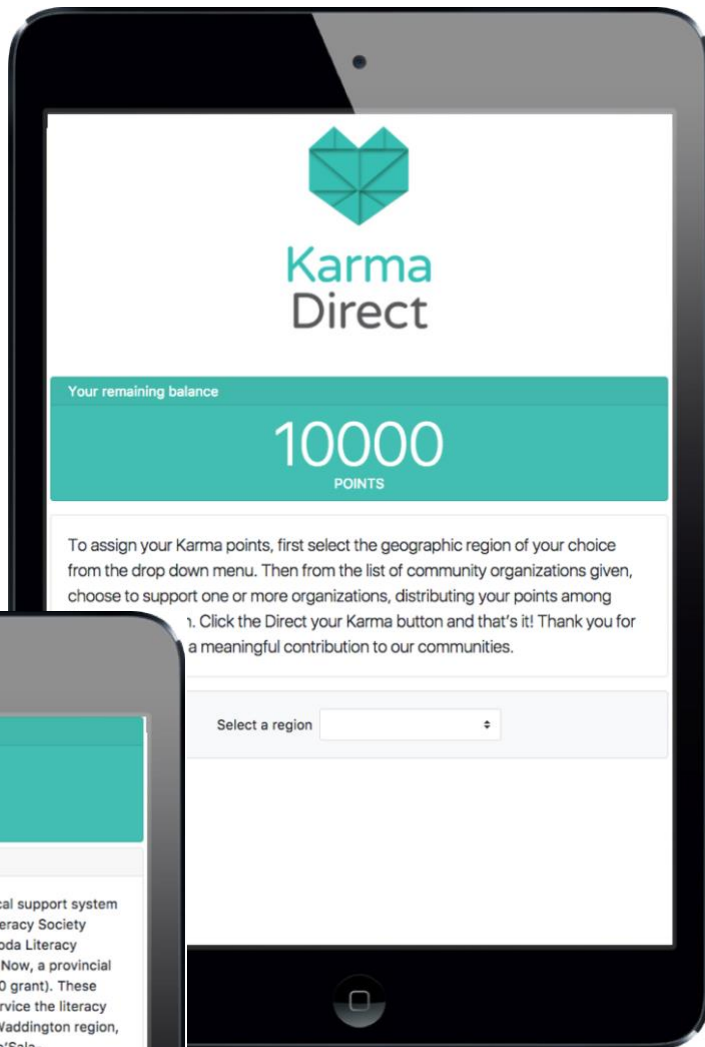
The Karma Direct home page also serves as the landing page for members once they complete the giving process. The page is in a continuously scrolling format. Under the call to action is a welcome message from our pilot credit union, Coastal Community.

<sup>1</sup> For more information on Coastal Community Credit Union and the Karma Direct partnership with Filene, see Appendix A.



Members start the process of directing Karma Points by pressing the “Direct Your Karma” button on the home page. Pressing this button drops them into this page where they can direct their available points. In this example members start off with 10,000 points. This number is configurable based on the goals of the participating credit union.

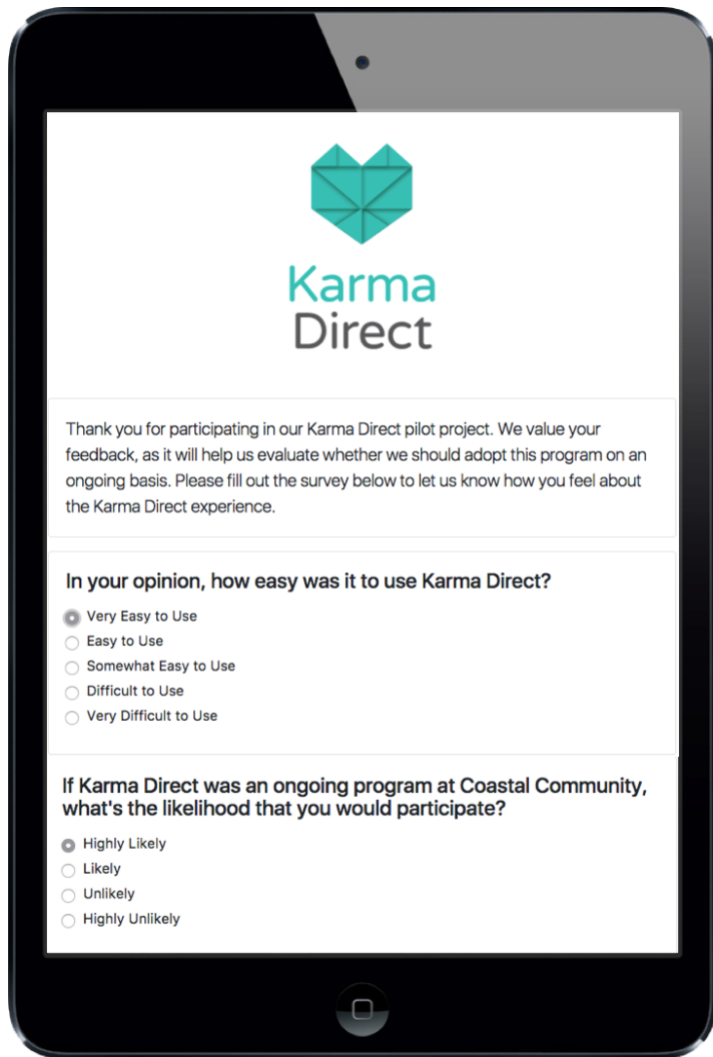
Coastal Community is a large organization that spans multiple geographical areas, so they elected to segment participating charities by region. This was done as a convenience



to members, but if a member chose to donate outside their geographical region, that was completely acceptable.

Each region is filled with descriptions of the charities along with an easy to use slider for assigning karma points. As the points are assigned, they are also deducted from the running total at the top of the screen. Pressing “Direct Your Karma” assigns the points.

In Coastal Community's pilot of Karma Direct, the final step for a member is a survey. While this survey could be removed for a production application, it was an important step for gathering information during this pilot phase of Karma Direct. A full list of the questions asked is detailed in the Testing and Results section of this document.



## TESTING AND RESULTS

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In partnership with Coastal Community, Karma Direct was piloted from October 23<sup>rd</sup> 2017 to December 16<sup>th</sup> 2017. To assess the feasibility, viability and desirability of Karma Direct, members who participated in this pilot were asked to respond to a brief, 5-question survey.

As of November 25<sup>th</sup> 2017, 210 members had awarded 2,100,000 Karma Points to 19 Vancouver Island Community Groups. Of the 210 members who participated in the Karma Direct pilot, 164 completed the five-question survey, which equates to a very healthy response rate of 78%.

The survey questions were as follows<sup>2</sup>:

1. **In your opinion, how easy was it to use Karma Direct?**
2. **If Karma Direct was an ongoing program at Coastal Community, what's the likelihood that you would participate?**
3. **What would you be willing to do to earn extra karma points?**
4. **If Karma Direct was a permanent program at Coastal Community, how often would you interact with your Karma Direct account?**
5. **Would you encourage family and friends to sign up for Karma Direct to support local charities?**

Here are the key survey highlights:

- 96% of survey respondents said that the Karma Direct platform was either very easy to use, or easy to use;
- When asked if they would participate in Karma Direct if it became an ongoing program at Coastal Community, 86% of respondents said they would be either highly likely or likely to participate;
- 74% of respondents said they would be willing to take action in order to earn additional karma points, with one third saying they would refer a friend or family member to Coastal Community in order to earn extra Karma points.
- 75% of respondents said they would encourage family and friends to sign up for Karma Direct in order to support local charities.

From these results, it is clear that Karma Direct has the potential to dramatically re-shape the way credit unions view member advocacy. Karma Direct is much more than a “feel good” tool for credit unions and members; it could also serve to broaden the credit union community, by leveraging the power of grass-roots advocacy driven by members and community groups.

It is important to note that through our Karma Direct pilot, Coastal Community's membership base not only had the opportunity to direct \$25,000 to local community groups, but the credit union also achieved the additional business results associated with statement suppression. With 210 members choosing paperless statements, this will reduce the credit union's required statement production by **3360 statements per year**.

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<sup>2</sup> See Appendix B for complete survey results.

During the pilot phase, we also connected with other credit unions to garner additional feedback on the Karma Direct prototype. Here are a few quotes we received from credit unions that we had the opportunity to speak with:

- *This would be a differentiator. Credit unions have lost their way... and Karma Direct brings us back to what our values are. This could be even more powerful if a group of credit unions came together to collaborate and pool funds. Imagine the impact!*
- *The type of people who would see value in this are the type of people who see value in our cooperative principles.*
- *We (internally) make judgements on what resonates with our members. This gives us a clear indication of where members want us to donate*
- *Love the idea and being able to engage members in this way – as you say, we currently make all the decisions regarding where our funds go – let’s engage our owners in making this more collaborative.*
- *I also see this as potentially a great way to increase our awareness and early adoption of new products and services – deposit a cheque using Deposit Anywhere, e-transfer with your mobile app, download Larky app and earn points.*

We also had the opportunity to speak with the President of a credit union foundation. Here’s what this individual had to say about Karma Direct:

*“As a President of a Foundation in the Houston area, the idea of Karma Direct fascinates me. To make influencing giving so easy is an awesome way to get people involved. It is a good way to measure engagement with the customers and would highlight local charities. I would want our Foundation to be on the list! I think consumers would love to influence a company’s give back efforts and with it being this easy, why wouldn’t they?”*

Community groups who participated in the Karma Direct pilot provided Coastal Community with positive feedback on the program. Here’s what one of those community groups had to say:

*“I believe that this type of campaign aligns the organization (CCCU) and their constituents, whether staff or clients. Allowing constituents to direct organizational charitable contributions gives them the feeling of inclusion, importance and having control over organizational spending as well as indicating support preferences.”*



# BUSINESS MODEL AND 3-YEAR FINANCIAL PROFORMA

The Karma Direct platform is designed to be delivered via a multitude of different mediums. In the pilot with Coastal Community Credit Union, Karma Direct was delivered in person utilizing in-branch iPads. Members were given a tablet that allowed them to walk through the process of assigning points. Other potential use cases include extending the points to the member’s online or mobile banking.

Karma Direct will help members become more engaged in the credit union. There is a cost and benefit to this good will. Because each credit union assigns this value differently, we will not assign value to member and community good will in this document.

Karma Direct is a white label product that can be easily customized to any credit union. This approach keeps the cost down for all credit unions. Professional services are available for those credit unions that prefer a more customized experience.

### Karma Direct Pricing Tiers

| Tier 1   | Number of CU Members    | Monthly Subscription | Annualized        | Initial Setup and Installation Fee | Total 1st year    |
|----------|-------------------------|----------------------|-------------------|------------------------------------|-------------------|
| 1        | 1 to 10,000             | \$200.00             | \$2,400.00        | \$500.00                           | \$2,900.00        |
| <b>2</b> | <b>10,001 to 50,000</b> | <b>\$400.00</b>      | <b>\$4,800.00</b> | <b>\$1,000.00</b>                  | <b>\$5,800.00</b> |
| 3        | 50,001 to 200,000       | \$600.00             | \$7,200.00        | \$2,000.00                         | \$9,200.00        |
| 4        | 200,001 to 350,000      | \$1,000.00           | \$12,000.00       | \$3,000.00                         | \$15,000.00       |
| 5        | 350,001 to 500,000      | \$1,250.00           | \$15,000.00       | \$4,000.00                         | \$19,000.00       |
| 6        | 500,001+                | \$1,500.00           | \$18,000.00       | \$5,000.00                         | \$23,000.00       |

### 3-Year Financial ProForma

#### OVERHEAD EXPENSES

|                                       | YEAR 1       | YEAR 2      | YEAR 3      |
|---------------------------------------|--------------|-------------|-------------|
| Up front development costs / upgrades | \$ (150,000) | \$ (50,000) | \$ (50,000) |
| Ongoing marketing expenses            | \$ (25,000)  | \$ (50,000) | \$ (75,000) |
| Site Hosting Expense                  | \$ (3,000)   | \$ (5,500)  | \$ (8,500)  |
| Annual Maintenance                    | \$ (25,000)  | \$ (26,250) | \$ (27,562) |

**TOTAL EXPENSES** **\$ (203,000)** **\$ (131,750)** **\$ (161,062)**

#### Revenue: Subscriptions and Setup Fees

|                                     |                   |                   |                   |
|-------------------------------------|-------------------|-------------------|-------------------|
| Annual fee                          | \$ 192,000        | \$ 432,000        | \$ 720,000        |
| Initial Setup and Installation Fees | \$ 40,000         | \$ 50,000         | \$ 60,000         |
| <b>Total</b>                        | <b>\$ 232,000</b> | <b>\$ 482,000</b> | <b>\$ 780,000</b> |
| <b>PROFIT BY YEAR</b>               | <b>\$ 29,000</b>  | <b>\$ 350,250</b> | <b>\$ 618,938</b> |

**ASSUMPTIONS**

- 1) Overhead expenses based on previous projects working with Think | Stack
- 2) All credit unions based on the 2nd Pricing Tier of 10,000 to 50,000 members equals \$4,800 a year in subscriptions.
- 3) All initial setup fees based on the 2nd Pricing Tier, which equals \$1,000 per setup.
- 4) Professional services for more customized options will be priced on an individual basis.

|  |        |        |        |
|--|--------|--------|--------|
| Number of credit unions<br>(Based on Tier 2 Pricing) | Year 1 | Year 2 | Year 3 |
|  | 40     | 90     | 150    |

## COMMENTS, NEXT STEPS, AND CALL TO ACTION

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Karma Direct is an innovative program designed to give members the power to influence their credit union's charitable giving activities. By leveraging an easy to use, dynamic online platform, members are provided with the added value of being a part of the giving process in real time.

Credit union members have told us that Karma Direct is simple, easy and rewarding. Help us bring Karma Direct to your credit union today! Become one of the credit unions to test this online platform and make the mantra "people helping people" easier for credit unions to achieve around the world. Join us in the crusade by adding warmth to the often-cold digital experience by allowing members to influence charitable giving.

Help us to ***make WE matter*** by implementing Karma Direct at your credit union. For more information, please contact the Filene Research Institute and express your interest in Karma Direct.

Thank you for your consideration.

## ABOUT FILENE

Filene Research Institute is an independent, consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance.

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. Since 1989, through Filene, leading scholars and thinkers have analyzed managerial problems, public policy questions, and consumer needs for the benefit of the credit union system. We support research, innovation, and impact that enhance the well-being of consumers and assist credit unions and other financial cooperatives in adapting to rapidly changing economic, legal, and social environments.

We're governed by an administrative board made up of credit union CEOs, the CEOs of CUNA & Affiliates and CUNA Mutual Group, and the chairman of the American Association of Credit Union Leagues (AACUL). Our research priorities are determined by a national Research Council comprised of credit union CEOs and the president/CEO of the Credit Union Executives Society.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene: "Progress is the constant replacing of the best there is with something still better." Together, Filene and our thousands of supporters seek progress for credit unions by challenging the status quo, thinking differently, looking outside, asking and answering tough questions, and collaborating with like-minded organizations.

Filene is a 501(c)(3) nonprofit organization. Nearly 1,000 members make our research, innovation, and impact programs possible. Learn more at [filene.org](http://filene.org).

*"Progress is the constant replacing of the best there is with something still better."*

—Edward A. Filene



## APPENDIX A: CCCCU/ KARMA DIRECT MEDIA RELEASE

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**COASTAL  
COMMUNITY**

TOGETHER, LET'S DO  
GREAT THINGS

### **Coastal Community donates \$25,000 through innovative pilot program KarmaDirect**

**Thursday-November 09, 2017 – Vancouver Island & the Gulf Islands:** Coastal Community recently launched an exciting month long pilot program designed to give members more input into the Credit Union's community giving. Running in partnership with The Filene Research Institute, KarmaDirect has been seeded with \$25,000 which will go to participating non-profit organizations across the islands.

The experimental program allows members signing up for e-statements to direct where KarmaDirect's funds will go by allocating 10,000 Karma points to one or more causes that resonates with the member's values. At the end of the test period, each of the charitable organizations will receive a percentage of the \$25,000 pot based on the proportion of total Karma points it received.



With 20 community partners drawn from all island regions, the pilot program offers a wide selection of causes to support, including financial literacy, economic development, health, and various support programs for vulnerable populations.

KarmaDirect's basis in giving back is an excellent fit with Coastal Community's commitment to the broader community and to its membership, according to Allyson Prescesky, Manager, Community Experience and Communications with Coastal Community. The Credit Union invests upwards of half a million dollars each year back into island communities through such efforts as donations, community funding grants, awards, sponsorships and fundraising initiatives.

"As a member-owned organization, we really value the way this innovative pilot project is driven by member voices," said Prescesky. "Understanding what is important to our members gives us a keen grasp of local needs, which is crucial to building stronger communities."

KarmaDirect will run until the end of November. For more information, drop into any Coastal Community branch or check out [KarmaDirect](http://KarmaDirect) on [cccu.ca](http://cccu.ca).

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COASTAL  
COMMUNITY

TOGETHER, LET'S DO  
GREAT THINGS

CONTACT:

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About  
COASTAL COMMUNITY CREDIT UNION

***Improving financial health, enriching lives, and building healthier communities...*** These are at the core of who we are and what we do at Coastal Community Credit Union (CCCU). With these as our focus areas, we continued to grow our position as the largest financial services organization based on Vancouver Island and the Gulf Islands, while remaining among the largest credit unions in British Columbia when measured by asset size.

In order to help our members and clients improve their financial health, CCCU's family of companies offers a wide range of products, services and expertise in personal, business and commercial banking, general and commercial insurance\* and wealth management\*\*. Across the Islands, we operate 23 branches, 16 insurance offices, four regional business centres, one centralized contact centre (1.888.741.1010) with extended service hours, plus a team of mobile experts and a full range of online and mobile services. CCCU was the first to bring cutting-edge Interactive Teller Machine technology to the Island and continues to add new innovations to simplify finances—and life. By really listening and understanding, and then providing meaningful solutions, Coastal Community's 600-person-strong team is able to help our members and clients achieve their financial and life goals.

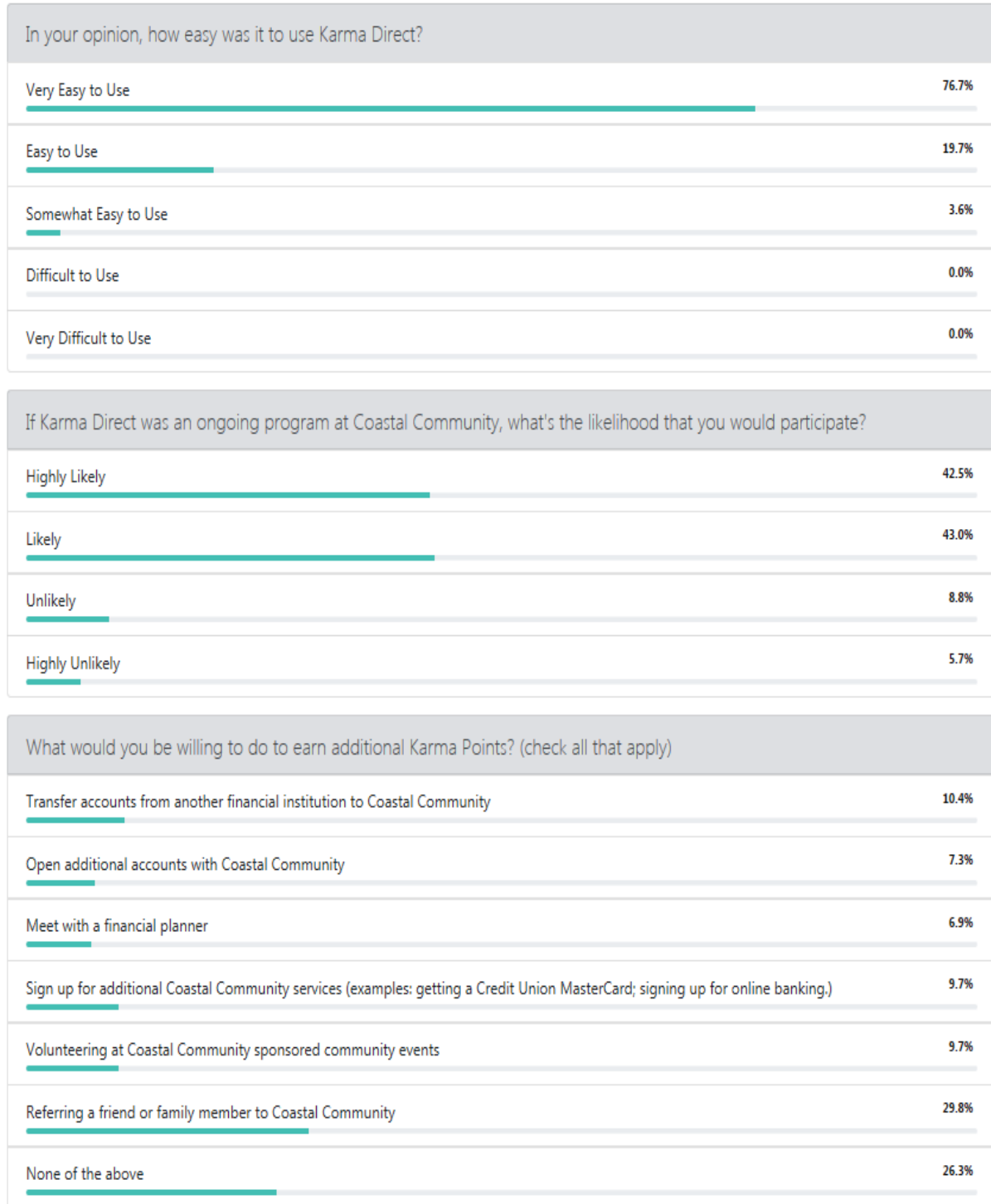
As a 100% Island-based business, we're committed to making meaningful differences in the places we call home. Our Building Healthier Communities Fund has provided hundreds of thousands in seed money to activate dozens of local community betterment initiatives. CCCU is also an award winning organization, having most recently been recognized as one of B.C.'s Top Employers.

Want to learn more? Visit [cccu.ca](http://cccu.ca) or join us on our Facebook and Twitter pages.

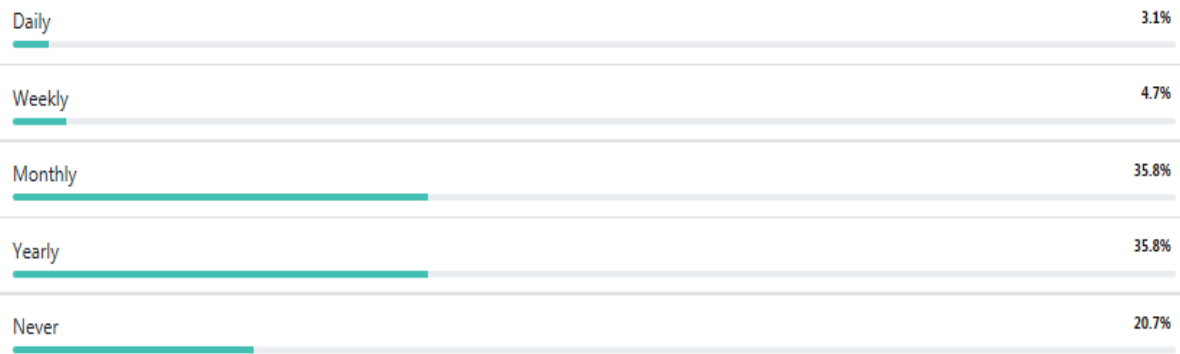
\*References to "insurance" in this article refer to the insurance services provided through Coastal Community Insurance Services (2007) Ltd., which is a wholly owned subsidiary of Coastal Community Credit Union

## APPENDIX B: KARMA DIRECT SURVEY RESULTS

### Survey Results / 164 Users



If Karma Direct was a permanent program at Coastal Community, how often would you interact with your Karma Direct account?



Would you encourage family and friends to sign up for Karma Direct to support local charities?

