Thinking Outside the Branch

In 2009, Peter Alvarez of Redstone Federal Credit Union attended his first Underbanked Financial Services Forum, an annual conference held by the Center for Financial Services Innovation (CFSI) and SourceMedia, to learn more about the underserved market. He sat in on a session led by Self-Help Federal Credit Union, in which the credit union discussed its efforts to provide customers with check cashing services. Alvarez, Redstone’s Manager of Emerging Markets, was taken aback. “It blew my mind,” he said. “I was not ready to hear that.” Redstone would never offer check cashing, he thought. But the idea stuck with him. Alvarez learned even more about the underserved market after Redstone joined CFSI’s Underbanked Solutions Exchange, an industry network for smaller financial institutions looking to develop profitable, high-quality products for the underserved. He soon realized there was no way to serve these consumers without offering check cashing, as well as other products and services that were outside of the credit union’s bailiwick.

The business case of reaching out to underserved consumers was not difficult for the Huntsville, Ala.-based credit union to make. Indeed, FDIC data shows that nearly 193,000 Alabama households lacked a checking or savings account in 2011 and that nearly 40% of all households in the state use non-bank financial services like check cashers. If the credit union focused on how to best reach and serve these consumers, such an effort was likely to result in new member growth, an increase in non-interest income, and a sufficient return on investment. But how to implement a strategy to serve the underserved was not as clear.

Over time, it became evident that the answer was “thinking about delivery in a different way,” Alvarez said. That is, determining how best to deliver products and services already well-established in the alternative financial services market.

Making the Right Choice

Redstone considered two options: integrate new products and services into its existing branch system or create a specialized center for the underserved market incorporating features found in the non-bank financial services model. Redstone decided to go the latter route, as a dedicated location would allow the credit union to focus on underserved consumers in a setting in which they were comfortable, and avoid overburdening already busy branches. The company also avoided putting its reputation at risk by creating a whole new brand and hiring specially trained staff from the local community. Thus, Redstone established Right Choice Money Services as a wholly-owned subsidiary of the credit union.

“LET THE CONSUMER TELL YOU WHAT’S IMPORTANT TO THEM. DON’T CREATE A FUNCTION BASED ON WHAT YOU THINK IS IMPORTANT TO THEM.”
PETER ALVAREZ MANAGER OF EMERGING MARKETS
Right Choice Money Services, located in Decatur, Ala., not far from the credit union’s headquarters, looks and feels like a check casher, complete with neon signs. But it is markedly different. Right Choice offers check cashing, money transfer, and bill payment services alongside traditional credit union products so underserved consumers can easily get the financial products they need today, but also have the opportunity to move into more stable financial accounts that can help them build assets for their future. Ultimately, the idea is to give consumers “a pathway to a more fulfilling relationship with a financial institution,” Alvarez said.

Right Choice had a soft opening in July 2012, but its official grand opening came a few months later in November, when a full suite of products and services became available, including a Right Choice-branded general purpose reloadable prepaid card, issued by University Bank. Right Choice customers do not need a bank account to access most services, just a valid ID. But qualifying customers have access to credit union membership, checking and savings accounts, small-dollar loan products, and secured credit cards through Redstone if they want them.

**Learning and Listening**

Right Choice was initially met with great fanfare from the local community. But Redstone’s commitment to thinking outside of the traditional branch has the potential to create greater, longer-lasting impact. More and more financial services companies have begun to approach how they serve the underserved in innovative, all-encompassing ways, thanks in no small part to institutions like Redstone that prove it can be done.

Though Right Choice is still new on the financial services scene, Alvarez believes it is headed in the right direction. Every day, the company is learning something new about the underserved market, which will only help Right Choice serve the underserved better.

Before the opening of Right Choice, the company spent a lot of time asking “what should we say on this poster and how should we place this and what kind of marketing should we do and thinking about hours when we’ve never served this market,” Alvarez said. “And so at some point we said, ‘Let’s just open and let the market dictate us.’ We realized that some of this stuff didn’t matter to the consumer, at least not initially. We got to see what the consumers care about and the messages that reach them.”
The takeaway for Alvarez is the importance of listening to the consumer. “We have to refocus on listening to the consumer and then building the branding and marketing and message to help meet what’s important to them,” he said. “Let the consumer tell you what’s important to them. Don’t create a function based on what you think is important to them.”

Finding A Champion

Alvarez also stressed the importance of having an internal champion who can focus solely on serving the underserved market. At Redstone, that champion was Alvarez, who now serves as General Manager of Right Choice in addition to his role at the credit union. To successfully integrate new products and services targeted for the underserved, the champion must take the time to educate everyone in the organization and to foster an understanding of the importance of serving this market.

But the champion doesn’t have to work alone. Alvarez found an early supporter in Joyce Dye, Redstone’s Senior Vice President of Strategic Planning. She was able to be an effective bridge between Alvarez and the executive team, providing a key point of communication and consensus-building with decision makers.

“If you want to get to market quicker, you’re going to need a champion that is going to see this through from beginning to the end,” Alvarez said.

Up next, Redstone is looking forward to opening an additional Right Choice location, either in Decatur or Huntsville in the near future. Alvarez also is looking closely at other forms of delivery, such as bank-in-a-box kiosks like the ones that Centris Federal Credit Union of Omaha, Neb., has implemented in several locations across its Midwest footprint.

About Redstone Federal Credit Union

Established in 1951 in Huntsville, Ala., Redstone Federal Credit Union opened with just $55 in deposits from 11 individuals. Today, Redstone has nearly 360,000 members and about $3.5 billion in assets. It is the largest credit union in Alabama, and among the 25 largest in the United States. In addition to the Right Choice Money Services center, Redstone operates 23 branches in Northern Alabama and Tennessee.