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| Speaker 1: | 00:03 | It's John Jeffrey's talking about his latest article a big idea for 2018.   |
| Speaker 2: | 00:08 | Asking the tough questions. So.   |
| Speaker 3: | 00:10 | Check it out. Welcome to our show and on today's program we have Mr. John Geoffreys from Calahan and Associates how are you Sir Michael going.  |
| Speaker 4: | 00:20 | It's nice and cold here in D.C. and ready for the warm weather that you're going to bring us from San Diego. I  |
| Speaker 5: | 00:27 | hope so. I'm I'm. I hope so because I don't do well in cold weather so this won't be Southern California boy does not do well when it's below 50 degrees. So. Hopefully will bring something out there for you. So very cool. Hey   |
| Speaker 3: | 00:41 | you me.   |
| Speaker 6: | 00:42 | Every year you write an article kind of like your big ideas for the ensuing year article. And we've talked about it every year since then.  |
| Speaker 3: | 00:50 | But this year is a little bit different.  |
| Speaker 5: | 00:52 | That sled is called The Big Idea for 2018 asking tough questions and it was a fantastic article I'll just read it two or three times. And obviously I had to some writing some questions and interview you about it but I enjoyed it. It's really it's a very honest kind of in your face type of article that we really need to. That needs to be addressed and so for those who haven't. Couple of people who may not have seen it yet John but provide us with a quick summary on this big idea.   |
| Speaker 4: | 01:22 | Maybe the way to do it is talk about how we ended up here. Every quarter we put together a trend watch call and we sort of look at the last quarter's trends and talk about the industry and how it performed and then look at some examples we're going into well in that event. The good news is it has been really good for us. The interesting part is it sort of feels like Groundhog Day. Yeah it seems every quarter we report numbers are strong and you know compared to last quarter the numbers remain stronger compared Lascars numbers are minestrone and know when you take a macro view it looks like the credit history is doing really well right through the third quarter. Assets grew six point seven percent Moze rope and a half percent members were up 4 percent. |

Speaker 1: 02:05 And those are containable. So you look at it say well we've lost momentum and then you start to feel back and say wait a second. I hope we have more what's called From Here. Yeah right. And he said Look well maybe let's put up some market share. It was on as I've been in the industry cranes have been about 6 percent. The Pozza market share we have about 8 percent of first mortgages in about 19 percent of automobiles. Right. Those are reasonable but why not more. Yeah. And then we start looking at well OK from the members we have in there what 104 million pending members what's her penetration rate do we actually have good penetration there. And I think that's really where we see the step back and Simha. Great. So for credit as a whole level about 17 percent of our members have a credit card that's 20 percent of a car loan.

Speaker 1: 02:55 About 60 percent 57 percent have a sharecropper and 4 percent have a mortgage loan. So we sit back and said Well you know we think that for the majority of Americans they'd be better off if they did more their business for the credit. What's where's the disconnect. Well are we doing more why are we having more people choosing to do more of their business so even though the membership number is going up the penetration numbers really haven't changed that ration. Right. And part of it may be that you know if you look at my wallet maybe like Iran and others it is becoming much more fragmented. Right. Are you may be doing bits and pieces with more people as more specialists come into the marketplace correct. Does it need to be that way. Right. And that's really where the tough question came from is as we were reflecting on sort of where the industry is and the momentum we have sort of the reality of why are we doing more.

Speaker 5: 03:54 Is there is there a sense of complacency that you see because times are so good. You know why rock the boat. But you know from my perspective when times are good that's the time of the accelerator that's the time to put the pedal to the metal you know.

Speaker 4: 04:07 Yeah. And I think you know I'm like I think that's one of the reasons why we wanted to have this theme is that things are going well right. Maybe we can address where the resources to step back and ask some hard questions about. Well you know if we compete on service what does that really mean. What does that mean in a digital world. Right. When more and more is being done remotely on an iPhone or a tablet or a PC not wanting to branch out is how does service relate to that. I think the other part is do we really understand the story we want to tell. Right. You know I think when you look at the numbers it's

really easy to say well look at how much success the banks have. Right. They have all of us market share and one of the fears that we have is if we followed down that path and sort of imitate or mimic what what the banks do we're going to revert to a lowest common denominator and sort of the reality that you know we've been seen with a lot of crazes for many cranes were a niche we're a niche player.

Speaker 4: 05:09 Let's own effect rather there's not really a bad thing and it can have a negative connotation but I think when done appropriately it can be really positive and in some ways. Who cares if you alienate 80 percent of your market if you're 20 percent of the market unit and they find you buy up really compelling.

Speaker 7: 05:26 Yeah. Wasn't that Apple's mantra for a long time. I think it was racist.

Speaker 4: 05:30 There are lots of really good examples out there. And I think that one of the risks we see is how do we not follow the Mitsu strategy right there. There's an old saying that if you want to beat the competition you can't become the com. Right. Right. And you know as you know Cremins were founded in 1934 in the middle of the Great Depression. There were a lot of similarities between that time and today when you think about the number of Americans that are struggling in small towns across the country. There was a need for credit in this. So why don't we get the message out there. What's that story we're telling. And I think that one of the stories that really resonated with me make it sort of got me to rally behind this theme was a picture that I saw up in Vancouver density and they had a picture of a young lady holding up a sign saying my well-being is linked to yours.

Speaker 4: 06:22 Right and I thought that was a really powerful statement because you know we hopefully have a common bond. We were part of a common community whether it's geographic where we work where we go to church where we go to school. That's what makes Cremins unique though. How do we help that my wellbeing is linked to yours. How do we how do we show people the impact the critics are having in our community and making our community stronger. Another really neat example is actually showing your members in a community where their deposits are going. You know I think historically we've been taught to market deposits on rate to year city 150. Right. And the consumer's going to shop on and rate Well I think for better or worse that's playing right into the competition's hands because that's come monetizing our product.

- Speaker 4: 07:11 Yeah. What if we actually show where the deposits are go where they're going to go help fund 163 homeloans Inugami they're going make 112 Caerleon so people may not have got it somewhere else. Right. It's real ish. Can we actually show the impact we're having because I think there's a movement within maybe a little timid to talk about her impact but maybe a little too humble and that's why I've heard. So how do we think about the impact we're having in new ways and and maybe retell that story so that we can be like as you said Apple right and really find our nation unexploited.
- Speaker 5: 07:48 Exactly. And I mean another example is just this morning I was interviewing a guy from a lending company and they said he had been in the banking industry for years and years and now they're slowly getting into the Credit Union History says don't know anything about credit unions and you know I'm we're going to work with them. But I've been in the banking industry for you know a couple of decades and I don't know that much about them. But you would think somebody in that industry would he says I know of them but I don't really know how they work. You know I don't know what their what their deal is. You know Tiger is what he was telling me I'm like wow you know that's the big disconnect right there.
- Speaker 4: 08:25 Then You're With one in three Americans or something as a member Mercredi and yes maybe maybe we're shining light under a bushel right. How do we get out and tell her story. Do we how do we think about this in new ways and really it may require us to ask the hard questions when we compute service. Do we really we think we're nice and friendly but are we really we think. Is it a business. But are we really. And then the other part is who isn't real competition right and do we actually understand who we're competing against. And I think the fun part is do we really have seen what we aspire to read and do we actually know what winning looks like and is there a clear vision for what that what that is. And I think as you and I have talked in the past one of the things we see a lot of Koreans focus on is this mission based financial wellness of their members which could be in direct conflict with traditional banking like measures of success are out of our way growth etc..
- Speaker 4: 09:29 So by focusing on the member and the mender well-being being the member improvement in the well-being of your community how do we transition from a sort of bank like model and metrics to more of a social impact member well-being type environment. Yeah I think that's going to cause a lot of leaders to step back and really think about how they talk to the board. I talk to the staff the right people on the team in the right spots

how they spend their time. Right so I think there's there's maybe a lot of interesting conversations and dilemmas that leaders face sort of managing this transition.

- Speaker 5: 10:06 Yeah I hear a lot of leaders I'm glad you brought that up because I hear a lot of I listen to a lot of pot leadership type podcasts and things like that. And one of the main things that keeps coming up is like what is your why. Yeah that word. Why. OK. All right. Kraines What is your why. And tell us that story. And so I think you hit the nail on the head was like taking it a step further and telling the story behind the rate or the loan or whatever you know.
- Speaker 4: 10:32 Well and I think there's a great TED talk out there right. And you've probably seen it with Simon Sinek about why Reddit has 14 million views or something. Yeah right. It is wildly popular. And it does a really good job. And I think the lesson for credit is you know we've competed on the how or the what. Right. You know here's my product here's my less list of ways I can help you. But instead of focusing on the one in the House and focusing on the why why are we different. We were created by members a long time ago for a very specific purpose. Why. Right. Can we go back and think about the impact we can have in our communities. And you know sort of go back in time and say you know if there really was four or five guys sitting around the table and everyone thrown five dollars on the hat what would they do today.
- Speaker 4: 11:21 Right. And how do we think about that in some new ways. And unfortunately the hard part is for a series of reasons we've been taught to measure different things. Read it. You know one of my favorite jokes was when's the last time an intruder came in and didn't it's empty. Talk about your social mission and how you're doing there. Think about that report. Right now it's all about you know are we in growth with debt insurance. They are great. So they're they're paying more the role of insurer not the role. Hey are we the guardian of this co-operative movement that is set up for something different and has a congressionally mandated social mission. Right. You know very different. Yet it easy to see how you go down the sort of bank late model.
- Speaker 4: 12:08 We could become commodified totally towheaded. It's really hard to differentiate them especially many of us don't have Scallan have similar products yet. And I think those credits that are really growing and have an impact are really focusing on on the walk and light.

Speaker 5: 12:23 So what is the deal with all this in mind John. What is what is the end result here. What do you want to what do you guys want to achieve with this. Asking

Speaker 6: 12:31 the tough question is is it getting back to the basics is it getting back to those guys the original founders if you will throwing five bucks into a hat. Is it getting back to that or what. What do you want to achieve here. What do you have in mind.

Speaker 4: 12:45 Well I think the honest answer is we don't know right. If we started asking really hard questions you don't know what the answers are going to be. But sometimes the dialogue is the most important part. So I think what we're trying to do is is how do we spark a dialogue. Right. How do we help people think through their unique situations their unique challenges and say why aren't we having more of an impact. How might we think about this difference so that more board members will use us or what will be viewed as a sort of one of the phrase I love is how do how do we get ourselves viewed as a pillar of the community. Right. And you know what's going to say. So there's some aspiration involved in it. But then you know step back and say what's getting in the way and instead of relying on hey we have all this momentum things are going really well take the time to reflect read and say OK things are going well but how much better could they be going.

Speaker 4: 13:37 And how do we position ourselves so that the next generation has a solid sustainable institution. So I think that really what we're looking to do is have a dialogue work with work with Carrion's and leaders about well what are you seeing in your market how are you measured in that how we talk about your story what's working what's not working. And given that things are going well I think we have the opportunity to sort of take a deep breath and a pause. Exactly. Let's ask some strategic question here. Yeah I think that coming out of a recession is sort of people had their Hennesy Intrinsic alive and then you saw a lot of investment in technology that wasn't made during the recession noted that people are sort of looking more towards the horizon.

Speaker 4: 14:19 Looking two three four five years out. And I think that's really where the dialogue can be helpful. This what do we do next year. But Hadwin is shaped the organization and really think about our impact and how we differentiate over the next three to five to ten years yet.

Speaker 6: 14:34 Yeah I think your article is I don't know if you meant it this way but the timing of your article is really really good because the

GNC is like what a month and a half or a month basically a month away. So I think this will be talked about quite a bit because in the past I've heard the question how do we stay relevant. You know what how do we tell our story. I've heard those questions. I think this one how do we ask the tough questions to really kind of create. I don't know. I guess going back to the beginning and you know by asking these questions like you said we don't know the answer but we can create a new I guess a new beginning to be kind of cliché ish or honor.

- Speaker 4: 15:09 Well I think the other part is the realization of how do we play a game we can win. Right if we start playing against Bank of America Wells Fargo and Citibank that's a really hard game. When what else. You would think there'd be an easy games. Right I mean if there's a competitor that has worse consumer sentiment or the final. Right. I mean you think of all the atrocities. Well as far ahead yet I think there's still number one or the market you recreate the I your head is a what what else. But I think it gives us the opportunity to say you know how can we differentiate right. How do we add value and how do we play games that we can win. Right. Because you play against the banks and their game we're not going to win. So we need to change. Change the pace of competition that we can actually like the social model a lot like you said Apple right. How do we find that niche an owner or niche but no that everyone own it and dominate it big time.
- Speaker 5: 16:09 John this is something that we could talk about for quite a while. This is really good stuff and I think it's great. Like
- Speaker 6: 16:13 you said I think it's a great starting point to to create a spark to create more conversation to create more brainstorming and ideas and this is our timing is so good.
- Speaker 5: 16:23 So very little has done anything. Any last words to wrap up here. Johnson's really good stuff and also put a link in the show notes to the article too so people can go to it and check it out.
- Speaker 4: 16:31 Yeah I mean I think the key is we want to start a dialogue or else you'll be seeing more of us Aspen's of questions from our readers. And we're looking to spark something so please contribute. Very
- Speaker 7: 16:42 cool. Great message and on John. Thank you so much sir. We will see you in a month and a half to look forward to it. All right take care.

