

UNIVERSIDAD ESAN



Strategy Field Study for Adjala Credit Union

In collaboration with:



Schulich School of Business, Canada
Master of Business Administration (MBA)

Research work presented in partial satisfaction of the requirements to obtain the
degree of *Magíster en Administración* by:

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EXECUTIVE SUMMARY

Degree: Master of Business Administration (MBA)

Title: Strategy Field Study

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Summary:

Adjala Credit Union Limited (ACUL) is in grave danger of depleting deposits if it continues along its current strategy. Currently, 89% of ACUL's total revenue comes from interest income. To generate this income, ACUL predominately extends residential mortgages to its members, and ACUL uses member deposits to fund those mortgages. However, ACUL currently only has \$3.1 million available to lend out. Moreover, ACUL cannot enhance its interest income through providing more loans to *existing members* because: (1) the regulatory maximum that ACUL can lend out to each member is only \$597,000 and (2) membership is declining due to its ageing membership base. A declining membership base results in a decline in total member deposits, and thus constrains the funds available to lend. Consequently, ACUL's growth in interest income is projected to decline. It must change its strategy if it hopes to avoid financial instability.

Overall, ACUL can expect greater growth in interest income, if it shifts its attention to increasing its membership base, specifically among the younger segment. Doing so will allow it to grow its deposits (i.e., total amount available to lend out to members) and create a long-term, sustainable source of interest income. There are three pillars that ACUL should follow to achieve this:

(1) Marketing Targeting Younger Members:

- ACUL must create brand awareness among the younger segment through increased marketing efforts. Such marketing should target the younger segment by

focusing on ACUL's points of differentiation: (a) ACUL can be trusted by younger members to provide candid and honest financial advice and (b) ACUL provides personalized service and tailored products for young members. The best way ACUL can communicate these points of differentiation to the younger segment is through an educational and relationship focused marketing strategy.

(2) Shifting its Focus to Products that Target Younger Members:

- ACUL should shift its focus to its high-ratio mortgage offering in order to attract younger members. Due to recent changes to the stress test, younger individuals seeking mortgages, are being turned away by big banks. ACUL may lend to these individuals, since it is not regulated by OSFI, and thus not subject to the stress test. Since this segment typically does not bring large down payments, they would likely qualify for a high ratio mortgage.

- ACUL should also partner with an insurance company to offer home insurance. This would be attractive to the younger segment because it typically consists of first-time home buyers who are more open to a new home insurance provider since they do not have a pre-existing relationship with a home insurance company.

(3) Develop Digital Onboarding for Young Members

- Creating a digital onboarding process can also improve ACUL's ability to attract younger members. Convenience and efficiency are important to the younger segment, and thus the adoption of a digital onboarding process would enable ACUL to reach a greater portion of this segment.