



Consulting and Marketing Services

Langley FCU's Explosive Credit Card Growth Lifts Off from the Launchpad of Solid Portfolio Fundamentals





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Advisors **Plus**® Partners with Langley to Chart a Course from Credit Card Portfolio Optimization to Stellar Balance Growth

Overview

Client Profile

Langley FCU was chartered in Hampton Roads, VA in 1936 with 25 members and \$25 to serve the employees of the National Advisory Committee for Aeronautics (NACA) Laboratory, the predecessor of our modern NASA.¹ Today, Langley is a multi-occupation, SEG-based credit union that ranks among the top 100 in the U.S., with assets of \$2 billion,² over 470 employees, and 218,000 members,³ served by 18 branches and a full-service contact center.

Business Challenge

When legendary Langley CEO Jean M. Yokum retired in 2012 after 58 years at the credit union, 33 of them as CEO, she was succeeded by current CEO Tom Ryan. He saw an enormous opportunity for Langley to return to its roots as a nimble entrepreneurial organization while retaining the strong capital position and deposit base established during the Yokum years.

The lynchpins of Ryan's strategic plan were to:

- Increase lending, particularly through growth in loans with short terms or variable rate features
- Enhance collaboration across Langley departments by implementing an employee "success-sharing" bonus program.

The Solution

In 2012, Advisors **Plus** Credit Card Consulting worked with Langley to conduct a comprehensive review of Langley's existing credit card portfolio and operations. By adopting Advisors **Plus**'s recommendations and choosing to spend nearly a year implementing them, Langley management put into practice the Advisors **Plus** philosophy of optimizing a portfolio before working to grow balances and/or accounts.

When Langley turned to Advisors **Plus** Marketing Services in late 2013 to begin implementing its growth plans, Langley's portfolio was finely tuned and its portfolio management organization was empowered across departments and sales channels.

The Results

Langley's ambitious and varied calendar of direct mail and branch marketing campaigns aimed at acquiring new card accounts, activating existing ones, and increasing card usage was extremely successful. **Langley exceeded its aggressive \$100 million balance goal for 2014, achieving 30% balance growth and 20% growth in its number of credit card accounts.**

¹ langleyfcu.org

² langleyfcu.org

³ Simpson, Sharon. 28 July 2014. <creditunions.com>

Langley Federal Credit Union has faced many business challenges in its almost 80-year history, but lack of leadership continuity in the C-suite has most definitely *not* been one of them. In fact, when current CEO Tom Ryan came on board in the summer of 2012, he stepped into a role being vacated by Langley legend Jean Yokum, who was retiring after 58 years at the credit union, 33 of them as CEO.

As Ryan quickly discovered, over the decades Langley—founded by a generation of can-do, "right stuff" rocket scientists—had settled into a more earthbound management style, reflecting the conservative mentality of a CEO who had first come to Langley as a teller back in 1953.

Back to the Future: Redefining Langley's Vision for Growth

Langley was poised for a new direction that would rekindle its founders' push-the-envelope spirit of exploring new opportunities. Yet it didn't want to jeopardize the impressive rate of deposit growth that had led to the doubling of Langley's assets between 2004 and 2014.⁴

While Ryan and his team quickly realized that they couldn't—and shouldn't—seek to revamp the organization overnight, they also wanted to harness Langley's pent-up demand for change by rallying Langley employees around goals that would generate enthusiasm and break down silos. The resulting strategic plan for Langley focused on a three-pronged approach:

1. **Consolidate and build membership** through strong brand awareness, an enhanced value proposition and a continued commitment to member satisfaction.
2. **Aggressively grow Langley's lending capabilities**, particularly in credit cards.
3. Create and reward an **empowered, engaged, entrepreneurial** management culture.

Advisors Plus Conducts a Credit Card Portfolio Review

Ryan believed one of the highest priorities in executing Langley's strategic plan was to jumpstart credit card revenues, but before doing that, a comprehensive analysis of Langley's existing portfolio was needed. In 2012, veteran Advisors **Plus** Credit Card consultants Steve Thompson and Brian Crawford worked with Langley's internal team to conduct what was to become an exhaustive review of Langley's credit card portfolio operations.

The review included:

- Current and *pro forma* analyses of balance sheet and P&L financials
- Scrutiny of Langley's underwriting policies and pricing by line and risk band
- Vintage analysis
- Risk and collections analysis
- A matrix of balance sheet exposure sensitivity analyses based on various interest rate projections and economic and regulatory exposure scenarios

⁴ Pugh, Aaron. 21 July 2014. <creditunions.com>

- Competitive market analysis
- An outline of industry best practices that benchmarked Langley's current position to the industry as a whole

Building the Case for Optimization before Growth

The Advisors **Plus** report laid out its recommendations in such granular detail that the report ultimately ran to 85 pages, not including appendices.

In broad strokes, it recommended that Langley:

- Reevaluate its card pricing methodology
- Revamp its rewards program
- Create a low rate, no rewards Platinum Card
- Review line assignments and target credit line increases where appropriate.

An unwritten recommendation from Advisors **Plus**, but one whose wisdom Langley eagerly embraced and followed, was to invest the necessary time and effort up front to optimize financials and operations before pulling the levers of growth.

As a result, Langley committed the better part of 2013 to realigning its credit card portfolio, as well as working with Advisors **Plus**'s parent company, PSCU, to consolidate four previous EMV programs into one and launch three new ones.

Let the Marketing Begin!

In late 2013, Langley was advertising its new EMV programs with television ads, but while the ads appeared to be increasing Langley's visibility in the marketplace, they weren't translating directly to lift.

That's when Advisors **Plus** Marketing Services began work with Langley to create and implement an annual marketing plan designed to:

- Acquire new credit card users
- Activate inactive cards held by existing members
- Increase card utilization overall.

In December 2013, with credit card balances standing at \$79.7 million, Langley set an ambitious goal of increasing that number to \$100 million in card balances outstanding by the end of 2014.

By May of 2014, balances had crept up to \$82.7 million, due in part to a 7% balance transfer promotion, but it was rapidly becoming clear that a marketing "paradigm shift" was needed to break through the clutter and grab prospects' attention if Langley hoped to achieve its \$100 million balance goal for 2014.

The 2014 Marketing Calendar

Curtis Baker, SVP of Lending, and Ann Johnson, AVP for Card Support Services, met with Advisors **Plus** Marketing Services to brainstorm a more aggressive marketing approach. Rising to the challenge, Michelle Hillenbrand-Whale, VP and Director of Advisors **Plus** Marketing Services, and her colleague, Consulting Manager Andrea Barnes, created a calendar of promotions that would run between July and December of 2014.

As Ann Johnson reviewed the plans for not only the full menu of campaigns that would run but their variety as well, she remembers feeling that a "game changing moment" had arrived. That description turned out to be spot-on, as the last six months of 2014 generated a non-stop flurry of activity, from direct mail campaigns to outbound calling programs to creative events and decorations in the branches. Campaigns were supported with radio ads, postcards, Web-based marketing, and employee incentives:

- **2nd Quarter 2014** featured an activation promotion with a cash rebate of up to \$50 for purchases totaling \$500 or more.
- **3rd Quarter 2014** offered:
 - A 4.99% balance transfer promotion with convenience checks
 - August 1 & 2 – Virginia "back-to-school" tax relief program
 - August through October – double cash back and reward points on gas and groceries
 - \$100 Deposit to Checking with usage of new credit card at least five times
 - September through October—reward point usage to enter to win the Magic Minute supermarket shopping spree contest
- **4th Quarter 2014**
 - 4.99% balance transfer with credit line increase and convenience checks
 - October through November —new account acquisition campaign

\$100 Million Goal Exceeded—and Valuable Lessons Learned

Langley substantially exceeded its 2014 goal of \$100 million in credit card balances, finishing 2014 with total balances of \$103 million. That stellar growth translated to 30% growth in balances and 20% growth in the number of credit accounts.

Moreover, the full court press necessary to achieve that marketing success taught both Langley and Advisors **Plus** several valuable lessons to guide future marketing efforts:



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- Langley developed expertise in targeting its large portfolio of indirect auto loan participants as prospects.
- Langley tested new outbound calling programs and branch cross-selling efforts.
- Langley tested the use of sales incentives.
- Langley management learned that promotional incentives for frontline staff could be used to supplement the company-wide bonus program. One unexpected finding? Free lunches for branch staff proved to be exceptionally popular.
- Langley learned that pay-for-participation programs such as account cash back incentives allowed for cost effective marketing experimentation in running different types of campaigns.

Only the Beginning

Langley's new entrepreneurial marketing focus has led the organization to formulate some very exciting future goals: Double its assets and triple its loan balances by 2020. "We feel very lucky to be in such an exciting growth partnership with Advisors **Plus**," says Ann Johnson. "And now that we know what we're capable of achieving together, all I can say is that we'll get started even earlier each year as we set out to achieve our goals!"

About Advisors Plus Consulting Services Credit Card Consulting

Advisors **Plus** Credit Card Consulting provides comprehensive credit card portfolio services to credit unions, including portfolio reviews and evaluations of products, marketing practices and financial performance.

Credit Card Consulting is designed to provide a credit union's management team with an in-depth view of its portfolio profitability, credit risk, and member usage to help it identify and capitalize upon untapped potential in its credit card product line.

An Advisors **Plus** engagement typically begins with a customized portfolio review which can include a P&L analysis, credit card products review, comprehensive scan, vintage analysis, risk and collections review, and assessment of how current credit card products are positioned and marketed through the client credit union.

A comprehensive report is delivered in writing and onsite with analysis, recommendations, and proposed actions to improve credit card portfolio performance.



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About Advisors Plus Marketing Services

Advisors **Plus** Marketing Services provides leading-edge marketing capabilities using marketing intelligence to develop and manage successful marketing campaigns. By employing proven techniques such as data mining, predictive modeling and segmentation analysis, Advisors **Plus** Marketing Services helps credit unions maximize their marketing results by offering the right service at the right time to the right member.

Advisors **Plus** Marketing Services assists well over 200 credit unions each year on a customized, targeted basis, as well as structuring semi-annual new account acquisition and activation campaigns for more than 175 credit unions twice per year.

Advisors **Plus** Marketing Services mails over 3.25 million targeted direct mail pieces each year on behalf of participating credit unions. Using Advisors **Plus's** targeted direct mail practices, modeling and segmentation techniques, credit unions achieve response rates and average balances well above industry standards, averaging 16% growth in balances and 5% growth in gross active accounts from year to year.

About Advisors Plus

Advisors **Plus** serves as the consulting arm of PSCU, helping credit unions to meet their financial and business challenges and grow. The team provides practical, data-driven expertise in the areas of business strategy, credit cards, debit and checking, marketing growth campaigns, digital and branch channel engagement, and contact center and operations optimization.

With over 250 years of combined experience, Advisors **Plus** consultants partner with credit union management to provide actionable solutions for sustainable business growth, exceptional member experiences and measurable operational efficiencies. For more information, visit **AdvisorsPlus.com**.

About PSCU

Advisors **Plus** is an independent business unit of PSCU, the nation's leading credit union service organization (CUSO). Founded in 1977, PSCU is owned by over 800 Member-Owner credit unions representing 18.5 million credit, debit, prepaid, online bill payment, mobile and electronic banking accounts. 24/7/365 member support is delivered through call centers located throughout the United States that handle more than 18 million inquiries a year. For more information, visit **PSCU.com**.