



Consulting Services

Debit and Checking Consulting



Baxter Credit Union Reaches for Higher Performance

Overview

Client Profile

Based in Vernon Hills, IL, Baxter Credit Union (BCU) is one of the largest credit unions in Illinois and one of the 100 largest credit unions in the country. BCU was established in 1981 by a group of healthcare executives to provide basic financial services to employees within the healthcare industry. BCU has grown to assets in excess of \$1.5 billion, serving over 147,000 members through its service centers located across the U.S. and Puerto Rico. BCU's targets membership growth primarily through partnerships with Select Employee Groups (SEGs) within the healthcare industry and a community charter serving six counties in northern Illinois.

Business Challenge

BCU identified a need to improve its checking penetration rate as a major growth and profit opportunity, but it needed an analysis of its program's current state to chart an effective future growth strategy.

The Solution

BCU leveraged its strategic partnership with Advisors **Plus**® to accelerate its business success. BCU and Advisors **Plus** developed a joint strategy called "Checking Product Optimization." Advisors **Plus** Consulting Services Debit and Checking consultants performed a portfolio review in which they assessed the components of BCU's debit program and checking product continuum and created a plan to maximize growth to meet BCU's profitability goals.

The Results

- Checking penetration significantly increased by 19.8% from first quarter 2008 to fourth quarter 2011.
- Debit card penetration increased 9.8% from first quarter 2008 to first quarter 2011.
- Debit card active rate increased 15.0% from first quarter 2008 to first quarter 2011.
- Total debit card usage increased 22.4% from first quarter 2008 to first quarter 2011.

Revisiting an Initial Review

In May 2008, BCU embarked on an internal project to accelerate its business growth and profitability. One of the business challenges BCU identified was low checking penetration, which was trending 9.2% below the industry average for credit unions within BCU's same asset size range. A joint "visioning session" conducted between BCU and Advisors **Plus**, determined that BCU needed a comprehensive analysis of its debit and checking programs.

Advisors **Plus** evaluated the scope of BCU's checking continuum and what channels (e.g., website, marketing collateral) seemed to be most effective in communicating BCU's value proposition to prospective and existing members. Advisors **Plus** also compiled a review of BCU's competitive environment which included an evaluation of its segment-based footprint by state.

To improve on efficiency, Advisors **Plus** recommended that BCU create a consolidated checking product set, and noted a number of technology enhancements that BCU could make to its website to better target and serve self-service members. The recommendations also brought BCU into line with cutting-edge thinking and best practices, which had been one of management's "soft" goals as a market leader among credit unions.

Strong Growth in Debit Program

In 2011, Advisors **Plus** returned to BCU to update its review of BCU's debit and checking programs. By this time, BCU had implemented the recommendations initially proposed in 2008.

Advisors **Plus** drew on its deep understanding of BCU to take another close look at its debit program. We concluded that the debit card program continued to contribute significantly to BCU, representing over 20% of its non-interest income.

BCU showed strong growth in 2010 debit card sales volume. Signature-based (SIG) POS sales volume grew a whopping 16.9% in 2010 — which more than doubled the measured rate of 7.5% in 2009. Comparatively, PIN POS sales grew at a more modest 7.2% in 2010, but still represented a significant increase over the 1.8% growth rate in 2009.

Working with New Regulations

To prepare for new legislation that had been enacted to govern overdraft pricing, debit card interchange, network routing and exclusivity, Advisors **Plus** helped BCU lay out a two-pronged strategy:

- Develop ways to anticipate and proactively manage around potential future legislation.
- Put in place risk management tools to quantify and be ready for, adverse events such as litigation or new competitors entering the marketplace.

“Menu of Opportunity” for Debit Card Program

With risk mitigation protocols in place, Advisors **Plus** focused on helping BCU enhance its debit card product and portfolio management opportunities by:

- Managing and monitoring financials, profitability metrics, budgeting and forecasting
- Evaluating and responding to members’ growing needs
- Exploring new opportunities to enhance member relationships
- Interfacing with BCU’s internal line of business partners who manage checking, marketing, accounting, operations, and third-party resources to ensure that debit growth remained front row center in BCU’s overall growth strategy.

Advisors **Plus** also made several major recommendations for debit card marketing improvements that BCU could build into its future programs:

1. BCU could continue to improve its debit card penetration rate by embracing a debit card penetration goal of 95% or higher for all new checking account and using a “comes-with” approach to issuing debit cards to take advantage of the power of assumptive selling.
2. BCU could leverage its popular **CURewards**[®] program for debit cards to differentiate and increase member usage. To heighten member awareness about this rewards program, Advisors **Plus** recommended that Service Center employees show members the **CURewards** website and discuss its benefits at the time of checking account opening.

3. BCU could develop a comprehensive debit marketing plan that focused on penetration, activation, and usage by considering:
 - » Marketing to employees
 - » Web-based product information
 - » Visa promotions and online tools
 - » Targeted direct mail programs leveraging Advisors **Plus** expertise
 - » Inclusion of debit in BCU's overall checking marketing strategy.

Capturing Momentum in the Checking Landscape

2011 was a year of shake-up for customers of the “big banks,” and Advisors **Plus** felt that the changing checking landscape represented a significant marketing opportunity for BCU. After nearly a decade of free checking programs, most no-frills accounts had been slapped with monthly service charges and stringent requirements to continue receiving checking for free. In fact, some banks not only refused to waive fees but added even more nuisance fees.

To capitalize on the marketing opportunity created by bank user dissatisfaction, Advisors Plus recommended that BCU take steps to grow its membership by:

1. Enhancing the brand value of its personal and business checking continuum through more effective communication of the benefits of its checking products.
2. Using its website to communicate checking promotions and simplicity of account opening.
3. Streamlining its checking product comparison chart to a one-page at-a-glance view to help create a useful tool for “consultative” sales.
4. Using marketing segmentation based on member behaviors and preferences to develop personal checking offerings aimed at deepening relationships with members. Examples of such segmentation include:
 - » Electronic/youth package for members who prefer fully-automated, self-service tools for transactions
 - » A Direct deposit package for those members with simple, basic needs

4. A relationship package to reward members for their deposit and loan balances as they grow their relationship with BCU.

Impressive Results

BCU continues to enhance its “WOW” factor by fine-tuning its checking product suite and website to deliver a clear, concise message to its members. By leveraging the recommendations provided by Advisors **Plus** Debit and Checking Strategic Consulting, BCU increased checking penetration by 19.8% from first quarter 2008 to first quarter 2011.

BCU accomplished this success by implementing the Advisors **Plus** Debit and Checking Strategic Consulting recommendations, which included:

- Simplifying its checking product continuum
- Positioning checking products based on member needs and behaviors
- Enhancing their website to more effectively communicate the brand value of their checking products
- Effectively positioning their online self-service tools to make it easier for members to join BCU.

BCU’s overall debit card business also continues to perform and grow with significant improvements in penetration, activation and usage. From first quarter 2008 to first quarter 2011:

- Penetration increased 9.8%
- Activation increased 15.0%
- Total debit card usage increased 22.4%



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About Advisors Plus Consulting Services Debit and Checking Consulting

Advisors **Plus** takes a comprehensive approach to reviewing debit and checking portfolios and making strategic recommendations. Our Consulting Services Debit and Checking Consulting is one-of-a-kind in the credit union industry, with no other competitor offering the type of insight and intellectual capital that Advisors **Plus** delivers. Our average Net Promoter Score in 2011 was 81 as measured by client surveys.

The Advisors **Plus** team partners with a credit union for an uncommonly thorough review process. Because Advisors **Plus** offers a complete analysis of debit P&L and the role that debit and checking play within the entire business model, the majority of Advisors **Plus** clients re-engage our Debit and Checking Consulting team annually to revisit the review and provide updated results and recommendations.

About Advisors Plus

Advisors **Plus** was established in 2005 to provide consulting and marketing services to credit unions. Our range of services covers the key areas of strategy, credit cards, debit and checking, marketing, contact center, operations, and branch sales.

The experienced consultants at Advisors **Plus** work with the organization's staff through the entire process from project analysis to implementation and management. Our goal is to ensure that each financial institution achieves sustainable business growth, exceptional member experiences and operational efficiencies.

As of December 31, 2011, Advisors **Plus** has superior NPS Scores of: 74 – Credit; 81 – Debit and Checking; 91 – Contact Center. For more information, please visit AdvisorsPlus.com.