



Marketing Services

Credit Line Increase Promotion



Municipal Credit Union Grows Credit Card Use with Increased Limits

Overview

Client Profile

In 1916, the mayor of New York City chartered Municipal Credit Union (MCU) to give city employees a way to save at reasonable rates and have a low-cost borrowing alternative to loan sharks. At the end of the first year of incorporation, the credit union had combined deposits of \$570. Today, Municipal Credit Union has more than 320,000 members and nearly \$1.6 billion in assets.¹

Business Challenge

Municipal Credit Union wanted to grow and market its credit card portfolio but Municipal needed proper management and marketing of credit limits to set the stage for everyday cardholder use and future marketing efforts.

The Solution

Advisors Plus[®] Marketing Services helped Municipal Credit Union develop a targeted promotional campaign in which qualifying members were notified of their credit line increases and their card behavior was measured for profitability.

The Results

Advisors Plus developed a campaign where over 2,500 cardholders received the promotion and their spending levels were rigorously measured against a control group. One year later, cardholders with the increased limits showed purchase activity that was 15% higher than the control increase of only 2%.

Raising Limits to Encourage Use

Municipal Credit Union wanted to grow its credit card portfolio and decided to raise member credit card limits to more appropriate levels. The credit union felt that if the cardholders' comfort levels were improved, there would be renewed interest in using the MCU card and increased loyalty.

¹ As of January 1, 2012

In October 2010, MCU initiated a credit line increase promotion through Advisors **Plus** Marketing Services to select cardholders. The Advisors **Plus** approach was to adjust the credit limits on a targeted and recurring basis, with the long-term plan of reviewing and increasing the credit lines on a yearly basis.

Targeting the Right Members

Advisors **Plus** used a variety of cardholder information to determine who would receive an increased credit limit and how large it would be. Typically, our Marketing Services consultants reviewed a cardholder's current card behavior, current line, credit score and debt-to-income ratio to assess qualification.

Advisors **Plus** Marketing Services identified a total of 2,569 cardholders for the promotion. Approximately 4% of the target base (109) was withheld from the promotion as "the control group" in order to measure the effectiveness of the campaign.

2,470 cardholders received notification of their credit line increases via a direct mail letter. Within the analysis, differences were examined between the notification and control groups for:

- Key behavioral attributes, such as balances and purchases
- Profitability components, such as earnings and expenses.

The Results

Twelve months after the credit lines were increased, cardholder purchase activity was up an average \$308 more per month than that of the control group. Cardholder purchase activity was 15% higher than the previous 12-month period, whereas the control group only experienced a modest 2% increase.

In total, an additional \$1.2 million in purchases occurred from those receiving the increase. On average, an additional \$308 per cardholder was revolving each month. As a result, the revolving balances were 14% higher than the previous 12-month period, while in comparison, the control group only experienced a 4% increase.

A Closer Look by Category:

Financial Analysis – Actual vs. Forecast

The credit line increase promotion outperformed purchase, balance and revenue expectations. However, expenses were higher than anticipated due to a higher cost of funds, yet this did not result in a lower-than-expected net income.

- Incremental revenue was 86% higher than the forecast figure which resulted in \$11,059 more in incremental net income.

Charge-off and Delinquency Analysis

During the post-period, the group receiving the line increases experienced eight charge-offs totaling \$45,752. The control group did not have any charge-offs. Incremental charge-off expenses have been excluded from the financial results of the promotion.

- Currently, the delinquency rate of the treatment group (defined as 2 or more cycles delinquent) measures 0.32% of the solicited base compared to 1.01% for the control group.

Profitability Summary – Earnings

- Incremental net earnings (excluding charge-offs) for the one-year post-period total was \$51,211, which is an average incremental profit of \$21 per solicited account.

Card Behavior Analysis – Balances

Since the launch of the promotion, an average of \$801,010 in additional outstandings has been generated monthly by the group receiving line increases. On average, that group has experienced a \$324 lift in the average monthly balance during the post-promotion period. The average incremental lift in the revolving balance of the group measures \$308 per month for the 12-month post-period.

- Among the line increase group, incremental revolving receivables total \$760,720 monthly.
- The average revolving balance of the line increase group during the post-promotion period is 14% higher than the average for the pre-promotion period. The average balance of the control group experienced a 4% period-over-period increase.

Card Behavior Analysis – Cash

- Incremental cash for the one-year post-period measures \$16,845, which equates to an average monthly lift of \$1 per solicited member.

Card Behavior Analysis – Purchases

In the 12-month period prior to the promotion, the control group averaged \$2 more in monthly purchases over the group that received the line increases, but during the post period the line increase group out-performed the control.

- There was an incremental lift in purchases of \$38 per month for a period total of \$1,234,926.
- The average monthly purchases of the line increase group during the post-period were 15% higher than pre-period. The control group experienced a 2% period-over-period increase.

About Advisors Plus Marketing Services

Since 2005, Advisors **Plus** Marketing Services has provided leading-edge marketing services 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.

Today, Advisors **Plus** Marketing Services assists over 75 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.

In 2011, Advisors **Plus** Marketing mailed over 2.2 million targeted direct mail pieces on behalf of participating credit unions. Using Advisors **Plus** targeted direct mail practices, modeling and segmentation techniques, credit unions have achieved response rates and average balances well above industry standards. Advisors **Plus** Marketing Services campaigns have helped credit unions achieve phenomenal growth in balances, with credit unions having on average 16% growth in balances and 5% growth in gross active accounts from year to year.



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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.