



Editorial Perspective:
*The Top 5 Strategies for Creating a
Top of Wallet Card Program*



The Top 5 Strategies for Creating a Top of Wallet Card Program

by Stephen M. Thompson

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After several years of lackluster growth, credit card lending appears poised for a strong comeback in the next 12 to 18 months. Trends show that credit card lending is currently under represented as a component of total credit union loan balances and that credit union card balances have been rising in the market overall while bank card balances remain relatively flat.

Will your credit card program be ready to take advantage of the exciting opportunity to serve your members as their "top of wallet" card with the credit and features they need when they need them? Is your portfolio in shape to stand at the starting line this fall, poised to race out of the blocks to capture back-to-school and holiday spending—or will it be left standing at the gate, out of touch and out of shape?

Portfolio Greatness 101

If it has been a while since your credit card portfolio has had a strategic makeover—or even a "complete physical" for that matter, don't worry because your credit union is in good company. My colleagues and I in the Advisors **Plus** Credit Card Consulting group find that most credit union card portfolios have gone on autopilot over the years, with adequate attention paid to daily operations, but very little to developing growth goals and a roadmap to achieve them.

So, before the days get hectic again in September, let's call your portfolio back from vacation a little early to attend our virtual version of "growth summer school." There won't be a quiz, but we hope the questions below will help put your credit card program on the track to an A+ when it comes to being ready to take advantage of the growth opportunities ahead.

Ready, Set, GROW!

Top of wallet credit card programs don't happen by accident, but they DO have the following elements in common. Here's how to learn from the best:

1. Empower your credit card portfolio manager to take an entrepreneurial, 360° view of the business: An empowered portfolio manager, responsible not only for the bottom line profitability of the portfolio but the many factors that contribute to its performance, is the most powerful contributor to outstanding card programs that we see. Giving your credit card portfolio manager the latitude to

execute an overall vision for the portfolio's financial, marketing, underwriting, risk management and performance tracking components is key to achieving outstanding results.

2. Thoroughly understand the financial underpinnings of your portfolio: Knowing how your portfolio metrics stack up against industry benchmarks is vital to establishing realistic growth goals and being able to track your progress toward meeting them. Key drivers to track include new accounts, active accounts, average outstanding loan balances, net sales volume, and payment volumes.

Your financial intelligence gathering should also include generating income and expense statements at the product level as well as at the total portfolio level on a regular basis. We recommend taking your review of performance and profitability down even further to the credit score band level.

3. Keep your product suite refreshed and relevant: Your members are bombarded daily with card offers from your competitors, so staying top of wallet requires a constant commitment to keeping your card products updated and cutting-edge. From re-evaluating rewards to creating the right loyalty programs and promotions, your innovations are what drive usage. Your goal is to insure that you provide a card offering tailored to meet the needs of each of your various member segments with the most creative, useful features possible. Using segmentation analysis and analytics to understand your members' demographics, lifestyle and card behavior can help you deliver the right incentives to the right members at the right time.

4. Budget for and deliver great marketing: From direct mail to e-mail, website, branch sales, contact center cross-selling and newsletters, credit unions need to make it both top-of-mind and easy for members to do business with them. That means investing in different channels to deliver different messages, from self-serve product information to promotions that grow membership and card usage. In today's competitive marketplace, out of sight truly is out of mind.

5. Manage underwriting, pricing and collections risk: Well-defined underwriting, pricing and collections strategies are key to managing risk. Overly conservative underwriting and credit line assignment is the most common contributor to missed opportunities that we see. The objective should be to match the highest credit line currently granted to the member by the competition with the goal of making your card the members' primary card.

Risk-based pricing is a critical component to managing underwriting risk going forward. Whether your credit union decides to use non-variable or variable pricing, members should be priced as competitively as possible within each risk profile so that the product is compelling to them.

Finally, collections are vitally important to achieving credit card program profitability. Prioritize them as a core competency and give your card accounts the collection intensity they deserve. Without that emphasis, collectors will focus instead on the largest delinquent loan balances, which tend to be secured loans.

Keep your eyes on the prize

There will always be management challenges, intense competition and risks inherent in the credit card business. Remember though, that the value your credit card product can deliver to your existing and future members is a compelling opportunity with ROA potential that is higher than any other loan product. May you be smart, prudent and unabashedly entrepreneurial as you go get your share!

For More Information

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About Advisors Plus Consulting Services Credit Card Consulting

Advisors **Plus** Consulting Services 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 normally includes a P&L analysis, credit card products review, comprehensive scan, and assessment of how the 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.

In 2012, our average Net Promoter Score was 79 as measured by client surveys.

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 a credit union's staff through the entire process from project analysis to implementation and management. Our goal is to ensure that each credit union client achieves sustainable business growth, exceptional member experiences and operational efficiencies.

As of December 31, 2012, Advisors **Plus** has superior NPS Scores of: 79 – Credit; 84 – Debit and Checking; 91 – Contact Center. For more information, please visit AdvisorsPlus.com.