Boost Your Credit Union Profitability:

Six Simple Ways to Keep Your Credit Card Top-of-Wallet

rise ANALYTICS

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Are You Maximizing Your Biggest Profit Driver?

Credit cards can be the most lucrative source of lending for credit unions – yet the programs are often underutilized. While mortgage and auto loans may seem more attractive and rewarding, up to 50% of net income for a credit union can be derived from credit cards. The average rate for card usage within a credit union is 10% – 11%, and it could be higher if you engage in risk-based pricing. The return of fee and interchange with credit card usage is often 4% – 5% – exceeding the return on mortgage loans.

In the wake of the pandemic, accelerated digital adoption continues to drive interaction. The use of contactless cards is increasing in popularity among users and translates to growth for the credit card industry. With the right strategies, your credit card program has the potential of becoming one of your highest earning assets.

To grow your program, you must take strategic action. Follow these six strategies to continually see growth in your credit card program.

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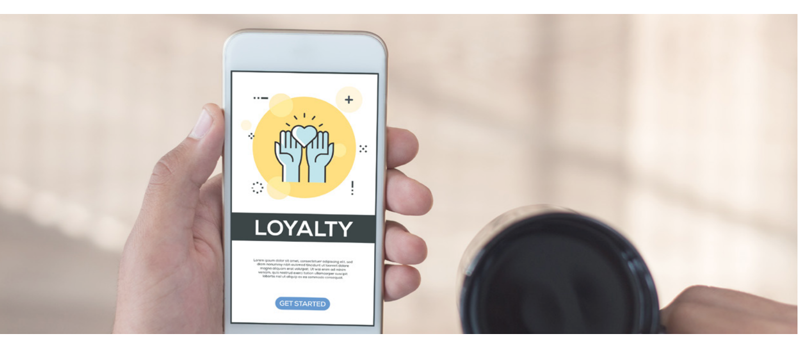
1 Offer Credit Line Increases

Credit Line Increase Programs, or CLIPs, are one of the fastest ways to grow momentum in your credit card portfolio. Review member credit limits on an annual basis to ensure you are extending the proper amount of credit. If your limits are uncompetitive, it compromises your members' engagement.

CLIPs are proven builders of loan balances as well as member loyalty. On average, 60% of a credit union's credit card holding members are eligible for a credit line increase, yet that opportunity remains largely untapped by many credit unions. For example, offering an increase to a low-transacting member who has a $2,000 balance and a $5,000 credit limit may incentivise the member to use their card more, while still managing their credit debt responsibly.



Increasing your members' credit limits is a crucial strategy to keep your cards top-of-mind and top-of-wallet. In addition, CLIPs are instrumental tools for increasing utilization, loans outstanding and interest and fee income. The increased spending power will not only help your members in time of need but also will increase fee and interest income, making your program more profitable.

2 Reward Your Members

Loyalty rewards represent another vital component for card program growth. The top-of-wallet credit cards typically earn high transacting members the most benefits for their loyalty. Analytics identifies those members. Your data can help validate the value and effectiveness of rewards programs in sparking transaction and revenue growth.

According to **creditcards.com,** 57% of U.S. adults have at least one rewards credit card, with "cash back" being the most popular at 43%, and gas and retail coming in at 28%. Offering cards with reward programs will increase the likelihood that your members will continually use your card. Those institutions that are using rewards programs benefit from increased transactions, greater per-transaction dollar value and improved retention with the increase in the number of accounts.

Rewards aren't just for members, but also can target employees. Every time your credit union employee assists a member in enrolling for a new credit card, they can have a chance to win big through a sweepstakes portal that manages completed applications. This helps boost moral and encourages employees to sign up members for new cards.

3 Introduce a Balance Transfer Program

A balance transfer should be the key ingredient to your card program. A balance transfer program is one of the best ways to incentivise a member to move to your card and can be promoted in several different ways. Start with encouraging your new and existing cardholders to use their credit union card to transfer balances from cards with higher rates to yours. For example, offer a 2.99% APR for the first six months. Your lower interest rate card can be the rescue they need.

Create a competitive offer against national and local issuers. Position your institution as a lender that cares about its members by helping cardholders consolidate their debt. An attractive loyalty program should be set up to offer double bonus points for the balance transfer during the promotion period, without a balance transfer fee.

Market the advantages of your balance transfer program compared to other credit unions. Demonstrate how your balance transfer rate is lower than others, what they can save on interest fees and pay-off timing. Also, try to tie in extra rewards points if they transfer to your card.

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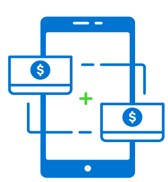

4 Target New Accounts

To grow your credit card portfolio, you must take strategic action. This includes penetration – or the process of adding new cards. On average, 60% – 65% of members are actively using cards. Adding cardholders involves understanding which members are good risks and those who are not. After excluding risky cardholders, the next step is to segment the remaining members into homogeneous groups and determine the optimal credit limit for each group. This is accomplished through a statistical analysis of performance data from the last 12 to 24 months, in combination with credit bureau data and other variables.

Once you open a new loan with your member, you are already aware they are a good credit risk for your credit union. Use this opportunity and issue a credit card along with their new loan in conjunction with a balance transfer program. Not only are you issuing a new card to them, you can also explain the benefits to transfer an older, higher-rate balance to this new card. Another way to gain new accounts is find a program like Rise Analytics' **New Accounts Acquisition Program** that verifies pre-qualified data and then collects additional information required for you to issue new cards to those most worthy members within your institution.

The pivot to online data collection offers a great way to assimilate information quickly and easily. Through analysis of this data, you will be able to onboard the future cardholders in your branch and determine the card that is best suited to their needs. This empowers credit unions to make an automatic connection between yourself and the new cardholders.

5 Analyze and Utilize Your Data

The amount of data you have on your members is a rich resource of information for keeping your card top-of-wallet. It's important to **have a data-driven environment** where you're targeting the right member at the right time with the most appropriate product or service. In the "new normal," the utilization and collection of data have never been more important. Members are entering their data through virtual platforms that can then be used to measure credit worthiness.

You will want to understand how your borrowers use credit, what credit limit you must offer to maximize your credit line increase opportunity or even understand which borrowers are most likely interested in a rewards card. By investing in a **data analytics platform** you learn everything you need to know about your member.

Predictive analytics offers an opportunity for understanding cardholder behavior. The easier it is to use your data, the more effectively you can target cards that meet your members' needs. Credit unions can use data to drive decisions about eligibility of members, accounts that qualify for increases, and choosing the best time for implementing strategies to drive even better growth metrics.

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6 Consistently Market Your Program

Rise Analytics' marketing promotions aim to support acquisition, activation, usage and retention within the credit union. As discussed earlier, CLIPs, balance transfer promotions, employee incentives and card usage campaigns are examples of marketing efforts that can boost your credit card's usage. Effective marketing programs should align with a calendar that offers different promotions throughout the year.

The most successful issuers market and adjust credit limits multiple times each year, as often as monthly, for certain accounts. This proactive line management mitigates risk and, when used in conjunction with marketing efforts such as balance transfer and spend campaigns, can enhance results and significantly increase incremental revenues.

As with any marketing undertaking, you need to start by establishing both reasonable and measurable goals. Your credit card represents an integral part of your product mix, so be sure to include it in your annual rotation of marketing campaigns. You'll want to blend data, digital strategies, customer journey and employee engagement to keep your brand top-of-mind to gain success in 2021.

Get Ready to Grow!

Growing your credit card portfolio could be as easy as these six strategies. Analyze your data to know who should get a credit line increase, a balance transfer and who could potentially receive a new credit card. Continue to market your program on a consistent basis to show your members and others why your credit card is the one to use. Make it easy for them to spend money with you and transfer balances, and your card program will see continued success. By enticing members to activate and use their cards, you'll see an increase in volume and usage.

Using these steps, you can take more ownership of your card program to grow your total revenue. Ready to implement these proven strategies that enhance your card portfolio growth and boost the value of customer relationships? Learn how **Rise Analytics' Card Portfolio Growth experts** collaborate with credit unions to grow their card portfolio.

See what Rise Analytics can do for your credit union

Thank You

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