

Credit Card Portfolio Start-Up Consulting



Knowledge and Power where it counts: OnPoint and Allegacy benefit from Advisors **Plus**[®] Credit Card Portfolio Start-Up Consulting.

Overview

Advisors **Plus**[®] has the intellectual capital and resources to help credit unions and community banks evaluate their credit card portfolios at any stage in the lifecycle.

Our Credit Card Start-Up Consulting offering is designed to help institutions create a product suite that is compelling, competitive and profitable. The consulting team, with over 100 years of collective experience, will provide invaluable guidance and expertise while avoiding the common mistakes that occur when taking an uncharted path. As a result of teaming with Advisors **Plus**, your credit products will be positioned to attract key market segments with a competitive, yet profitable pricing strategy and targeted marketing campaigns.

The Process and Approach

This comprehensive review is performed onsite, usually over a two-day period with follow-up telephone support as needed. The sessions offer recommendations on products, pricing, risk, rewards, marketing and profitability.

Our process, consisting of evaluation and analysis of all aspects of the credit card portfolio, delivers 5 core components:

- A five-year financial projection
- A review of key credit card background information
- Competitive product survey
- Review of product suite design, pricing and risk tiers
- Strategic Product Control File evaluation



In addition, our subject matter experts provide invaluable guidance including:

- Five-year volume and cash flow targets
- Review of competitive landscape
- Product set design including rewards programs
- Recommended credit score tiers for risk-based decisions
- Pricing—APRs, fee triggers, promotions/incentives, bonus points
- Strategic approach to marketing
- Implication of previous marketing and sales agreements
- Awareness of CARD Act regulations and implications

Delivering Value at Different Points in a Portfolio's Lifecycle

OnPoint is the largest credit union in Oregon serving almost 240,000 members. With a history of 79 years, OnPoint has built a significant branch network. OnPoint had never offered a credit card product to its members before, but they felt there was built-up demand and offering a credit card became part of their strategic growth initiative.

In March 2008, Advisors **Plus** completed a consulting assignment to help OnPoint with the start-up and implementation of their credit card program. As a result, they launched their all platinum product line which included offering a low rate card, a Rewards card and a business card. Under the direction of Michele DeBuhr, Vice President of Organization Effectiveness, OnPoint recently added a platinum cash rebate card.



In February 2011, Advisors **Plus** completed a P&L Review to assist OnPoint with evaluating their progress and tracking compared to the portfolio's pro forma. The P&L provided information on the following key areas:

1. Original financial pro forma for the program
2. How the Portfolio was performing using a P&L Approach
3. The risk profile of the portfolio based on vintage analysis
4. Overall observations and opportunities highlighted by the analysis
5. Results and recommendations for improvements

The results were very impressive. OnPoint exceeded the five-year projection for Gross Active Accounts and for outstanding balances after just 28 months. Since starting their program in September 2008, OnPoint has grown the number of total accounts from zero to 44,102 by the end of 2011. Gross active accounts had grown to 29,618 by the end of 2011 and outstanding balances grew from zero to \$76,440,919 during the same period. With the rapid growth of accounts and balances, the financial performance of the portfolio was also very strong and exceeded projections.

By contrast, Allegacy Federal Credit Union had sold their portfolio in 2007 and was reentering the credit card business. They reached out to Advisors **Plus** for help setting an overall direction and goals. As a first step, Advisors **Plus** helped Allegacy prepare a pro forma to set targets around number of accounts and average transfer balances. Those targets were then assigned to the 17 branches to distribute ownership of the results. Finally, Advisors **Plus** designed and conducted a direct mail campaign to Allegacy's general population including employees of 550 companies within the U.S. The card program launched on March 1, 2012 and has realized a 3 percent response rate, far exceeding their goal of 1 percent!

According to Melissa Lyons, EFT Operations manager for Allegacy, "The Advisors **Plus** team was very helpful and always available. Since we had been out of the business for many years it was important for us to work with experts who knew industry standards and benchmarks. The results have far exceeded our expectations."





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About Advisors Plus Credit Card Start-Up Consulting

Advisors **Plus** Credit Card Start-Up Consulting provides a comprehensive review of the considerations and decisions that need to be made when starting up a new credit card portfolio. The Start-Up Consulting is a two day on-site meeting with the Credit Union. Day 1, there is discussion and guidance on all business implications of key product decisions. Day 2 is the Technical Specifications Discovery meeting. The consultants, in conjunction with the Implementation Team, lead the discussion and provide guidance on business implications of system processing parameter decisions.

Credit Card Start-Up Consulting is designed to provide the management team an in-depth evaluation of the business implications surrounding the product set and pricing structure of the new portfolio with reasonable expectations regarding performance. Areas evaluated and discussed include budget requirements, financial management, external factors, underwriting approaches, risk management philosophy, product design, pricing structure and marketing initiatives. This two-day session is designed to assist the credit union in making fully informed decisions about their new credit card program.

About Advisors Plus

Established in 2005, Advisors **Plus** provides fee-based consulting and professional services to credit unions and banks. Our range of services cover the key areas of credit cards, debit and checking, marketing, call center, and operations. From analysis to implementation to project management, our experienced team draws on a depth of intellectual capital and consulting skills to help our clients create opportunities for sustainable business growth, unique and memorable member experiences, and operational efficiencies. As of December 31, 2011, we have superior NPS Scores of: 74 – Credit; 81 – Debit/Checking; 91 – Call Center. Advisors **Plus** is part of PSCU.

For more information, please visit www.advisorsplus.com.

