Case Study: Managing Member Payment Relationships.

How to deepen engagement through your most used product.

Credit union executives juggle numerous priorities every day to provide their members with the best possible experience. While it is important for executives to monitor trends and new payments solutions, the biggest opportunity – or the biggest threat, should they choose to ignore it – is represented by member payment relationships.

The member payment relationship revolves around member interaction with their credit union when banking and making purchases.

Credit unions should be prepared to provide members with access to all different types of payments – from credit and debit cards to ACH options, digital wallets or other alternative forms of payments – and assist their members in utilizing them. But how can a credit union fully leverage the member payment relationship?

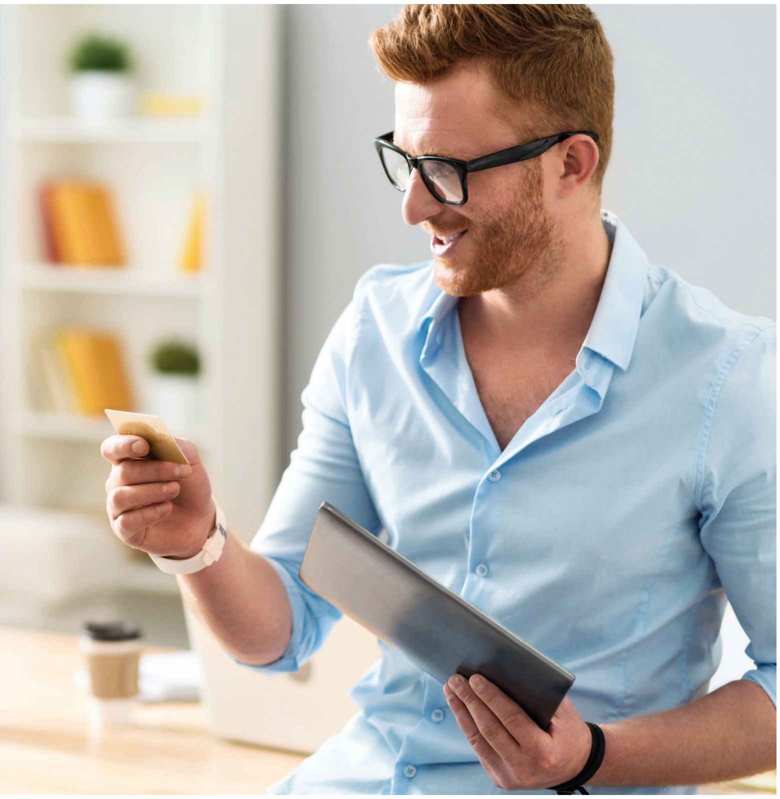
While trends like digital currency or real-time payments are important to watch, credit unions should also ensure their legacy programs continue to be optimized and positioned for success. In particular, credit unions should elevate their focus on their debit card and checking account offerings – many of which are dated and have remained unchanged for years.

Why Debit?

Debit cards – and the associated checking accounts – are the most connected component of a member's overall wallet, as all of a member's financials come together in one place through a debit card and checking account. A member can pay by check, set up ACH to allow for direct deposit or direct draft, or make a payment using bill pay – all with a checking account.

Debit can be used at point-of-sale locations, for online purchases, for funding/receiving P2P transactions and can also receive money through Visa Direct or Mastercard Send. When considering all of the ways a consumer can get or spend money, debit and checking are central to them all.

Checking accounts and debit cards are also the most owned product across financial services, and the one product that most



credit union members are likely to have with their credit union. According to the U.S. Federal Reserve System, more than 90 percent of all consumers have a checking account and 60 percent of all credit union members have a checking account with their credit union.

By comparison, while 70 percent of all consumers have a credit card, less than 18 percent of members have a credit card with their credit union. Only 20 percent of members have auto loans with their credit union, while less than five percent hold real estate loans. Across the board, more members own checking and debit accounts with their credit union than any other product that is not required as part of membership (savings).

Not only do more credit union members have debit cards and checking accounts, but they actually use them. Checking accounts and debit cards are the most used product according to transaction data from PSCU, the nation's premier payments credit union service organization. Debit card users conduct about 25 transactions per month, compared to only 10 transactions per month by credit card users. This further confirms that debit cards are the most connected product, as members are using these cards across all types of transactions – face-to-face, online, P2P, digital wallets and more.

The Debit Difference

While many might believe the greater potential for profitability rests with credit card programs, this is not necessarily the case. When looking at interchange, fees and interest income or deposit value, profits between credit and debit card programs are not all that different on a per account basis. In fact, debit card programs can be just as profitable as credit card programs – if not more. Considering nearly three times more members own debit cards and users conduct almost 2.5 times more transactions per card, debit is a profitable and smart option for credit union investment.

Given the above data, it also makes sense that debit card and checking account users more frequently engage with their credit unions through transactions and the use of mobile and online banking. This is a prime opportunity for credit unions to have more control over their members' payment relationships as engaged members are happier members. Members also typically have broader relationships with their credit unions when they engage more, extending their checking accounts into other lines of products, like credit cards or other services.

Focusing on debit cards and checking accounts to help manage the member payment relationship can not only benefit your credit union, but also your credit union members. Ensuring checking and debit card programs and offerings are consistently optimized, improved and marketed to your members will help your credit union achieve success and earn that coveted top-of-wallet spot.

Advisors Plus

Founded in 2004, PSCU's Advisors Plus offers consulting services for credit unions to help fuel growth and achieve financial and business goals. From project analysis to implementation and management, Advisors Plus offers an end-to-end portfolio of consulting services including business strategy, business and affinity cards, credit and debit cards, contact center optimization, risk and collections analysis, branch sales training, marketing services, and B2C campaign execution. Whether your credit union is looking to expand its offerings, build a legacy of community involvement, create the strongest possible capital footing—or all of the above—Advisors Plus consultants bring the strategic vision, deep industry expertise, and proprietary data analytics needed to help credit unions better serve their members and their communities. For more information, visit advisorsplus.com.