

Is the Role of Credit Cards *Really* Changing in Today's Economy?

Credit cards continue to be the number one financial relationship between a credit union and its members. A credit card is a necessity in our society. Consumers can't book a flight, rent a car or reserve a hotel room without a credit card. If you surveyed your members, nearly 100 percent would have credit cards in their wallets. The bigger question is: what percentage of your members has your credit card in their wallet? Here's a hint: it should be at least 35 percent.

Scaling back or not investing in sound credit card programs is a significant mistake that some credit unions might be tempted to make in today's down economy. While the changing market forces you to evaluate and review your program, market conditions do not change your program's inherent value to your credit union.

Remarkably, there are still some common misperceptions among credit unions regarding credit card programs.

Myth #1: Credit Unions Can't Compete with the "Big Guys"

It's clear that in times of economic stress and hardship, people revert to their local economies. Unlike the mega players, credit unions know members personally and share life experiences. With a tradition of risk-averse practices, your credit union is a safe financial haven for your local community. See cover story on page 1.

Myth #2: Successful Credit Card Programs are Complex

Your close member relationships position you perfectly to implement the three keys of any successful card program:

- A sound program structure, based on a good account acquisition strategy
- A solid risk management and collections strategy
- A comprehensive competitive strategy

Success in this area requires thinking through what you want your program to do. Your strategy will differ depending upon whether you're focusing on a certain market segment or your general membership. For help creating a successful card program strategy, contact a CSCU Portfolio Consultant at 1-888-930-CSCU.

Your credit union and employees will be in the best position to communicate with members if your employees use your card. Employees can give feedback about your program and its rewards.

Myth #3: Gains are Offset by Risks

Your risk management strategies begin with a sound member acquisition strategy. You should also leverage the fact that your employees may know your members and their travel and spending habits.

Another part of your risk management strategy, should be constantly educating your members about the details of your program, how best to use it, and why your risk management activities, while they might cause a little inconvenience, are always in your members' best interest. The national and regional players cannot top local credit unions at that kind of communication.

Simple as it may seem, a sound competitive strategy is to promote your program. Too many credit unions believe that an adequate promotion campaign involves simply placing a stack of credit card applications in the lobby. Be sure to take advantage of CSCU free marketing materials.

Consumers are using their credit cards in today's down economy and their usage will increase right alongside consumer discretionary spending. Take the right steps now to strengthen and enhance your program.