

Case Study:

San Mateo Credit Union
Drives More Profitable
Behaviors – and 408% ROI

~SAN MATEO~
CREDIT UNION



CASE STUDY

Founded in 1952, San Mateo Credit Union has grown over the years to keep pace with the evolving financial needs of its member-owners. Each year has marked a growth in assets and member-owners—a testament to SMCU’s financial health and vibrance. Because credit unions are owned by their members, everything at SMCU is designed with member-owners in mind, from the quality of its services to cost-efficient products to personalized attention. SMCU returns value to everyone who participates in its financial cooperative, passing on profits in the form of lower loan rates, higher dividends on savings, the lowest possible fees, and many free and practical services. Its philosophy is simple: “Not for profit, not for charity, but for service. People helping people.”

OVERVIEW: SAN MATEO CREDIT UNION

COMPANY

- Founded in 1952
- More than \$600 million in assets
- Over 68,000 members

CHALLENGES

- To increase card portfolio profitability
- To increase card usage and spend
- To deliver world-class marketing and compelling offers — with limited internal resources and budget

SOLUTION

- Custom marketing campaign using CO-OP Total Revelation® and Consultation Services, powered by Saylent Technologies

RESULTS

- Campaign ROI of 408% over 12 months
- Increased POS signature spend 83%
- Grew signature interchange revenue 64%
- Increased average spend per card 156%
- Sustained card usage 90 days post-campaign of 93%
- Actual net interchange revenue gain of \$53,140 in first six months of campaign

The Challenge

When Stephen Tabler came to San Mateo Credit Union in early 2008 as Vice President of Marketing, he had several years of experience under his belt doing sophisticated marketing campaigns at Visa USA for top-tier issuers such as U.S. Bank and Wells Fargo.

At Visa, Tabler had worked with issuers to promote debit card programs, providing expertise on marketing and incentive programs leveraging Visa’s data and research services. Tabler had the analytics tools to get very granular data for banking partners. One large bank segmented its checking account customers by the number of checks written, what merchants they favored, and demographic information such as age and residence, and developed different creative materials for each group. The same offer was used with different creative approaches — a champion package and a challenger package. It was a process of continuous refinement, always trying new creative and new offers, until a challenger package performed well enough to become the new champion package.

The most advanced opportunity segmentation, sophisticated analytic techniques, targeted incentive programs, high-end offers, polished marketing collateral — these were all in a day’s work for Tabler. The experience was different, however, when Tabler took the marketing reins at San Mateo Credit Union. With limited time and resources, he wore multiple marketing hats, including community affairs, branding, promotions, and more.

“We benefitted from a surge in debit card usage and interchange revenue among the direct mail audience, even by those who did not qualify for the reward. Many of our members simply got into the habit of pulling their debit cards from their wallets more often. Essentially we ‘trained’ our members to adopt a more profitable behavior, which continued long after the campaign.”

—Stephen Tabler, San Mateo Credit Union

“At SMCU, I could not effectively apply my market segmentation experience from Visa. With just 30,000 cardholders at the time, we couldn’t produce campaigns of the same magnitude and complexity,” Tabler recalled.

The Solution

However, a wealth of resources and expertise were available to San Mateo Credit Union as a participant in the CO-OP Financial Services network. With more than 3,000 credit union clients, CO-OP Financial Services offers technology, tools, counsel, and leadership to help credit unions like SMCU prosper.

In 2008, CO-OP had partnered with Saylent Technologies to launch a new “payment intelligence” software solution that combined sophisticated business intelligence, analytics, advanced segmentation techniques, and even turnkey marketing campaigns. Called CO-OP Total Revelation, powered by Saylent, the solution delivers world-class marketing insights and analytics to even the smallest credit unions in the CO-OP family. And because it is already integrated with CO-OP’s systems, Total Revelation removes the implementation headaches for credit unions like SMCU.

With Total Revelation, credit unions can gain valuable insights on every cardholder and every transaction. Powerful segmentation capability enables grouping members by any number of criteria — number of card transactions, demographics, location, total spend — and using that insight for highly targeted and cost-effective marketing and reward programs.

With his debit card marketing experience, Tabler quickly recognized the value of Total Revelation when he first learned of it in 2009. That’s when CO-OP introduced Tabler to Saylent’s consulting

experts, who partner with CO-OP credit union clients nationwide to help them make the most of Total Revelation. Saylent was able to function as an extension of Tabler’s marketing staff to deliver soup-to-nuts marketing advisory services and turnkey marketing and rewards programs — using San Mateo’s own data.

Results & Benefits

San Mateo Credit Union signed up for the first campaign, a “Nine and Dine” promotion, to start in March 2010. Saylent’s team used Total Revelation to identify and segment SMCU cardholders, focusing on those who had used their debit cards five times per month, and then recommended the most cost-effective incentive campaign. The goal was to motivate cardholders to increase the number of signature debit transactions to nine a month, for which the member would receive a dining certificate.

Saylent’s team identified 10,000 SMCU cardholders who qualified for the offer and mailed 5,000 direct mailers for the first phase of the campaign. Saylent handled every aspect of the program, from defining the target group and the offer to designing and delivering the direct mail pieces, implementing the mailing, and fulfilling the rewards.

Initially 714 of the 5,000 qualified for the offer by meeting the nine-transaction threshold, but importantly, there were hundreds of others who increased their debit card usage to six, seven or eight times per month. Only those members who qualified received the offer, making the campaign very cost-effective, with benefits extending well after the campaign:

- Pre-campaign, the average number of signature debit transactions per card was 2.62

- Sixty days post-campaign, the average was 5.62
- Ninety days post-campaign, the average number was 5.7
- Average signature debit spend per card more than doubled in the same time frames

The break-even point for the campaign came just three months after the launch of the program, when the additional revenue on signature transactions surpassed the cost of the marketing program. After that point, all of the increased card usage was a pure revenue gain. In the first 12 months after the promotion, SMCU realized a 170% return on investment (ROI).

SMCU's early success with the "Nine and Dine" campaign spurred continued participation in debit card incentive programs in 2011 and 2012 using CO-OP Total Revelation. For example, the following "Hit the Open Road" campaign focused on increasing signature debit spend.

"Hit the Open Road" Campaign

The target group consisted of members performing less than \$250 in signature transactions during the baseline month. By increasing that to \$500 or more per month, members received \$20 in gas vouchers; with transactions totaling \$900 or more per month, they received \$40 in gas vouchers.

THE SIX-MONTH RESULTS

- 12-month program ROI of 408%
- 83% growth in POS signature spend
- 64% growth in POS signature interchange revenue
- Growth of 156% in signature debit spend per card
- Actual net interchange revenue gain of \$53,140 during the first six months of the campaign; projected 12-month net interchange gain of \$106,280



Great Value

For Stephen Tabler, one of the greatest values from this experience has been access to the experience and expertise of Saylent's consulting team.

"We know how to analyze data. We just don't have time. Saylent not only crunches the data for us, but they also have the knowledge and experience to define the right offer and the right target group," Tabler observed.

"They also offer economies of scale. By doing multiple campaigns for CO-OP credit unions, they can get bulk rates and implement the campaigns more cost-effectively than I can. I could have my own designers do the creative work, but they take a big burden off my staff," he added.

On a personal level, Tabler enjoyed another benefit that is rare in the marketing world: The ability to report real metrics and results to senior management. "Saylent gives me clear ROI reports, charts and metrics that are suitable for presenting to senior management and the board. I can show we targeted a discrete group of members and achieved a desired result.

"This final step is often a real challenge," Tabler continued, "but is necessary to really know what impact you're having. And Saylent makes it easy."

ABOUT CO-OP TOTAL REVELATION

Powered by Saylent Technologies, Total Revelation is software that helps credit unions improve the profitability of debit and ATM portfolios by uncovering hidden opportunities in their own data. CO-OP Total Revelation is the market-leading weapon that arms credit unions with the tools to maximize their debit portfolio by turning debit transaction and terminal data into actionable, profitability-boosting programs. Starting with executive-level summary reports and full transaction data analytical tools, through outsourced consultation expertise, CO-OP Total Revelation provides a complete solution to increase profitability, reduce risk, and fight fraud.

TO FIND OUT MORE ABOUT HOW CO-OP TOTAL REVELATION CAN DRIVE MORE PROFITABLE MEMBER BEHAVIOR, PLEASE VISIT CO-OPFS.ORG/PREFERRED