

# Credit Connect

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## The Debit Card Dilemma How to Hook GEN Y

According to U.S. Census Bureau estimates, consumers age 18 to 29 represent a group of more than 49 million people. This age group is particularly valuable because many young adults have not yet chosen a primary financial institution (PFI). If credit unions can entice young people to open checking accounts, they are well on their way to establishing themselves as the primary financial institution. For many young people, a debit card program is one of the most important components of a checking account. So, this scenario leads credit unions to the million-dollar question: How do you hook Generation Y?

Those credit unions that have experienced success with this market segment seem to have learned an important lesson: one size does not fit all. A credit union's regular checking account and debit card program cannot be expected to attract young members. Credit unions are most successful when they design and market a program specifically for young people. "We've found that the best way to reach young people is to offer a product that appeals to them," says Cynthia McAree, vice president of marketing for Apple Federal Credit Union in Fairfax, Virginia. When they began developing their student program, they sought student input. According to McAree, Apple FCU's student check card has a distinctive look and features.

One of the most attractive components of their student checking, the Apple eXtras Visa® Check Card features an incentive program. Students automatically receive the check card when they open a checking account. They earn points for every dollar they spend with their check card for point-of-sale credit transactions. The points can be cashed in for gift cards and other rewards through Visa's Extras program. McAree says that the added value of the incentive program is a key feature for their marketing efforts. They stress the idea that "if you are

going to spend this money anyway, you may as well get something back."

All student checking accounts receive free online banking service, bill payment service and eStatements, allowing students to track their check card activity online. Parents must be on the account with any student under the age of 18.

The check card program Apple FCU now offers is the second version of the product for the credit union. Originally, they tried their own "recharge-a-card" program that worked like an e-allowance. Parents could load money onto their child's card. Some credit unions utilize this type of reloadable card program because of the security and parental control this option offers. Programs such as the Visa® Buxx Card allow parents to load the card online or over the phone. Teens can learn responsibility and independence by using these prepaid cards like a debit card, and parents are still able to monitor spending. According to



McAree, in their case the e-allowance program was too complicated for the credit union and too limiting for parents and students. While she believes the first program might have eventually flourished with marketing and educational efforts, she feels their current program helps to foster independence and money management skills.

While a student debit card is an important tool to reach young members, it must be part of a bigger picture to make a difference. Apple FCU's eXtras Visa Check Card has been an extremely successful product; however, it does not exist in a vacuum. It is a single component, albeit an important one, of a complete and well-developed effort to reach young members. The credit union offers an eXtras Student Savings account which allows members up to 23 years old to earn 5% on balances up to \$1,500. The credit union is preparing to launch an eXtras credit card that will be linked to an educational program. Students will have the opportunity to complete a 2-hour credit management course and take a test. When they pass the test, they will have the option to receive a student Visa with a \$500 limit (parents must co-sign for students under 18 years of age). Other educational courses, on topics such as how to read a credit report and how to read the fine print in a credit card offer, are provided to young people.

Another component of Apple FCU's GEN Y efforts that has set this credit union apart is their Student-Run Credit Union Program. Launched in 1995, the program opens fully-functioning Apple FCU branches inside local high schools. There are now 34 Student-Run branches. Students learn money management skills and how to conduct their own transactions. Those who run the branches learn the process of opening new accounts and helping with transactions. Many students have gone on to work at the credit union after graduating. "I think young people really do thirst for knowledge of money matters," says McAree.

For the University of Wisconsin Credit Union, marketing bundled services to students has been a successful strategy. Over 4,500 new students joined this credit union between June 15 and September 15, 2006. Of these new members, 90% have checking accounts, 98% have debit cards and 49% have Student Visa credit cards. Chad LaFlash, director of research and development for the credit union, calls this bundling "Relationship Packaging." Their Campus Package includes checking, savings, eStatements, debit card, overdraft line of credit and a student Visa credit card. According to LaFlash, offering these key services as part of a package is not only an effective marketing tool, but also simplifies sign-ups and results in increased cross-selling opportunities and higher account penetration.

LaFlash says that one of the keys to their success has been continuous marketing. Since 100% of college students are online, the University of Wisconsin Credit Union has created a Web page which is dedicated entirely to student services. They also focus on creating an image of high youth appeal in all of their marketing efforts. According to LaFlash, the credit union seeks to deliver the message that "students choose us."

While the task of developing a program that will successfully target GEN Y may seem daunting or completely impossible to some credit unions, it doesn't have to be. Credit unions that are not in a position to create completely new products may still be able to tailor existing products to meet the needs of young members. Setting lower limits on existing products may allow credit unions to offer a package of services to students or younger members. In-input from students and parents can help credit unions determine what products and what level of parental involvement will provide the most draw. Whether a credit union opts for a reloadable card or a traditional check card, marketing it directly to this age group is the only way to capture the market. Would Lawrence Welk music draw a crowd of teenagers? Not likely. Neither will an old product or an outdated message attract young members. Give them something they want. Learn to speak their language. The efforts just may produce a new generation of life-long credit union members.

