Helping credit unions cross-sell

Introducing:

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Experian

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Experian

"People want to do business with you **because you help them get what THEY want…**

They don't want to do business with you **to help you get what YOU want."**

— Don Crowther

Cross-selling

It's about getting your members what they want.

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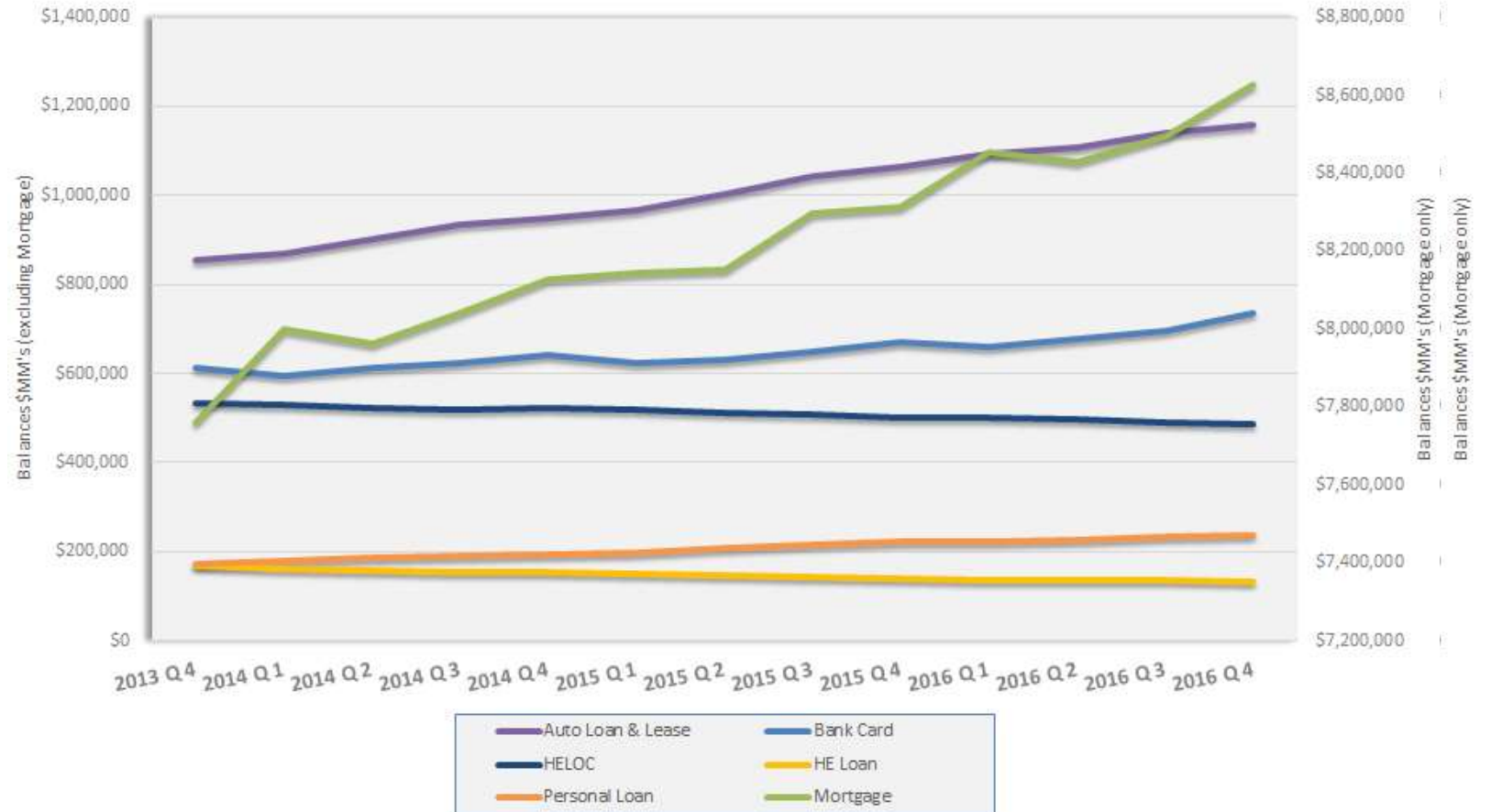
But first…

A look at the
lending environment

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Loans are growing, across most products

YOY growth – 4Q2015 to 4Q2016	
Auto loan and lease	9%
Bank card	10%
Mortgage	4%
HELOC	-3%
HE loan	-5%
Personal loan	7%

Source: Experian IntelliView[SM]. Combined U.S. existing account balances.
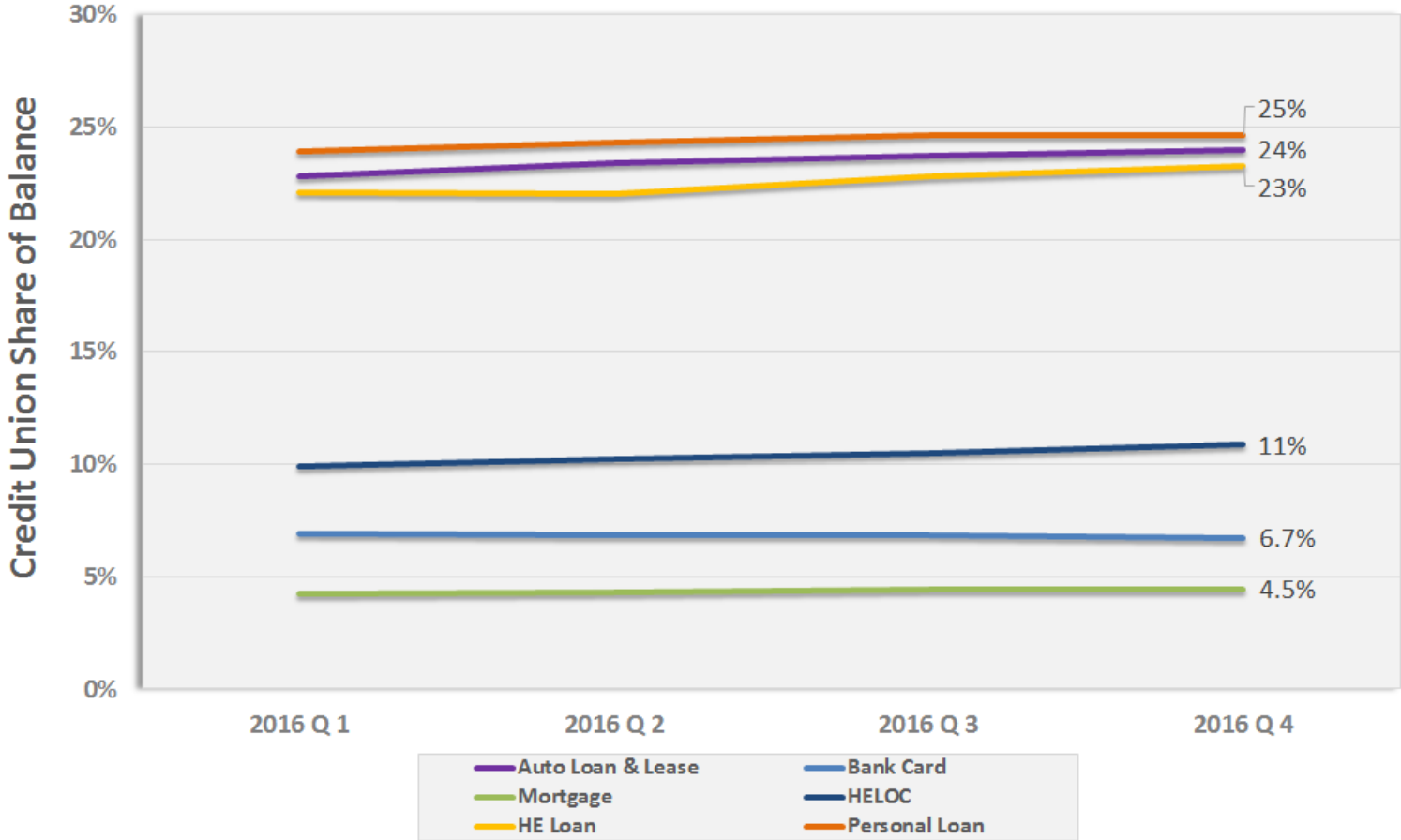
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The loss environment is stable
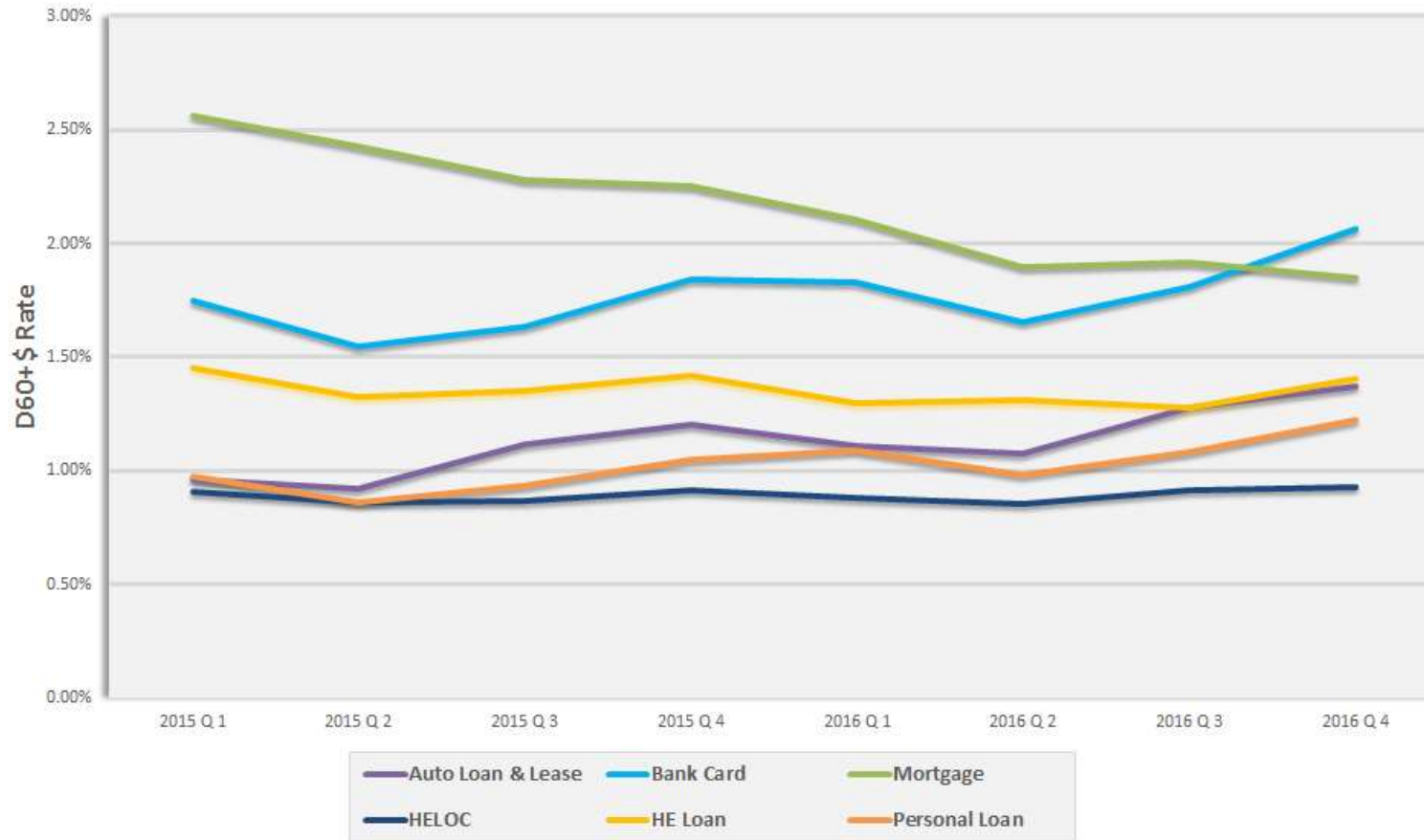
- Mortgage, HELOC and HE loan delinquency rates flat to down year-over-year

- Bankcard, auto and personal loans show slight upward YOY trend, reflecting market expansion – yet still at low levels

Source: Experian IntelliView^SM. Existing account D60+ $-rates, combined U.S., all banks, captive autos, Credit Unions, Finance, Retail.

Credit unions have maintained a stable share of loans…
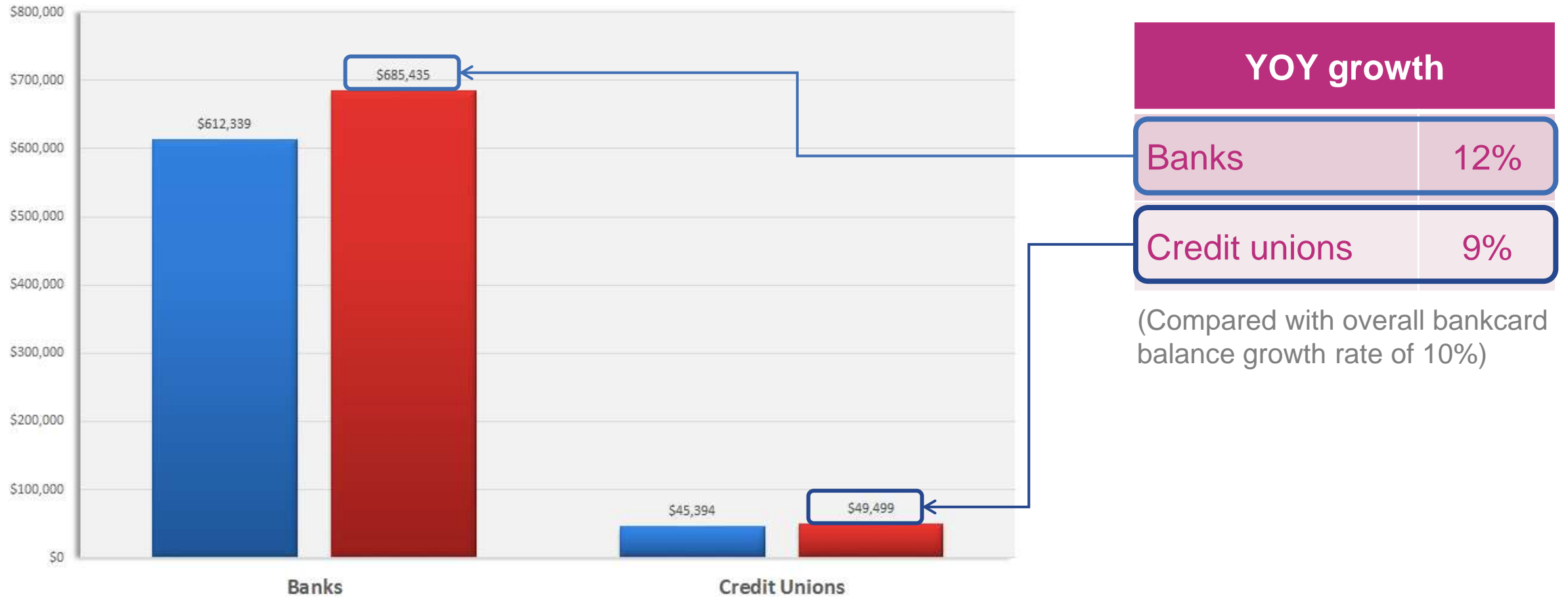
However…

Year-over-year bankcard share for credit unions has **declined from 6.8% to 6.7%**

Source: Experian IntelliView[SM]. Combined U.S., Credit Union balances divided by combined balances across all banks, captive autos, Credit Unions, Finance, Retail.

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…but, national banks are growing a bit more aggressively

YOY growth	
Banks	12%
Credit unions	9%

(Compared with overall bankcard balance growth rate of 10%)

Source: Experian IntelliView[SM]. Combined U.S. existing credit card balances ($M's), 4Q15 vs. 4Q16.

Powering you to compete with banks and financial technology companies

Data indicates member need
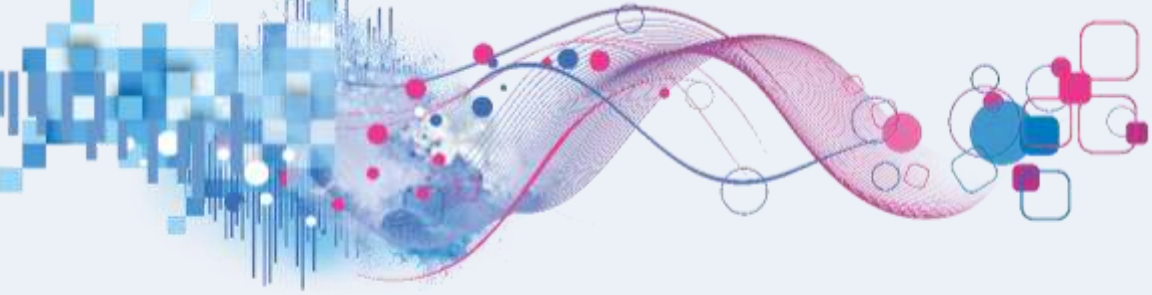
Analytics is a differentiator

Prioritize your efforts

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How to begin?
Turn on the light (through data)…
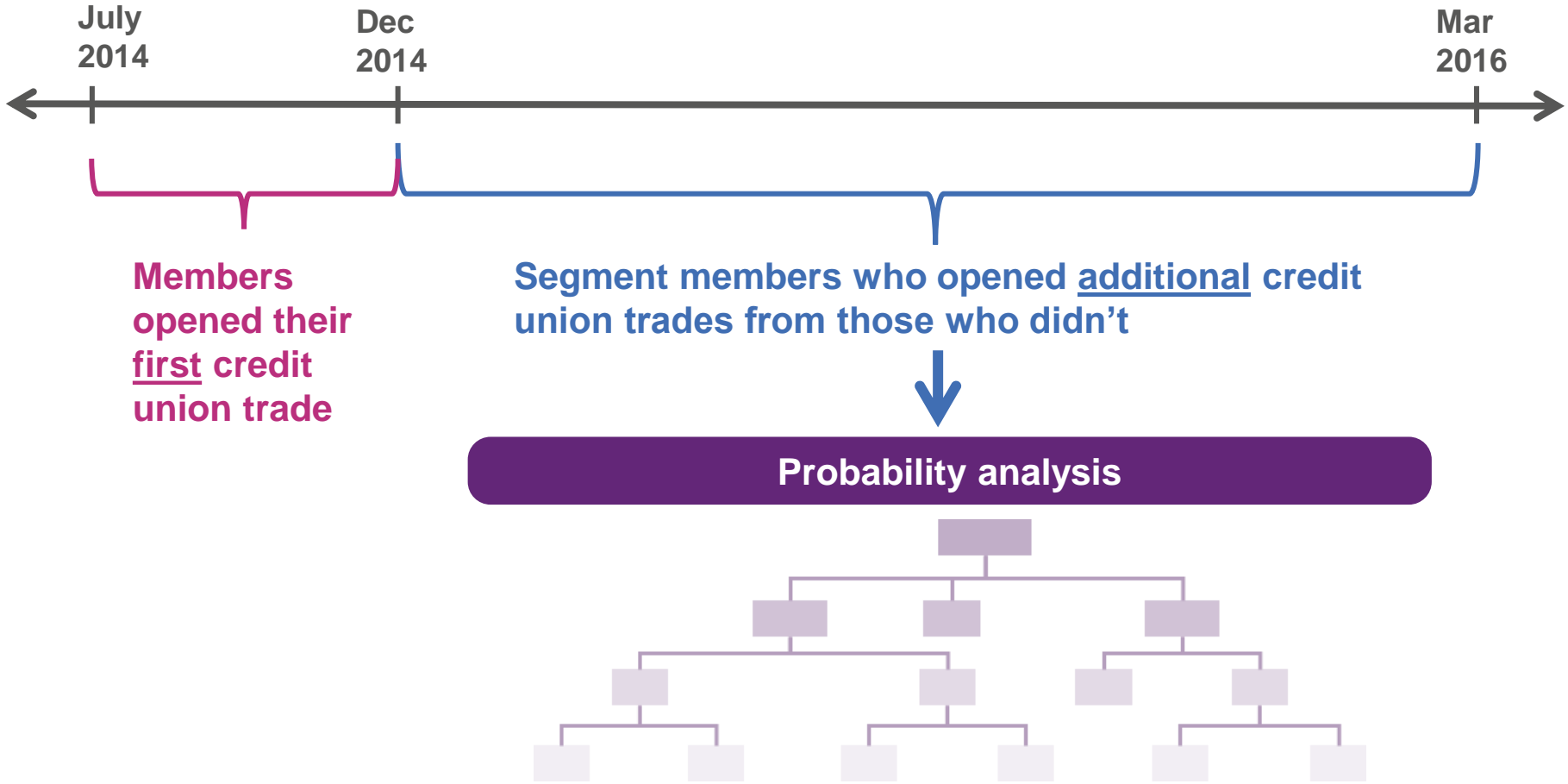
… and see the pattern emerge (through analytics)!

Determine your member's attitude toward your credit union

How to determine the member's credit objectives

- Credit unions need better tools to target new relationships

- Members may be clustered based on 'stickiness' to the their credit union

- Cluster targeting can **increase new account open rate over 200%+**

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Relationship clusters based on new credit union member

July 2014 — Dec 2014 — Mar 2016

Members opened their <u>first</u> credit union trade

Segment members who opened <u>additional</u> credit union trades from those who didn't

Probability analysis

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What type of relationship does each member want to have with their credit union?

Two examples of clusters are shown below…

I love my credit union

- Consumers with multiple credit union trades
- Include in marketing campaigns

I love my bank

- Consumers with multiple bank trades
- Filter in marketing campaigns

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Comparison of "I love my credit union" vs. "I love my bank"

	I love my bank	I love my credit union	
% with auto	73%	93%	Leveraging auto financing more often
% with open auto	49%	63%	
% with home equity	34%	25%	
% with open home equity	21%	11%	
% with open mortgage	52%	52%	
% with personal installment	32%	75%	Strong users of personal installment trades

NOTE: **I love my bank** = 4+ open bank trades
       I love my credit union = 4+ credit union trades

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Next, we develop product-specific clusters

Interested in credit union home equity

Interested in credit union bankcard

Interested in credit union mortgage

Consumers in the market for specific products who would like to work with a credit union

Interested in credit union personal loan

Interested in credit union auto loan

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Incorporate these clusters into your cross-sell efforts

Filter members based on the depth and length of their current credit union relationship

Identity and target existing members AND non-members with selected characteristics

Use product specific clusters to target those most interested in a specific product type

Monitor current products to anticipate those interested in similar loan product

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Based on our analysis data, the potential lift is significant

Mortgage cluster

538% lift

Overall open rate → Cluster open rate

Personal loan cluster

309% lift

Overall open rate → Cluster open rate

Bankcard cluster

247% lift

Overall open rate → Cluster open rate

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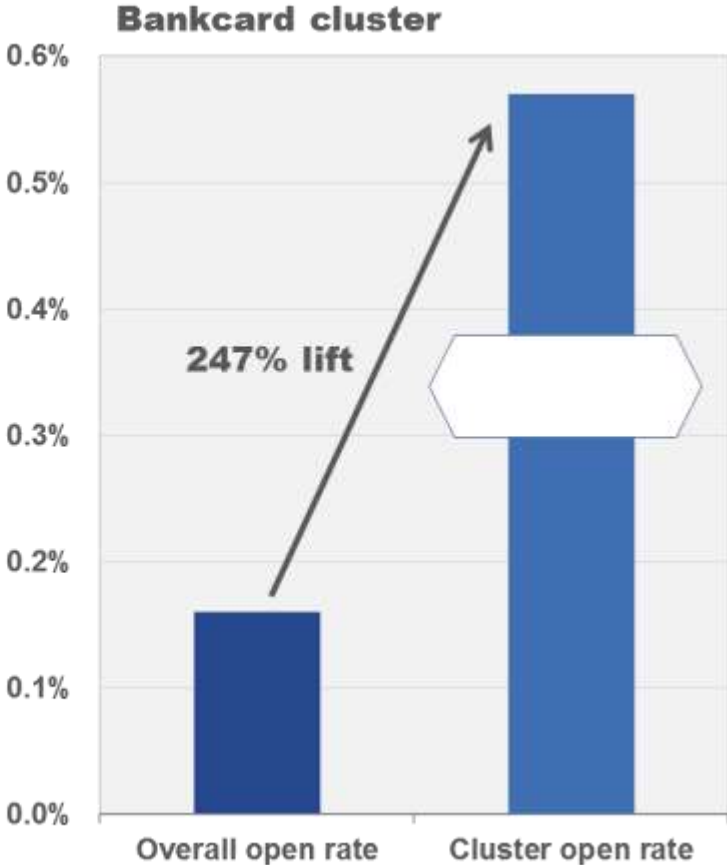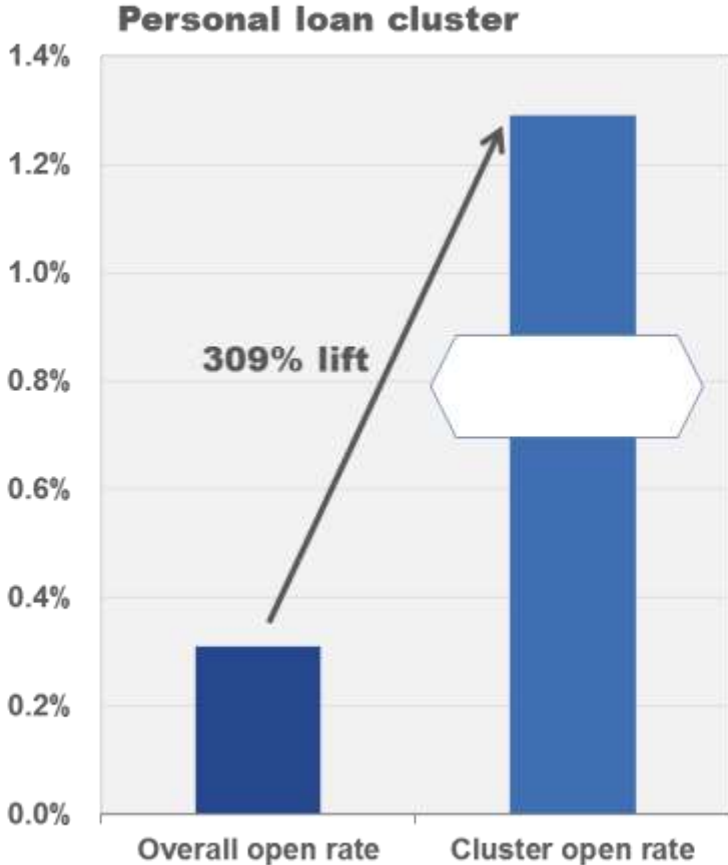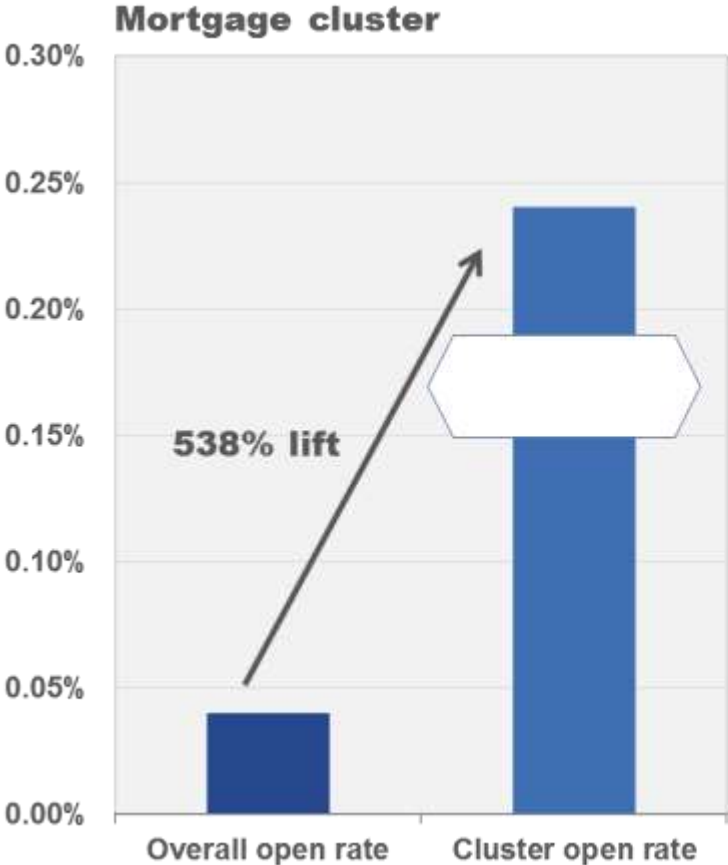
Cross-sell opportunities should be prioritized

45% have only one product category. Average credit score of 720

40% of these have credit card only
15% have auto loan only

30% have two product categories. Average credit score of 725

65% of these have credit card and overdraft
30% have auto loan and credit card

10% have three product categories. Average credit score of 740

20% of these have auto loan, credit card and overdraft.
15% have credit card, overdraft and unsecured personal loan.

5% have four or more product categories. Average credit score of 730

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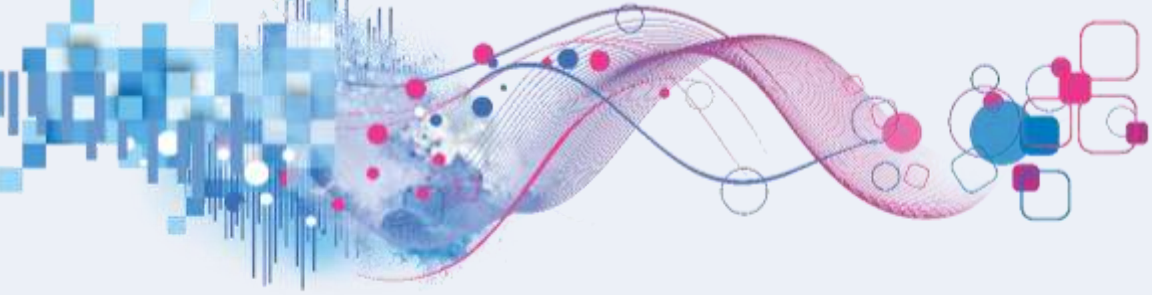
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Create segmentation to determine specific campaigns

Credit data is used to reveal micro-patterns and trends

Five historical fields for each trade line are used to create Experian's trended data

- Balance

- Credit limit

- Minimum payment due

- Account payment

- Date of payment

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Quantify 'high-level' profiles for credit card users
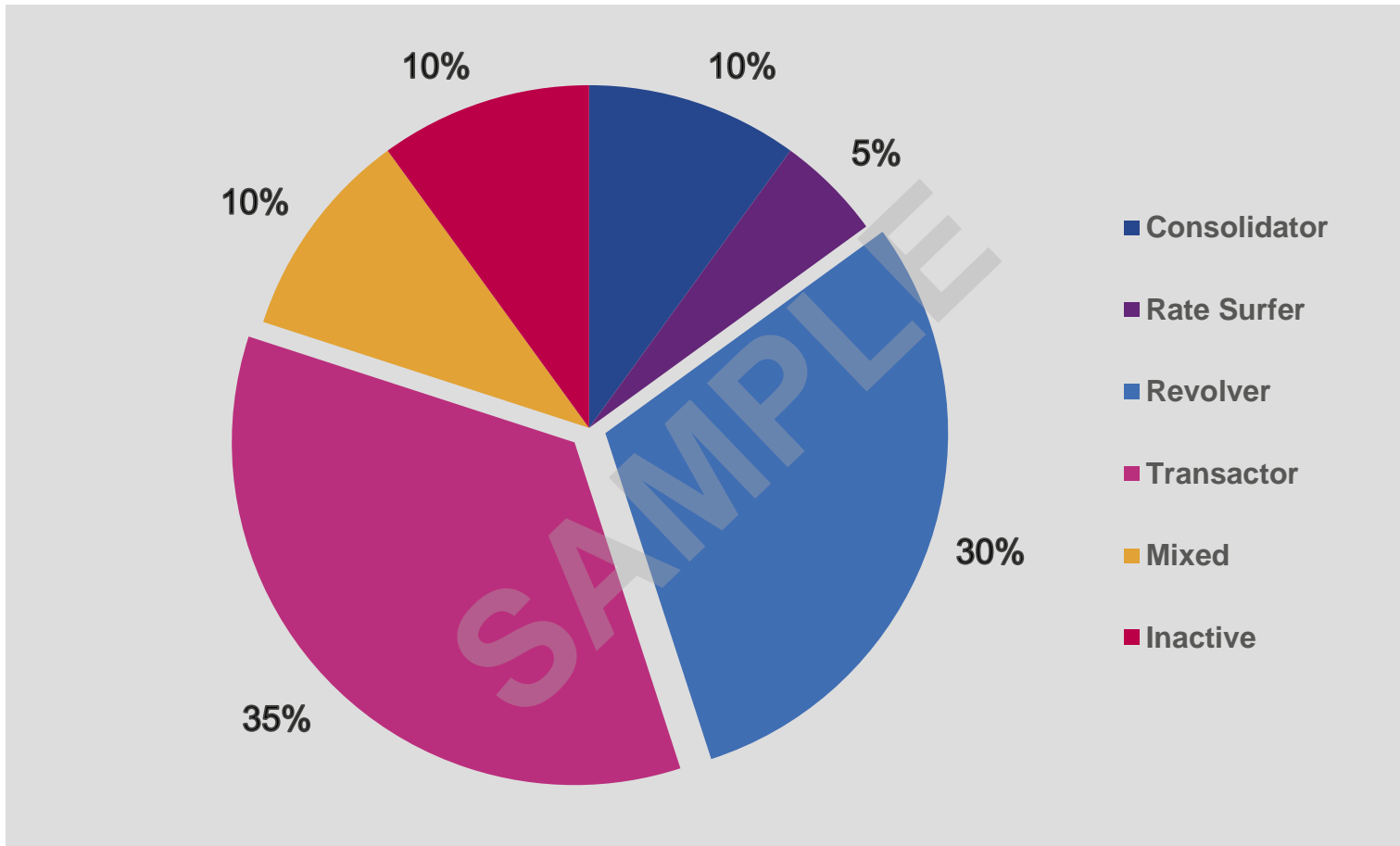
- **Consolidator:** One or more consolidation 'events' identified

- **Rate surfer:** Two or more rate surf events identified

- **Revolver:** One or more revolving trades in the last 6 or 12 months, but NO transacting trades in the last 6 or 12 months, respectively

- **Transactor:** One or more transacting trades in the last 6 or 12 months, but NO revolving trades in the last 6 or 12 months, respectively

- **Mixed:** One or more transacting trades in the last 6 or 12 months, AND one or more revolving trades in the last 6 or 12 months, respectively

- **Inactive:** One or more inactive trades (balance) in the last 6 months

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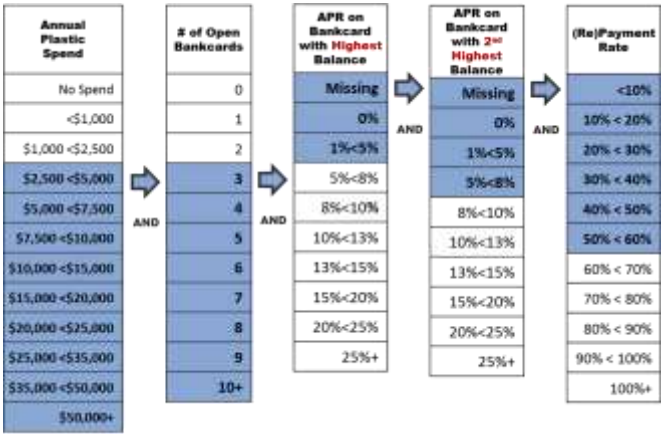
Key metrics are isolated and compared

Profile	"Off-Us" Interest Rate	Average Credit Limit	Annual Spend	Credit Score
Consolidator	7.9%	$10,000	$1,000	749
Rate surfer	6.9%	$9,574	$2,000	763
Revolver	14.9%	$7,026	$2,500	685
Transactor	5.9%	$12,000	$6,500	778
Mixed	11.9%	$8,666	$3,500	741
Inactive	8.9%	$7,450	$1,000	750

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Micro-segments of Members **without** your credit card are used for cross-sell

Defined	Actions
Non card members	
"Interest rate sensitive"	• **Low rate card offer** • **'Teaser' rate**
"Rewards seekers"	• **Rewards card offer** • **'Cash back' savings**
"Very high risk"	• **No offer, OR** • **Secured product only**
"Non card users"	• **Debt consolidation, OR** • **Cluster-based offer**

SAMPLE

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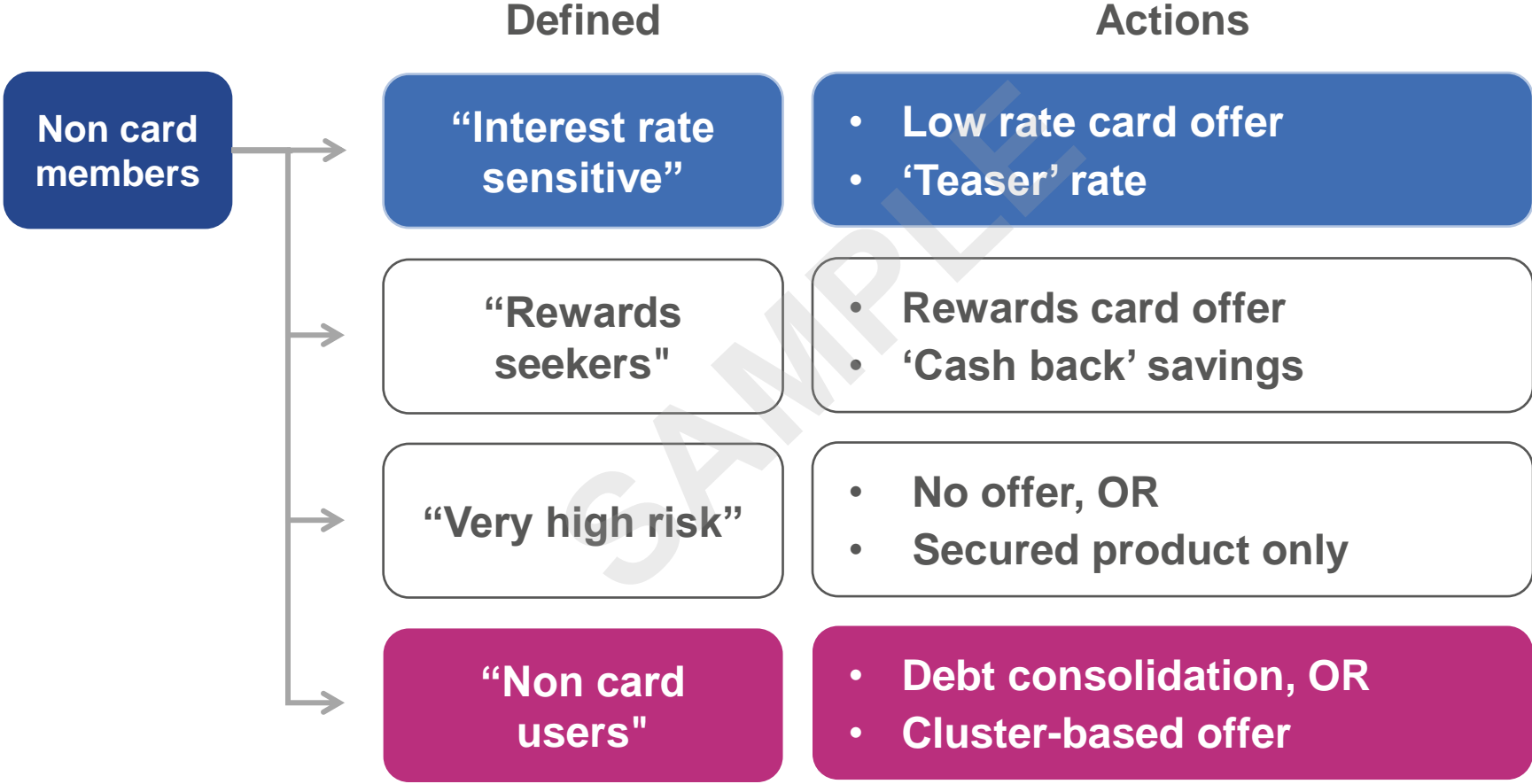
"Interest rate sensitive" micro-segment

How defined	Actions
• The member is spending on their non-client cards AND	1. Cross-sell your existing low rate credit card
• The member has multiple open credit card accounts AND	2. Create a lower APR tier
• The member has shown a willingness to use cards, but only those with a lower APR AND	3. Introduce NEW low rate product
• The member is not a transactor	

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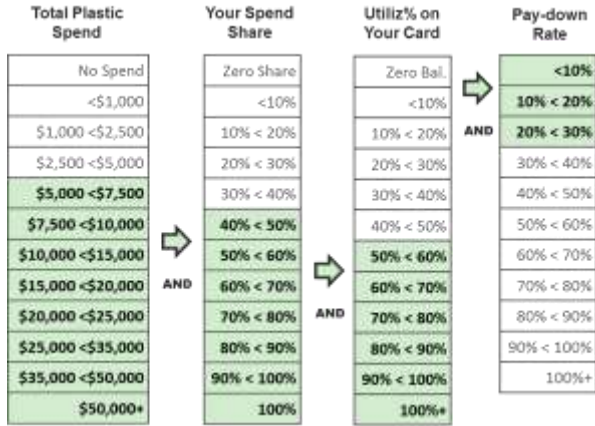
"Non-card users" micro-segment

How defined	Actions
• The member has an open credit card account **AND** • The member is not spending on their credit card(s) **AND** • The member does not have a balance on their credit card(s) **AND** • The member has not recently opened a credit card **AND** • The member is not actively seeking credit cards	1. No credit card offer 2. Debt consolidation or cluster-based offer

Micro-segments of members **with** your credit card are used for cross-sell / up-sell

Defined   **Actions**

Card holders

→ "Will spend and will revolve"
- Credit limit increase, OR
- Up-sell to high usage product

→ "Will spend, but won't revolve"
- Spend and get, OR
- Low APR on purchases

→ "Spending, but not with you"
- Balance transfer, OR
- Personal loan product

→ "Not spending on any cards"
- Use clusters to determine appropriate offer

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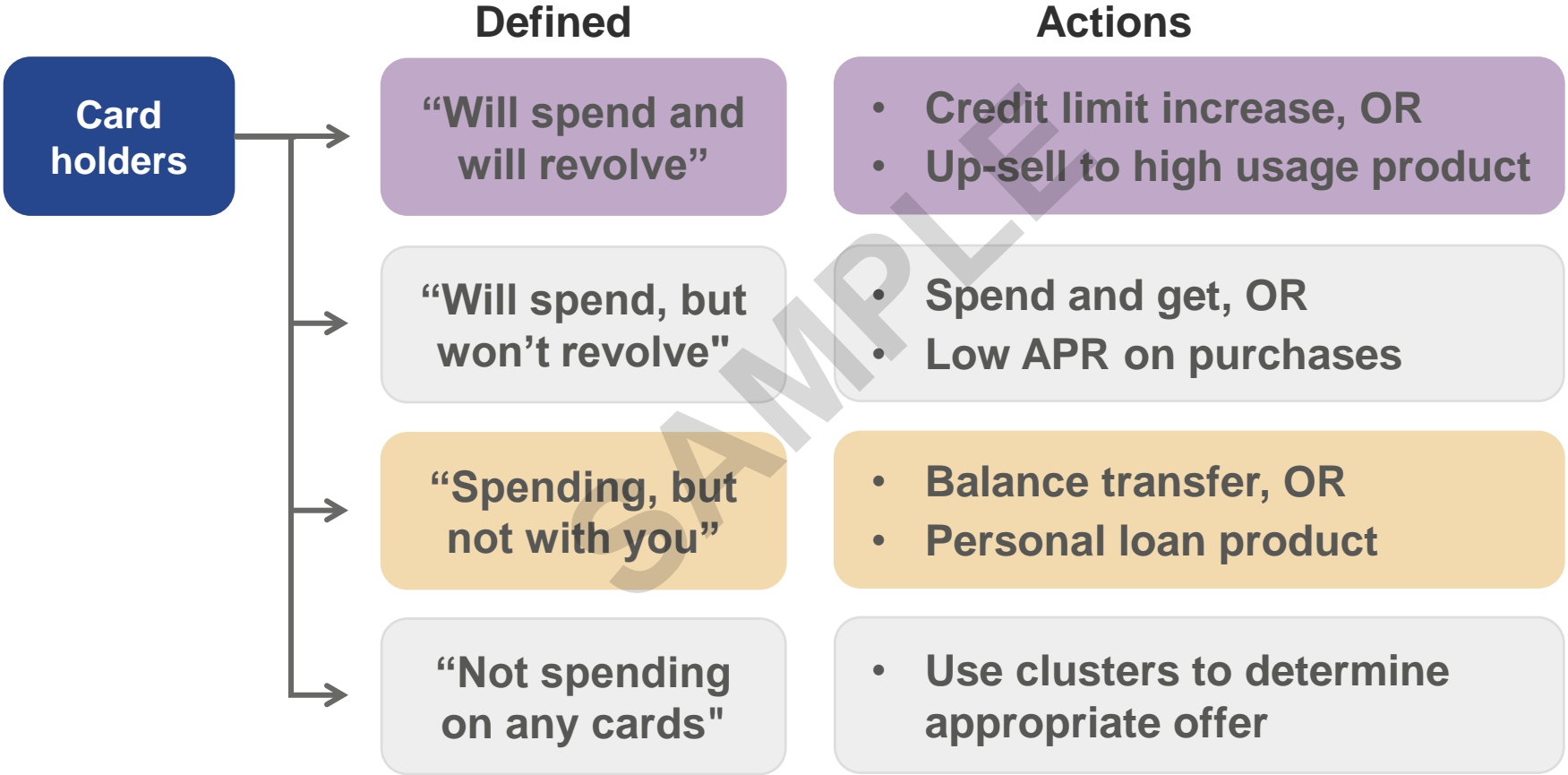
"Will spend and will revolve" micro-segment

How defined	Actions
• There is a minimum amount of total spending across all of their credit cards AND • There is a 'reasonable' share of credit card spend on their credit union's card AND • The member is presently revolving on the credit union's credit card AND • The member has shown a propensity to revolve on their non-credit union's credit card accounts	1. Credit limit increase 2. Up-sell to high usage product

Total Plastic Spend		Your Spend Share		Utiliz% on Your Card		Pay-down Rate
No Spend		Zero Share		Zero Bal.		<10%
<$1,000		<10%		<10%	AND	10% < 20%
$1,000 <$2,500		10% < 20%		10% < 20%		20% < 30%
$2,500 <$5,000		20% < 30%		20% < 30%		30% < 40%
$5,000 <$7,500		30% < 40%		30% < 40%		40% < 50%
$7,500 <$10,000		40% < 50%		40% < 50%		50% < 60%
$10,000 <$15,000		50% < 60%		50% < 60%		60% < 70%
$15,000 <$20,000	AND	60% < 70%		60% < 70%		70% < 80%
$20,000 <$25,000		70% < 80%	AND	70% < 80%		80% < 90%
$25,000 <$35,000		80% < 90%		80% < 90%		90% < 100%
$35,000 <$50,000		90% < 100%		90% < 100%		100%+
$50,000+		100%		100%+		

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Credit limit increases may be offered to this micro-segment

Data elements are used to segment **based on risk**

Combining the credit elements in the strategy **determines the action**
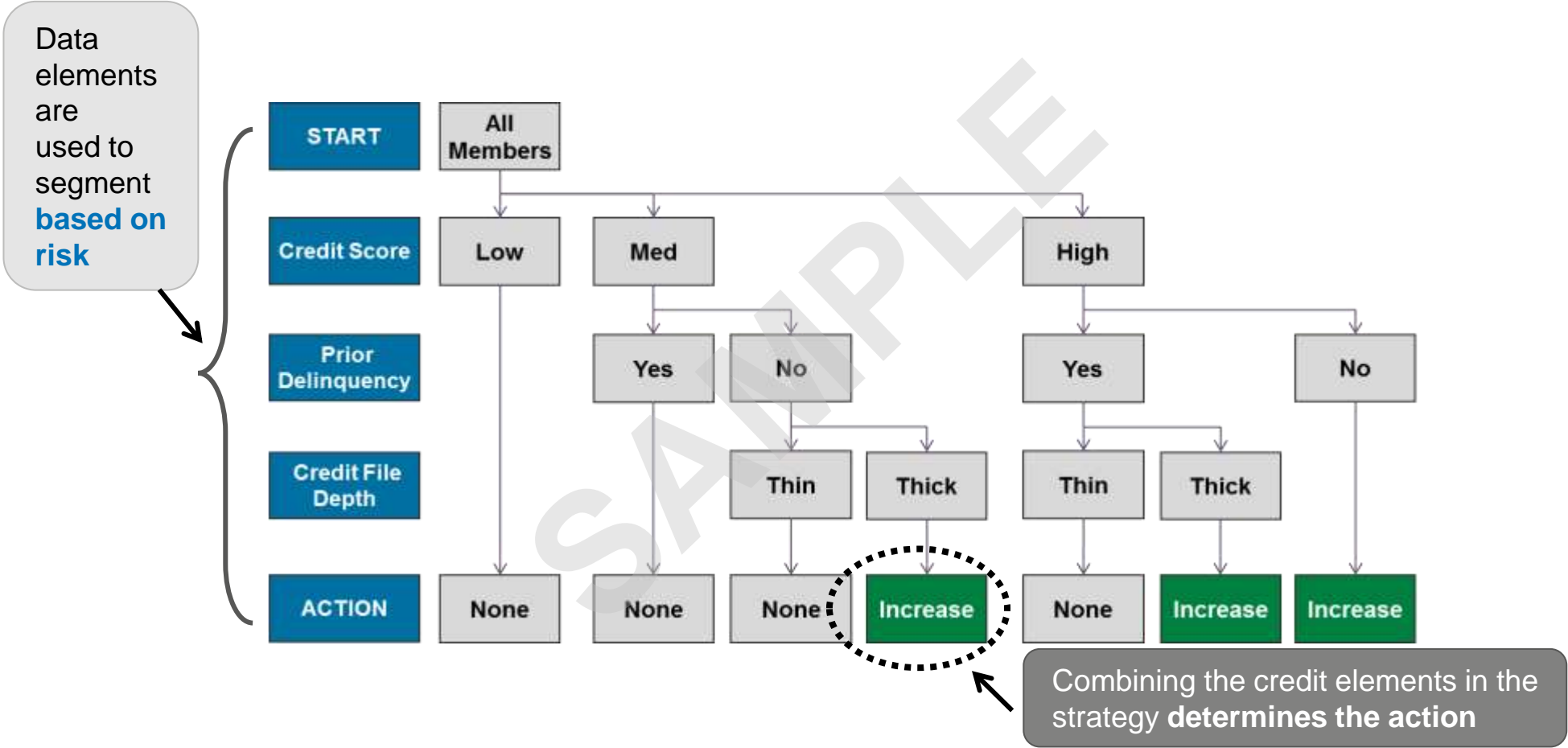
"Spending, but not with you" micro-segment

How defined	Actions
• A minimum amount of total spending on their credit cards AND • Low share of credit card spend on the client's card AND • Their "off-us" interest rate on their other credit cards is comparable to the client's credit card	1. Incentive to spend – maybe with a reward offer 2. Balance transfer with NO APR reduction

Capturing spend through targeted balance transfers

Existing credit card member base

Subset with low balance with you

<$500 and >$2,000 OTB (e.g.)

Subset likely to BT but NOT to surf

BT Index

BT Surfer Model

Subset with off-client APR's 13%-15%

EIRC Revolving APR range

"Transfer your balance to your credit card now and get double rewards points for the next 12 months"

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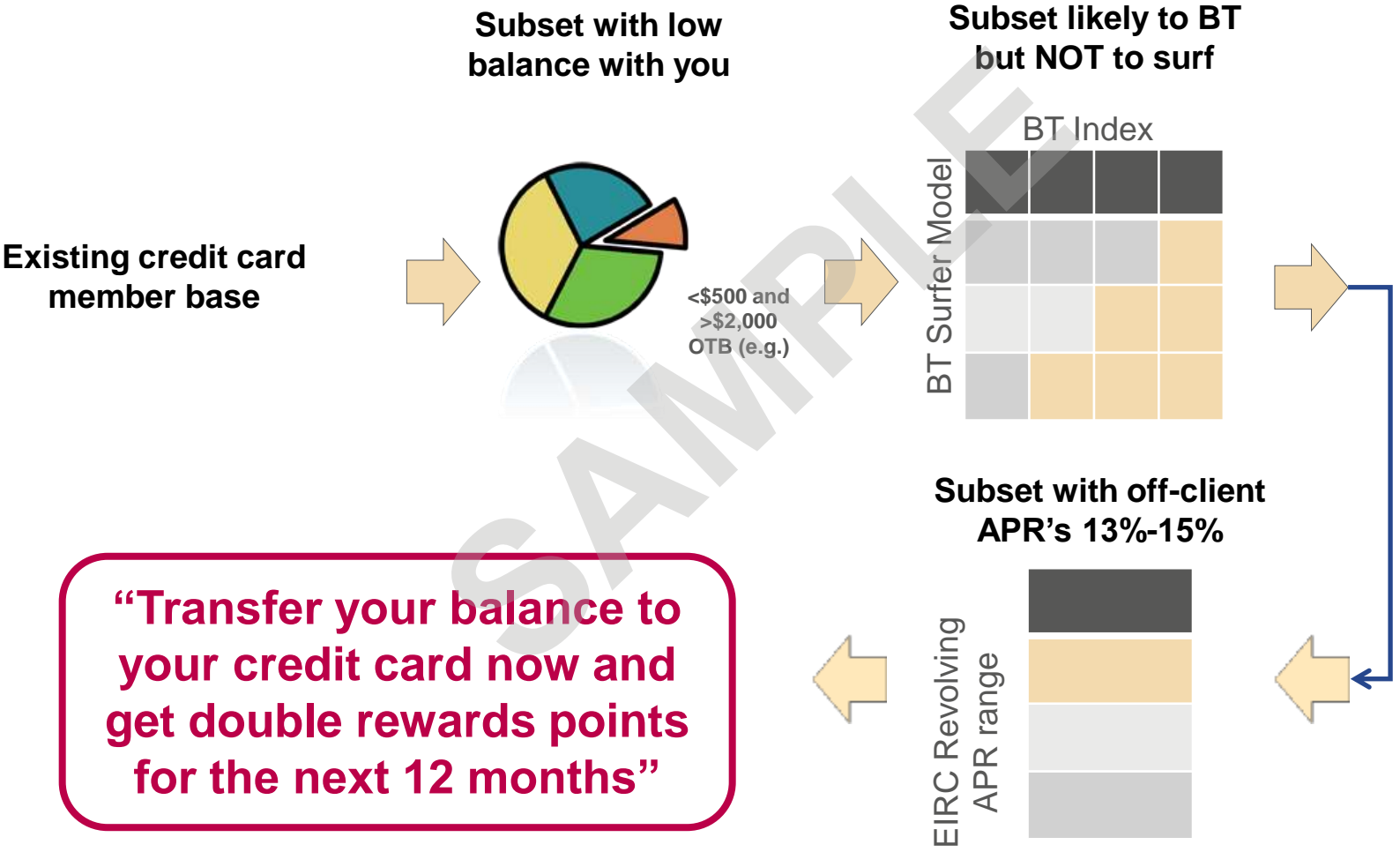
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The time is now!

- The environment is ripe for growth

- Data and analytics can uncover patterns

- Off-load some of the work to your partners at Experian!

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Questions and answers

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