

# Reloadable Cards – It's All in the Marketing

## **A CREDIT UNION'S GUIDE TO MARKETING A RELOADABLE CARD PROGRAM**

By Jeff Falk, TMG Director of Product Development



Many credit unions want a reloadable card program, but most aren't sure why. Sure, reloadable cards are a trendy and novel idea. In order for them to be successful, there needs to be a specific intended use – or better yet, intended market. This white paper is designed to help credit unions decide if a reloadable product is right for its membership and how to market the reloadable card to the right audience.

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Is your credit union considering adding reloadable cards to your membership services? If so, it's important to develop a strategy behind the development and implementation of a program. When priced correctly and marketed properly, a reloadable card can not only be profitable; it can attract entirely new groups to your membership, creating growth and diversification.

Marketing is the largest determiner of a credit union's success when it comes to reloadable card programs. Credit union decision makers pursuing the addition of reloadable cards need to ask two questions: 1) Does our credit union have an intended target market for the program? And 2) Do we know what our target groups want and how to communicate with them?

Three markets – teen, travel and underserved – are composed of ideal reloadable cardholders. Each market is unique, yet all have one thing in common – the potential to bring quality members to growth-oriented credit unions. Attracting these emerging groups may be just what your credit union needs to achieve next-level goals.

## **MEMBER BENEFITS**

A reloadable card allows cardholders to load a set amount of money onto a plastic card that looks and feels like a traditional debit or credit card. Cardholders load the cards themselves at the branch or online; the card can also accept direct deposit. In addition, reload networks made up of various retailers are sprouting up across the country. These networks allow reloadable cardholders to bring cash to retailers for loading directly onto cards.

Cardholders can use their credit union-branded reloadable card for purchases anywhere VISA® is accepted. The cards also function as ATM cards, giving cardholders access to cash.

Reloadable cards give credit union members access to the convenience of using plastics for payments without the burden of interest or the threat of overdraft charges. The cards allow members to put their money in a safe place for a nominal fee, creating an economic alternative to outside vendors that charge astronomical fees, such as check cashers and payday lenders.

## **CREDIT UNION BENEFITS**

The revenue-generating capabilities of a reloadable card program are based largely on a flexible fee schedule. It can be difficult for a credit union to market a product with a fee



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model because it has built a reputation on charging few to no fees. What's important to consider is that members are asking for this product, and they are willing to pay a premium price for it – largely because they understand the safety, convenience and money-savings a reloadable card can offer their families. When you consider the high costs charged by check cashers or payday lenders, the reloadable card fees are nominal.

While a new source of revenue is a key benefit of a reloadable card program, it isn't necessarily the most important. Credit unions considering the addition of a reloadable card to its plastics portfolio would do well to look into the larger benefit – exciting current members and attracting new ones. By giving your membership an enhanced experience with your products, you inspire loyalty, lifelong membership and that all-important word-of-mouth.

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Not only does a reloadable product help a credit union attract new members, it attracts entirely new market segments. In particular, the teen, travel and underserved markets are especially drawn to reloadable cards.

## MARKETS

### Teens (and Their Parents)

According to the U.S. Census, there are more than 17 million teens between the ages of 16 and 19. Nearly half of them are in the workforce, funding \$200 billion a year in discretionary spending.

For these Americans, financial responsibility is an important lesson – one generally bestowed by parents. But with the increasing availability of credit cards to this market, it's becoming more difficult for parents to stay on top of teen and young adult spending.

Credit cards have become such a problem among teenagers that debt is beginning to affect their lives as young adults. In 2004, the average credit card debt owed by college students was about \$2,700, with close to a quarter of students owing more than \$3,000. About 10 percent owed more than \$7,000.<sup>1</sup> Often times, parents are completely unaware of their child's debt.

Teens and young adults want a credit card because it makes them feel independent. Parents like them because they believe cards are safer than carrying cash and can teach responsibility (when used correctly). Convenience is also a factor, as more retailers – including online sellers – are accepting credit card transactions.



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Often, parents will issue their children debit cards to avoid the risk of debt. This gives the child a convenient way to make purchases, but doesn't protect the teen from overspending. Most debit cards pay the charge even when there is no money to cover it. The result is an overdraft fee that can cost more than the purchase itself.

Reloadable cards offer the perfect solution for teens and parents. Because the teen can't spend more money than he or she has earned, that young person learns responsibility. More importantly, this limits the accrual of credit card debt and outlandish interest charges that can spoil a young person's fresh start in the adult world.

Parents and grandparents, aunts and uncles and others can load money onto a reloadable card. Automatic transfers can also be set up to make allowance payments, and direct deposit can be set up to send funds directly to the reloadable card. Parents and teens can monitor spending online to ensure the best choices are being made.

If a high school student is educated on the right way to use plastic, he or she will be much less vulnerable to the credit card marketers who set themselves up at college orientation, promising free T-shirts and other perks to unsuspecting freshmen.

*For information on marketing to teens, see Appendix A.*

### Travelers

Even with the cost of transportation rising, Americans continue to travel for both business and pleasure. Of the millions of people who travel each year, some 30 million do so overseas<sup>2</sup>, creating a large population of travelers anxious to protect themselves in foreign countries.

Vacationing with a reloadable card offers travelers several advantages:

- SECURITY •
- BUDGETING EASE •
- CONVENIENCE •

Americans spend an average of \$1,055 on their longest leisure trips<sup>3</sup>, and that money can be vulnerable if carried in cash or accessed via debit.

Vacationing with a reloadable card offers travelers several advantages, the first of which is security. Having an ATM or debit card stolen exposes a cardholder's entire balance to the thief. A stolen reloadable, on the other hand, only gives the thief access to the card's balance.

Keeping on budget is another advantage reloadable cards offer travelers. Vacationers often save for months – sometimes years – to fund their trips, and a reloadable card helps people spend exactly what they want.



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Reloadable cards help travelers avoid some of the downfalls of traveling with debit or credit cards. First, those cards may not work in all places, particularly in foreign locals. With a reloadable card, cardholders can use the card anywhere VISA can be used. Debit cardholders may also find that their PINs don't work overseas or that their cards are not accepted in as many restaurants or stores as they are domestically.

Most travelers will ultimately choose a combination of methods for carrying money on vacation. Credit unions that are able to offer the reloadable option will attract these savvy travelers.

*For information on marketing to travelers, see Appendix B.*

### **Underserved Market**

America's underserved market is a key demographic for reloadable cards. Members of this group desire the convenience and implied social status offered by traditional credit cards, but are often unable to qualify for them. In addition, they are zealously marketed to by check cashers and payday lenders and are eager for an alternative.

A significantly sized segment of the underserved market is the immigrant population, many of whom carry with them negative banking experiences. Because they are wary of financial institutions, credit unions struggle to gain the trust – and the investments – of this market. The reloadable card is the perfect door-opener, as it offers this group a convenient product and a glimpse into the kind of relationship they can expect from a member-centric credit union.

This is important for credit unions that desire a relationship with this demographic. Rather than turn down a person who doesn't qualify for traditional programs, credit unions are able to offer an alternate way of doing business. Building and maintaining trust is the key to a successful relationship.

*For information on marketing to the underserved, see Appendix C.*

### **FINAL THOUGHTS**

With the right mix of conscientious service, targeted education and convenient products, credit unions can attract and retain entirely new demographic groups to their membership. The general purpose reloadable card creates the perfect starting point for doing just that.



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Priced appropriately and targeted to the right groups, you can expect to see the program generate revenue and new members. What are the goals of your credit union? Are you trying to attract the emerging teen, travel or underserved markets? Keep in mind that a reloadable card program is a smart way to attract them.

If researching your audience, planning a concrete message and constructing a solid program are beyond your credit union's resources, consider working with a partner who understands the values of a member-focused organization. Companies like TMG, that have experience in working with credit unions across the country, can offer expertise in planning and execution of a reloadable card program, ensuring that your members get the best possible product and support.

### WHY TMG?

With more than 20 years experience servicing credit unions, TMG understands the specific challenges of member-facing organizations. We respect the way you have promised to do business and have designed our products specifically to fit within your overall value system.

TMG's general purpose reloadable card, **ATIRAreload**<sup>SM</sup>, offers exclusive benefits and has been designed specifically for credit union member cardholders. Below are just a few of the highlights of the **ATIRAreload** card.

#### HIGHLIGHTS OF TMG'S ATIRAreload CARD

- Credit union-branded plastic (personalized option available).
- To obtain a card, no checking or deposit account is required.
- Use at ATM and POS, almost anywhere Visa debit is accepted.
- To enroll:
  - In branch application or sign-up tables at special events.
- Accept credit/debit cards as form of payment for initial value load (if allowed by the financial institution).
- Direct-deposit enabled.
- 24x7 English and Spanish customer service.
- Program training for credit union staff available.
- Several detailed and customizable reporting options available.



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## ABOUT THE AUTHOR

**Jeff Falk** is director of product development for TMG, a financial services organization dedicated to providing innovative customized solutions to credit unions across the country. He has been instrumental in building the comprehensive ATIRA® prepaid program that features a robust reseller and issuer gift card program, as well as a reloadable and payroll card options. Currently more than 55 credit unions representing nearly 400 branches offer ATIRAgift<sup>SM</sup> cards. He can be reached at [JeffF@themembersgroup.com](mailto:JeffF@themembersgroup.com) or 800.268.1884.

## ENDNOTES

- 1 [Young Money](#), 2004
- 2 [Office of Travel & Tourism Industries](#), 2006
- 3 [Travel Industry Association of America](#), 2003



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## APPENDIX A – MARKETING RELOADABLE CARDS TO TEENS

One way to get the reloadable cards message to teens is through parents. Moms and dads are becoming more aware of the younger population's debt problems as media covers the issue and different entities develop educational programs around the topic.

Marketing directly to the teen is another option. Today's young people are focused on individuality. Offering personalized cards is a great way to draw teen eyes to reloadables.

Do not discount the teenager's growing sense of responsibility. One recent study found that 38 percent of young people between ages 12 and 19 feel that credit cards should be used only by adults. In the same study, only 5 percent of teens believed credit card debt is not a problem.<sup>1</sup> Therefore, credit unions can market to these teens with messages about avoiding life-altering debt.

A few things you should know about teens before you begin a marketing program...

- Eighty-nine percent of teens are likely to switch to a brand associated with a good cause.<sup>2</sup> The credit union message is already one geared toward community betterment. Use this message in a new way, and your teen market will listen.
- Teens are online (ages 13 to 17 spend more than 11 hours online each week). In fact, 74 percent would rather give up TV for one week than the Internet.<sup>3</sup> Study social media and figure out how your credit union can communicate with teens utilizing instant and text messaging, blogging, social networking sites and online gaming.
- Fifty-eight percent of teens make an online purchase.<sup>4</sup> Reloadable cards are great for making independent purchases on the Web without having to borrow Mom or Dad's credit card. Remember, reloadable cards give parents the ability to monitor the amount spent, as well as where it's spent.
- With the advent of TiVo and sites like Gnutella, teens are used to getting what they want instantly. Tap into the online and automatic qualities of reloadable cards when talking to this audience.
- Teens want to identify with their peer group and desire prestige as a means of being "cool." In their minds, carrying a credit card is prestigious. Think "Looks like a credit card, works like cash" when marketing to this group.

### ENDNOTES

- 1 [Teen Research Unlimited, 2004](#)
- 2 [Cone Millennial Cause Study, 2006](#)
- 3 [Teen Topix Study, 2008](#)
- 4 [Teen Topix Study, 2008](#)



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## APPENDIX B – MARKETING RELOADABLE CARDS TO TRAVELERS

As with teens, there are direct and indirect ways of targeting travelers. One way to reach them is through their travel agents. While using a traditional travel agent is becoming less popular, people on the move still use an agent of sorts – the Internet. In fact, two-thirds of all consumers use the Internet to make travel arrangements.<sup>1</sup> Communicating to your traveling audience via email, online travel sites and blogs is an excellent way to reach this market.

Direct marketing to travelers is a second option and one that can be done among your members. Get in front of your traveling members while they are in the throws of planning. Important times are spring break, summer and holidays.

A few things you should know about travelers before you begin a marketing program...

- The heaviest months for travel are July and August. Begin your marketing efforts in the spring to take advantage of this timing.
- Shopping is the number-one activity of all U.S. domestic travelers,<sup>2</sup> so giving your traveling membership a convenient, safe and financially responsible way to participate is a smart way to become invaluable.
- Domestic travelers are great credit union members, as the average traveler has a household income of \$73,000. Sixty-seven percent are employed fulltime and 36 percent have children (future members!) in their homes.<sup>3</sup>
- Because so many consumers use the Internet to make travel plans, market the reloadable card as a helpful vacation-planning tool. This will be particularly appealing to travelers without credit cards.

### ENDNOTES

- 1 [The Conference Board, 2004](#)
- 2 [Travel Industry Association](#)
- 3 [Travel Industry Association](#)



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## APPENDIX C – MARKETING RELOADABLE CARDS TO THE UNDERSERVED

Credit unions should position the reloadable card as a smart choice for members who do not qualify for traditional checking/debit or credit card accounts. It's important that the member view the card as a convenient and sophisticated way to manage their finances rather than see it as a "turn-down card." Coupled with education, a reloadable card has the potential to help new members become successful stewards of their own budgets, making them better members in the long term.

Highlight direct deposit when marketing to this group, which often includes wage-earning families. When compared to the expensive alternatives provided by check cashers, the reload card is an attractive choice.

A few things you should know about the underserved market before you begin a marketing program...

- The underserved market is composed of many different types of individuals and families, including, but not limited to, low-income families, undereducated, young adults, immigrants, ethnic minorities, widows and people who have filed for bankruptcy. Reaching all of these segments can be difficult, so you may choose to focus on two or three.
- The reasons the underserved market do not typically seek credit union services are as varied as their backgrounds. Reasons range from negative past experiences and lack of understanding, to unstable living situations and little to no credit history.
- With its average income of more than \$38,000 per household<sup>1</sup> and an anticipated \$1.3 trillion in U.S. purchasing power by 2015<sup>2</sup>, the Hispanic community is an important segment of the underserved market. Educating yourself on marketing to this group is a smart way to begin an underserved-market campaign.
- Underserved members are drawn to welcoming atmospheres, bilingual representatives, off-hour and weekend availability and clearly communicated fee plans.
- Newly immigrated populations often seek a safe, convenient and economical way to send money to relatives in their home countries. Reloadable cardholders can load all or portions of their funds to joint cards, giving members a secure solution for international money transfers.

### ENDNOTES

- 1 [U.S. Census Bureau, 2007](#)
- 2 [Research and Markets, 2008](#)



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