



Card Power!

CREATING SOLID AND SECURE RELATIONSHIPS



rising fraud cause for concern

New CHIP technology will combat fraud and save financial institutions millions in yearly fraud losses

3



new reward programs introduced

Both CIBC and Bank of Montreal have raised the stakes in the battle for reward hungry consumers

9



First Credit Union photo debit card

Photo debit card helps First Credit Union enhance member relationships and earn big profits

15



global innovation

Bank of America and other global banks use card technology to target key consumer groups

20

Introduction

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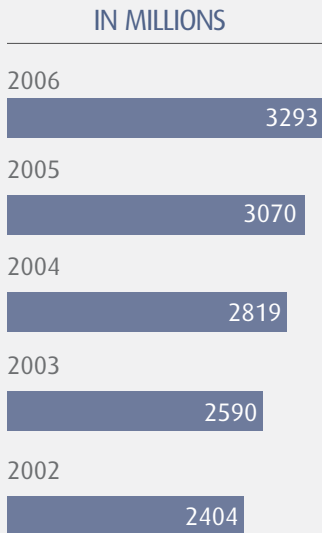
card power!

Led by consumer appetite for convenience, debit and credit card use has reached record levels in Canada. Cards are becoming an increasingly crucial element for credit union marketers to understand and effectively utilize in the drive to improve, cultivate and deepen member relationships. This issue of MarketSmarts discusses the newest development in card science, the 'chip' card, and how banks and credit unions are currently using card marketing programs and technology to help build successful customer relationships.



rising fraud cause for concern

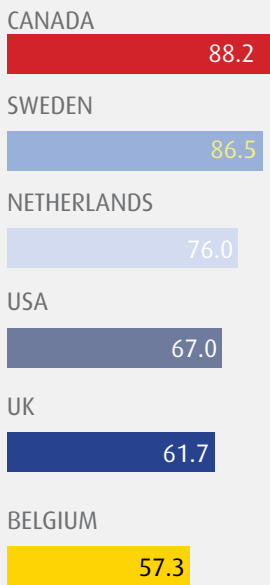
INTERAC® TRANSACTIONS



Source: www.interac.org

TRANSACTIONS PER INHABITANT 2004 (BIS)

ELECTRONIC FUNDS AT POINT OF SALE/DEBIT



Source: www.interac.org

Canadians' love affair with plastic continues to grow

Canadians' love affair with the plastic in their wallets continues unabated. *Interac* reports that in 2006, the number of *Interac* debit transactions exceeded 3.2 billion, a 7% increase from a year earlier, and more than triple the usage reported in 1997 when debit transactions first exceeded one billion annually. Eighty-five percent of bank card holders in Canada have used their debit card to make a purchase, and two out of three Canadians are now regular users.

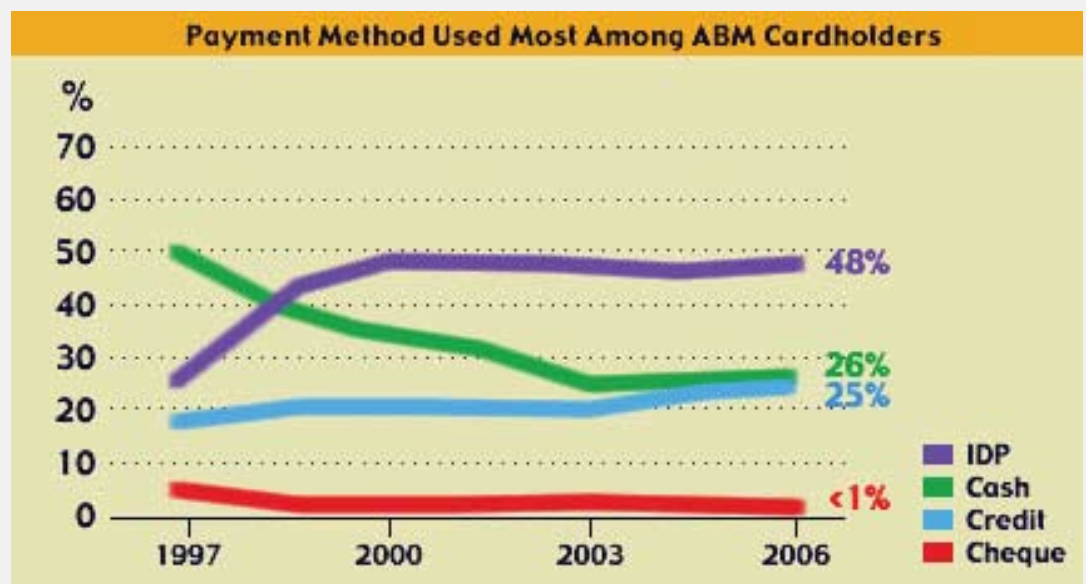
This enthusiasm has made Canada the world-leader in debit card adoption. A Bank for International Settlements comparison of leading industrial nations in 2004, revealed that Canadians used their debit cards an average of 88 times that year, exceeding usage in Sweden (87 times), the Netherlands (76 times) and the United States (67 times).

While the popularity of debit cards is undisputed, credit card ownership

continues its upward momentum as well. The Canadian Bankers Association (CBA) reported a record 61.1 million cards in circulation in 2006, nearly twice the number a decade earlier. In recent years, credit unions have also been successful in improving their competitive position in the credit card market. In Credit Union Central of BC's *2007 Products & Services Study (conducted by Ipsos-ASI)*, 12% of VISA credit card holders own a credit union VISA credit card and 8% of MasterCard holders own a credit union MasterCard credit card.

Card products are contributing significantly to the growing domination of electronic transactions in banking. The CBA reports that in 1990, 87% of transactions processed through the clearing system were paper-based. Today, 76% of transactions are through electronic channels, including cards.

The success of credit card companies to market and increase card usage has also led to an unintended rise in credit card fraud. Even the increased use of debit



Source: www.interac.org

cards has had the misfortune to generate an opportunity for criminals to steal funds from unsuspecting cardholders. This rise in fraudulent activity has led to the next necessary step in card technology.

One of the greatest revolutions in credit and debit card technology, the introduction of the 'chip' card, has been driven by the need to counteract weaknesses in current card technology, which has been increasingly compromised by those intent on stealing funds and personal information.

By shopping on eBay or accessing the necessary parts at a local electronic store, thieves can gather the tools required to swipe customer information from the

magnetic stripe on the back of a card. In 2006 credit and debit card losses in Canada due to fraud topped a whopping \$300 million. Further, while the number of credit cards in circulation has nearly doubled since 1997, the incidence of fraud has almost tripled with over 258,000 credit cards fraudulently used. Chip technology is squarely aimed at reducing these staggering losses. The current list of countries which have introduced chip technology has reached 55, including the United Kingdom, France, Russia and Japan. It is interesting to note that when several European countries adopted chip technology ahead of the United Kingdom, the UK began to see a rise in credit card fraud. As chip technology has not yet

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CARD TECHNOLOGY TIMELINE

1968
First Credit Card Introduced

1969
First ATM Launched

1986
Interac ATM Network
Rolled Out

1994
Interac Debit Card Point-Of-
Sale Network Launched

1998
First Talking ATM

2004
Cross-Border Debit

2007
Chip Technology Takes The
Stage

been compromised, drastically reducing the incidence of credit card fraud, thieves are moving to locales where chip technology has yet to be adopted.

How a Chip Card Works

A chip card is a card which contains an embedded microchip which when used is read by a card reader. The credit or debit card remains in the card reader while the transaction takes place and should not leave the cardholder's sight at any time. Instead of the consumer verifying the purchase with a signature, the cardholder enters a PIN, the way they currently would with a debit card. This transaction has three levels of security above and beyond current card standards:

1. Chip technology is secure and has yet to be compromised
2. The card never leaves the sight of the cardholder
3. The user enters a PIN, and not a signature which can be reproduced on other documents such as a fraudulent credit card slip.

It remains very important that the cardholder not compromise their PIN and takes the same precautions they currently do with a debit card. Visa and MasterCard have a zero-liability policy, however, the consequences of fraudulent purchases still means time, effort and losses for either the merchant or credit card company.

Market Trial Set for Fall 2007

The migration to chip technology has brought together the four payment organizations in Canada to ensure all chip credit and debit cards will work together without creating chaos in the payment industry. Visa®, MasterCard®, Interac®

and Amex® have joined efforts on behalf of issuers, acquirers, cardholders and merchants to ensure a smooth migration to chip technology is achieved by 2010. A first step is planned this fall when a market trial of Interac chip transactions gets underway in the Kitchener-Waterloo area. As a precursor, TD Canada Trust made the unexpected announcement on July 9th that it became the first financial institution in Canada to conduct a chip transaction with a chip debit card at a chip enabled ATM that adheres to EMV standards (EMV is the global technology standard developed by Europay, MasterCard, and Visa for chip-based debit and credit cards). This is a significant milestone in the evolution of TD's ability to protect both consumers and merchants with new payment technology. "Because we offer both debit and credit card issuing and payment processing services, we feel we're particularly well positioned to assist customers in the transition to chip technology," said Jeff van Duynhoven, Vice President, TD Merchant Services. "Businesses that process their card payments through TD can gain an advantage by tapping into the high level of confidence consumers have with the TD brand at the point-of-sale."

The competition for small business customers is particularly intense and announcements by big Canadian banks such as TD Canada Trust concerning their improved ability to fight fraud and reduce losses at the point-of-sale, will only enhance their customer appeal. Small business owners are particularly vulnerable to the effects of fraud losses and any chance they have to reduce such losses may cause them to consider a bank over a credit union. Even though Canadian credit unions are involved in the migration

to chip technology they must continue to collectively announce their progress, ensuring business members perceive the credit union system as keeping pace with its banking competitors.

Broad Applications Possible

While the key motivator to migrate to chip technology is the fight against fraud, other applications also become possible including “tap and go” payment technology and non-payment uses such as loyalty or affinity programs.

An example of a “tap and go” application is MasterCard® PayPass™. Using *PayPass*, consumers simply tap their payment card on a specially equipped merchant terminal, eliminating the need to swipe a card through a reader. The new solution is ideal for environments where speed is essential, such as quick-serve restaurants, gas stations, drug stores, supermarkets and movie theatres. Depending on the amount of the transaction, a PIN may or may not be required (for further details on PayPass, visit www.mastercard.com/ca/personal/en/findacard/paypass.index.html).

com/ca/personal/en/findacard/paypass.index.html.

Another unique feature which is possible due to chip technology is the ability to include several payment methods on one card. A chip card can, and likely will, be used as a credit, debit and stored value card. This was uniquely demonstrated in January 2005 when MasterCard partnered with the Kaohsiung City Government to introduce a chip-based payment solution for Southern Taiwan’s transportation system. The all-in-one payment card combined MasterCard credit, debit, Mondex stored value features, access to the Cirrus Global ATM network and the MasterCard PayPass contactless functionalities. As Canada is well behind other countries in the issuance and management of chip enabled cards, it may be some time before the complex applications described are available to consumers in Canada, but imagining the endless list of uses does offer fodder for interesting discussion.



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- ▶ Applied for their credit card online
- ▶ Performed 26 online transactions last month
- ▶ Have outgrown their one bedroom condo
- ▶ Currently shopping for a mortgage...online

55%

of Canadians prefer to research their mortgage options online

▶ is your credit union website ready for them?

The Internet is changing the way people shop for financial services. Although many consumers still apply for a mortgage in-branch, the majority do their research online and make a decision before they even walk through the door. If you're looking to attract and convert more lending prospects, your credit union's website should be a priority. MemberDirect® Integrated Services provides all the tools you need to offer a competitive online channel and bring prospective members, like Chris and Terra, through the door.

In a perfect world consumers would only have to carry one or two cards in their wallets. Ideally, one would be a credit union payment card that held for instance credit and debit functionalities, as well as a stored value transit pass and even perhaps a library card. The financial institutions that react the quickest and with the most imagination may gain early exclusivity over their competitors for many months or even years if competitors are slow to react. A bank or credit union that strikes early, providing convenience ahead of a banking rival, will be in the driver's seat in attracting customers who see the value and convenience in chip enabled cards.

¹Canadian Bankers Association, *Credit Card Statistics — VISA and Master Card, January 2007.*

²TD Bank Financial Group (July 9, 2007). *TD Canada Trust Completes Canada's First Transaction with a Chip Debit Card. Press Release.*

³BMO Financial Group (May 31, 2007). *BMO Launches the Most Comprehensive Debit Card Reward Program for Customers in Canada. Press Release.*



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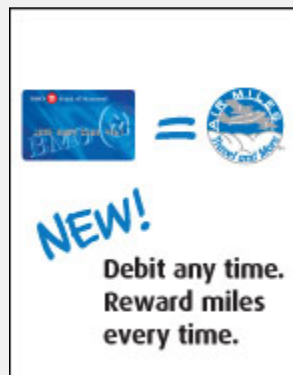


new reward programs introduced

While chip technology may be the most exciting breakthrough in recent memory, card marketers continue to develop ways to elevate their market position through enhancing reward programs, expanding value, and offering innovative products using existing card technology.

Credit unions and banks have been using unique credit card marketing strategies for years. Examples range from Vancity's Enviro VISA credit cards and mytreat VISA gift cards, to the very popular CIBC Aerogold VISA credit card which combines a credit card with one of the most popular travel rewards programs in Canada. Examples of successful MasterCard programs include CUETS' Choice Rewards loyalty program and BMO Bank of Montreal's AIR Miles program.

BMO Bank of Montreal Debit Card + AIR MILES Program



In addition to being the first credit card issuer that allowed a cardholder to pick and choose which features they wanted on their credit card, BMO Bank

of Montreal recently took its rewards program a step further. On May 31st, BMO Bank of Montreal announced an enhanced loyalty program that rewards customers who use a BMO debit card. Each debit card transaction now earns the cardholder AIR MILES.

The program is a move by BMO to capture the personal banking business of AIR MILES collectors who currently represent nine million active collector accounts, or approximately two-thirds of Canadian

households. "Our number one priority is to attract new customers and build lasting relationships with them," said Lynne Kilpatrick, Senior Vice President, Personal Banking, BMO Bank of Montreal. "The introduction of this exciting new program will set BMO apart from our competition." BMO has gone further still, enabling BMO Mosiak Mastercard holders with the AIR MILES Reward Option to increase their monthly rewards as much as 30% by doing more business with the Bank.

BMO Bank of Montreal's extension of its AIR MILES program to its debit card is an excellent example of how card technology can be used to enhance and deepen relationships. Many AIR MILES collectors will examine the offering and as they delve deeper into BMO Bank of Montreal's web site, they will discover that many of the Bank's services generate AIR MILES reward miles as well. This is important because the basic retail service offerings of banks and credit unions are not unique. What is required are unique marketing and loyalty programs that have the ability to differentiate one bank or credit union from the other.

To help promote the new AIR MILES program BMO has utilized a dedicated web site with flash technology. The web site has a calculator where consumers can check off the services they might use at the Bank. Once the consumer has indicated the services they use or are interested in, the calculator will show them how many AIR MILES they could earn. Links also take the consumer to other areas of the site that indicate how many reward miles can be earned on services such as life insurance, business banking and mutual funds.

BMO Bank of Montreal's aim of attracting



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Meridian Credit Union, created as a result of the merger between Niagara and HEPCOE Credit Unions, knew that their day-to-day operations and level of member service could not be sacrificed. That's why they turned to CallCentreAnywhere™ from TELUS. This full-service, fully hosted TELUS business solution was set up in under a month and didn't require costly investments in new infrastructure. Since being installed, CallCentreAnywhere™ improved queuing and call routing, which cut the time members are kept waiting in half. This meant that Meridian could focus on managing their merger, while their members were looked after in a timely, efficient and highly responsive manner.

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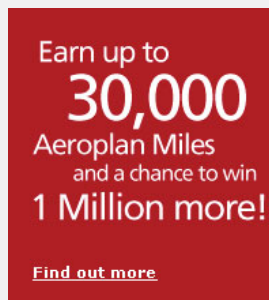
REWARDS MATTER

In a Maritz Loyalty Marketing survey of American consumer attitudes toward credit card reward programs, 60% of respondents said that rewards programs influence their choice of credit card to use when making a purchase. The most popular rewards? Cash back was favoured by 73% of consumers, followed by free merchandise (27%), free travel (26%), gift certificates (25%), special 'members only' offers and discounts (12%), special benefits or upgrades (10%) and free tickets to events (7%). The survey also revealed that while 36% of consumers have been part of a credit card rewards program for five years or more, almost 50% of this group had never redeemed their points. But, when points are redeemed, the portion stating that rewards programs influence their card preference rises to 75%. This demonstrates not only the value that reward programs have to consumers in credit card selection, but highlights the importance of point redemption in customer loyalty. Card marketers who can build reward programs that not only offer benefits that appeal to consumers, but facilitate redemption as well, can engender loyalty in an increasingly competitive marketplace.

Source: Maritz Loyalty Marketing (May 18, 2004). Credit Card Rewards Programs Seek Redemption. Press Release.

business through the promotion of a debit card that earns rewards is only possible due to innovations in card technology.

CIBC's Responds to BMO Bank of Montreal's AIR MILES Offer



CIBC has responded to BMO's new AIR MILES program with a loyalty incentive of their own, offering customers a time-limited opportunity to earn up to 30,000 Aeroplan Miles for opening a CIBC Unlimited Chequing Account and a CIBC Aerogold Visa card. The offer is further supported by a contest to win 1 million Aeroplan miles available to those opening a new CIBC account, being approved for any CIBC Visa card, or using telephone/online banking. The Bank also features an Aeroplan miles calculator on its web site, allowing customers to calculate their expected Aeroplan miles in the first year under the program, based on their current spending patterns.

BMO Prepaid Travel Mosaik MasterCard

BMO Bank of Montreal has also introduced a preloaded debit card for travelers. Billed as an alternative to travellers cheques, this technology allows consumers to preload a debit card and then use it wherever MasterCard is accepted, worldwide.

BMO Bank of Montreal highlights the many benefits their new prepaid travel card has over traditional travellers cheques. These benefits include:

- Unlike a credit card there are no interest charges
- If the card is lost or stolen it can

be cancelled without loss of funds remaining on the card

- Accepted at over 24 million locations worldwide
- More widely accepted and easier to use than travelers cheques
- Travelers can obtain cash in local currency from ATMs that are connected to the Cirrus network
- Card is personalized
- Card comes with extended warranty and purchase protection
- Zero liability on unauthorized purchases
- Earns AIR MILES on purchases (1 mile for every \$40 spent)
- Card can be loaded from any bank account, not just BMO Bank of Montreal accounts, via online, ATM or telephone banking
- Allows travelers to stick to a budget
- Tracks expenditures online
- Supplementary cards can be purchased
- Available to someone who can't get a credit card

Currently BMO Bank of Montreal is holding a contest with a grand prize of 50,000 AIR MILES. Cardholders will automatically receive one contest entry each time their card is loaded with \$500 or more between June 1 and August 31, 2007.

While card technology has allowed BMO Bank of Montreal to introduce this new service it does not necessarily mean that it is innovative or even useful. The Prepaid Travel Mosaik MasterCard

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MOSAIK MASTERCARD FEES

Card Fee	\$9.95	Foreign Currency	2.50%
Additional Cards (per card)	\$9.95	Mark-up (on transactions, including refunds)	
Telephone/Web/ATM Balance Inquiry	Free		
REFUND PROCESSING FEE			
By Cheque	\$10.00	BMO Bank of Montreal	\$1.50
By Electronic Balance Transfer	\$3.00	Instabank Machine	
INACTIVE FEES			
After 12 months inactivity prior to Card expiry date (per month)	\$2.50	INTERAC Network in Canada	\$2.75
After Card expiry date (per month)	\$5.00	Cirrus Network in U.S.	\$3.50
Overlimit Fee	\$25.00	Cirrus Network outside Canada and U.S.	\$4.50
Charge for Dishonoured Payment	\$25.00	CASH WITHDRAWAL FEES: OVER-THE-COUNTER	
		BMO Bank of Montreal Branch	\$3.00
PRINTED COPY			
Printed statement	\$2.00	MasterCard financial institution in Canada	\$4.00
Sales slip	\$2.00		
Transaction Fees (Wire transfers, money orders, traveler's cheques, foreign currency, bets, and purchases of lottery tickets or casino gambling chips)	\$2.75	MasterCard financial institution in U.S.	\$5.00
		MasterCard financial institution outside Canada and U.S.	\$6.00

Source: BMO Bank of Montreal

is similar to a traditional debit card which can be used at ATMs around the globe to access cash, and a credit card, which can be preloaded with cash. Many credit unions offer extended warranty and purchase protection on their Member Cards as well. If a Member Card is lost or stolen it cannot be used unless the PIN is compromised.

If a member seeks an opinion on the Prepaid Travel Mosaik MasterCard, it will provide an opportunity to cross sell credit union services. For example, BMO Bank of Montreal highlights the ability to provide supplemental cards, or use the card as a payment method for a younger traveler who is with their parents or traveling alone. If a parent wished to provide a child with cash for a vacation, they could simply deposit a specific amount of funds to a child's account. This not only limits their expenditures, but will also teach budgeting as the cardholder would have to monitor their own expenses. Daily limits can also be set on Member Card withdrawals. If the child does not have an account, the credit union has just begun a new relationship which could last years if the member has positive experiences with the card when they are away on vacation. A parent could also set up automatic debits from their own account to the child's account to make sure that a set amount of funds was always available.

One drawback that deserves mention is the habit of some hotels and car rental agencies to hold funds when a reservation is made. This can limit the amount of funds available on a prepaid card. It is best to use a credit card in this case as it would likely have a higher limit and not affect the ability to make further purchases.

The new Prepaid Travel Mosaik MasterCard could be considered as a backup payment system or as a supplement to other payment methods, but certainly cannot be the primary card in a traveler's payment arsenal. One use that the Bank does not mention is the ability of the card to be a backup store of funds in case a traveler's wallet or purse is stolen. The Bank's prepaid card could be stored in a hotel safe or carried in a hidden pocket.

The *Globe and Mail's* Rob Carrick may have said it best when he featured the new card in a June 26 column and wrote: "You can definitely leave home without it." The new card may have its uses, but is not a service that should have high appeal.

REWARDS MATTER

While Americans (see sidebar page 12) like their cash back, British Columbians enjoy earning travel rewards. The 2007 Products & Services Study conducted by Ipsos ASI on behalf of Credit Union Central of BC indicates that travel points/rewards are the most popular reason why a card holder uses a VISA, MasterCard or American Express credit card.

Reason for use of primary card

	Visa	MasterCard	Amex
Insurance	1	1	2
Travel medical insurance	1	-	3
Warranty	1	1	-
Affinity card	1	2	2
Higher card limit	1	2	4
Catalogue shopping	2	3	-
Convenience/common/popular	3	2	1
Only have/use 1 card	8	12	-
Cash Back/ Dividend	9	11	17
Low rate	18	17	1
No annual fee	18	15	3
Travel Points	25	25	63

The main reason a card holder uses one card more than others is the accumulation of travel points/rewards.

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For more information, contact **Terra McGuire** at 604 730 6446 or tmcguire@cucbc.com.



Credit Union Central 



First Credit Union photo card

Credit union *Member Card*[®] debit cards offer the ability to enhance member relationships through innovation and valuable insurance option

First Credit Union Introduces Photo Debit Card



When 6,000 member First Credit Union (formerly Powell River Credit Union) launched its high-end Prestige Account

in 2000, it wanted an effective way to differentiate the product from the wide availability of unlimited transaction package accounts in the market. The solution? Promote a debit card featuring the member's photograph. "We saw this as a way of bringing more value to Prestige", says Sandra McDowell, Sales, Marketing & Branch Operations Manager.

Since Prestige's launch more than 400 new accounts have been opened generating an impressive \$100,000 in annual service fee revenue, a tremendous achievement for a small Canadian credit union. The member photo feature has also led many members to upgrade to Prestige from lower priced products. McDowell says placing photographs on the card has given members peace of mind and a feeling of greater security in using the card. Merchants have echoed this sentiment, as the card is perceived to contribute to the reduction in debit card fraud. A further card benefit is eligibility for the Member Value Program, or 'MVP', where photo debit card holders (and Choice Rewards MasterCard holders) are eligible for a range of merchant discounts from auto care, to gym memberships, to restaurants.

Photographs are taken at First Credit Union branches with cards produced at the Administration office on specially-created stock. While McDowell notes that the process is labour intensive, and takes time initially to establish an efficient card production process, she is quick to add, "the photo debit card is an important contributor to our relationship building strategy and fulfilling our credit union's vision of building successful relationships."

What does the future hold for the photo debit card? To support the extension of its relationship building strategy, First Credit Union is looking to expand the card program beyond Prestige account holders to other segments of its member base. To date, some trials have been done with student cards, and FCU will be actively seeking to take its innovative program to greater heights.

Credit Union *Member Card*[®] Buyer Protection/Extended Warranty

BMO Bank of Montreal touts buyer protection/extended warranty as a key feature of the new Prepaid Travel Mosaik MasterCard. This is also a feature that is fairly standard on all but the most basic credit cards. When the feature became available on credit union Member Cards, credit unions had (and still have) an opportunity to provide additional benefits to their members at a very reasonable cost.

Given the Canadian public's enchantment with debit cards, the warranty program offered by CUMIS General Insurance Company and promoted by Credit Union Central of Canada, provides additional ammunition when cross selling day-to-day operating accounts. Credit card companies understand the benefit of offering this insurance because it keeps their card top

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of mind with the consumer. Credit unions should make every effort to ensure that their members are also aware of the insurance (if it has been made available by the credit union) because it's a feature that could influence the decision to use one card over another. Plus, the more often a member reaches for their credit union Member Card, the deeper the relationship becomes.

CUMIS Buyer Protection and Extended Warranty

Credit unions can provide Buyer Protection and Extended Warranty coverage from CUMIS General Insurance Company to their membership for \$0.04 per month per insured member/account. The following is intended to highlight the main features of the insurance coverage.

The 90-Day **Buyer Protection** feature covers most retail items (including gifts) against loss, theft or damage when purchased using a covered account. Buyer Protection coverage applies to the first 90 calendar days after purchase of the product anywhere in the world up to a maximum claim amount of \$60,000 per covered account, per lifetime. This Buyer Protection coverage pays in excess of all other applicable insurance, warranties or indemnity policies, subject to the limits of liability.

Extended Warranty doubles the repair period on a manufacturer's authorized Canadian warranty up to an extra year for virtually all purchases made worldwide. It covers products with a manufacturer's authorized Canadian warranty of five years or less. For example, using your covered account, if you purchase a product which has a 90-day warranty repair period, it would be extended to 180 days. If

you purchase a product which has a five-year warranty repair period, an additional year of warranty coverage (for a total of six years) would be provided. There is no coverage if the warranty period exceeds five years. If any product failure occurs which falls under the terms of the manufacturer's warranty during the Extended Warranty period, the Program will repair or replace the defective product in accordance with the manufacturer's warranty. All replacements will be made with products of equal or better value. Limits—Each warranted purchase is protected up to a maximum claim limit of \$60,000, but no account is entitled to receive lifetime aggregate claim payments in excess of \$60,000. The Program pays in excess of all other applicable insurance, warranties or indemnity policies, subject to the limits of liability.

Credit Union Central of Canada noted that by the end of 2004, credit unions that offered and promoted buyer protection/extended warranty insurance had seen their number of active Member Card debit cards grow by an average of 7.6% annually. This was 18% better than credit unions that did not remind their members of the coverage, and 28% better than those who added no value to their Member Card debit cards (Currently there are 137 credit unions in Canada who offer the insurance).

Informing members of this valuable insurance option is essential to increase Member Card and overall account usage. This may also have the effect of increasing the incidence of direct deposit payroll followed by increased direct debit for other bills such as cable and hydro. The ultimate goal is to turn secondary members who may be using a bank

for their day-to-day banking into more loyal credit union members who will use their credit union account for their daily banking needs. At first glance, buyer protection/extended warranty coverage may not appear to be a valuable benefit of Member Card. But, when a purchase is lost, stolen or broken and the member can thank the credit union when they receive compensation, they are likely to tell friends and family about the service they received when they needed it most.

Surcharges aren't all bad, are they?

While ATM surcharges may not be viewed positively by the public, two Ontario credit unions are showing that surcharges can help save lives. How? Healthcare and Municipal Employees' Credit Union (HMECU) and McMaster Savings and Credit Union (MACCU) have teamed up to provide financial support to Hamilton Health Sciences, St. Peter's Hospital and

St. Joseph's Healthcare Hamilton.

Through a five-year agreement with these health care partners, the credit unions will return to the hospitals all surcharge revenue generated from ATMs at those locations. It is expected that over \$1 million will be injected into the healthcare system over the life of the agreement, surpassing the \$500,000 returned to the hospitals under a previous five-year agreement. "We recognize that nobody likes ATM fees, but we feel that we have negotiated a solution that benefits everyone in the community," said Charlie Collura, CEO of HMECU. "We are thrilled to have been able to enter into this agreement with the local healthcare community."

Source: Healthcare and Municipal Employees' Credit Union (July 6, 2007). Local Credit Unions Give ATM Fees to Healthcare in Hamilton. Press Release.

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Bank of America Keep the Change™ Promotion

Bank of America has developed a clever way to encourage customers to use their Bank of America Visa® Check Card and save a few dollars at the same time. In response to the request to create easier ways to save, the Bank developed the Keep the Change savings program. Keep the Change is a quick and easy way to start saving immediately through the use of an electronic change purse.

When a customer enrolls in Keep the Change, Bank of America rounds up every transaction on their Bank of America Visa® Check Card purchase to the nearest dollar and deposits the funds into a savings account. When a customer first enrolls in the service the Bank also matches the savings for the first three months. After that, it will continue matching 5%, up to \$250 annually. The matching funds are credited to the customer's savings account on an annual basis, within eight weeks of the enrollment anniversary month.

One of Bank of America's first promotions was to put a gigantic 20-foot red sofa in New York City's Grand Central Terminal. The lunch time event gave visitors the opportunity to look for lost change for prizes, including gift certificates to major retailers and restaurants, as well as to learn valuable savings tips.

Other programs have included fund matching programs with the 2006 U.S. Olympic team and Little League Baseball®.

Through its official bank sponsorship of the 2006 U.S. Olympic Team, Bank of America made a donation to the United States Olympic Committee equal to 5% of all consumer debit card savings transfers resulting from the Keep the Change savings program during the month of February (up to a maximum contribution of \$500,000). The Bank also supported Little League Baseball® with a matching program within its Keep the Change savings program. Bank of America made a donation equal to 5% of all Keep the Change transfers made from June 27 to August 26, 2006 to improve little league baseball fields nationwide.

You spend with your Visa® Check Card	We round up the difference and transfer to your savings	Amount charged to your checking account
 \$3.43	➤ \$4.00	➤ \$0.57
 \$10.83	➤ \$11.00	➤ \$0.17
 \$21.17	➤ \$22.00	➤ \$0.83
		\$1.57 Total savings from daily purchases.

By all accounts the program has been very successful. To date, more than 4.3 million American consumers have saved a total of more than \$400 million in “loose change” with the program. The program has also generated more than 500,000 new checking accounts and more than 800,000 new savings accounts since its launch in October 2005.

Through the power of card technology, Bank of America has been able to create and promote a savings program that has been very successful for the Bank, Olympic athletes, little league baseball players and consumers.

Scanning the Globe: Innovative Credit Card Approaches

Beyond Canada’s borders are other innovative examples of card product development. The credit card products described are geared to specific target markets and customer needs.

Life Stage Focus – Citi Health Card (Citibank, USA)

- Targets consumers with expensive health care needs
- Access to credit for health expenses with flexible payments for up to 48 months
- No annual fee, prepayment penalties or down payment
- Can extend health benefits to family members and pets.

Balance Sheet Focus – Egg Money (Egg, online bank, UK)

- Designed to hold a customer’s excess cash
- Pays 4% on savings, while offering low 6.9% borrowing rate

- Incorporates features of both a credit card and chequing account
- Customers can deposit ‘spending’ money into their account and earn a high rate of interest.

Large Purchase Focus – Great Rate It (Commonwealth Bank of Australia)

- Rewards large purchases with discounted interest rate
- Customers who make minimum purchase of \$1,000 enjoy rate of only 0.99% for three months (rate reverts to market rate after discount period)
- Cardholders can earn purchase points through Commonwealth Awards.

Customizable Features – Create Card (Lloyds TBS, UK)

- Customers configure the interest rate and fee options to meet their needs (e.g. customer can choose a lower interest rate in exchange for a higher annual fee)
- Can change configuration three times annually free of charge, and can even choose colour of the card.

Remittance Card – Dinero Directo Card (Wachovia, USA)

- Focussing on immigrant families, allows customers to transfer up to \$1,000 onto a card that family and friends can use to withdraw cash at any ATM in Latin America, the Caribbean, Mexico and Spain
- Can reload card at any time at no charge.

Source: Council on Financial Competition, Financial Innovation Around the World: 2006 Review of New Retail Products and Services.

conclusion

What Can Credit Unions Do?

Cards have become a key product in the credit union marketer's toolbox. Financial service providers are creatively making card programs more dynamic and influential in customer relationship management. Reward programs are moving beyond their traditional pairing with credit cards, into other daily banking products through debit cards, as recently demonstrated by BMO Bank of Montreal and First Credit Union. Additionally, marketers have focused on other non-reward features, looking to enhance card value through unique packaging, value added benefits and philanthropic objectives. Once mass marketed, credit

card programs are becoming increasingly focused on specific segment needs. For example, today there are cards designed for those who are managing high health care costs, making large purchases or are seeking customizable card benefits. Ironically, credit cards can even be used as pseudo-savings accounts. With revolutionary 'chip' card technology on the doorstep, future card products and marketing programs promise to be even more sophisticated in the years ahead. A credit union marketer's ability to develop innovative card programs will be vital to attracting, fostering and retaining profitable member relationships. There are several areas that credit unions can address to ensure they not only remain competitive, but thrive, in card marketing.

Meet Sasha:

- ▶ Has 127 friends on Facebook
- ▶ Downloaded 173 tracks from iTunes
- ▶ Performed 26 online transactions last month
- ▶ Can't remember where her 'branch' is located
- ▶ Believes any website designed 2 years ago is prehistoric

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Offer Choice and Repay Loyalty – Consumer research is confirming that loyalty programs count. Customers now expect loyalty programs to be a core element in credit card products, and will likely look for this feature in daily banking products as well. Look to extend loyalty marketing offers to a wider product range and multiple member segments.

Add Value with Extra Benefits – Look for ways to add value to cards. The Member Card buyer protection/extended warranty program is an example of a low cost, well received program credit unions can take advantage of.

Take Advantage of New Technology – new chip technology will make it possible to use cards for a wider range

of applications that ever before. Credit unions must participate, and participate early, to solidify member relationships and present their credit union as relevant for the future.

Partner to Extend Marketing Clout – HMECU/MACCU's surcharge donation and First Credit Union's MVP program are examples of how card value can be enhanced through partnerships.

By keeping cards front-and-centre, credit unions can leverage the growing appeal of card products and create loyal member relationships. Card power indeed!

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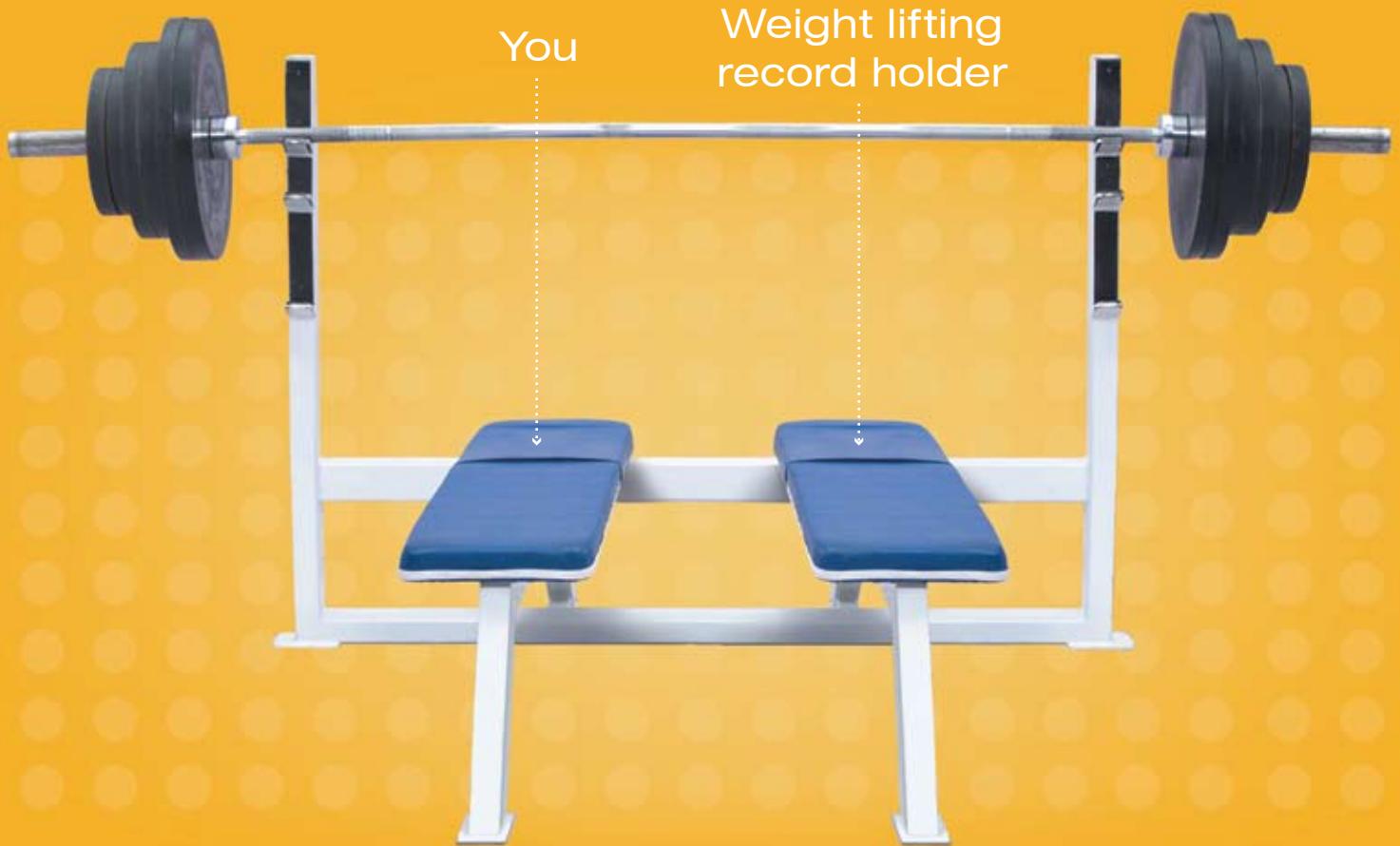
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