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NEWS IN CONTEXT

How This Card Giant Crushes My Credit Union

My plastic is now from a big bank, and that might matter to credit unions.

BY MARC RAPPORT



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I have to confess. After more than 15 years of writing about credit unions and talking to credit unions and the vendors who serve them, I now have a big bank’s credit card. My credit union’s card service simply falls too short in terms of bells and whistles, not to mention the basics. And this isn’t my first rodeo with a credit union in town. I’m on my third.

So here I want share what I think speaks to a problem. My credit union is not small by industry standards. It has well more than \$500 million in assets and more than 100,000 members. It remains my primary financial institution, but now because of stickiness as much as anything else.

When it comes to credit cards, I now use the Venture card from Capital One. I got it because of my travel. The card giant gave me so many points to sign up that it paid for a plane ticket after just a month or two of use. And the two points per dollar I spend is double anything I’ve ever gotten from a credit union card.

Moreover, redeeming my points is super easy, just like the ads say. I simply apply the points to charges on my card — the website even lists the travel-related charges I can do that with, including cab rides. That’s a great way to use big data to thwart blackouts and offer choice. And the cash-out option is clear (although at one point per dollar instead of two) unlike the clunky rewards program at my credit union. Thanks, but I have a toaster.

I’m not writing this to promote Capital One, but I do think its use of data diving and slick, intuitive, customer-friendly technology far outstrips what I’ve seen from my own credit unions. And the fact this is happening when the same tools are presumably available to credit unions concerns me.

This topic was on my mind when I got an an email from Capital One telling me I tipped about 50% on a restaurant bill last week and alerting me that maybe it was a mistake or a security issue. It wasn’t a mistake. I had used a gift card and tipped on the whole bill — not the remaining balance. But I was impressed, again, with the card issuer’s use of big data to act on

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information in such a proactive, customer-friendly way.

But wait; there’s more. It’s also easier for me to pay my Capital One bill from my credit union checking account at the Capital One site than it is to simply transfer the funds from checking to credit card account on either my credit union’s app or online site when paying on my credit union-issued credit card.

In fact, my credit union does not even offer that most basic of functionalities. After trying unsuccessfully to pay my credit union credit card online and through the app, I finally gave up. Yes, I’ve called member service. The reps have consistently known less than I do about their own gear. And I’m not talking about code here. Just functionality that any digital native would fully expect them to offer and understand.

I like to actively manage my accounts, but I’ve reverted to waiting for bills in the mail and writing checks made payable to a generic entity titled something like “Card Services Inc.”

I understand my credit union uses a third-party provider, but it has done nothing to make the member experience seamless, much less white-label it. That can be off-putting to members who aren’t in the biz, so to speak.

Even more problematic, I know who my credit union’s card and core processors are, and I know those platforms can do much more. For example, a couple years ago, a branch manager told me I couldn’t make my car loan payment in advance online because “IT hadn’t turned that on yet.” Months later, it still wasn’t on.



So why am I writing this? Because I’m also a stakeholder in our industry. I make my living in it, I participate in it, and I believe in its principles.

Most people don’t care who provides the technology. That’s rightly irrelevant to the member. The service is what matters. I wonder why so many members put up with these shortfalls at my credit union — and the others I’ve been through. How long before these members, too, become customers at some big bank?

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James Conroy

10/29/2015 08:49 PM

Marc, you are acting like a customer, not a member. You OWN that credit union. If one of your kids fails to meet expectations, do you say, "Oh, well, I will start supporting the kid down the block. He's an academic/athletic/whatever star." Or do you roll up your sleeves and use your parental expertise, love and concern to effect change? Stop being a C U customer, and start being a member.

Reply

David Murphy

10/29/2015 02:29 PM

For me, this article brings to mind a bigger question: is it an issue that our members are using the big players for their credit card access? As the old saying goes, you can't be everything to everyone. If we try to promote financial literacy to our members, and we promote products that truly will benefit our members' lives, is it an issue that collectively as an industry, we don't push the biggest and best credit card with the most rewards? Speaking from personal experience, credit cards can ultimately cost me more in the long run than the rewards that I reap from using them, and it's easy to fall into the overspending trap that credit cards enable. If credit unions take the stance that we want members to be responsible with their funds and to not overspend and to build up a savings cushion, maybe credit unions are taking the financial high road in not dumping a huge portion of capital and manpower into peddling a high performance credit card portfolio that may not be best for our members. Would our members rather have a robust credit card portfolio, but not have access to some of the newer technological advances available, like mobile banking, bill pay, and online banking, because the credit union decided to allocate resources in this way? Would they rather pay higher rates for their vehicle loans because the credit union is losing money on their credit card portfolio? If everyone used credit cards responsibly for the rewards, then the program would hardly be profitable, if at all. These programs rely on ease of access to credit which leads to overspending and the never ending cycle of interest charges, late payments due to irresponsibility, both of which are not good for our members, and on interchange. Let the big players take the heat for mismanaged credit card portfolios and poor customer service. Credit unions will continue to play a vital role in the financial lives of their members, with or without a high performing rewards credit card.

Reply

Marc Rapport

10/29/2015 8:08:25 PM



Thanks for taking the time to present such an on-point counterpoint! Really appreciate that.

Joe Winn (Credit Union Geek)

10/29/2015 01:30 PM

Well put, Marc. I've been writing on the precipice of this idea for a while now, with a current series on my blog discussing the technology side of it. You highlighted the issue beautifully...you're a loyal member of the credit union, yet are actively avoiding its services (and thus, they are losing out on the revenues associated). I'll admit, I'm in the same boat, and it really hit home when you explained how it was easier to pay your credit card through the bank app \*from\* your credit union account - I do the same thing! When I read about what some credit unions are doing with the latest tech from their core provider, I am impressed, as it meets or exceeds that from the big banks. It just shows the possibility is there. It needs to become priority for all credit unions, before their members become just dormant accounts, or as I put it recently, using internet parlance, "A Dumb Bank".

Reply

Marc Rapport

10/29/2015 6:34:19 PM

Thanks, Joe, I really appreciate you taking the time to reply. I really do hope credit unions in that situation either work with their vendors or their own operations or both to close that functionality gap!

Anonymous

10/29/2015 01:22 PM

When it comes to Credit Cards can CU's compete on price in a rewards atmosphere? While we may offer the best interest rates, for card holders who don't carry a balance, rate is irrelevant. If we choose to compete on service then we need to ensure that our credit card is easy to use, monitor and pay. Well said I too am concerned that our offerings are falling so far behind they are irrelevant to consumers, unless of course they are carrying a high balance on their credit card...

Reply

Marc Rapport

10/29/2015 6:29:02 PM



Thanks for your observations and insight.

Anonymous  
10/29/2015 12:42 PM

good, documented constructive commens.

Reply

Marc Rapport  
10/29/2015 5:45:05 PM

Thank you for taking the time to comment. I also appreciate your observation that my intent was constructive.

Richard E TOdd  
10/29/2015 09:07 AM

Unfortunately I am a mirror of your consumer habits. I've spent three decades in the CU industry and only my credit card is with the big players (I also love the 2%!). Do we blame our vendors or us? (I'm inclined to not fault myself for the best choice I could make for my CU's platform) As an industry, do we need to form our own card processor or ask the big players if we can use their software? I do feel that most consumers require less frequent access to their plastic information so our products, and lower rates, do help many. (or is that naive in thinking?)

Reply

Marc Rapport  
10/29/2015 2:11:04 PM

Interesting observations, Richard, thank you for taking the time to offer them. Each credit union has to make its own decision, and certainly many are limited by what their processor offers and how much it costs. As for demand for that kind of digital functionality, I just wonder if it will eventually supersede any cost advantages a credit union can offer the typical consumer. Time will tell.

Jeff Meyer  
10/29/2015 08:15 AM

Ouch, the truth hurts. Well said indeed Mark - thanks for the honesty.

Reply

Marc Rapport

10/29/2015 2:07:00 PM

Thanks, Jeff. I appreciate your taking the time to comment. I didn't like beating up on my credit union but it just needed said. They can do so much better.

Anonymous

10/29/2015 08:08 AM

Well said!

Reply

Marc Rapport

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