

Practical Money Skills

for Life™



WELLS FARGO CASE STUDY

Online lessons help first-time cardholders improve their use of credit.

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Background

Increasingly, financial institutions are looking at education as a tool that can help create and retain financially responsible cardholders, especially in the face of rising delinquencies. The following case study outlines one consumer education initiative that can serve as an effective model for card issuers.

The issuer initiative, developed by Wells Fargo Card Services, called “Early Intervention Education,” targeted first-time credit cardholders enrolled in a post secondary university. Its purpose was twofold: to improve student cardholders’ understanding of responsible borrowing and credit management, and to measure the effects of this education on their credit behavior. The initiative was conducted as part of the Responsible Credit Partnership (formerly the Credit Card Project of The Saint Paul Foundation), a multidisciplinary effort to help consumers manage credit successfully by promoting comprehensive education efforts and positive actions in credit card industry practices.

Methodology

The issuer sent a direct mail piece to a randomly selected group of 78,000 new credit cardholders enrolled in universities across their banking footprint. This mailing directed recipients to an Internet site containing two lessons and quizzes designed to increase awareness of the importance of building solid credit. The site is a smaller version of Visa USA’s award-winning financial literacy program: Practical Money Skills for Life and was created and maintained by Visa on behalf of the issuer.

As an incentive, the mailer indicated that those who completed the quizzes would be rewarded with a 60-minute phone card. The cost per piece, including the incentive, was \$1.01.

As a control, another randomly selected group of 3,000 new college credit cardholders received standard cardholder treatment. The issuer monitored credit card usage and payment performance along with the testing costs incurred.



Results

Almost 7% of the experimental group responded to the direct mail piece inviting them to complete the online financial education lessons and quizzes. Of these respondents, 6.65% actually completed the course, which is well above norms for direct mail. So over 97% that logged on to the site completed the online education and earned the incentive.

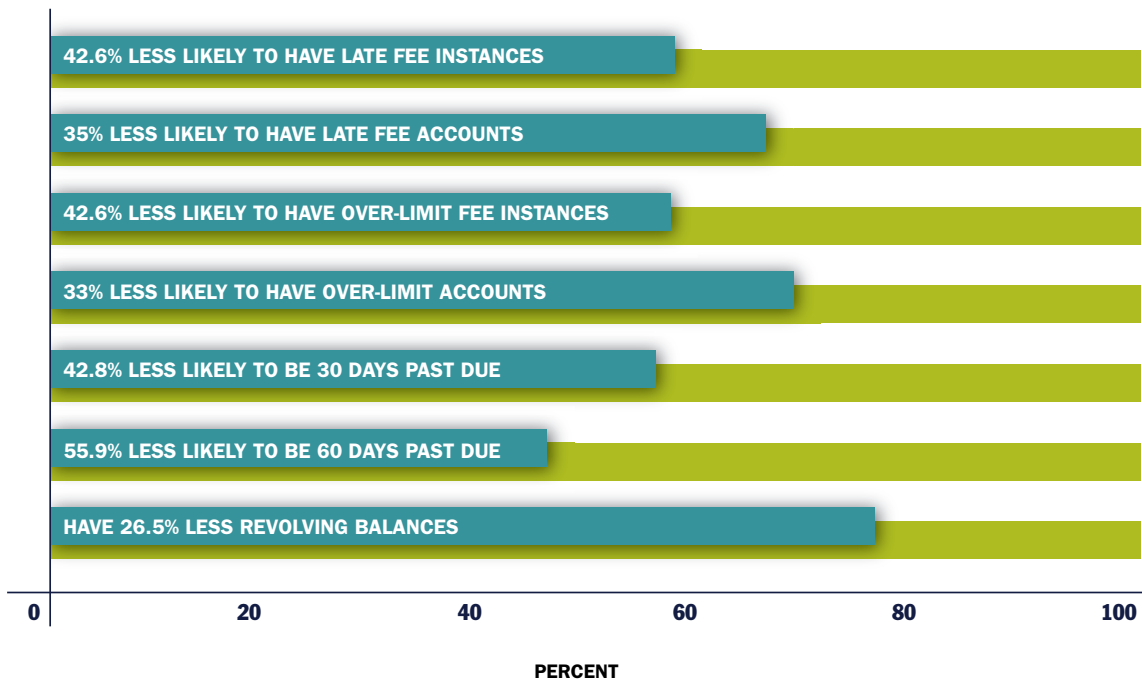
Those who responded and completed the education did remarkably better on their late fee instances (42.6% fewer), over-limit charges (42.6% fewer), and kept lower revolving balances than any other group (26.5% lower). This group's success was not based on lower usage as they actually spent 32.7% more on their cards than the control group. Even those who were solicited but did not complete the test had improved behavior over the control group.

Conclusions that can be drawn from this study

- **The phone card incentive** was effective in generating a high response rate.
- **The online education program** was an effective medium of education for this sample population.
- **Early intervention education** did not deter card usage; in fact spending among cardholders that were educated was almost 33 percent higher than those who did not review the online lessons.
- **The educated group's increased usage** did not result in increased late fees and higher balances.
- **Those who viewed** the online early education upon receipt of their cards—whether or not they completed the test—established a better credit history on their cards during the period of time monitored in this study.
- **Those who responded** and completed the online test did twice as well in some areas as the (control) group that did not receive any early intervention education.

The high response rate to the direct mail piece and the positive performance by students completing the online education modules indicates opportunities for expansion. By using the Practical Money Skills for Life curriculum Wells Fargo was able to boost loyalty and increase responsible card usage with their customers. **This enhances Wells Fargo's corporate reputation while simultaneously generating long-term revenue.**

Statistics



Legend

- Responded & Completed Education
- Control

The students who completed the online education showed significant improvement in credit responsibility over the control group.

For more information

For more information about conducting a test program using Visa's Practical Money Skills for Life financial education program, contact Jason Alderman, jalderma@visa.com.

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www.practicalmoneyskills.com

