

CREDIT UNION JOURNAL

Bay Federal Embarks on “Mutual Profitability” Plan

Credit Union Journal Daily Briefing

LAS VEGAS – After making the difficult decisions to close two branches and lay off 18% of its staff in 2009, Bay Federal Credit Union is embarking on an overhaul of how it prices its products according to the member who is using them.

Carrie Birkhofer, CEO of \$600-million Bay Federal in Santa Cruz, Calif., said that after posting losses in 2008 and 2009, the CU has reported positive numbers for each of the past 13 months. It is now at the front end of an initiative it is calling “mutual profitability” in which it is identifying what each member brings to and takes away from the credit union, with a goal of rewarding the former and changing the behavior of the latter.

“Members who do not contribute to the cooperative will be asked to contribute, or they might leave, and we were OK with that outcome,” Birkhofer said during BAI’s Retail Delivery Show here. “We implemented profitability analysis to assist in future cost cutting and income enhancement decisions.”

Using software from DMA, Bay Federal learned that just 28% of its members are profitable, and the top 10% contribute 314% of its bottom line. The bottom 10% take away 128% of the bottom line. As a result, Birkhofer said, BFCU is re-pricing accounts and moving to relationship pricing.