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Sam Houston State University Bearkat OneCard Focus Groups November 1 - 9, 2004

Final Report

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Abstract

The SHSU American Marketing Association student marketing club, along with Dr. John Newbold and Dr. Sanjay Mehta, recently conducted focus groups among SHSU students to better determine their knowledge, needs and wants with regard to the Bearkat OneCard.

The report outlines specific implications for the target marketing of SHSU students and the proper use of the marketing mix to maximize success for Bearkat OneCard.

**Sam Houston State University
Bearkat OneCard Focus Groups
November 1 - 9, 2004**

Final Report

Background

At the request of George Rollins (Director of Bearkat OneCard), Drs. John J. Newbold and Sanjay S. Mehta (faculty members within the Department of Management and Marketing) conducted 8 *focus groups* from November 1-9, 2004).

Focus groups are generally conducted (in a round table setting) with participants who are concerned with the issue at hand (which in this case was the Bearkat OneCard). Each focus group consisted of between 4 and 10 undergraduate SHSU students. For consistency from one focus group to the next, Dr. Newbold served as the moderator of each of the focus group sessions and Dr. Mehta as the administrative assistant. All focus group discussions were recorded on a digital recorder. The focus groups were conducted during different days and time periods so as to give every student the opportunity to participate.

Respondents for the focus groups were SHSU students who were recruited primarily through student organizations. Respondents were paid \$20 for their participation. This information is important, as *care should be exercised when generalizing beyond the traditional, undergraduate student who lives in Walker County. These students represent just under 50% of the SHSU student population.*

Additional research is required to better understand the significant population of students who reside outside of Walker County, as well as non-traditional students (e.g., older, married).

In just the past year, SHSU, in collaboration with HigherOne, has implemented the Bearkat OneCard. The Bearkat OneCard is designed to provide a “one-stop” solution for students, with the potential to serve as;

- 1) An ID card
- 2) A Bearkat Bucks Dining Card
- 3) A Meal Plan ID
- 4) A debit card

Thus, the Bearkat OneCard is in the early stages of its development. By mandate, the card is now being used by all students as an ID card. More difficult has been the promotion of the card as a debit card, an activity which requires the student to establish an account with HigherOne. Thus, a primary objective of the focus groups was to learn about student experiences with the card thus far, and to investigate ways in which increased use of the card might be promoted. To assist in the conducting the focus groups, a general outline of the focus group discussions was created. This can be found in Appendix A

Research Objectives:

- 1) Understand current usage behavior for the Bearkat OneCard
 - a. What aspects of the current program are driving activation and use,
 - b. What steps Bearkat OneCard might take in the future to increase the usage of the card.
- 2) Get reactions to specific steps Bearkat OneCard is contemplating in the near future. More specifically:
 - a. Bearkat OneCard Rewards program
 - b. A proposed “mini-card”, smaller form-factor card, and
 - c. Direct Deposit

Program Specifics

A set of 8 focus groups, each among a total of 50 SHSU students was conducted between November 1 and November 9, 2004. The groups were designed to investigate those who use their cards a great deal, versus those who use their cards on a more limited basis. In addition, it was felt that less experienced students, such as incoming freshmen, would have a very different frame of reference on the program relative to those who are older and more experienced with the use of financial services.

Thus, the configuration of the 8 focus groups is set out on the following page.

	More Experienced	Less Experienced
Very Familiar/ High Usage of Card	2 Groups	2 Groups
Less Familiar, Low Usage of Card	2 Groups	2 Groups

Two groups of each were conducted to preclude obtaining idiosyncratic results from a single group.

Summary of Key Findings

1) Target Groups

- a. The most appropriate target group appears to be the *traditional undergraduate student (preferably a freshman) who comes to the university un-banked and/or receives funding of some kind through the university*
- b. *Much of the current student base already has a competing account*

2) Lack of Awareness

- a. *Awareness of programs is low*, representing lots of upside.
- b. There is still time to modify marketing mix

3) The Student/Parent Dynamic

- a. *Many of the students are unaware of the details of the Bearkat OneCard*, and are still very dependent upon their parents for establishing the account and funding it on an ongoing basis.
- b. The *role of parents must be incorporated into marketing thinking*:
 - i. Setting up accounts
 - ii. Funding accounts ongoing
 - iii. Many students just “receive and spend”

4) Establishing Competitive Advantage

- a. With the exception of the University making it mandatory to use the card as an ID, *the Bearkat OneCard currently does not possess any compelling reasons to choose it over the competition.*
 - b. *Increased use of tie-ins with the University appears to be the best way to create competitive advantage.*
- 5) Lock-in and Increased Use
- a. Mandatory as ID is compelling
 - b. Mandatory for refunds, grants is also compelling.
- 6) Rewards Program
- a. *Awareness and usage of current program is low*
 - b. *List of participating businesses needs to be expanded to include business more relevant to the students.*
 - c. Similarly, the *prize structure needs to be enhanced to be more relevant for students.*
 - d. In general, this *program requires a specific, concentrated effort to get on track.*
- 7) Mini-Card
- a. *Appeals to a minority of students.*
 - b. May be a potential source of additional revenue.
 - c. *Probably not a big idea at this time.*
- 8) Direct Deposit
- a. *Generally liked by students*, particularly those who have jobs with the university.

A brief summary of some of the general ideas for marketing programs can be found below:

- 1) **Special set of features and incentives for commuters**
 - a. Features and incentives TBD
- 2) **Special set of incentives for “high quality” customers**
 - a. High quality =
 - i. Pay a fee
 - ii. Maintain a higher balance
 - iii. Use direct deposit
 - iv. Set up a regular ACH to fund
 - b. Incentives for “high quality” customers:

- i. Waive fees for ATM and free temp/new cards

3) **Companion Product: Stored Value Cards**

- a. For use at:
 - i. Parking garage
 - ii. Paw Print
 - iii. B&N Bookstore

4) **Kiosk at lower level of LSC**

- a. Generate awareness
- b. Sign up customers
- c. Educate/train on uses of the card
- d. Troubleshoot issues

5) **Rewards Program Ideas**

- a. *University tie-ins*
 - i. Tuition rebate
 - ii. Textbook rebate

Specific Findings

Prioritizing Target Groups

One of the first orders of business for Bearkat OneCard is to examine a very heterogeneous student market at SHSU and determine how to organize and prioritize its targets for marketing efforts. There are a number of factors at play at the same time:

- Traditional vs. non-traditional students
- Commuters vs. those who live in Walker county
- Those receiving funds from the university vs. those that do not
- Those who already have a bank account vs. those who are currently unbanked
- Those students who were already at SHSU when the Bearkat OneCard program was introduced vs. those students who are incoming freshmen or transfer students.

Table 1, on the following page, begins to examine these factors from a marketing standpoint.

Table 1
Factors in Targeting and their Impact on Marketing

<u>Factor</u>	<u>Impact</u>	<u>Implications for Marketing</u>
Receiving funds from SHSU	Compelled to establish an account	Want to provide incentive to make Bearkat OneCard their primary account, particularly if currently unbanked.
Not currently receiving funds from SHSU	Not compelled to establish an account.	More difficult to entice to open an account –must prove superior to other options. If currently unbanked, probability of establishing an account increases.
Currently unbanked	Potential customer	No switching costs or opportunity costs makes a good prospect. Would need assistance in establishing an account and using the services.
Currently banked	A tough sell	Challenge to Bearkat OneCard is to offer advantages that induce

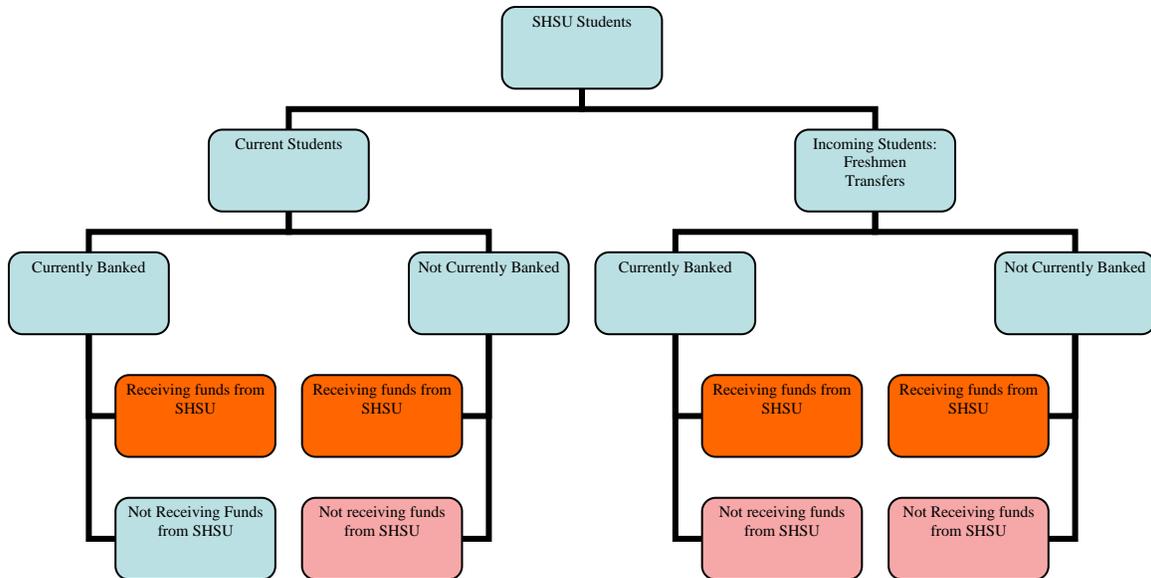
		the customer to switch to Bearkat OneCard
Incoming student	Potential customer	Likely to be interested in establishing an account at SHSU – if program is compelling enough
Current student	Less likely to be a customer if currently banked somewhere else	Financial situation already established. Incentive to switch would have to be very compelling.
Living in Huntsville	Potential customer	More prone to seek a banking solution in town where go to school and live
Commuting to school from outside Huntsville	Less likely to be a customer. More likely to have own account in hometown.	Less likely to spend significant time in Huntsville eating, shopping, etc. More difficult to induce to set up a local account. May require different incentives, etc.

Based upon the focus groups, some prioritization of these aforementioned factors emerges:

- 1) Primary targets are those students receiving funding from SHSU, whether they are new or existing students.
 - a. Those not currently banked would be the most attractive.
- 2) Secondary targets are:
 - a. Those not currently banked, even though not receiving funds, and
 - b. Incoming students, although currently banked and not receiving funds from SHSU, and
- 3) The least accessible segment is probably existing students who are currently banked and are not receiving any funds from SHSU.

Thus, a structure of the targets, with some prioritization, can be found in Figure 1 below:

Figure 1
Market Structure for Financial Services at SHSU



Additional work needs to be performed to actually size and profile these segments. However, the focus groups provide a good deal of insight on some of the primary targets.

Lack of Awareness and Understanding About the Bearkat OneCard

Not particularly surprisingly, due to its newness, one of the over-arching findings about the Bearkat OneCard is that most students report that they feel ill-informed about the Bearkat OneCard:

“We tried to set up an account...my mom couldn’t figure out, so we just stayed
 ”We don’t know what it does...”
 with our bank at home...”

“My dad had concerns about whether it was a real bank...”

“I didn’t even know I could set up a debit account until I went to pick up my refund check...they said I needed to set one up to get the money out...”

“They gave a speech about it at orientation...it was a boring PowerPoint presentation...I just let my parents listen to it...”

“To be honest, I don’t know how my parents get the money into the account. I just spend it.”

Clearly, more work needs to be done in order to ensure that the most compelling messages get out to the target customers. More thought needs to be given in regard to the proper message and format to get through to the college students – a formidable task. Additionally, there may be additional upside in marketing more aggressively to parents (especially if a clear competitive advantage can be developed) as students tend to defer to the parents on the issues of account establishment and ongoing maintenance.

Specific Student Behaviors and Issues

Fund and Spend

Overall, students tend to be in a “fund and spend” cycle most of the time. That is, they check their bank account balances on a daily basis to ensure that the funds are in the account before they spend. Of course, some do not even take this precaution, and end up in NSF situations.

In the main, they report that the Bearkat OneCard website serves well for this purpose. However, some noted the inability to view transaction history going back on an infinite basis. Other issues students note related to “fund and spend” are:

- Lack of additional and more conveniently placed ATMs
- ATM fees
- The \$500 daily limit on withdrawals
- Lack of awareness of how to deposit cash
- Waiting period required until transferred-in funds clear

“Fee-Phobia”

While seemingly apathetic or ill-informed about many aspects of the Bearkat OneCard, students exhibit an acute distaste for fees levied against their accounts.

Most try to avoid the ATM fees. Many report getting their cash by making a debit purchase at a retail establishment, such as HEB, and getting cash back over the amount of purchase.

Most attempt to avoid the debit card fees by pushing the “credit” key on purchases made with their cards. When the local Wal-Mart cracked down on this behavior, it was of such high profile as to be covered in the campus newspaper.

Although few in the groups had actual experiences with NSF fees, many had heard rumors of egregious fees (\$30 and higher) levied on fellow students for only being pennies in the red.

Based upon their sensitivity to fees, this is a fertile area to use to publicize or otherwise promote the Bearkat OneCard, if possible.

Card Management: Misplaced, Lost and Destroyed Cards

Roughly one-third of the students reported that they stored the card loose: That is, not in their purse or wallet, but rather, in their jeans pocket, on their keychain, or just in their car visor or glove box. This behavior, in particular, leads to the phenomenon of misplacing one’s card, only to find it somewhere a short time afterwards. Obviously, a card that is “permanently misplaced” is considered lost. In the former case, the student must obtain a temporary card. In the latter, the student must obtain a new card.

Even if the student is taking good care of their card, the frequent use of an “all –purpose” card like the Bearkat OneCard is prone to render the magnetic strip or UPC code on the card unusable, also calling for a replacement card.

In sum, student use of the Bearkat OneCard appears to be prone to frequent card management issues. This is another potential area for programs for “card insurance” that parents may pay for, to replace lost or damaged cars for a low fee or for free.

The Student/Parent Dynamic

Particularly for freshmen, but even for upperclassmen, there is an important dynamic that occurs between students and their parents when it comes to setting up and utilizing financial accounts at college. While there certainly are instances of students acting wholly independently from their parents, in most cases, it appears that parents play a very important role in both establishing accounts and in funding accounts on an ongoing basis.

But marketers must keep in mind that the needs of the parents can differ greatly from the needs of the students, as is examined in Table 2 on the following page:

Table 2
Differing Student and Parent Needs

	<u>Needs</u>	<u>Implications</u>
Parent	Ease of establishing account. Ease of funding account, particularly on an ongoing basis. Visibility into student account.	More prone to seek an account tied into their current account. In particular, this affords visibility and ease of funds transfer. Would be interested in features that facilitate knowledge that funds are low (an alert when account reaches a certain level?), and which allow for easy transfer (ongoing ACH program?)
Student	Ease of use. Low or no fees. Easy access to funds through ATMs. Prefer not to wait for incoming funds to clear	Students tend to be in “receive and spend” mode. Many not even sure how account was established, or how to move funds. Ease of use features may be possible if parents/students sign up for some form of “premium” account (?)

In the focus groups, students were asked about the various ins and outs of establishing their Bearkat OneCard accounts, as well as their day-to-day use of the accounts. From these discussions, we are able to piece together a picture of the differing marketing requirements for students versus their parents. These requirements are summarized in Table 3 on the following page.

Table 3
Differing Student and Parent Marketing Requirements

<u>Activity</u>	<u>Student/Parent Dynamic</u>	<u>Implications</u>
Establishing an Account	Often led by the parent. For incoming students, the research and establishment of the account occurs long prior to starting school.	Modifications to product might be necessary in order to prove compelling to the parent. Advantages to the parent must be clearly communicated. Enrollment process must be simple. Enrollment solicitation must begin as soon as

		student establishes he/she is going to SHSU. Online registration may be difficult for families in small towns with only dial-up Internet connections
Ongoing Funding	Parent often will fund the account on an ongoing basis. Some parents send checks and cash in the mail. Very few appear to use ongoing ACH.	Potential to promote an ACH program with parents. For students, need to promote a direct deposit program. Potential for parents and students to get some kind of an alert program for when funds reach a certain (low) level.
Getting Cash	Students without local accounts sometimes wait until they go home to get cash. In some cases, parents mail cash to their children. Students express frustration regarding ATM fees, waiting for newly-arrived funds to clear, and with limits to daily withdrawal levels.	This is a problem for any students who do not have fee-waived access to ATMs. This is an area where Bearkat OneCard may be able to establish a local advantage.
Card Management	Students encounter several problems: <ol style="list-style-type: none"> 1) Temporarily misplacing card 2) Losing card 3) Destroying card 4) Card wearing out Parents are generally not involved in these issues	This is another area of opportunity for Bearkat OneCard. It may be possible for parents to establish some form of “card insurance” that allows students to get replacements “for free”.

Establishing Competitive Advantage

Whether it be parents of incoming freshmen, or current upperclassmen who already have a bank account, Bearkat OneCard must clearly enumerate its advantages relative to the competition. Table 4 below outlines some of the comparative advantages for Bearkat OneCard relative to its competitors:

**Table 4
Comparison of Bearkat OneCard to Competitive Products**

Category	<u>Bearkat OneCard</u>	<u>Any National Bank</u>	<u>Huntsville Local Bank</u>	<u>Hometown Local Bank</u>
Advantages	Local Integrated with ID card. Can receive SHSU funds faster. 2 ATMs on campus	Multiple branches good for commuters. Sometimes able to link with parents accounts. Often waive ATM fees	Local place to make deposits. Local ATMs.	Ease in set-up for parents. More apt to be linked with parents’ account.
Disadvantages	Only two ATMs. Deposits (especially cash) more difficult.	No tie-ins with the university	No tie-ins with the university	No local ATMs. No tie-ins with the university.

As is evident from the table above, the key to Bearkat OneCard’s marketing success appears to be in developing closer tie-ins to SHSU which the competitors cannot, by definition, replicate. An example of this type of tie-in would be a discount on purchases made at the university bookstore, or preference in access to course registration or tickets for university events (this is similar to the Visa campaign where “... they don’t take American Express”). This of course, will take some creativity and some cooperation from the university.

The biggest obstacle that Bearkat OneCard seems to need to overcome is the relative ease of account set-up, account visibility and funds transfer that the other banks provide. Table 5, on the following page, highlights some of the programs that may be possible to overcome certain deficiencies of the Bearkat OneCard:

**Table 5
Proposed Programs to Establish Competitive Advantage**

Competitive Issue	Proposed Program	Impact
Account Set-up	Early Account Establishment Program	Overcome lack of awareness and understanding, confusion or difficulty in working online to set up account. May involve sitting down with parent/student at an orientation session and setting it up for the client.
Account Visibility	Account Alert Program	Solves problem of knowing when account is getting low and/or when there is an unusual amount of activity, and perhaps skirting privacy issues (?).
Funds Transfer	Ongoing ACH Program	One-time set-up of ongoing ACH, solves problem of ongoing funds transfer.

Customer Lock-in and Increased Use Programs

In addition to establishing sustainable competitive advantage, the Bearkat OneCard is already exercising compelling programs of customer “lock-in”. As for increased use, the Rewards Program is not currently effective in achieving this objective. However, it is clearly on the right track. In addition, it is felt that some form of “premium customer” programs, whereby fees are waived if certain minimum balances are maintained or spending targets are met, would be advisable. These programs are summarized in Table 6 below:

**Table 6
Bearkat OneCard: Sources of Lock-in and Increased Use**

	Currently	Potential
Sources of Lock-in	Use as ID Use to receive funds from SHSU	ACH Program Direct Deposit Program
Sources of Increased Use	None	Rewards Program

		Fee Waiver Program Card Insurance Program
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The Bearkat OneCard Rewards Program

Not surprisingly, the foremost problem with the Rewards Program is that students are not aware of it. When queried on an unaided basis, most students could not recall anything accurately about the program. Some noted that they saw their points on the website when they went to check their balances:

“I noticed the points...but the number was small and it never changed...I guess I don’t go to the places that give points...”

“Yeah, I have about 10 points...I’ll never qualify for any prize...”

Even among those that noticed their points, there was virtually no understanding of the specifics of the program.

In each group, a 2-page brochure regarding the Bearkat OneCard Rewards Program (supplied by HigherOne) was passed out and discussed. Some of the pros and cons for the Rewards program emanating from that discussion are summarized in Table 8 below;

**Table 8
Pros and Cons of the Bearkat OneCard Reward Program**

<u>Attributes</u>	<u>Pros</u>	<u>Cons</u>
Vendors	Opportunity to attract card users, increase card usage	Current stable of vendors not appropriate for students
Prize structure	Opportunity to attract card users, increase card usage.	Current prize structure not appropriate for students.
Communication	Opportunity to re-launch after vendors, prize structure are modified.	Current awareness and understanding is very low

As depicted in Table 8 above, the Reward Program is full of potential to lock-in customers and induce increased usage of the card, but uniformly the students related that the list of participating vendors and the prize structure were both inadequate.

To make the Vendor list more compelling, students suggested that Bearkat OneCard sign up local vendors that they frequent. This list includes:

- Local grocers (Wal-Mart, HEB)
- Local fast food and casual restaurants
- Local entertainment vendors (Hastings and Blockbuster)
- Local gas stations

However, simply recruiting local businesses will likely not result in a compelling program for commuting students, who spend the greater deal of their time outside of Walker County. For this reason, the vendor list would be greatly aided by the inclusion of well known national chains.

Another idea that the students were keen for was to be able to get credit for purchases made on campus. This includes the campus bookstore, University Hotel, and campus dining facilities, if possible.

Similarly, the rewards in the brochure were not compelling:

“ I already have a calculator...”

“ I don’t want to save up points for months for a free meal...that doesn’t seem like a good deal...”

“Who would want to lease a car for a year! Really!...”

The students expressed interest in the following prize schemes

- Cash back
- Credit/cash applied to tuition and/or textbooks
- Master Card Gift Cards
- Stored Value Cards to be used at:
 - o University Bookstore
 - o University parking garage
 - o University foodservice operations
 - o University events (athletics, theater, etc.)

Bearkat OneCard Mini-Card Program

Respondents were presented with the notion of a “mini-card” version of the current card. This card is smaller than the current card, and possesses a hole in the corner to enable the owner to place it on a keychain. Respondents were told they would have to pay an additional \$5 for the card.

The reaction to the mini-card is mixed. There was a significant minority, who tend to use the card as an ID only, and who tend to hold the card loosely (rather than in the wallet or purse) who responded favorably to the card.

There was also a minority who saw some utility to having a second card as a backup or for specific use occasions. (It is understood, however, that the notion of a second card is problematic for a number of reasons, but most importantly the unauthorized use by the non-owners). Table 9, on the following page, outlines the pros and cons of the Mini-Card

Table 9
Bearkat OneCard Mini-Card
Pros and Cons

<u>Pros</u>	<u>Cons</u>
Convenient form factor for those who carry the current card loosely	Current policy prohibits use of a second card.
Convenient as a second card for ID purposes only.	Card would not function in locations where a full-size card is required by the card reading machine.
	Card would be more likely to be damaged or worn out if carried on key chain, thus leading to greater replacement expenses.

Bearkat OneCard Direct Deposit Program

Respondents were generally favorable to the idea of direct deposit. This idea was particularly appealing to those who are paid by the University.

General Implications for Marketing

Table 10, below, summarizes some of the general implications for marketing strategy for the Bearkat OneCard.

**Table 10
General Implications for Marketing**

<u>Marketing Element</u>	<u>Fundamental Issue</u>	<u>Potential Strategies</u>
Target Market	Diverse Targets: In-Town vs. Commuters Students and Parents Freshmen and Upperclassmen Banked and Unbanked Receiving funds vs. not receiving funds	Develop a segmentation scheme. Tailor products and communication on the basis of it.
Product	Current product does not offer compelling advantages over other options	Product needs to be augmented with features and incentives tailored to SHSU students.
Price	Students are loathe to pay fees for ATMs, temp cards, new cards and especially NSF's.	Develop incentives to allow students with higher balances, etc., to waive certain fees.
Distribution	Issues making cash deposits Issues with ATM access and fees. Issue with location of office	Create kiosk on 1 st level of LSC to promote programs and take deposits.
Promotion	Lack of awareness Lack of understanding General difficulty communicating with students.	Increased communication with parents. Program for communication w/ students TBD.

