

Caribou Mountain Credit Union: Back to the Future?

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Synopsis

Caribou Mountain Credit Union (CM CU) once offered its own credit card to its members. Like many small financial institutions, it found it difficult to compete with the credit card programs offered by larger financial institutions. In 2002, it sold its card to Bank SL. The partnership agreement offered CM CU members a card with a CM CU logo, and a limited number of services to support the card still available at the credit union. A few years later, the new CEO of CM CU began receiving complaints from members about the rates, fees, and lack of customer service from Bank SL. He was aware of CM CU's previous card program, and thought it was time to revisit that option by ending the partnership with Bank SL and restarting its own credit card.

Learning Outcomes

The outcomes of this case are:

1. Apply the concept of economies of scale to financial institutions.
2. Evaluate the proposed plan to start an in-house credit card program.
3. Defend your decision to either retain the current credit card contract with the bank or implement a new in-house credit card program.

Application

This decision case is appropriate for junior/senior level finance, money and banking, financial institutions, or small business development courses.

Key Words

Financial institutions, not-for-profit, credit cards, economies of scale

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