



POINT OF VIEW

Achieving Sustainable and Profitable Credit Card Loan Growth

Changing Landscape

Consumer behavior involving the use of credit cards is changing. That change is being driven by shifting economic conditions and innovations in product offerings as issuers try to gain a bigger share of a smaller and more regulated market. In 2012, the average consumer carried 1.96¹ credit cards, down from 3.7² in 2009. With hundreds of smaller affinity based card programs eliminated, the use of affinity based product offerings with affiliation specific rewards fell 12 percentage points from 55% in 2009 to 43% in 2013³, being replaced by general purpose cards with broad based rewards. The prevalence of “loyalty” features such as reward points, travel points, gas rebates and cash back offers appears to have incented consumers to consolidate their spending to a select few or even a single credit card to maximize their reward potential.

Balance activation, profitable loan growth and balance retention have always been the Holy Grail for card issuers; this hypercompetitive market, where issuers are vying fiercely for a share of a smaller and finite consumer base, makes those tasks all the more challenging. More than ever, results and success depend on understanding portfolio consumer needs and delivering customized product offerings to meet those needs.

Multi-disciplinary Capabilities are Key to Achieving Profitable Loan Growth

Getting the right product to the right customer at the right time is easier said than done. It requires a combination of the following multi-disciplinary capabilities all working in unison:

- Segmentation analytics (including the use of third party data) to understand portfolio customer behavior.
- Targeted product innovations to fulfil consumer segment specific needs.
- Well-designed propensity-to-buy analytics and offer strategies.
- Rigorous and randomized test and control processes to validate offer strategies and results.
- A consumer-segment based tactical roadmap to migrate consumers to their target segments.
- Contact maximization strategies and operational capabilities, including online, mobile, contact center and IVR, to deliver the offer (or simply communicate/reinforce existing product features) consistently across multiple contact channels for new and existing customers.
- Campaign tracking analytics as well as contact center analytics to track offer results.
- Agent incentivization strategies to promote desired sales and service behavior.
- Appropriately differentiated customer service capabilities across multiple contact channels.
- Profitability analytics, both at the account and customer level, to ensure the right mix of net interest margin, fee income, loan volume while managing to an acceptable level of risk.

1 [Experian's State of Credit 2012 report](#)

2 [“The 2009 Survey of Consumer Payment Choice.” Federal Reserve Bank of Boston; published in 2011](#)

3 [Market researcher Packaged Facts](#)



Achieving Sustainable and Profitable Credit Card Loan Growth *continued*

Framework for Assessing and Improving Portfolio Performance



A Results Oriented Approach to Optimize Your Portfolio Performance

Most issuers with a card portfolio of substantial scale should have most of the capabilities listed in the section above. It is important to accept that these capabilities cannot be static — successful issuers continually invest in enhancing them, ensuring that they can understand changing consumer needs and behavior and stay at the forefront of product, sales and service innovation. A transformational approach to improving the activation, growth and retention performance of your portfolio could include some or all of the following key steps:

- Understand your portfolio results in detail at both a segment and sub-segment level, across a broad range of dimensions such as acquisition channel, vintage, credit

score range, payment behavior and spending patterns to name a few.

- Benchmark your portfolio performance against the industry. Compare performance across as many dimensions as is feasible to really understand the opportunity.
- Assess your capabilities against peer issuers as well as best in class issuers.
- Define a Roadmap with prioritized needs to address critical deficiencies including business strategy, analytics and operational capabilities. The Roadmap should outline the most rapid payback approach to achieving specific business objectives.
- Execute prioritized, quick win initiatives with a deliberate rollout strategy to minimize disruption.
- Validate ROI of executed initiatives and strategies and implement continuous improvement processes.



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President and CEO

Navroze Eduljee is the founder of DecisivEdge, a business consulting and technology services company focused on mid-market financial services companies. Prior to founding DecisivEdge in 2007, Navroze spent 15 years with MBNA America as EVP, Customer Marketing Technology and Database Marketing Operations. He was

responsible for designing and implementing operational, analytic and strategy deployment capabilities that enabled the Customer Marketing business to grow from \$200M in annual transactional volume to \$40B in annual volume in under eight years.

Post acquisition by Bank of America, Navroze was Head of Business Performance Management for the combined \$180B consumer card and small business banking portfolio with responsibility for financial, marketing and operational analytics.

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