



## CASE STUDY

# DecisivEdge Assesses Rewards Business Infrastructure for National Student Lender

### Challenge

A national student lender engaged DecisivEdge to perform an assessment on their rewards business infrastructure. Internal concerns about the flow of expense and revenue streams meant that the future of the portfolio was at risk if changes were not made. More specifically, the current ratio of revenue to expense indicated a lack of income growth that would inevitably lead to an unsustainable business model.

### Solution

The approach was to develop a long-term, profitable, and forward thinking strategy that would mesh with the client's business model. To come up with this new business strategy, DecisivEdge had to get a comprehensive understanding of the historical and current environment by following four work streams:

- The client's financial overview
- Business components and products
- Consumer lifecycle stages
- Data analytics

Over the next few weeks, DecisivEdge gathered data on each stream through different initiatives and activities.

- Client Subject Matter Experts (SMEs) were provided with a variety of documentation requests.
- DecisivEdge conducted several meetings with the client and completed working sessions to understand work processes between the two primary products (rewards membership and credit card programs) and the interdependence across internal and outsourced teams and resources.

### QUICK GLANCE

DecisivEdge was approached by a national student lender to perform an assessment on the client's rewards business infrastructure. The infrastructure's ratio of revenue to expense indicated a lack of income growth that would inevitably lead to an unsustainable business model.

#### *Industry*

Financial Services

#### *Challenge*

The current revenue to expense ratio indicated a lack of income growth for the client's rewards portfolio.

#### *Solution*

DecisivEdge looked to develop a new long-term strategy that would mesh with the client's business model. DecisivEdge assessed four work streams to better understand the client's portfolio so a new strategy is made. These work streams included: the client's financial overview, business components and products, consumer lifecycle stages, and data analytics.

#### *Results*

After assessing the work streams, DecisivEdge recognized three strategic alternatives the client could implement to make their rewards program more profitable: liquidate the rewards portfolio, offer a "credit card only" portfolio, or create a scalable long-term rewards solutions.



## Solution (continued)

- DecisivEdge reviewed the components of the customer lifecycle from customer applications through attrition, including marketing to the existing customer base.
- DecisivEdge extensively reviewed expense and revenue measures including various components of the trust fund account.

## Results

After review of the expense and revenue driver of the client's rewards program and all its various components, three primary alternatives were evaluated.

- **Liquidate the Rewards Portfolio:** With such a small profit margin, a strategic trajectory that differs from that of the client's parent and a portfolio that shows little sign of competitive growth, providing a detailed path to wind down the rewards business would give the client \$30M of expense budget to invest in a different area of its business. But the client is contractually bound to their agreement with their issuing bank for another few years, so this alternative was not suitable.
- **Offer a "Credit Card Only" Portfolio:** Given that 62% of portfolio revenues come from the credit card function with a much smaller share of expenses, slimming the business to offer only a credit card product and maintaining a primary relationship with issuing bank may be a viable alternative. A review of the legal agreement for the credit card program determined that the client's rewards program is a critical and contractual component of the overall relationship with the client's issuing bank. As such, the credit card program is only possible in its current state alongside the client's rewards program.

- **Create a Scalable Long-Term Rewards Solution:** The final alternative recognized that the rewards product can provide value to customers and a rewarding flow of income to the client but not as it was organized at the time.

There are opportunities to adjust the flow of expenses and more effectively invest the marketing and IT budgets in rewards portfolio growth. There are significant opportunities to enhance the usage of information, including how it is captured, the repositories in which it is saved, how it is presented, the strategic insights it provides to the business, and the frequency with which it is presented to the appropriate audiences. Finally, the credit card program can be further optimized to maximize on opportunities to retain existing customers, including cross-selling other products.

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### About DecisivEdge

DecisivEdge is a business consulting and technology services company. To learn more about DecisivEdge, please visit our website at [www.decisivedge.com](http://www.decisivedge.com), email us at [getresults@decisivedge.com](mailto:getresults@decisivedge.com) or contact us at 302.299.1570.

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