

Credit Cards in Southeast Asia

Customer Characteristics

Type

A top 50 Southeast Asian Bank

Size

680,000 credit cards with outstanding balances of USD\$300 million

Engagement Objectives

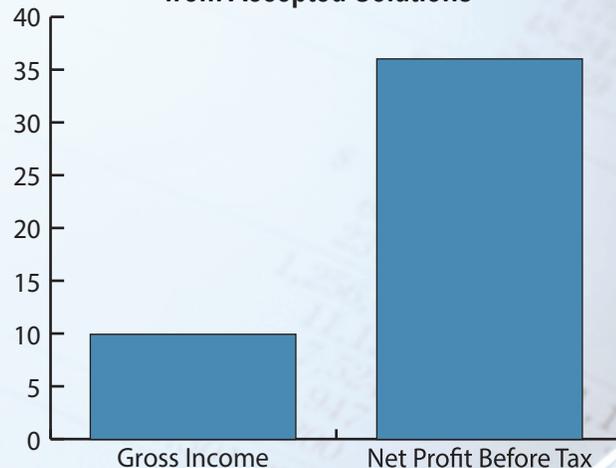
Identify and assist with the implementation of revenue enhancement opportunities designed to:

- Improve interest revenue
- Increase fee revenue
- Reduce interest expenses
- Avoid negative publicity in the marketplace

RESULTS

PROFIT INSIGHT® presented 13 strategies with a projected annual benefit value of over USD\$14.3 million. The first strategy was implemented within 30 days. The combined gross revenue from these implemented strategies increased annual revenue in excess of USD\$12 million or USD\$23 per active account.

**Revenue Improvement (%)
from Accepted Solutions**



BACKGROUND

The on-site engagement commenced in November 2010 and finished in February 2011. Two full-time PROFIT INSIGHT® analysts were assigned to the engagement. The engagement, a study on the credit card issuing business, lasted over 11 weeks. The executive management of the bank had imposed a significant increase to their annual revenue budget for the year 2011, thus the client was keen to have PROFIT INSIGHT® identify opportunities for revenue improvement that may be implemented swiftly, in time to meet their revenue budget in 2011.

ENGAGEMENT

During the course of the 11 week on-site engagement, PROFIT INSIGHT® two senior managers were present at all times. Weekly status reports were provided to the PROFIT INSIGHT® Executive Management Team for engagement monitoring and guidance.

The initial phase of the engagement was spent reviewing the card management system, reconciling cardholders' statements, and analyzing customer and business data. Interviews with various business operation heads were conducted to gain insight into the client's business focus and the key needs of the organizations business units. PROFIT INSIGHT® also conducted a competitive analysis on the client's products and pricing structure.

During the analysis, an initial list of solutions were identified. Weekly status meetings were arranged to share these new concepts with senior managers. Positive and negative feedback for the proposed solutions was discussed and analyzed. The weekly sessions enabled the client's senior managers to gain a better understanding of each individual solution while allowing PROFIT INSIGHT® to mitigate concerns, ensure stakeholders' buy-in and/or consider alternative implementation approaches.

During the weekly status meetings, discussions focused on implementation requirements for specific to individual solutions. Legal and compliance requirements, risk and customer impacts, systems functionality, and financial benefits were some of the areas that PROFIT INSIGHT® took into consideration when preparing the proposal for each individual solution. These weekly meetings enabled senior managers to prioritize the list of solutions that would be considered and presented for approval.

During the engagement, concerns were expressed over the adverse impact the solutions may have on the client's premium cardholders. To alleviate these concerns, PROFIT INSIGHT® conducted a 6-month segmentation analysis showing the impact of the solutions was random and did not solely affect a specific segment of cardholders. To assure the client further, a cost impact analysis was executed on various customer segments. This analysis proved the cost increase on premium cardholders was minimal with respect to their income and propensity to spend. Subsequent post implementation analysis has confirmed that there is no additional attrition from this customer segment.

A finalized set of solutions was reviewed in a formal presentation. Accepted solutions were then submitted to the client's board of directors for a final approval. PROFIT INSIGHT® assisted in the preparation of business cases necessary for the directors' review. Once accepted, PROFIT INSIGHT® helped create concept papers detailing all implementation requirements for each solution. During the implementation process, PROFIT INSIGHT® helped develop user acceptance tests to ensure that solutions were appropriately implemented. Results of the user acceptance test were also analyzed to ensure the expected results were achieved.

RESULTS

The 11 week on-site analysis produced 13 revenue solutions with projected annual benefits of USD\$14.3 million. The number of solutions presented by revenue types is as follows:

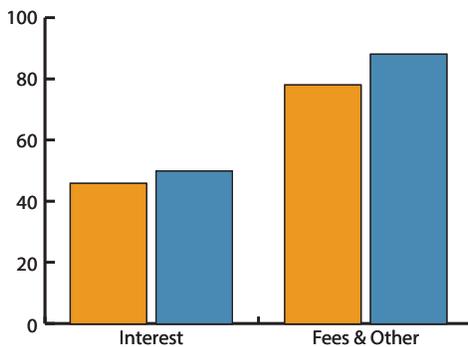
- 7 strategies - interest income improvement
- 6 strategies - fee & other income improvement

The board of directors approved 5 strategy solutions for Phase I implementation. The combined gross revenue of the approved and implemented solutions was USD\$12 million.

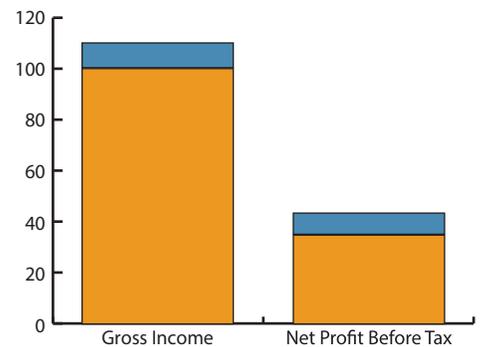
With the recommended solutions of PROFIT INSIGHT®, the Credit Card Business Unit was able to achieve a 10% increase to its gross income in 2011. This resulted in a gross revenue increase of USD\$23 per active card.

While the implementation of the initiatives increased gross revenue by 10%, it resulted in an increase in net profit of 36%. This significant lift in net profit before tax is primarily because there were few increased expenses associated with the implemented solutions, demonstrating the impact PROFIT INSIGHT® revenue enhancement solutions have on the bottom line.

Gross Revenue by Type (US\$millions)



Revenue Enhancement (US\$millions)



■ = before solutions ■ = after PROFIT INSIGHT® solutions

SUCCESS FACTORS

The following factors contributed to the success of the engagement:

- A solution-driven engagement team ensured successful implementation by delivering creative and practical solutions to circumvent potential implementation obstacles for each strategy.
- PROFIT INSIGHT® ability to collaborate and coordinate with the stakeholders to ensure solutions are implemented within expected time-lines.
- Close involvement of the senior management team during stakeholders' meetings to address concerns and implementation issues.
- Responsive support of the individual business unit team members to provide relevant data for analysis.
- The client's willingness to review all strategy solutions without any preconceived restrictions.
- PROFIT INSIGHT® dedication; providing required support via bi-weekly status calls even after the on-site engagement initiated.

