

# Retail Department Store

## Customer Characteristics

### Type

Australasian Retail Department Store

### Size

500,000 credit card accounts with outstanding balances of \$150 million USD

## Engagement Objectives

Confirm the Client's internal staff has explored and implemented all opportunities to maximize revenue without inhibiting retail sales.

- Provide additional opportunities to increase revenue by \$200,000.

## RESULTS

PROFIT INSIGHT® presented 10 strategies with a projected first year benefit of approximately \$6 million USD.

Implemented strategies increased credit card revenues by 30%.

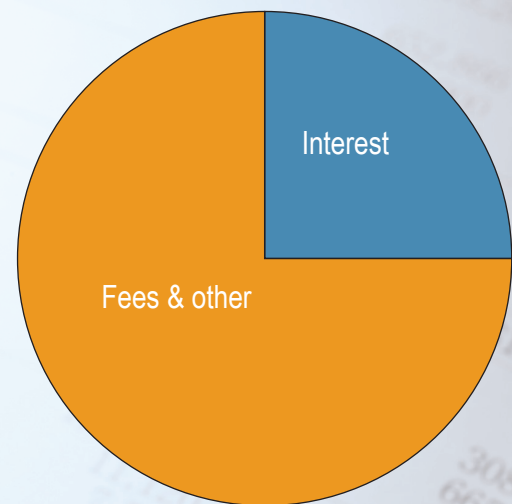
The combined gross revenue from implemented strategies increased annual revenue in excess of \$15 USD per active account.

## BACKGROUND

The Department Store's General Credit Manager engaged PROFIT INSIGHT® for its revenue enhancement expertise. He was confident he had explored and implemented all opportunities available to maximize revenue without inhibiting retail sales, and hoped PROFIT INSIGHT® involvement would confirm this. If by chance PROFIT INSIGHT® could provide additional opportunities to increase revenue, the store would consider any strategies with benefits over \$200,000.

Expectations were not high.

## Revenue Improvement (%) from Accepted Solutions



### *The General Credit Manager listed the following restrictive conditions:*

- Completion of the engagement in 6 weeks.
- Store Cards are accepted only in their chain of stores.
- Growth in net interest income was limited as over a third of balances were outstanding on Interest free options.
- The card product was designed to stimulate the sale of merchandise rather than maximize revenue on card receivables.
- At the start of the engagement, PROFIT INSIGHT® was informed of initiatives currently under development or active consideration.

PROFIT INSIGHT® is the

# CLEAR CHOICE

to help you achieve  
your financial goals.

**C**umulative financial benefits with solutions that are  
**L**egal and compliant focusing on revenue  
**E**nhancement, revenue  
**A**ssurance and cost  
**R**eduction.

## ENGAGEMENT

PROFIT INSIGHT® conducted an analysis of the Client's products and procedures and how they were applied to client accounts. During the studies PROFIT INSIGHT® conducted meetings with members of operations and systems to discuss concepts and implementation issues. At the conclusion of six weeks PROFIT INSIGHT® presented the Client with over ten strategies with a first-year benefit exceeding \$6 million USD. Twenty-five percent (25%) of the benefit would be derived from increased interest and 75% from increased fee income.

Of the strategies presented:

- Twenty-five percent (25%) of the value could be achieved using existing system and operational capabilities.
- Seventy-five percent (75%) of the value would require some system modifications.

The ratio of strategies requiring system enhancements was higher than PROFIT INSIGHT® normally experiences due to a purchased software package that had been heavily customized to meet unique product requirements. However, the one-time cost of the enhancements was estimated to be less than 10% of the annual benefit.

## RESULTS

The strategies presented to the Client represented a revenue increase of \$15 per active card. In addition to the strategies presented, PROFIT INSIGHT® provided additional value by contributing to an existing store initiative. PROFIT INSIGHT® determined that they were not optimizing the revenue potential of this initiative. PROFIT INSIGHT® suggested alternative approaches at the same price level. The Client indicated it would implement at least part of the alternative approaches suggested, generating 50% more revenue than would have been achieved under the methodology originally planned.

Despite the restrictive conditions and a unique product offering, PROFIT INSIGHT® provided strategies that would increase credit card revenue by over 30%.

*The General Credit Manager stated he was very surprised with the results of the engagement – there was a lot he had not thought of and a vast majority of the strategies presented were new. Despite the restrictive conditions and a unique product offering, PROFIT INSIGHT® provided strategies that would increase credit card revenue by over 30%.*

*None of the strategies recommended by PROFIT INSIGHT® involved increasing the interest rate or fee amount, nor were they one time increases in revenue, as the value received from them will go into perpetuity.*

## SUCCESS FACTORS

The PROFIT INSIGHT® consulting team studied the store's operating environment and completed an analysis of the products and procedures and how they were applied to the customers' accounts.

- During the engagement the Client outlined a strategy they were already implementing. PROFIT INSIGHT® suggested alternative approaches that were estimated to generate 50% more revenue than originally planned.
- PROFIT INSIGHT® exceeded the engagement objectives and remained on schedule throughout.



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