

European Card Issuer

Customer Characteristics

Type

Market leading card issuer in Europe

Card Balances

USD\$2 billion

Active Accounts

1.5 Million

Engagement Objectives

- Increase revenue by USD\$13.5 million per year
- Solutions focused on bank products and procedures
- No negative impact on the bank's reputation in the market
- Easy implementation

RESULTS

Despite the reputation that this Bank had as being a leader in the Credit Card industry and the severe time restriction placed on the engagement, PROFIT INSIGHT® provided strategies with a first year value in excess of USD\$56 million. Within 12 months of entering the Bank, strategies with a first year value of USD\$24.7 million had been implemented and other strategies remain under consideration. This is against an original hope that PROFIT INSIGHT® could introduce strategies with a value of USD\$13.5 million.

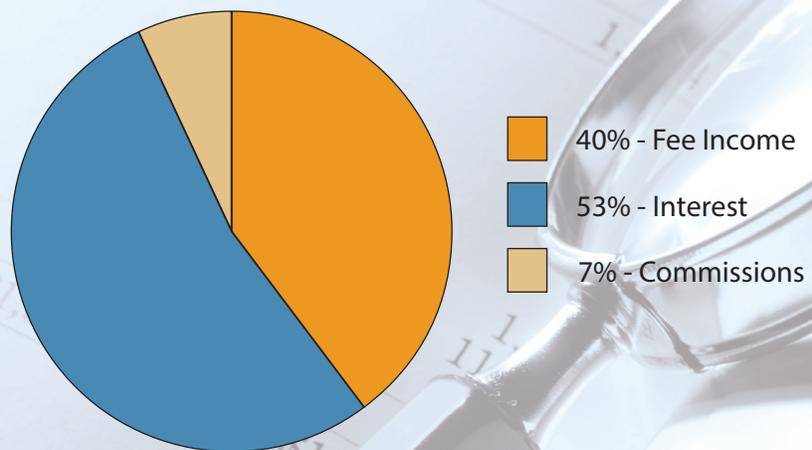
The strategies presented to the Bank represented an increase in revenue of USD\$53.90 per active card per annum. Given normal time frames, PROFIT INSIGHT® would be able to develop additional strategies to increase revenues. The Bank has recognized this and has indicated that PROFIT INSIGHT® will be re-engaged at a later date.

Summary of the Engagement Financial Impact

		STRATEGIES	Value (USD\$)
PROFIT INSIGHT® Strategies	Presented	20	56 million
	Implemented	8	28.75 million
	% Implemented	40%	51%

After the six (6) week engagement, PROFIT INSIGHT® presented the Bank with 20 strategies with an annual value of USD\$56 million.

Strategy types presented



The strategies presented resulted in additional Fee Income of USD\$22.3 million, Interest Income of USD\$30 million and Cost Reduction of USD\$3.8 million.

PROJECT EXPECTATIONS

The Head of the Bank Credit Card business brought PROFIT INSIGHT® to the Bank as he liked the 'no risk' pricing concept and he wanted an outsider's view of their operations. He was hoping PROFIT INSIGHT® could bring ideas to the Bank with an annual value of USD\$13.5 million.

Members of the management team were skeptical that PROFIT INSIGHT® would find much in value for them because they had two experienced Product Managers and an employee whose full-time job was Earnings Enhancement.

RESTRICTIVE CONDITIONS

- To enable the Bank to move forward with other planned projects, they required that the engagement be completed within a shorter time frame than normally required by PROFIT INSIGHT®.
- Existing operating system was to be replaced and additional functionality had been identified to justify a new system investment.
- The Bank was in the process of implementing new strategies they had identified to increase revenues.

CLIENT ATTITUDE

Despite the skeptical approach by the management team, they all committed their full support to the project and were highly cooperative in providing requested data and feedback. PROFIT INSIGHT® finds that clients with this type of approach are the greatest beneficiaries of the engagement.

THE SOLUTION

PROFIT INSIGHT® allocated two managers to the project. Within 2 – 3 weeks of entering the Bank these Managers had met with the management team, studied the operating environment of the Bank and had been introduced to the areas that are relevant to their studies. These studies included an analysis of the Banks products and procedures and how they were applied to the client accounts. The findings were compared to PROFIT INSIGHT® checklist of Best Practice ideas and strategies developed, where applicable, to increase revenue.

During the studies, PROFIT INSIGHT® met several times a week with individual members of the management team to share ideas and to ensure a collaborative approach. As strategies were identified, PROFIT INSIGHT® conducted other meetings with members of Operations and Systems to discuss concepts and implementation issues.

THE RESULT

At the conclusion of 6 weeks, PROFIT INSIGHT® presented the Bank with 20 strategies with an annual value of USD\$56 million. The strategies presented resulted in additional Fee Income of USD\$22.3 million, Interest Income of USD\$30 million and Cost Reduction of USD\$3.8 million.

Of the strategies presented to the Bank:

- 12 strategies valued at USD\$31.75 million are classified 'quick hits' which means they are strategies that can be implemented quickly with no program changes and minimal modifications to disclosures.
- 3 strategies valued at USD\$5.35 million would require some systems program changes, but were considered by the Bank as possible with the existing system.
- 5 strategies with a value of USD\$18.9 million were determined not feasible with the existing system but were used to further build the cost/benefit analysis for investment in the new system. In this regard, PROFIT INSIGHT® was able to assist the Bank in determining whether the new systems under consideration could support the strategies the Bank was planning to employ.

None of the strategies provided by PROFIT INSIGHT® involved increasing the interest rate or amount of fee, nor are they "one off" increases in revenue as the value received from them will go into perpetuity. The strategies presented to the Bank represented an increase in revenue of USD\$53.90 per active card per annum.

The first two strategies with annual benefits of USD\$1.75 million were implemented by the Bank within 5 months of PROFIT INSIGHT® entering the Bank. Other strategies, with an annual value of USD\$22.95 million, were implemented progressively over the next 4 months. Another strategy worth USD\$4.05 million is in the process of implementation, while other strategies are being actively evaluated.

THE PROFIT INSIGHT® DIFFERENCE

During the early stages of PROFIT INSIGHT® engagement with the Bank, they outlined several strategies they were in the process of implementing. Upon explanation of how the Bank planned to structure a new fee, PROFIT INSIGHT® determined that they were not optimising the potential of the new revenue initiative and recommended an alternative method at the same price level.

Based on the first 6 months since implementation, the modification proposed by PROFIT INSIGHT® has produced USD\$8.10 million in incremental annualized revenue, which is more than double what the Bank would have achieved under their planned method. In a meeting with the Bank after the engagement had been completed, one of the Product Managers said "PROFIT INSIGHT® told us things about our business we did not know, and showed us things we could do that we had not thought of".

SUMMARY

Despite the reputation that this Bank had as being a leader in the Credit Card industry and the severe time restriction placed on the engagement, PROFIT INSIGHT® provided strategies with a first year value in excess of USD\$56 million. Within 12 months of entering the Bank, strategies with a first year value of USD\$24.7 million had been implemented and other strategies remain under consideration. This is against an original hope that PROFIT INSIGHT® could introduce strategies with a value of USD\$13.5 million.

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249 Williamson Road • Mooresville • North Carolina • USA • 28117
866.261.6226 • www.profitinsight.com