

Private Indian Bank

Customer Characteristics

Type

Mid-sized private bank located in India.

Total Card Portfolio

350,000

Active Card Accounts

190,000

Engagement Objectives

- Identify areas in the client's card operations where potential new revenue is available.
- Create and develop new methodologies to capture new revenue streams.
- No negative impact on the Client's reputation in the market
- Easy implementation

First Data® and PROFIT INSIGHT® Implementation Collaboration

During the course of the engagement First Data® and PROFIT INSIGHT® were in constant contact to ensure the VisionPlus™ system could support the ideas being proposed. In most cases the system had existing options to support the ideas identified. In several cases the system did not have the required functionality. In those situations FirstData determined that system enhancements were feasible and what the costs would be. In all cases the development costs were less than 20% of the first year benefit providing a payback in less than 3 months.

ENGAGEMENT OVERVIEW

The engagement involved a mid-sized private bank in India. Their credit card portfolio had 350,000 total accounts of which 190,000 were active. The bank was an existing user of VisionPlus™ - a First Data® credit card processing system.

The engagement was sold through the PROFIT INSIGHT® partnership with First Data®.

EXPECTATIONS

We expected to identify and present ideas with an annual value of \$5 per active account.

The bank's expected we would find little value as they had a sophisticated product management team with extensive experience in the Indian credit card business. The bank decided to proceed with the study due to the success based pricing model.

THE PROCESS

Pre-Engagement

Two weeks prior to the start of the engagement PROFIT INSIGHT® provided the client with a data request asking for the following information. It was expected the data would be provided the PROFIT INSIGHT® engagement team on the start date.

- Copies of marketing material, disclosures and price lists
- Statistical data for the prior 12 months including number of accounts, balances and transaction volumes.
- Detailed financial data for the prior 12 months including fee income by type and net interest income.
- A data extract of all accounts for 3 months consisting of all transaction activity plus various other fields of data.

Onsite Analysis

PROFIT INSIGHT® dedicated two analysts to the engagement full time. In addition First Data® provided resources for technical system advice as needed. The engagement transpired over 11 weeks with the analyst team on-site for 8 weeks.

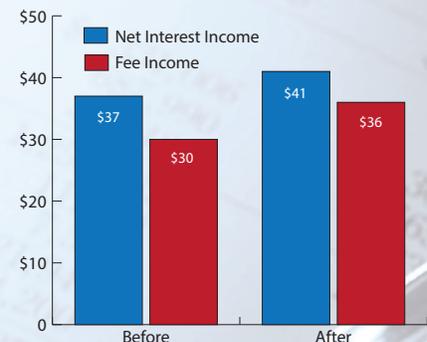
Kickoff Meeting

On the first day of the engagement a "Kickoff" meeting was held with PROFIT INSIGHT® and key members of the client, including the business unit head, product managers and other stakeholders in Operations, Systems, Finance and Risk. PROFIT INSIGHT® explained that the

Summary of the Engagement Financial Impact

Annual Revenue per Account	Before	After	Increase
Fee Income	\$37	\$41	10%
Net Interest Income	\$30	\$36	19%
Interchange	\$29	\$29	0%
TOTAL	\$96	\$106	10%

Strategy Implementation - benefit per active account



purpose of the engagement was to develop ideas to increase revenue then provided an overview of the engagement process.

Interviews

After the Kickoff meeting interviews were scheduled with key client stakeholders during the first week. The interviews focused on

- The market
- Client strategies and hot buttons
- Product positioning
- Product and pricing structure
- Pending initiatives

Data Analysis

On the first day of the engagement PROFIT INSIGHT® was provided the initial data request. Over the next two weeks the PROFIT INSIGHT® analysts reviewed the following data:

- Terms and Conditions, price lists and marketing material were reviewed in order to understand product and pricing structure. A spreadsheet was then created summarizing product features, pricing and any other assessment rules or exclusions.
- Volumes were reviewed and a statistical database was created.
- Another table was created summarizing revenue by fee type and interest category.
- Key ratios were calculated, such as average balances, fee income per account etc.
- Analysis was conducted of the detail transaction database provided in order to identify potential ideas, revenue leakage or areas of further analysis.

Benchmarking

Once the data was summarized the benchmarking process stated. This took two forms:

Statistical Benchmarking. PROFIT INSIGHT® maintains a database of statistical data for all previous engagements. This allows the analytical team to compare the current client's data with prior clients to identify potential areas for further analysis. Competitive Analysis. PROFIT INSIGHT® shopped the competition to obtain their price lists and terms and conditions.

Auditing

A key aspect of the PROFIT INSIGHT® analytical methodology is validating exactly how things work through detail audits of

- Transactions
- Calculations
- System parameter settings
- Policies, procedures and processes
- Exception handling
- Fee assessment rules and processes

Checklist Review

By following the analytical methodologies outlined above, the PROFIT INSIGHT® analysts readily identified opportunities. However, PROFIT INSIGHT® also maintains a checklist of over 800 "Best Practices" which is compared to what the bank is doing and thereby used to identify additional potential ideas.

Opportunity Identification & Review

Through the above analysis PROFIT INSIGHT® was able to identify over 30 potential opportunities to increase revenue. Some of the ideas were actually being applied by competitors in the market, others were new to the market, but would not be overtly apparent to customers.

Two weeks after the Kickoff meeting PROFIT INSIGHT® presented 18 of the ideas in a meeting with the product management team, finance and risk. The benefits fell into the following categories

- Increased interest due to modifications in calculations
- Increased net interest due to changes in processes
- Increased fees due to changes in assessment practices
- Increased fees and interest due to pricing structure changes
- Reduced fee leakage due to modifications to processes, procedures and policies

The discussion focused on the concepts of the ideas and their practical applications in the bank and market. During that week two further review meetings were held, first with the Head of Cards and second with the Head of Retail Banking.

Subsequently the bank team decided to pursue 14 of the ideas for further implementation analysis. It was felt that two ideas would not be viable due to market conditions and two other ideas the bank was already working on. In relation to the latter ideas PROFIT INSIGHT® asked for more details and determined there was an opportunity to further optimize one of them.

Through the remaining course of the engagement PROFIT INSIGHT® identified and formally presented an additional 5 ideas. Furthermore, a list of 12 additional ideas was provided for future consideration and analysis.

Additional Data Sourcing and Analysis

The next steps were to develop detail benefit calculations, review the ideas with other stakeholders in the bank, determine implementation issues and assess customer impacts. This was accomplished over the next seven weeks during which time PROFIT INSIGHT® also developed formal business cases for each idea.

- Additional data was sourced for each initiative to further quantify the benefits at alternative implementation methods. The benefit models were developed in collaboration with both the Finance, Risk and MIS Analytics teams. During this process we also jointly developed and agreed on benefit tracking models for implemented ideas.
- An extract of all accounts was then used to assess the impacts on individual accounts to determine potential negative customer reaction. In the vast majority of situations it was determined that customer impacts were small and likely not apparent.
- The ideas were reviewed with other areas to assess implementation issues
 - Operations
 - Risk
 - Sales/marketing
 - Compliance

ENGAGEMENT RESULTS

After subsequent analysis and review with appropriate stakeholders, the Product Management team endorsed 12 of the opportunities identified, with an annual benefit of up to \$24 an active account.

The ideas were then submitted to the bank's Executive Committee for final approval and prioritization. The executives were enthusiastic about the revenue potential but also concerned about implementing too many ideas at once. In order to manage the implementation process and customer impacts it was decided to prioritize the ideas into two phases.

Five (5) ideas were approved for implementation as soon as feasible with an annual benefit of approximately \$10 per active account. It is estimated that the implementation process will take 4 months in order to make the necessary system changes and customer notifications.

The initiatives approved for implementation will increase revenue per card by approximately 10%.

