

Credit Cards in the United Kingdom

Customer Characteristics

Type

Market leading card issuer in the United Kingdom

Portfolio

Two types of cards:

- In-house brand
- Co-branded*

Card Balances

£12 Million

Active Accounts

5.5 Million

Engagement Objectives

- Increase revenue by £10 million per year
- Solutions focused on improving interest, fee income and expense reduction
- No negative impact on the bank's reputation in the market
- Easy implementation

* Issued in partnership with another financial institution

RESULTS

The engagement significantly exceeded the goals set at the start of the engagement which was to increase revenue by £10 million per year. During the first year the revenue increase was actually £17 million or 70% over the goal. This eventually grew to £35 million or 250% over the goal.

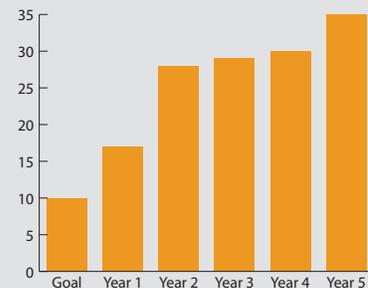
Summary of the Engagement Financial Impact		In House	Co-Branded	Total
	Active Accounts (mil)	4.0	1.2	5.2
	Gross Revenue (mil)	£1,000.00	£168.00	£1,168
	Revenue per Account	£250.00	£140.00	£225
PROFIT INSIGHT® Strategies	Presented	£31	£10	£41
	Implemented	£26.0	£9.2	£35
	% Implemented	84%	92%	86%
	Benefits Per Account	£6.5	£7.7	£7
	% Lift Per Account	2.6%	5.5%	3.0%

While the increase in revenue was 3%, the impact on net earnings for the business unit was approximately 15% because there were few ongoing costs associated with the implemented solutions.

RESULTS HIGHLIGHTS

- None of the initiatives implemented increased client's published fee amounts or published interest rates. The increased revenue was achieved by modifying fee and finance charge calculation and assessment practices.
- All but two of the initiatives were supported by the capabilities of the system.
- Two opportunities did require system programming changes which management enthusiastically championed when they understood the concepts and benefits.
- Minor changes were required to the Terms and Conditions for three of the ideas.
- After implementation there has been no negative press and customer complaints were negligible.
- The first opportunity was implemented within 6 weeks of being presented and approved by management.
- The next 7 ideas were phased in over a 12 month period.
- The final idea was implemented after 36 months for the Co-Brand portfolio which has materially increased earning assets and net interest income.

Tracked Benefits vs. Goal
(£ millions)



PAYBACK ON INVESTMENT

PROFIT INSIGHT® conducts its engagements in a non-disruptive manner, minimizing the amount of time employees have to dedicate to the study. However, in order to properly collaborate it was necessary to meet regularly with the business unit management team and other key individuals to thoroughly explore the opportunities and implementation issues.

During the course of the engagement the credit card business unit devoted approximately 13 man days to the study, primarily in weekly status meetings and opportunity assessment workshops. Please note this does not include the time dedicated to actual implementation, which was not significant. As the annual benefits have grown to over £35 million, this equates to a return of £2.7 million per day invested in the study. There are few activities where a client can obtain similar returns.

SUCCESS DRIVERS

The following factors contributed to the overall success of the engagement:

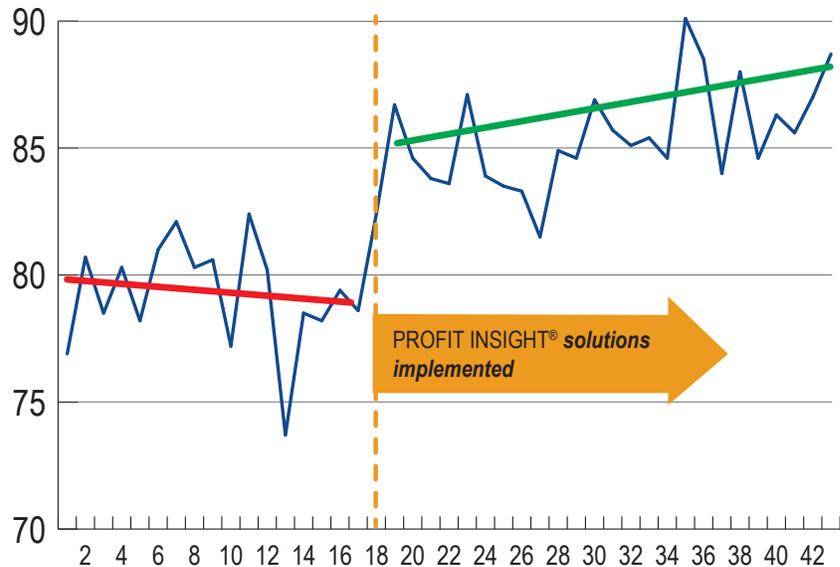
- The ability for PROFIT INSIGHT® to collaborate and coordinate with the stakeholders and also external parties to ensure that solutions were implemented within expected time lines
- Out-of-the box approach by PROFIT INSIGHT® analysts enabled the team to identify new innovative revenue enhancing ideas for a client that thought it had already optimized most of its fee and interest assessment methodologies
- Responsive support of the individual business unit team members in providing relevant data for analysis
- The client's willingness to review all strategy solutions without any preconceived restrictions
- The client's readiness to pro-actively make decisions and manage the implementation process.

ENGAGEMENT TIME LINE

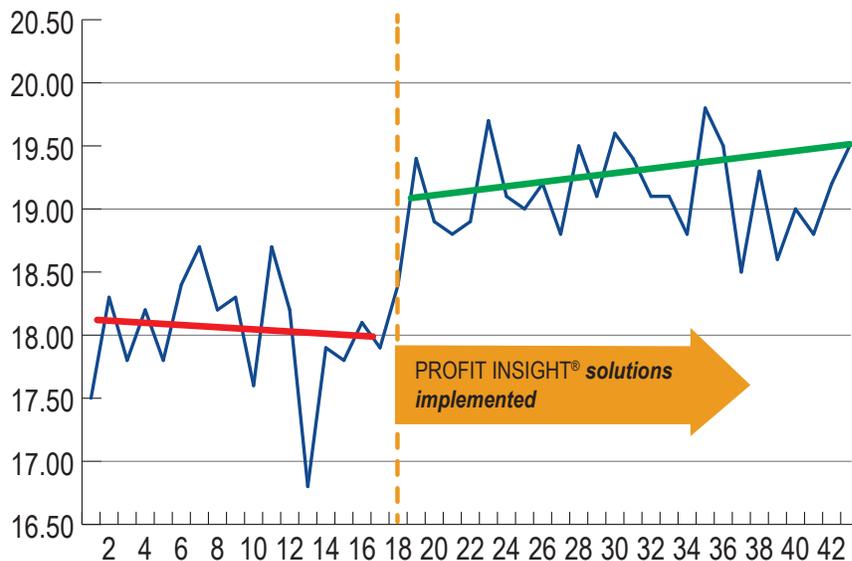
APRIL

The on-site engagement occurred between April and November. Two analysts from PROFIT INSIGHT® were assigned full time and a third was assigned for one month. After two weeks, PROFIT INSIGHT® reviewed an initial list of potential revenue enhancement opportunities with the management team. This list, targeted at the In-House Card Brand was prioritized for further analysis and discussions. A schedule of weekly Management Team meetings was established to help prioritize the work plan, review the results of analysis, assess customer impacts, evaluate risks (credit, operations and reputation), and provided input to a formal proposal. presented in the middle of June.

In-House Brands: Total Revenue by Month (£ millions)



In-House Brands: Revenue per Account by Month (£)



JUNE

The proposal was presented and approved in the middle of June. Six weeks later, on August 1st, the first initiative was implemented. From July through November, PROFIT INSIGHT® analysts remained on-site to facilitate the implementation of the approved solutions and the development of benefit tracking methodologies.

JANUARY

In January, the Management Team agreed to expand the engagement to include the Co-Branded Cards. It was readily determined that many of

the opportunities identified for the In-House Card Brand would apply to the Co-Branded Cards as well. In addition, PROFIT INSIGHT® was able to identify three new opportunities that were applicable specifically to the Co-Branded business. PROFIT INSIGHT® collaborated with the management team to assess market impact and addressed every concern about potential negative reactions from the customer base. PROFIT INSIGHT® quantified customer impacts and reactions by using feedback from the In-House Card Brand initiatives that were in effect for several months.

ENGAGEMENT PROCESS

PHASE 1

The initial phase of the engagement was spent reviewing the card management system, reconciling cardholders' statements and analyzing customer and business data.

PHASE 2

PROFIT INSIGHT® conducted interviews with various business areas including Product Management, Finance, Operations, IT and Risk. The purpose of the interviews was to gain insight into the client's business focus and the key needs from each business area in the organization and assess customer impacts and implementation issues. Thereafter weekly status meetings were arranged which enabled the client's product and business managers to get a better understanding of each individual solution and at the same time allowed PROFIT INSIGHT® to address concerns that helped ensure their stakeholders' buy-in.

PHASE 3

PROFIT INSIGHT® conducted an analysis of other competitors in the market focusing on product structures, pricing and Terms and Conditions.

PHASE 4

PROFIT INSIGHT® also compared the client's statistical data with benchmarks from other client engagements which highlights several areas for improved revenue opportunity.

ENGAGEMENT CHALLENGES

- The client already had an internal team focused on developing and implementing initiatives to improve product P&L
- Prior to PROFIT INSIGHT® engagement, the client had completed a thorough product review and developed a list of over 100 revenue enhancement opportunities which were considered to be out of scope of the study
- Growing media scrutiny on customer fairness and product transparency led the client to be extremely sensitive and cautious regarding new ideas
- The client had a Co-branded portfolio they did not want included in the study due to the sensitive nature of the co-brand partner relationship

ENGAGEMENT HIGHLIGHTS

Collaboration with Client Management Team through weekly status meetings and deep-dive workshops resulted in:

- *15 specific solutions* with a total annual value of over £40 million
- *9 solutions implemented* with annual value of over £35 million
- *£7 revenue increase* per active account, representing a 3% increase over existing revenues
- *15% increase in the net margin* for the business unit
- 6 weeks after the formal presentation the first approved initiative was implemented
- Most of the initiatives were implemented within the capabilities of the existing systems
- Implemented solutions resulted in minimal disclosure changes and none resulted in adverse publicity
- After 9 months the study was expanded to the Co-Brand portfolio with the enthusiastic support of the partnering financial institution.

IMPLEMENTATION HIGHLIGHTS

Upon the acceptance of the proposed solutions, PROFIT INSIGHT® assisted the client in developing detailed business requirement documents for each solution which provided details on the implementation requirements.

PROFIT INSIGHT® also assisted the client in managing the implementation of the strategies. One example of this assistance was the development of user acceptance tests to ensure solutions were appropriately implemented.

PROFIT INSIGHT® worked closely with Finance in developing reports to track the benefits of each implemented initiative.

THE PROFIT INSIGHT® DIFFERENCE

PROFIT INSIGHT® developed an innovative pricing methodology for one of the card product features. As a result of the recommendations and the resulting revenue, the client was able to improve the product proposition to its customers. The client was awarded an industry mention for being the best vendor of such a product in the market and a subsequent audit by the Government Office of Fair Trade raised no issues with the pricing alternative implemented. This innovation was subsequently adopted by several other issuers in the UK.

Shortly after the engagement commenced PROFIT INSIGHT® was notified that the bank was about to make a change in the way payments were to be processed. After a quick analysis PROFIT INSIGHT® alerted the bank that the process change would result in a decrease in revenue of over £1 million a year. The bank reviewed the analysis and subsequently canceled the planned change.

