

Successful Strategies for Credit Card Portfolio Development

By Janice Simoneau

It's a fact. A well-managed, actively marketed credit card program can be a big moneymaker.

It has been shown that a card loan leads to a higher probability of additional consumer loans, generating significant increases in return on assets.

In today's rapidly changing environment, maintaining a competitive edge and growing your customer base will depend on offering your customers a broader range of services.

Integral to this strategy is credit card portfolio development.

Portfolio development should be an ongoing initiative with the goal of continued stability, growth and profitability. Its focus is on specific card product and service offerings. There are five main areas to consider when developing your portfolio development strategy.

Analyze Your Program's Performance

Using key calculations and measurement tools, analyze your card program's current performance. Key indicators in analyzing your program's strengths and opportunities are the percent of active cards, card penetration of your existing customer base, overall market share, average outstanding balances, percent of accounts accruing finance charges, the average number of transactions per month as well as the average dollars outstanding. It's important to establish a base

from which you can measure your success in order to develop a realistic growth plan that supports your bank's overall goals and objectives.

Most of your goals will fall into one or more of the following developmental stages of card issuing: penetration, activation, usage and retention. The ultimate goal for any loan product is profitability. You achieve the goal by identifying the ever-changing expectations and value requirements of your respective market. Your cardholders are usually very clear on what they perceive as value. Supporting their needs leads to acceptance, regular use and revolving balances.

Improve Acquisition and Penetration

Increasing your cardholder account base relies on finding and reaching the right customers. You can generate interest in your card program by reaching customers through bank products and services they already enjoy, such as free checking and auto and home loans. Taking advantage of established relationships maximizes your lines of communication. Your best resources are your employees. Every interaction they have is an opportunity to cross-sell your credit card program.

Teach your tellers about your program and train them how to sell it. Offer prizes (gift certificates, cash rewards, trips, etc.) to the teller that signs up the most customers in order to boost employee participation. Your

tellers are the front line connection to your customers; take advantage of the relationships they have already established.

Stimulate additional interest in your card program by advertising your rates in the bank lobby, by enclosing application forms with customer statements and on your Web site, and through direct mail promotions.

One key to success is recognizing that each of your customers has unique card needs. Diversify your product line accordingly. For example, offer a low-price, no-frills standard card for new college graduates, and then strengthen this program by introducing credit line increases and upgrade promotions.

Motivate Customers to Activate Cards

Acquiring new cardholders is only the beginning of building a strong portfolio. Next is getting cardholders to activate their cards.

The longer an account remains inactive, the more difficult and costly it is to activate. Card activation stickers can help increase card activation while reducing occurrences of fraud. Applied directly to the front of cards, these removable stickers include a message that notifies the cardholder that the card cannot be used until they confirm receipt. This service also provides reports identifying non-activated accounts, allowing for further activation efforts.

Many banks have had success with immediate usage reward programs that encourage



activation. For example, run a sweepstakes contest for cardholders who have received cards in the last six weeks, but have not activated. Each transaction earns an entry into the contest. No matter what type of campaign you choose, make sure you are targeting the right cardholders. Your best audience is most likely cardholders who have been inactive

for six months or less.

Boost Cardholder Usage

To maximize cardholder usage start by making sure that your card satisfies your member's needs. For example, offer a card with a competitive rate and annual fees, then consider enhancing it by offering

incentives such as merchant discount programs and credit line increases to qualified customers.

Retain Existing Cardholders

The cost of acquiring a new cardholder far exceeds the cost of retaining an existing customer.

The first step to understanding how to keep existing cardholders happy is to get a feel for what makes them unhappy. What makes a cardholder leave? Poor service, better rates, higher credit lines... It's hard to say. The key to retention is to target cardholders before there is a problem.

Let them know they are valued by offering them the relationship, products and services they need from their financial partner.

A few ways to do this are to acknowledge cardholder loyalty with rewards based on longevity and profitability; prepare counter offers before customers call; and encourage cardholders to use their bank card for recurring payments. You can also use other products to strengthen cardholder relationships. For example, link your card to home equity lines of credit and leverage relationship pricing to encourage cardholders to expand their business with you. Cardholders who use several bank services are less likely to close their card accounts.

Card programs bring more than just revenue. They help you develop customer loyalty, new account relationships and cross-selling opportunities. All of these factors work together to help strengthen the value of your bank and your customer relationships.

ACB Business Partners and Certegy Inc. recently ran a series of teleconferences to help you analyze and grow your existing credit card portfolio. To download these free sessions, visit www.AmericasCommunityBankers.com/Partners and click on Teleconferences. **15**

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