



for people involved in payment card marketing and product development

[Pass Enhance on to a colleague.](#) | [Printer-friendly version](#)

Issue Eleven, June 2008

#### In this issue:

##### [Managing for growth in a crisis](#)

Value is the answer – for you and your customers

##### [In tough times, be systematic](#)

Got a problem? Think it through



## In The News

### Breaking the chains

Here's yet another piece of jargon for us all to learn (apologies, incidentally, if you're already up to speed with this one): "Decoupled debit card".

What does it mean? Basically, it's a debit card issued by an institution other than the one at which the primary checking or current account is held.

What's the point of it? For non-bank issuers, a big one. It means that they can enter a vigorous and fast-growing market previously monopolised by the clearing banks. Not least, it means that they can capture the debit card interchange income which would previously have gone to a bank.

For customers, decoupled debit cards offer the possibility of a fatter rewards programme – though it remains to be seen whether early offers are sustained.

For the banks, it's another potential worry. Long promoted by the clearers as being more convenient for customers than cheques, the fact is that debit card transactions are a lot cheaper for banks to process than paper. Because customer reluctance to change primary banks is well documented, the debit card has been one product segment where they faced very little competition. Likelihood is, though, that the decoupled debit card may just begin to loosen that tie of apathy. Don't expect an avalanche just yet – making decoupled debit cards happen requires a lot of heavy lifting in systems and payments networks – but it's worth noting that Capital One and HSBC are experimenting in the US., using both closed loop and MasterCard open loop networks.

In other regions, Continental Europe for example, where the primacy of the debit card has long dominated other types of payment card, it's going to be interesting to see who's the first to break ranks in a bid to win new business from increasingly footloose customers.



[Back to top ^](#)



## Managing for growth in a crisis

All around the world, commentators are competing with each other to scare us all to death with prophecies of financial doom.

No doubt, there's a big problem out there around how banks finance themselves and around consumer debt. But there's no doubt either that life goes on: targets have to be met, programmes have to be conceived, launched and managed. In fact, this is when smart operators spot the opportunities quicker than their slower competitors.

So, what are the opportunities in the current situation?

**Lesson 1:** The shakeout will certainly happen, but it's more likely to hit hard those who are lower on the financial ladder than those who are better off

**Lesson 2:** In times of doubt, customers look for value

What does this mean in practice?

Well, first of all, a focus on more upscale customers will make sense. The rich – or, as we must now learn to call them, high net worth individuals – are always with us: and they like a bargain as well as anyone.

Secondly, corporate customers aren't going to stop travelling: this month, a giant multinational is holding a major shindig in Las Vegas, involving many hundreds of executives from around the world. To signal the appropriate attention to costs, the weary travellers will be sitting at the back of the aeroplane – but the meeting is still happening.

Here's the lesson to learn from these developments: wise marketers will drop,

*"The answer is likely to be found in some, ideally unique, combination of improved functionality and added value."*

at least for the time being, their aspirations to find profitable new customers in the near-prime and sub-prime segments. Instead, they'll direct scarce resource to individuals and businesses which still have the power to put spending money on their cards. The trick, as always, is to find the right bundle of benefits with which to entice these notoriously wary fish on to our hook.



That bundle of benefits will vary from market to market, from geography to geography. You'll need to assess emerging customer needs and how well they are met. You'll want to look very closely, too, at what the competition is doing today, and what it might be doing in the next twelve months.

But the answer, for either corporate or personal customers, is likely to be found in some, ideally unique, combination of improved functionality and added value.

For instance, one of the behaviour patterns that characterises both these groups is frequent travel, for both business and leisure purposes. Even with the Internet – some would say because of it – booking trips isn't as straightforward as it might be. And checking to make sure you have the best possible value is a nightmare, unless you're prepared to spend far too much time surfing from portal to portal. So how about offering these cash-rich, time-poor people their own personal travel agent, one who knows their likes and dislikes, one who doesn't just respond to a booking request, but actively comes up with suggestions for better value or special offers?

Another possibility might be a facility which provides corporate executives with privileged access to sought-after sports events, golf courses, concerts, airport lounges.

Either way, your customers will benefit from improved service. And you'll benefit from being able to offer a unique and desirable product which uses demonstrable added value to cut through a crowded market place.

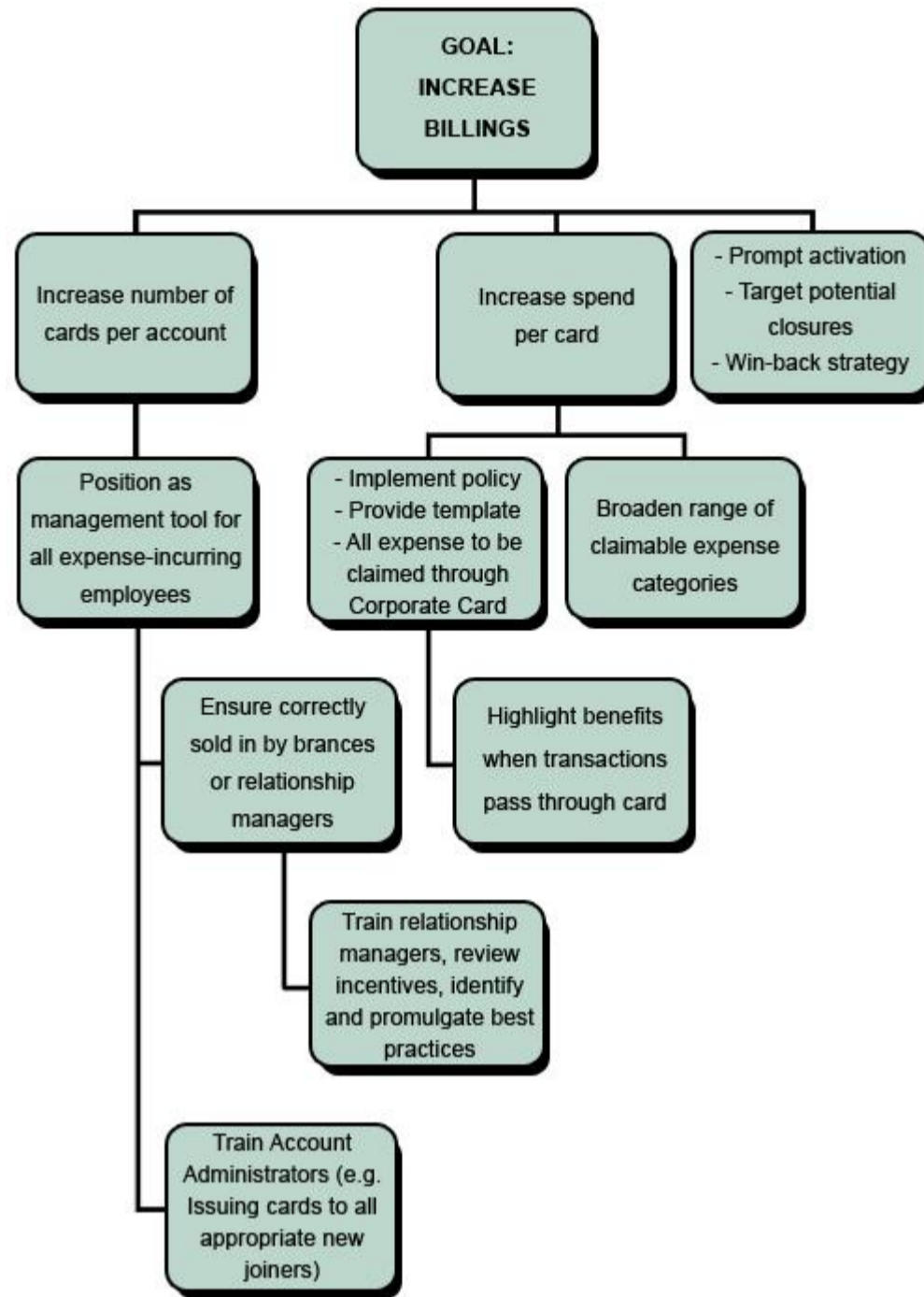


[Back to top ^](#)

## In tough times, be systematic

When business is good, we can all afford to be a little off-the-wall from time to time: the pet project that may not go anywhere but is worth taking a chance on can be a lot of fun when budgets are fat. But it becomes a luxury you can't afford when pencils are sharpened and senior management is hunting for ways to shake unnecessary cost out of the business. At times like these, it pays to be systematic, to review your plans to ensure that you've covered all the bases and that you have your priorities in the right order.

By way of illustration, here's a challenge which one issuer had in its mid-size corporate card business. Basically, the trouble was that billings weren't hitting target. A decision tree approach helped spell out what the problems were, and outline ways of addressing them:



The advantage of this way of thinking about the problem is that, level by level, it allows you to unpick the key causes of the problem, and identify complementary tools for tackling each of them. Equally, it's flexible: it can be applied in any business setting – or even personal ones, come to that. Incidentally, this chart is by no means comprehensive – it simply tries to set out how the approach could be used.



[Back to top ^](#)

And finally...

## From Russia with...diamonds

Looking for something special in card design? Here's one answer.

In Russia, Rosan, a Visa and MasterCard certified manufacturer, is hand-crafting one-off standard-sized cards with coral, pearls, gold, diamonds, sapphires, and rubies. They will sell from \$10,000 to \$75,000 when they come onto the market later this year. Owners will be able to have personal information hand-engraved on the front. The cards, which the company calls the Rosan Diamond Card Collection, are created as art objects. *(The Nilson Report, March 2008)*





Naturally, they can't function in the normal way, but hey, if you can afford one of these, maybe you could set up your own terminal network to accept them.

Roy Stephenson, Consulting Editor

## Consulting editor bio note

Roy Stephenson, a former VP and General Manager with American Express, is a banking and payment card consultant and a member of the MasterCard Advisors pool. He is the author of Marketing Planning for Financial Services (Gower Publishing).

Contact him at [roy.stephenson@prioritycollection.com](mailto:roy.stephenson@prioritycollection.com)

### In previous issues of Enhance we covered:

**Your best customers:** How to find and influence them

**The search for the holy grail:** How do I make more profit from the customers I already have?

**The power of data-driven marketing:** Using information to build profitability

**Maximise the returns from your marketing budget:** What effective card marketing programmes all have in common

**Coping with the commoditised credit card:** Using relationships to build profitability

**Business card marketing:** Is there a case for product enhancement?

**Conflicting signals from co-brand cards:** The rules that successful issuers are following

**Emerging markets:** How different are they really?

**Channel optimisation:** 6 rules for getting the most value out of your card acquisition budget

**What happened to all the good ideas?:** Maximising profit the right way

**Green cards:** From Zero to Hero?

**Vive la différence:** Lose the cookie cutter!

**The language of rewards:** What does it all mean?

**Price-led or product-led?:** The dangers of focussing on price-cutting

**Let's hear it for rewards programmes:** How savvy issuers get value from loyalty

**The world is changing – and banking is changing with it:** There are huge prizes out there, if you're fast and flexible enough

**Is there life beyond balance transfers?:** How to stop customers walking out of the door when the interest rate changes

**We have ways of making you pay:** Who said that fees were a thing of the past?

**Rewards: most things to most men:** Just decide what behaviour you want to encourage

**Keeping only the best:** Retention is a good thing – but it's not for everyone

**Call it the flight to quality:** Managing for the credit crunch

**To charge or not to charge, that is the question:** When is it right to charge a fee?

Make sure your card comes out first.



email:enquiries@prioritycollection.com tel:+44 (0)20 8253 5086 www.prioritycollection.com

If you'd prefer not to receive further issues of Enhance, [click here](#) to unsubscribe.