

# Understanding Credit Card Profitability



“Outstanding professional experience in the area of banking and payment systems”

*The European Commission*

**rbr**

# EXECUTIVE REPORT

## Understanding Credit Card Profitability

---

### Overview:

This Executive Report discusses the development and operation of a successful credit card business. It reviews the principal tools and tactics that are required to deliver a sound professional credit risk strategy, and examines the factors that drive the profit and loss account. The report includes numerous case studies that provide examples of the many different types of credit card products and solutions offered around the world.

*[Published February 2015, 184 pages, Author: David Cavell]*

---

### Table of Contents:

#### EXECUTIVE SUMMARY

#### INTRODUCTION

#### SECTION A: CASE STUDIES

1. American Express (Amex), USA
2. ANZ Banking Group, Australia
3. Chase Bank (JPMorgan Chase Group), USA
4. Dubai Islamic Bank (DIB), UAE
5. MBNA, UK (Bank of America Group)
6. UniCredit Bulbank, Bulgaria
7. Vanquis Bank, UK
8. Wells Fargo and Company, USA

#### SECTION B: MARKETING AND MARQUES

9. The credit card portfolio
10. Product development issues
11. The product launch project
12. MasterCard Europe
13. Visa Europe

#### SECTION C: CREDIT RISK STRATEGY

14. The credit strategy function
15. Scoring and analytics for consumer cards
16. Risk management for the SME sector
17. Advanta, USA
18. Critical management functions

#### SECTION D: OPERATIONAL OVERVIEW

19. Risk management operations
20. Other operational areas
21. Outsourcing – the rationale
22. The outsourcing partnership
23. External debt collection agents

#### SECTION E: CREDIT CARD PROFITABILITY

24. Account base development
25. Income from lending and other sources
26. The cost base

#### CONCLUSIONS

### Table of Figures :

Figure 1: Reward points by product and scheme

Figure 2: Qantas points by product and scheme

Figure 3: Dubai Islamic Bank card rewards

Figure 4: The dedicated Donna branch in Sofia

Figure 5: The new Donna logo, developed in-house

Figure 6: The EU's SME Enterprise Definitions

Figure 7: Advanta corporate and business credit cards

Figure 8: % of receivables and FICO score

Figure 9: Breakdown of TSYS accounts by type

Figure 10: Debt collection agent tranche analysis

Figure 11: Time to first payment analysis

Figure 12: Pro forma profit and loss account

# ORDER FORM

## Understanding Credit Card Profitability

---

### Please specify format:

- Printed format**  £1,300 / €1,750 / \$2,000\*
- Electronic + printed (standard – up to five users)**  £1,950 / €2,650 / \$3,000\*
- Electronic + printed (multi-user 6+ users)**  £3,250 / €4,400 / \$5,000\*

*\* Prices in euros and dollars are approximate and will vary with exchange rate*

---

### Your details:

Surname \_\_\_\_\_ First Name \_\_\_\_\_ Title (Mr, Mrs, etc) \_\_\_\_\_

Position/Department \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_

E-mail \_\_\_\_\_ VAT(TVA) No \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

**The information contained in RBR reports is strictly confidential to the individuals and organisations that purchase them. It may not be reproduced or copied in any form, or be placed on a company intranet, without prior written permission from RBR**

---

### Payment method:

- Payment card (please complete details below)
- Please invoice me

### For payment by card please complete details below:

Amex  Diners Club  Discover  JCB  MasterCard  Visa Amount: GBP(£) \_\_\_\_\_

Card No                      Expires (mm/yy)   /

Cardholder name (as it appears on card) \_\_\_\_\_

Cardholder signature \_\_\_\_\_ Date \_\_\_\_\_

---

### How did you hear about RBR?

- Existing customer  RBR website  Postal mailing  Conference (please specify)
- Recommendation  Other website (please specify)  Email from RBR  Other (please specify)

---

Please complete and return this form to:

**RBR** 393 Richmond Road, London TW1 2EF, UK

Tel: +44 20 8831 7300 Fax: +44 20 8831 7301 Email: [rbr@rbrlondon.com](mailto:rbr@rbrlondon.com) Web: [www.rbrlondon.com/executivereports](http://www.rbrlondon.com/executivereports)