Spend opportunity within a portfolio

The low-risk, high-spend population is highly coveted by lenders. Since spend equals interchange revenue, knowing a consumer's total spend allows for the investment in improved incentives and rewards. Adding spend and wallet share within a risk view of a portfolio adds significant value.

Figure 10 is a random sample of roughly 95,000 credit card accounts in an issuer's portfolio. The accounts are segmented first into VantageScore® bands, and then important metrics are displayed within each group. For this issuer, it had 32,542 accounts in the best risk score range — these accounts also had high income and were spending close to $30,000 annually. However, the lender was only capturing about 20 percent of the spend from this population. By understanding which consumers in this group were high spenders on other cards, the bank easily was able to target them with improved rewards programs and better credit lines. More importantly, the bank was able to avoid the need to offer expensive rewards to lower spending higher risk consumers.

Figure 10: Knowing spend also means knowing interchange revenue.

	VantageScore credit score				
Metrics	**500–599**	**600–699**	**700–799**	**800–899**	**900–990**
Accounts (% of population)	6,001 (6%)	9,526 (10%)	19,497 (21%)	26,701 (28%)	32,542 (35%)
Average VantageScore credit score	542	659	764	849	938
Average estimated income	$62,000	$68,000	$75,000	$103,000	$165,000
Average total spend	$5,979	$7,432	$10,999	$14,256	$29,003
Average wallet share	32%	30%	35%	35%	21%
Average spend "on us"	$1,892	$2,212	$3,840	$4,945	$6,133
Estimated average interchange (all)*	$99	$123	$181	$235	$479
Total interchange (all)*	$592,020	$1,168,154	$3,538,384	$6,280,716	$15,572,958
Client opportunity	**$404,680**	**$820,474**	**$2,303,054**	**$4,102,115**	**$12,279,886**

**Interchange rate assumed 1.6 percent*

- With ~35 percent of the sample having a VantageScore of >900 and "off us" spend >$29,000 annually, a high-value group is easily identifiable.
- Segmenting this group by spend level is the key to maximizing profit. Increasing investment in rewards and line for these customers will result in improved revenues.

The other half of the revenue equation in card marketing is interest and fee income. A trended view of consumer credit data can also identify the yield generated on revolving trades and, as a result, provide the effective annual percentage rate (APR) that a consumer pays on those trades.