

Trended Solutions

Figure 11 identifies the revenue generated in the U.S. by both card spend and interest (VantageScore > 700). Thirty-two percent of the U.S. population generates very little income for lenders, yet this population continues to receive offers for expensive rewards programs along with high lines of credit. A unique opportunity exists to allocate marketing dollars toward acquiring the most profitable segments. Lenders will be able to invest heavily into rewards and lines for high-yield high-spending segments, while limiting offers to other populations.

Figure 11: A view of annual interest and spend on U.S. credit cards — populations with VantageScore > 700

Segment average	2012	Interest paid on all cards			2012	Percent of US Population		
		<\$75 low	\$75-\$500 medium	>\$500 high		<\$75 low	\$75-\$500 medium	>\$500 high
Card spend	<\$5K low	830	807	784	<\$5K low	32%	7%	6%
		\$883	\$2,255	\$2,519				
		\$4	\$238	\$1,421				
Spend	\$5K-\$20K medium	875	857	810	\$5K-\$20K medium	13%	8%	9%
		\$11,159	\$10,946	\$10,823				
		\$10	\$234	\$1,962				
Interest paid	>\$20M high	894	885	848	>\$20M high	12%	6%	7%
		\$51,158	\$49,979	\$61,180				
		\$9	\$246	\$2,216				

- 7% of the population generates more than \$20K spend annually and greater than \$500 in interest income. It would be valuable for lenders to identify this population so that they could become “top of wallet”.
- Conversely 32% of the population spends less than \$5K annually and pays very little interest. Lenders need to adjust their pricing and line strategy, as “One Line/One Price” does not fit all.

Spend, yield and targeting

Lenders can improve their targeting strategies using revenue data generated from trends to fine-tune their value propositions.

Figure 12 shows how adding an interchange and interest revenue dimension enables lenders to match the right offers to prospects — by creating incentives aligned with their behavior.

Higher spenders are attracted by different value propositions than revolvers. Aligning offers and levels of incentives with prospects becomes much easier when revenue opportunity is part of the framework.

