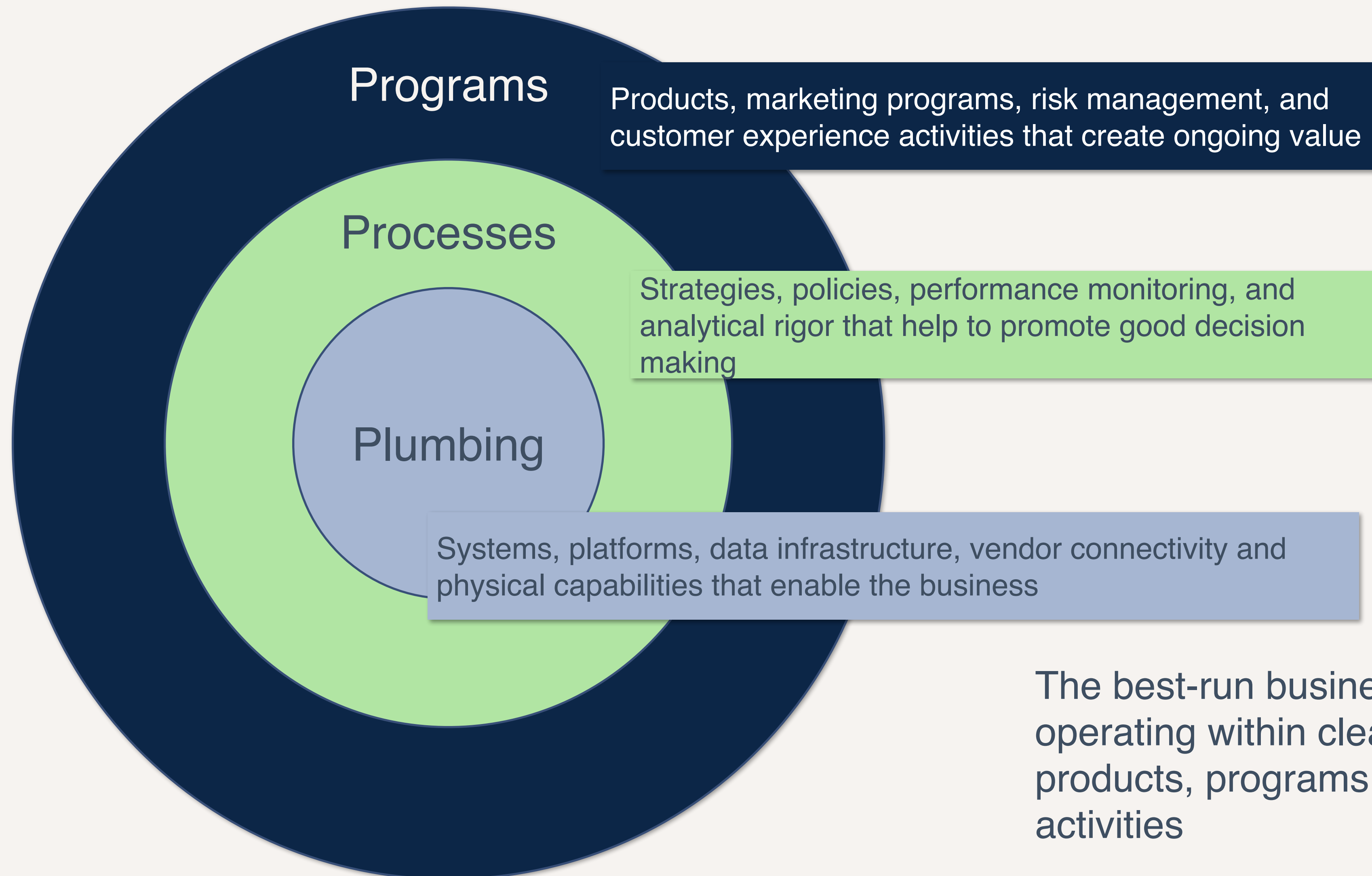Credit Card Business Trunk

Building a world-class Credit Card program requires significant effort in three broad categories

Programs

Products, marketing programs, risk management, and customer experience activities that create ongoing value

Processes

Strategies, policies, performance monitoring, and analytical rigor that help to promote good decision making

Plumbing

Systems, platforms, data infrastructure, vendor connectivity and physical capabilities that enable the business

The best-run businesses have robust infrastructures operating within clear frameworks to deliver compelling products, programs, and customer management activities

Processing platforms, vendor integrations, and servicing capabilities are the plumbing that keeps the business flowing

Processing Platform

Key decisions:
- Buy/Build/Partner?
- Integrated Network Gateway?
- Sufficient scalability and parameterization?
- Easy API integration?

Leading providers (TSYS, First Data) are robust but unwieldy; new entrants (CoreCard) are more nimble but less financially stable

Vendor Intensive Business

- Network(s)
- Rewards Vendor(s)
- Bureaus
- Card Manufacturing/Issuing
- Lock Box
- Collections
- Partner Data Management
- Industry Benchmarking

Vendor Management and Business Controls are integral to running this business

Workflows and Servicing Capabilities

- Omni-channel servicing is table stakes for top performers
- Customer Service, Disputes, and Collections workflow tools enable consistent, policy-driven treatment
- Wallet integrations and customer data collection can be fast followers

It's OK to push things to Phase 2, just make sure there's a Phase 2

Customers expect 24/7/365 servicing, so BCP and DRP is especially important

Clearly defined strategies, policies, performance monitoring, and analytical rigor promote consistent decision making and improve outcomes

Risk Management

- Risk appetite statements communicate to internal and external stakeholders where the bank will play in credit
- Credit Policies
- Underwriting Models
  - Approve/Decline
  - Line Assignment
  - Account Management
- Underwriting Guide

Servicing

- Customer Service Policies
  - Fee Waiver Policies
  - Special Handling
- Disputes Policies
  - De minimus threshold
  - Documentation requirements
- Collections/Work-out/Recovery Policies
- Service Level Agreements
  - Internal service providers
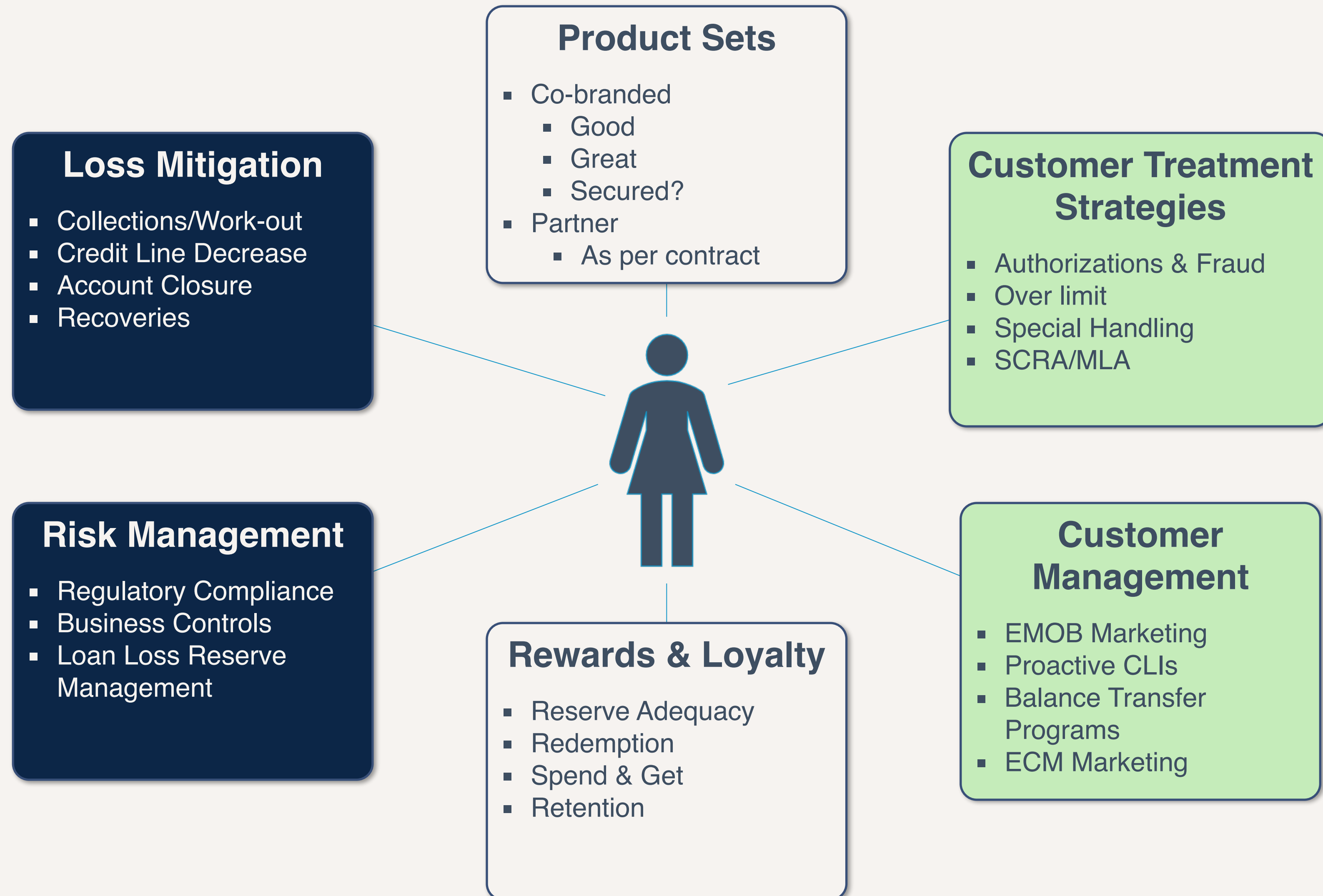 - Vendors

Business & Financial

- Clear business strategies aid resource allocation and development prioritization
  - Financial expectations
  - Target customers
  - Organic, partner-driven or Portfolio Acquisition growth
- NPV Models
- Response Modeling
- Annual Goal Setting

Rigorous Performance Management

- P&L Reporting
- Performance Monitoring

- Campaign Performance Dashboards
- Transaction and Control Testing

- 2nd Line Oversight
- Model Risk Management

Customer-centric programs implemented within a sound infrastructure and clear guidance create and protect value

Product Sets
- Co-branded
  - Good
  - Great
  - Secured?
- Partner
  - As per contract

Loss Mitigation
- Collections/Work-out
- Credit Line Decrease
- Account Closure
- Recoveries

Customer Treatment Strategies
- Authorizations & Fraud
- Over limit
- Special Handling
- SCRA/MLA

Risk Management
- Regulatory Compliance
- Business Controls
- Loan Loss Reserve Management

Customer Management
- EMOB Marketing
- Proactive CLIs
- Balance Transfer Programs
- ECM Marketing

Rewards & Loyalty
- Reserve Adequacy
- Redemption
- Spend & Get
- Retention

Standing up a credit card business in a year is a Herculean effort, but there are strategies that can help

Insanely rigorous project management	**Over-index on (internal) Communication**	**Focus on Triage and Prioritization**
- Establish a Program Office/War Room - Visualize timelines (paper the room) - Consistent dashboard driven updates - Weekly working sponsor meeting - Empowered leaders in one room - Regular, real-time issue resolution	- Dedicated communications team - Weekly email communication - Milestones achieved - Dashboard status for each project - Upcoming key deliverables - Monthly Executive Update - Reiterate success metrics - Provide honest updates on success and challenges - Give them a decision to make	- Get comfortable being uncomfortable - Say No (or at least "not yet") - Make decisions with 70% of data - Have no tolerance for anything except transparency - Propagate awareness that many initial solutions will be sub-optimal
"Good things happen when you make sure good things happen."	**Celebrate Success!**	**"It's better than perfect. It's done."**

Prioritizing launch critical activities is critical for initial implementation

Plumbing
- Processing Platform
- Gateway
- Lock Box
- Settlement Flows
- Customer Service Workflows
- Telephony (IVR/Dialer capabilities)
- Customer Servicing Capabilities
    - Bill Pay
    - Mobile App
    - Card Controls
    - Online UX
    - Chat
    - Social Media
- Disputes Workflows
- Rewards Platform/Book of Record
- Bureau connectivity
- Collections/Recovery Workflows
- Card Processing Infrastructure
    - Manufacture
    - Milling/Embedding/Personalization
    - Fulfillment
- Customer Data Collection Tool
    - Esp. Income
- Wallet Integrations
    - ApplePay
    - Android Pay
    - Others

Underlined items require priority

Credit Policies
- Approve/Decline
- Line Assignment
- Line Management
- Underwriter Handbook

Servicing Policies
- Customer Service
- High Value Customer
- Disputes
- Rewards
    - Earn/Burn
    - Break
    - Reserve
- Fee Waiver
- Retention

Models/Tools
- Approve/Decline
- Authorizations/Fraud strategies
- Triad/PowerCurve Account Mgmt tools
- Product/Customer-level NPV
- Expected Loss model (Collections)
- Response model (Marketing)
- Likely Attritor model

Oversight
- Need Detective & Preventative Controls and Testing for everything
- Need Model Risk Management policy and process
- Vendors require MSAs, SOWs, SLAs and Monitoring Programs

Control and Compliance
- TILA, FCBA, FCRA, FDCPA
- CARD Act
- AML
- ECOA/FRL
- UDAAP
- Privacy Policy
- KYC/CIP
- SCRA/MLA
- CFPB Reporting
- Ongoing Regulatory Intake
- Risk Appetite Statement
- BCP/DRP
- Pricing Reviews

Card businesses are partner intensive
Vendors
- Network(s)
- Rewards Vendor(s)
- Card-specialized counsel
- Bureaus
- Collections (late stage)
- Debt Buyers
- Card Manufacturing
- Card Issuing
- Mail Shop
- Lock Box
- Marketing Agencies
- Partner Data Management
- Industry benchmarking

Can be improved over time
(but best to get it right the first time)

Origination Pipelines
- Digital
    - Apply by Mobile
    - Apply Online
    - Paid/Natural Search
    - Aggregators
- Physical
    - Direct Mail
    - In person application?
- Partner Channels?

Products
- Partner (driven by contract)
- Good
- Great
- Secured?
- Naming constructs/hierarchy

Loss Mitigation
- Collections & Recovery
    - Work-out
    - Legal recourse
    - Debt sales
- Account Closure