



Pre-Approve Your Web Site: How to Attract and Keep the Credit Card Customer

Secrets for successfully turning credit card prospects into customers.

America's currency may be the dollar, but the American consumer economy runs on plastic. The statistics are staggering. There are more than 640 million credit cards in circulation in the United States — more than two cards for every man, woman, and child.¹ The average household has four credit cards, and one in 10 has more than 10 credit cards in their wallet. More than 40 percent of consumers aged 18 to 21 who surf the Web own a credit card.²



The money involved in this plastic economy is equally staggering. Americans carry nearly \$800 billion in credit card debt, and that number is projected to grow to nearly a trillion dollars in 2008. Something close to half of that debt is carried as a revolving monthly balance; the average American household owes a balance of between \$8,000 and \$9,000 on their cards, and half of those households make only the minimum payment each month.³ As a result, the average American household pays monthly interest of more than \$83,⁴ adding up to over \$90 billion dollars in interest income alone to credit card issuers every year. The financial institutions issuing credit cards have a huge stake in getting and keeping their cards in America's wallets.

THE SHIFT TO INTERNET MARKETING AND MANAGEMENT

Ten years ago — even as little as five years ago — credit cards were a paper-based business. Cards were marketed through the mail, consumers applied with paper applications, paper statements arrived every month, and paper checks were written to pay the bill. And still today, credit card issuers mail some six billion pre-approved offers every year, or an average of six offers a month for every credit-approved household in the United States.⁵ But increasingly — even if an initial offer is received in the mail — credit card applications are being submitted online, and once an account is opened, the card holder is likely to manage that account on the issuer's Web site.

Even as the offers keep filling America's mailboxes, the credit card business is fast becoming an Internet-based business, and a highly competitive one at that. From the initial application to day-to-day management, credit card issuer Web sites are the nexus of this nearly trillion-dollar business.

YOU'RE PRE-APPROVED! PICK OUR CARD!
Points, miles, cash back, intro rates, balance

transfers. Football, golf, the alma mater, the favorite cause. Silver, gold, platinum. The choices in credit cards are dizzying, and so it's no surprise that the card selection process and the perceived value of the card itself are critical drivers in the customer acquisition process.

Choice is a good thing — to a point. Too many choices can stymie making any decision at all. Malcolm Gladwell in his best-seller *Blink* describes the impact of too many choices on the simple purchase of a jar of jam.⁶ Faced with a choice among six varieties, 30 percent of consumers bought jam. But when faced with 24 varieties, consumers got bogged down and were unable to choose — only three percent of this group bought any jam. Intuitively, it seems that more choices would enable consumers to pick *precisely* the product that suits them best. But in reality, consumers seem to want just to get close enough and get the decision over with.

For card issuers that offer only a limited selection of cards — Discover, for example — the marketing emphasis is as much on the brand itself as it is on the card products. In cases like these, a simple side-by-side comparison grid gives the consumer all the information they need to choose from a limited number of card offers. So the emphasis shifts to the brand proposition, as well as key issues of ease of site use, privacy, and security.

“With Discover, there's basically one very broad value proposition,” explains Christopher Musto, Keynote's general manager for financial services, “that is that you want to be part of the Discover program and we give you cash back. It's less about people choosing a particular card, and more about giving validation that the prospect should go with Discover instead of another issuer.”

On the flip side are the issuers with a different card for every style, affinity, and

credit usage habit. Bank of America, for example, offers *more than 400* cards on its site (many rolled over from its acquisition of affinity card powerhouse MBNA). American Express offers a broad range of personal, small business, and corporate cards. Chase presents its plethora of cards in a two-column list that scrolls down for three screens-full.

“If you're Chase or Citi cards,” Musto observes, “your challenge really is to take all the different cards that you offer and get someone to say ‘that is the card I'm going to apply for.’ If you don't help the customer decide ‘that's the card I want,’ they'll never be able to narrow it down and apply.”

Based on the sites studied by Keynote, Musto describes two basic processes that are offered to help consumers select the card that's right for them when choosing among many cards. The first is still based on the side-by-side comparison approach, but it starts by soliciting a few data points from the customer to narrow the choice down to several cards; whether or not they want rewards, for example, or if they frequently revolve a balance. The other approach is based on a more intensive interview process, which can generate a single, solid card recommendation.

ACQUISITION SUCCESS FACTORS

Beyond the process of selecting the card, the Keynote study uncovered several other key success drivers for conversion and acquisition of credit card prospects. First and foremost is the card product itself: if the card doesn't satisfy the prospect's needs, whether it's for rewards, rate, flexibility, or some other factor, nothing the site can do will convert them.

DISCOVER HAS DISCOVERED THE SECRETS OF SUCCESS

Discover clearly understands what appeals to prospects. For two years running, Discover has led the field in online adoption, customer satisfaction, and overall customer experience,



according to Keynote competitive research. This year, it also moved into the top spot for brand impact and acquisition impact, thus virtually sweeping the index rankings. Discover finished ten or more percentage points ahead of every other issuer in the “easy to deal with” attribute, with the exception of U.S. Bank, which came in just six percentage points behind. Discover also led the pack in the “friendly” and “helpful” attributes.

“Discover is very clear and customer-friendly when it comes to process,” Keynote’s Musto observes, “and a customer advocate when it comes to security, both with respect to applying for the card online, and when it comes to your privacy and security when using the card. And when it comes to explaining their online services — what it’ll be like to manage your account online — Discover came out first as well.”

Bank of America also made a very strong showing in the Keynote study, placing second across every index ranking except “online adoption,” where it is placed third behind U.S. Bank.

Other sites earning multiple spots in the top half of the index rankings were National City and Chase. Citi earned just one top-five ranking spot, finishing third in acquisition impact, and American Express squeaked in with a number five position in customer satisfaction; its rankings across the board were middle-of-the-pack. One large issuer, Capital One, did not place above a lackluster eighth place in any of the index rankings.

THE WEB LEVELS THE PLAYING FIELD FOR LESSER-KNOWN BRANDS

National City is a compelling example of the Web’s ability to serve as an equalizer, enabling non-powerhouse brands to build their image and compete with the big players. Prior to visiting their site, only four percent of prospects had a positive brand perception

STUDY FINDS WIDE VARIATION IN SITE RELIABILITY:

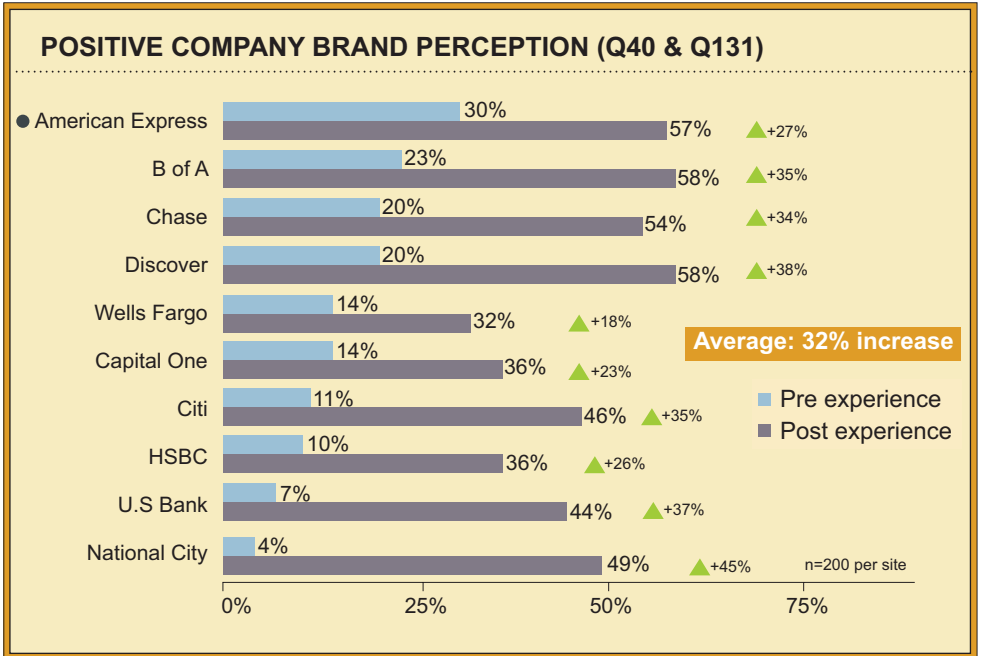
The technical service levels on credit card websites vary widely. While some sites are highly available with little or no downtime, others perform poorly, with outages in up to 40 hours of the 500 hours Keynote studied. The best site scored 99.7% during peak periods and the worst 94% — a mark well below the 99% threshold commonly considered the competitive baseline for the financial services sector. Overall, the industry recorded just average reliability, with just 97.9% reliability during peak periods.

“We’ve seen a number of sites dropping off in performance,” Keynote manager Ben Rushlo said. “The Web environment is changing so fast that sites need to keep a consistent watch over these service levels.”

The study measured a typical user’s online transaction, including loading the home page, accessing the most recent credit card charges, paying the bill, and logging out. To measure the sites, Keynote placed “transaction perspective” agents in ten major U.S. cities. They performed multi-page transactions on the websites of ten leading credit card providers, collecting more than 6,500 detailed measurements of the responsiveness and reliability of each site.

of National City. After experiencing the site, National City’s positive brand perception rocketed to 49 percent, an increase of 45 percentage points — the biggest boost in brand perception by a solid margin over all

other sites in the study. U.S. Bank experienced a 37 point jump, from seven to 44 percent. Interestingly, customer favorite Discover itself experienced a 38 point jump in positive perception, from 20 to 58 percent.



*Differences of approximately 10% or more across sites are significant at the 90% confidence level
Source: Keynote Customer Experience Rankings, Credit Card Prospects, Wave 4 - December 2006.

The Web site experience increases positive brand perception across the board, but the biggest gains are for the least-know, full service banks, with National City gaining 45 points and U.S. Bank 37. Source: Keynote Customer Experience Rankings, Credit Card Prospects, Wave 4 - December 2006.



FROM PROSPECT TO CUSTOMER

Among customers, there is no clear, dominant winner in the index rankings that Keynote studied. In contrast to its low rankings in the Prospects study, Capital One came in first in overall customer experience and satisfaction in the Keynote Customer Experience Ranking for Credit Card Customers. Discover placed first in brand impact in this study, which examines existing cardholders using their issuer's site to manage their accounts and to learn about additional products. Wells Fargo placed first in loyalty impact, and HSBC first in online conversion. Capital One and HSBC were the only two issuers to rank in the top three across all index rankings.

“What’s interesting is that the difference between the sites as measured in the Customers study is not in the day-to-day experience,” Keynote’s Musto explains. “Every site long ago tackled logging in, checking balances, and paying your bill. The difference

is when all of a sudden you need a little bit more, or you’re having a problem. You can’t figure out how to use something, or you need to check some transactions because it’s tax time or there’s something suspicious. This is where you get different reactions to the site, and the customer experience rankings reflect that.”

The Keynote study indicates that customer support is the number one impact driver for customer impact, followed by “other offerings of interest,” and ease of finding accounts. It is in the area of those other accounts — where the issuer is seeking to grow revenue by converting customers to other products — that a distinction begins to be seen between the full-service banks and the issuers that are seen primarily as credit card companies.

“There are two things that have to coincide in order for an issuer to do well with other products,” Musto says. “First, there

has to be a larger bank with lots of different products. Second, the credit card account management site has to be integrated with the larger bank site. So, companies like Discover and American Express aren’t really part of organizations that offer a wide variety of banking products — not like a traditional bank. The interest in other products isn’t going to be as great as on a ‘regular’ bank site.”

“The lesson from the credit card studies that we can apply to other industries,” Musto concludes, “is that you have to think carefully about the design of the site from a user task perspective if you’re going to be successful. Over time you have to ask, given what we now know about what people want to do online, is the design and organization of the site that we came up with a few years ago still effective? Or do we need to rethink it?”

THE REWARDS OF GOOD SITE DESIGN:

The lesson to be learned from both the Keynote prospect and customer studies is that fundamentals matter most. Specifically:

- Clear, intuitive navigation is key. Site visitors have to be able to quickly and easily get to the information or complete the task.
- Financial brands are well-served to build customer-friendly messaging around privacy and security; lip service is not enough.
- Financial services customers want ready access to help using the site and customer support when they need it; instructions and contact mechanisms need to be visible and easy to use.
- When presenting more than just a few options, customers need decision support that fits their own decision process, whether it’s qualified side-by-side comparisons or interview-based recommendations.

THE FUTURE IS...PLASTICS

While the process still begins with a mailbox full of pre-approved offers, consumers are increasingly conducting their credit card acquisition and day-to-day management online. The Web site is the storefront for credit card issuers. The more carefully site developers think about decision support, privacy and security assurances, and accessible site support and customer service, the more successful the sites will be — given, of course, card products that satisfy Americans’ increasingly sophisticated requirements for cards that work the way they want them to work, with the benefits they want.

FOOTNOTES

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