

Capital One



Credit Revolver **Increase**

July 09, 2024

Ppt: [Capital One Case Comp.pptx](#)

<https://docs.google.com/document/d/1Cnbn5gxHUMDUigWp6dW01MbgQ5MNPI6TdqqP9eLYyqk/edit?usp=sharing>

Objective

Capital One's Credit Policy team is evaluating if they should update their 10K credit line and introduce a 20K credit line. They need to compare profitability, required utilization, and account numbers, and recommend whether to launch the new product. A clear, quantitative analysis and a concise presentation are required.

Questions to answer:

1. QUESTION ONE

- a. Do we update the current product offer?
- b. Is the 10k Product Profitable? (*Show Quantitative Solution*)

2. QUESTION 2A

- a. Do we offer the 20k line product?
- b. How would the economics change if we moved from 10k credit lines to 20k credit lines?

3. QUESTION 2B

- a. What would Utilization need to be with the 20k product in order to make the same amount of profit as the 10k line profit, assuming everything else stays the same?

4. QUESTION 3A

- a. Initial testing shows the balance for the 20k line is \$8000, recommend whether to launch the 20k product based on this data.

5. QUESTION 3B

- a. Calculate how many more accounts are needed for the 20k line product to match the profit of the 10k product.

Things to Consider:

1. CREATIVITY

What are some risks of offering the higher credit limit to customers with no credit history?

- Increased Default Risk
- Limited Financial Management Skills
- Credit Abuse
- Limited Income

2. CREATIVITY

How can we offer college students to sign up for our product?

- Student Discounts such as cashback on travel, textbooks, dining, and gas
- Campus Partnerships
- Social Media Campaigns
- Financial Literacy Workshops
- Referral Bonus
- Free subscriptions (Uber One, Netflix, Hulu, Spotify, etc.)

3. CREATIVITY

How could we market the product and what additional offerings could we provide? (Make sure we name our product!!)

- Rewards System
- Sign-Up Bonus

- Flexible Payment Plans
- Emergency Assistance
- Exclusive event access
- Customizable Card Designs

ROLES: (*Please fill in 😊*)

- Time Tyrant (keeps group on track):
- Cheerleader (motivates group): Andrea C
- Devil's Advocate (provides constructive criticism/feedback): Kortney
- Financial Modeler (models data in a readable format):
- Slide Master (creates clean, easy-to-read slides): Noah G.
- Author (Self-explanatory)
- MAIN SPEAKERS: Layla

DEFINITIONS:

- **Credit Line:** The amount of money that is able to be spent.
- **Credit Line Utilization:** A ratio calculated by dividing the Balance (BL) / Credit Line (CL)
- **Annual Interest:** Rate charged over one year (365 days)
 - **Interest is able to be charged monthly and rolled over
- **Annual Fee:** One-time fee to have access to credit line, often charged on a yearly basis
- **Annual Ops Cost:** Costs to operate card per credit line
- **Funding Cost:** Costs incurred by the Institution to create a credit line
- **Annual % Accounts Charging Off:** Unpaid balance that is deemed a loss, and written off as a loss
- **Annual Bookings:** The number of accounts that an issuer secures in a given year

<https://capitaloneshopping.com/research/credit-card-ownership-statistics/>

TEAM LEADER: Jalen

Tech Team: Paris, Noah,

Finance: Sabrina, Andrea, G Ivan, Andrea C

Research:

[Card Comparisons](#)

<https://www.bankrate.com/credit-cards/news/credit-card-market-share-statistics/#balance>

<https://wallethub.com/edu/cc/market-share-by-credit-card-issuer/25530>

Tech:

- Mobile app UI
- Will Access users credits history to see