**Case Study:- Launching a New Credit Card**

**Problem Statement:**

A banking client is considering the launch of a new credit card offering and has enlisted your consulting firm to assess the feasibility and guide them through the process. As a Business Analyst, your task is to evaluate various facets of this initiative to recommend them how should they go about it.

**Approach for solving the case study:**

**Key Areas for Analysis:**

1. Market Understanding:
2. Understand the market size and growth potential for new credit card
3. Perform competitive analysis, available products and customer profiles
4. Identify target customer segment
5. Understand the type credit card to be launch in the market
6. Design the product
7. As per the type of credit card and consumer analysis define the value propositions and features of the credit card
8. Define the pricing models
9. Define value added services
10. Business Profitability Analysis
11. Define potential revenue sources
12. Define costs involved in the product
13. Profitability forecast
14. Go-to-Market Strategy and Distribution
15. Define distribution and marketing strategies
16. Define different campaign strategies
17. Implementation Roadmap
18. Define implementation map with prioritized matrix
19. Define timelines and deliverables

**Set of questions which needs explanation to work on the case study:-**

1. What is the estimated market size and growth potential for the new credit card product?
2. Which type of credit card are you planning to launch?
3. Who are the key competitors in this market, and what are their current offerings?
4. What is the target market share you aim to acquire within the next 5 years?
5. Have you conducted any consumer research or analysis to understand the needs and preferences of potential customers?
6. What specific consumer segments are you targeting with this new credit card offering?
7. What value propositions and features would you like the new credit card to offer?
8. How should the pricing structure be defined? What are your thoughts on the annual fee, interest rates, and forex fees?
9. What types of promotions and benefits will appeal most to the target customer segments?
10. What are the potential revenue sources (e.g., interchange fees, annual fees, interest)?
11. What are the projected costs (e.g., customer acquisition, rewards, fraud management)?
12. What financial metrics and KPIs should be tracked to measure profitability?

**Sample responses from the client: -**

1. What is the estimated market size and growth potential for the new credit card product?

Ans:- The global credit card market is valued at approximately $1.2 trillion in annual transactions. For the local market, which we are targeting, the credit card penetration is around 30%, with a growing trend towards digital and contactless payments. We estimate a potential market share acquisition of 5-7% over the next 5 years, with significant growth driven by millennials, small businesses, frequent travellers and young professionals.

1. Which type of credit card are you planning to launch?

Ans:- We are looking to launch a hybrid rewards credit card, combining both cashback and travel rewards. Our primary focus is on offering something unique—digital and contactless payment, customizable benefits, real time cashback for everyday spending along with bonus rewards for travel-related purchases.

1. Who are the key competitors in this market, and what are their current offerings?

Ans:- Our main competitors include major banks such as Bank X, which offers 2% cashback on all purchases, and Bank Y, which focuses on premium travel perks like lounge access and travel insurance. There's also an increasing number of fintech players, such as Neobank Z, offering no-fee credit cards with rewards, but they lack personalized customer service and have limited physical presence.

1. What is the target market share you aim to acquire within the next 5 years?

Ans:- We estimate a potential market share acquisition of 5-7%, equating to 500,000 active cardholders over the next 5 years, with significant growth driven by millennials and young professionals.

1. Have you conducted any consumer research or analysis to understand the needs and preferences of potential customers?

Ans:- Yes, we conducted a market survey and focus groups to understand consumer preferences. Key insights revealed that customers are increasingly looking for cards with no foreign transaction fees, ease of use for online and offline transactions, and a strong rewards program. Millennials, in particular, prioritize flexibility in how rewards are redeemed, as well as fast customer support and fraud protection.

1. What specific consumer segments are you targeting with this new credit card offering?

Ans:- Millennials (ages 25-40) who are tech-savvy, value cashback, and are frequent travellers.

Small business owners who need a card that can offer expense management features.

Frequent travellers who are looking for travel-related benefits like miles, lounge access, and discounts with partner airlines.

1. What value propositions and features would you like the new credit card to offer?

Ans:- 2x points on travel and dining and 1x on all other purchases.

25% more value when points are redeemed for travel through Chase Ultimate Rewards.

Sign-up bonus: 60,000 points after spending $4,000 in the first 3 months, which can be redeemed for travel or cashback.

Points can be transferred to travel partners like airlines and hotels (e.g., United, Southwest, Marriott, Hyatt).

Travel Perks: Travel insurance, trip cancellation insurance, baggage delay insurance, and no foreign transaction fees.

1. How should the pricing structure be defined?

Ans:- Annual Fee: $95 with the first year fee waived.

Interest Rates (APR): 19.24% - 26.24% variable APR.

Foreign Transaction Fees: No foreign transaction fees.

Late Payment and Other Fees: Standard fees, including $39 late payment fee and 5% cash advance fee.

1. What are the projected costs (e.g., customer acquisition, rewards, fraud management)?

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| --- | --- |
| **Category** | **Total Cost (USD)** |
| Customer Acquisition | $580,000 |
| Rewards & Incentives | $750,000 |
| Fraud Management | $265,000 |
| Technology & Infra | $560,000 |
| Operations & Compliance | $375,000 |
| **Grand Total** | **$2,530,000** |

Ans

1. What financial metrics and KPIs should be tracked to measure profitability?

Ans:-

|  |
| --- |
| **KPI** |
| CAC |
| CLTV |
| CAC : CLTV |
| Net Profit Margin |
| Break-Even Customers |
| ARPU |
| Payback Period |

Recommendations:

1. Focus marketing and product tailoring on millennials, small businesses, frequent travellers and young professionals who show the strongest alignment with the hybrid reward features and digital preferences.
2. Emphasize of digital and contactless payment, enable customizable services, real time redemption of points to benefit the cardholders as compared to their competitors to attract more customers.
3. Create user friendly application for target customers to onboard seamlessly, allow easy conversion between cashback in real time, travel points, and gift cards to suit varied preferences.
4. Use AI-driven insights to offer personalized deals and challenges, enable social sharing and incentivize referrals to increase the reach of business.
5. Include benefits like airport lounge access, travel insurance, baggage protection, and no foreign transaction fees, expand partnerships with airlines, hotels, and travel platforms to offer exclusive discounts and seamless point transfers.

Add 24/7 concierge and travel support services accessible via app, accelerate point earning on flights, hotels, dining, and ride-sharing services.

1. Integrate with mobile wallets and travel apps to use the points easily.
2. Allow users to choose a fee model: higher annual fee with lower interest OR no annual fee with basic rewards.
3. Maintain transparency regarding annual fees strategy, interest charges, late fees, etc.
4. Create a realistic timeline including market analysis, consumer analysis, product design, technology and infrastructure, security, distribution and marketing strategies, promotions, partnerships, etc.