

## Credit Card Users- Segment Profiling

Based on Silhouette Scoring and business intuition, 5 cluster solution was adopted for segmenting customers, the profiling of which has been explained below.

		High	High	Low	Avg	Avg
25% or more above overall		Purchase	Cash Advance	CC Usage	Cash Advance	Installment
25% or less below overall	<u>Overall</u>	<u>Segment 1</u>	<u>Segment 2</u>	<u>Segment 3</u>	<u>Segment 4</u>	<u>Segment 5</u>
Seg_Size	8950	1342	1506	2095	617	3390
%data_Seg	100.000	14.994	16.827	23.408	6.894	37.877
Balance_Frequency	0.883	0.929	0.945	0.988	0.794	0.789
Oneoff_Purchases	447.949	1660.202	261.980	193.403	225.945	248.383
Installments_Purchases	336.336	991.886	166.293	183.880	159.893	278.695
Purchases_Frequency	0.490	0.868	0.254	0.336	0.422	0.554
Oneoff_Purchases_Frequency	0.202	0.571	0.122	0.113	0.125	0.162
Purchases_Installments_Frequency	0.364	0.664	0.168	0.246	0.285	0.421
Cash_Advance_Frequency	0.128	0.044	0.412	0.127	0.188	0.023
Cash_Advance_Trx	2.732	0.917	9.739	2.463	3.238	0.412
Purchases_Trx	12.684	35.651	6.778	7.712	5.467	10.602
Prc_Full_Payment	0.154	0.321	0.041	0.006	0.159	0.228
Tenure	11.517	11.876	11.711	11.901	7.128	11.851
Avg_Mon_Pur	71.102	244.058	37.359	32.026	56.152	44.494
Avg_Mon_Cash	74.374	26.042	270.831	43.988	158.935	9.620
Credit_Uti	0.375	0.230	0.540	0.797	0.354	0.102
Pay_to_Minpay	4.632	13.105	3.591	1.379	3.158	4.018

The 5 segments so created are as follows :

- Segment 1 (High Purchase Segment)
- Segment 2 (High Cash Advance Segment)
- Segment 3 (Low Credit Card Usage Segment)
- Segment 4 (Avg Cash Advance Segment)
- Segment 5 (Avg Installment Segment)

## Features of each Segment :

### Segment 1 (High Purchase) :

- Highest Oneoff-purchases, Avg. Monthly Purchases & Installment Purchases
- Very low Cash Advances
- Very high frequency of purchase (indicates active card users)
- High PRC\_Full\_Payments - that is pay full monthly balances
- Low Credit utilisation, which is favourable, shows controlled spend/use behaviour
- Highest Pay to Minpay ratio-i.e. this segment usually pays more than min. payment

### Segment 2 (High Cash Advance) :

- Very high Avg. Monthly Cash Advances & cash advance frequency
- Very low Purchases
- Very low PRC\_Full\_payments - i.e. rare case when full monthly balances were paid
- Very high Credit utilisation - unfavourable, shows uncontrolled behaviour in credit card use
- Avg. Pay to Minpay ratio -

### Segment 3 (Low Credit Card Usage) :

- Very low Purchases spend
- Moderate Cash advance frequency
- Lowest Pay to Minpay

### Segment 4 (Average Cash Advance) :

- Very low Purchases
- Above Average Cash Advances
- Moderate Credit utilisation

### Segment 5 (Average Installment Purchases)

- Avg Installment Purchases
- Low Oneoff Purchases & low Cash Advances
- Low Credit Utilisation
- High PRC\_Full\_Payments & moderate Pay to Minpay

## Strategies for Segments:

***For any credit card company its objective is - make profit, collect debts & make new customers without losing old ones.***

### Segment 1 :

- Decrease Merchant Discount Rate
- Targeted seasonal/festive promotions to boost card usage, during June (Summer Vacation), October (Festive Season) & December (Christmas & New Year)
- Partner with major retailers (Shopperstop/ Lifestyle) to provide branded cards, perks, redeemable reward points.

### Segment 2 :

- Provide Seasonal Low interest rates on purchases (will help to mix credit types)
- Offer credit insurance products and credit monitoring services
- Occasional reminder through different communication channels for payments
- Decrease of credit limit for high risk customers in this segment

### Segment 3 :

- Provide perks on card usage, redeemable reward points on purchases using card
- Lower interest rates to boost card usage
- Provide bonus for spending a minimum amount
- Reduce/waive annual fee associated on meeting minimum spend
- Provide anniversary bonus points/interest waiver

### Segment 4 & 5 :

- Increase Credit Limit
- Targeted seasonal/festive promotions to boost card usage, during June (Summer Vacation), October (Festive Season) & December (Christmas & New Year)
- Offer free balance transfer as incentive

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