F. ASÍS MARTINEZ-JEREZ
KATHERINE MILLER

Bancaja: Developing Customer Intelligence (A)

In 1996, Bancaja was the largest savings bank and financial institution in Valencia—the capital of the region of Valencia and the third-largest city in Spain. Founded more than 2,000 years before by the Romans, the Mediterranean port city was rich in cultural and entrepreneurial tradition. Surrounding farmlands, some of the most fruitful in all of Europe, produced oranges, grapes, and olives along with the rice that forms the base of the famed regional "paella" dish.[1] Hand-painted porcelain, intricate pieces of furniture, shoes, and toys, all long produced by Valencian craftsmen, had given rise to clusters of small and medium firms. Tourists flocked to the region for its beaches, nightlife, and mild Mediterranean climate but also for the fiery spirit of its annual festivals. Every August, the streets of the town of Buñol ran red with the aftermath of La Tomatina, a massive and messy tomato fight. And every spring, the people of Valencia erected huge statues of wood or cardboard throughout the city for the festival of St. Joseph, known as Las Fallas.[2] When the figures, stuffed with fireworks, burst into flames at midnight on March 19, they delighted crowds of more than 3 million.[3]

It was December 1996, months before Valencia's annual festival, and José Manuel Narciso, a mathematician by training and a business analyst in Bancaja's marketing area, was trying to channel a different kind of spark as he pondered the future of the bank. Bancaja's CEO, Fernando García Checa, felt that customer analytics—an emerging field with an intense use of statistics—could become a pillar of Bancaja's new strategy and had recently set out to prove it. He had assembled a team of promising young managers with unconventional, nonmarketing backgrounds, including Narciso, to lead the project. But he still needed to sell the branch employees on the concept of analytical marketing. If he wanted to have the full support of the bank in making the significant investment that customer relationship management (CRM) would require, García Checa would have to find a way to show its tangible value. As a member of the project team, Narciso was determined not to let García Checa down.

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[1] "Valencia," *Encyclopædia Britannica,* 2006, Encyclopædia Britannica Online, viewed November 27, 2006.

[2] http://www.donquijote.org/culture/spain/fiestas/lasfallas.asp, viewed November 27, 2006.

[3] Ibid.

Professor F. Asís Martínez-Jerez and Research Associate Katherine Miller prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

History of Bancaja

Bancaja's parent company, Caja de Ahorros de Valencia, was founded in 1878 by the Royal Economic Society of Friends of the Country of Valencia. Like other Spanish savings banks, or "cajas," it started as a regional bank designed to support its community through investment and philanthropic work. The Spanish savings banks formed a complex network of nonprofit, service-oriented banks dating back to the nineteenth century, some of them with connections to the Roman Catholic Church. Unlike many financial institutions, the cajas were strictly private foundations, with no shareholders or public stock. The management model of each savings bank was based on the notion of an indivisible financial and social mission, and each served its home community through scholarships, conservation, and the arts.[4]

The 51 savings banks existing in 1996 flourished from local roots and together accounted for more than 50% of the Spanish financial market.[5] Bancaja, now one of the largest savings bank in the nation, was part of this tradition of local service, patronage, and social responsibility (see **Exhibit 1** for Bancaja's summary financial statements). With 63% of its business and 61%[6] of its branches in the Valencia region—its historical market—Bancaja also had a significant presence throughout Spain, strong customer orientation, and a diverse portfolio that included real estate, insurance, and investment services.[7] Its first wave of expansion took place in the early 1940s, when it successfully absorbed five savings banks to extend its reach throughout the region of Valencia.[8] In 1989, Bancaja began to acquire more competitors, and within five years it had purchased Caja de Ahorros y Monte de Piedad de Segorbe, Banco de Murcia, and 24.42% of the share capital of Banco de Valencia.[9] In 1991, with the acquisition of Caja de Ahorros y Monte de Piedad de Castellón, it adopted the official name "Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja" and became commonly known as Bancaja.

By the late 1990s, Bancaja was a large, complex collection of entities that included former for-profit banks as well as other cajas. The acquisition of banks from other regions opened up new markets and marked the end of Bancaja's historical limitation to the local Valencian community (see **Exhibit 2** for Bancaja's geographic reach). But the rapid absorption of other institutions also left the once-unified bank with a somewhat disjointed structure. The new divisions were like puzzle pieces, and their fit with Bancaja's existing design was unclear. In 1996, Bancaja was the third-largest savings bank in Spain but was still far from the cutting-edge example of the nation's leading financial institutions.

Strategic Vision

In 1995, Bancaja drafted a strategic plan to address three pressing issues: the unity of the financial group, cost-efficiency, and the segmentation of commercial actions. The unity of the group had been tested by the mergers and acquisitions of the last six years, and Bancaja was still struggling to create a

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[4] http://ceca.es./CECA-CORPORATIVO/en/caja_a.html, viewed October 24, 2006.

[5] Banco de España, Boletín Estadístico.

[6] 861 of 1,413 branches, per the Bancaja Presentation Book LibroPrestigio, 2006.

[7] 2005 Bancaja Annual Report.

[8] Caja de Ahorros y Monte de Piedad de Alzira, Caja de Ahorros de Villareal, Caja de Ahorros y Monte de Piedad de Alberique, Caja de Ahorros de Játiva, and Caja de Ahorros de Gandía.

[9] Caja de Ahorros y Monte de Piedad de Segorbe was acquired in 1989 ; Caja de Ahorros y Monte de Piedad de Castellón in 1991; and Caja de Ahorros y Socorros de Sagunto and the share capital of Banco de Murcia, S.A. in 1993.

cohesive structure. The 1995 strategic plan called for managers to define the business vision of each new unit and division and to identify how it complemented larger organizational goals. The bank also planned to develop an internal organization system that would help consolidate and reinforce the group's vision.

The second component of the 1995 strategic plan dealt with cost. Bancaja's cost position was more in line with the small, traditional financial institutions it had acquired than with the robust modern bank it aimed to become. Pressure to rein in costs was compounded by increased competition in the markets where Bancaja operated, which had accelerated reduction of the bank's operating margin. Until these trends were reversed, CEO García Checa noted, the bank could not move forward: "We are, and were, a distribution company. To succeed, we had to have critical mass and volume, and we had to be cost-efficient. To get to that point, we needed to build a client base and find ways to increase their loyalty."

Finally, the strategy team looked at the segmentation of Bancaja's commercial actions. Under its last strategic plan, Bancaja had created specialized branch networks (including the separation of corporate banking and centers serving customers with upper-middle incomes). The network was restructured to include business units and area managers. With these segment-based projects nearing maturity, the bank needed to develop its business objectives and action plans in every segment, from the specialized branches to the distinct geographic areas of the regular network. The diffusion of the action plans presented a unique problem: how to "analyze new possibilities for client segmentation with regard to multiple criteria, micromarketing, and scoring expert systems to develop commercial actions." García Checa believed that customer relationship management, or CRM, could be the core of the solution.

The Drive to Create Customer Intelligence

As bank management considered ways to improve efficiency, build customer loyalty, and maintain growth, customer analytics seemed a promising—though unproven—option. At the time, Bancaja's corporate marketing area was populated by former branch managers and was dominated by a branch-centric mentality. Many marketing officers still spent extended periods in the branches as a way to gauge customer sentiment, and their branch experience influenced both the choice of product attributes and the design of potential client criteria for campaign profiles. "We were happy with our position," noted Sebastián Ruiz, chief marketing officer (CMO), "but we knew there was room for improvement."[10] One of those areas, he remembered, was the amount of crossover in different campaign profiles. "One day my wife welcomed me home waving five Bancaja letters for as many campaigns," Ruiz admitted. "She asked me, 'Are you crazy?'" Simple cross-checks could have detected customer overload, but nobody at Bancaja had thought to implement one. As Ruiz noted, it was Bancaja's CEO, not the marketing officers, who pushed for customer analytics.

CEO García Checa came to Bancaja from outside of the branch banking world. He had previously worked at Arthur Andersen and first joined the bank in the capacity of "interventor general" (chief compliance officer). In his next appointment, as senior vice president of retail banking, García Checa had direct oversight of the marketing function and explicitly asked to retain this control when he was later appointed CEO. His background left him untainted by the biases of traditional branch culture, and from the beginning he was intrigued by new marketing approaches. "I am not a statistics expert, but I know I am a Bayesian," he explained. "I have my own ideas and preconceptions, but I am very

[10] At the time of the Project CRM launch, Sebastián Ruiz was the product marketing manager but shortly thereafter became Bancaja's CMO.

open to updating them when the data generates new insights." When the buzz on CRM started to circulate, García Checa jumped at the chance to give his firm an edge.

Not all of the bank's employees shared García Checa's enthusiasm, however. CRM was not yet commonplace in banking, or in any other industry, and its effectiveness was far from certain. Moreover, Bancaja had just completed an adaptation to its system that allowed managers to produce information according to the client. The bank had traditionally prioritized the individual contract or account as the relevant object of management and had configured its information accordingly. The opportunity to view all accounts held by a client in one place marked a "radical departure" from past practice, noted Paco Mínguez, MIS project manager, and opened up an entirely new field of insights. Nevertheless, many Bancaja veterans wondered what CRM could do for them, aside from offering further systems complications and long-term expense.

The statistical nature of CRM triggered resistance within the old guard of the bank, especially among branch employees. "Even the marketing department would not support it at first," acknowledged Ruiz, "because we saw it as mechanizing a human function—a threat to our jobs." In addition, when the project's advocates looked outside the bank to purchase a turnkey system, the view was not reassuring. "CRM was supposed to achieve real results, and many firms claimed to have a solid solution" said Ruiz. "But when we looked more carefully at the offers, we sensed that the companies were selling smoke."

Before signing onto a costly, large-scale project, García Checa and the management team decided to explore the potential benefits of CRM—and hopefully convince its skeptics—by developing a pilot project. If CRM turned out to be effective in one area, then it could be spread throughout the organization. If it failed, the bank could reconsider the strategy before committing too many financial resources. To run the pilot program, the bank had to identify an area with high visibility and potential benefit that at the same time ran a low risk of damaging the image of the firm. García Checa and Ruiz brainstormed for specific products and services that could meet these requirements and quickly settled on credit cards. Credit card sales were rapidly escalating in Spain, and Bancaja needed to forge a position in the market. What was more, credit cards were an ideal product for a broad marketing campaign.

Project CRM: Succeeding in the Spanish Credit Card Market

The Spanish credit card market saw rapid growth in the early 1990s (**Exhibit 3**). By 1996, competition was intensifying as more banks lobbied for a share of the industry. Prices and margins were expected to fall even as the services offered by cards became more complex. Because of the predicted market growth, banks offering credit cards adopted a dual focus on customer loyalty and new customer acquisition.

Bancaja had developed a reputation as an innovator in credit card commercialization. In the early 1990s, its efforts to leverage debit cards to divert live transactions to ATMs had significantly reduced waits in the branches. A consumer finance product called Telecrédito—a first in the market—allowed retail establishments to offer customers with Bancaja credit cards the option to finance their purchases with a loan at the time of purchase.[11] Bancaja had also introduced the first revolving credit card in the Spanish market. In hindsight, Mercedes Pérez, the 1996 credit card product manager, thought the bank might have been ahead of its time: "It was the only card of its type, and neither our

[11] Depending on the agreement, the interest on the loan was financed either by the individual or by the retailer. In either case, the loan became a separate account and did not affect the client's credit limit.

customers nor the branches understood it very well. However, to grab the market we put pressure on the branches to sell it—perhaps too much. They accepted clients we might otherwise have viewed as too risky, and in the end that aggressiveness came back to haunt us. Our default rate soared."

By 1996, despite continuous commercial efforts and consistent innovation, Bancaja's credit card market share had failed to improve. It had only half the success rate of its competition (5% vs. 10% in the revolving credit card market), and its cards were used half as often as those of competitors. For the bank's management, the question was whether a campaign based on customer analytics could perform any better.

To develop the CRM project, García Checa appointed an unconventional team: Pedro Gómez, then director commercial planning; Narciso, a mathematician with experience in IT and operations; Vicente Portalés, an IT analyst; and Susana Sanmatías, a statistician recruited directly from the University of Valencia. Sanmatías designed models using tools such as SPSS, and Portalés, trained in IT, transformed her models into tools that would work in Bancaja's current IT infrastructure. Gómez served as project leader and Narciso as the project's business analyst.

At the time the team started the project, customer intelligence was synonymous with targeted campaigns. If they could improve the effectiveness of a marketing campaign using insights generated by a statistical analysis of customer information—or at least prove that this was possible—their credibility within the organization would improve dramatically. If the project failed, however, Bancaja might abandon customer analytics indefinitely. To produce valuable, actionable results, the team needed to understand many things about credit cards and about their clients: Who were Bancaja's current credit card customers? Which clients were more likely to buy a credit card product? What credit card attributes did customers favor? And finally, what should a credit card look like?

Profiling Credit Card Customers

The CRM team believed that if they wanted to increase Bancaja's effectiveness in the credit card market, they would need to start by establishing a deeper understanding of the client. Spain had the densest network of point-of-sale (POS) terminals in the world, and in ATM concentration was second only to Japan.[12] Spanish people held more credit cards and debit cards than most European countries, consistently beating the EU average. The problem was not the number of ATMs and cards but that Spanish customers failed to use them. Spanish customers conducted very few debt and credit transactions, even by European standards (**Exhibit 4**). Furthermore, like many Europeans, Spaniards were debt averse. Over 75% of cardholders chose to pay their outstanding balance in full at the end of each month (**Exhibit 5**).

Through market research studies, Bancaja obtained a partial demographic profile of the Spanish credit card customer (**Exhibit 6**). In 1996, that customer was more likely to be male than female and was likely between the ages of 25 and 54. He was overwhelmingly likely to be in the upper or middle class. These studies were windows on the holders of credit cards and their behavior, but the data they contained was available to the entire industry. If Bancaja wanted to outsmart the competition, it needed to approach those studies in a new way or find alternative sources of information that competitors could not access.

[12] Enrique Bernal Jurado and Manuel Parras Rosa, "Factores explicativos de la demanda de servicios de pago con tarjetas bancarias en España : Una aproximación empírica" (ICE, Sistema Financiero Español: Estudios Empíricos, No. 805, March 2003).

Narciso suggested looking within the bank to develop an ownership model, or a profile of clients that held and used Bancaja's credit cards. Once they identified which Bancaja customers held credit cards, they could probe client profiles for more information and recurring characteristics. The objective was to systematize the information so that the bank could rank the likelihood of customers to buy a credit card based on the characteristics of current credit card holders; the challenge was how to acquire and sort this client information in an efficient, economical, and ethical way.

The bank kept a record of each client's consolidated position and also some more detailed demographic information including age, gender, and street address. But there were other ways in which existing information could be leveraged to enrich the bank's knowledge of a customer. For instance, if a client deposited her salary directly into her checking account, the bank could identify her income and profession. Relevant socio-demographic information could also be obtained by analyzing the bills a customer paid through Bancaja's debit or credit facilities: a utilities bill would indicate the types of properties the customer owned or rented, a sports or social club membership bill could suggest a social group, and purchases from airline tickets to clothing could be used to infer traveling patterns and brand preferences.

One of the team's overarching concerns was to ensure the legal and ethical collection of information and, by extension, complete compliance with Spanish data-privacy regulations. Any information derived from tax statements was strictly off limits, and the bank also wanted to avoid the use of vendor-provided databases. There had recently been a backlash in the press against such data-collection tools, and the Parliament was developing legislation to forbid them altogether.[13] Bancaja's team felt they should hold the bank to a higher standard for its commitment to the community and also wanted a model that they could replicate and scale in the future. They steered clear of any external providers of demographic information and concentrated on data already belonging to the bank.

Gathering this internal information, however, was no easy task, especially given the complexity of Bancaja's legacy systems. Many of these were designed with a product focus rather than a customer focus and had been developed for the diverse environments of the institutions Bancaja had acquired. Mínguez recalled how the team approached this challenge:

> We adopted a very pragmatic attitude. Rather than an elegant, scalable solution, we decided to capture and merge all of the information in an off-line environment. We were able to consolidate a significant portion of client data but stopped if the complexity of capturing a piece of information was too high. If the project succeeded, we presumed that we would be allocated the necessary time and resources for a full-fledged solution.

Narciso was excited by the wealth of data he would have available for the project. The statistician in him, however, wondered whether testing preexisting hypotheses about customer behavior and attitudes toward credit cards might be less important than simply "letting the data speak" to reveal relationships that no one had noticed before.

Designing the Optimal Credit Card

Mercedes Pérez, the credit card product manager, thought the key to success was to design a credit card with a unique appeal to customers. Based on her previous experience at Bancaja and

[13] The "Ley Orgánica de Protección de Datos de Carácter Personal" (Personal Data Protection Act) approved on December 13, 1999, essentially forbade the use of external databases that included more than name, address, and phone number that had not been developed with the express permission of all individuals involved.

observation of competitors' cards, she had some assumptions about what customers wanted, including low interest rates and low fees. However, there were many more attributes that could be tweaked in a credit card's design, and the bank needed to understand how customers weighed each attribute against the others. As she thought about the design for the CRM project, she discussed her beliefs about credit card variables with the members of the CRM team (see **Exhibit 7** for a summary of the attributes).

- *Sign-up fees:* A sign-up fee was a one-time fee charged when the client first received and activated the card, in addition to any annual fees. At the time, most banks still charged a sign-up fee, but some were starting to waive it, normally conditional on the acquisition of another product. Pérez believed the fee made sense because "customers won't value something we give them for free." Other team members pointed out that the fee was also a source of revenue that helped cover the fixed costs of risk assessment and marketing.

- *Annual fees:* Credit card use was not yet so widespread that transaction fees and financing margins would suffice to cover all the fixed costs of credit card operations, making annual fees nearly indispensable. Some team members suggested that the bank might consider waiving the fee as a function of card usage, in the form of a loyalty reward. "But introducing a reward," countered Pérez, "might lead other customers to think we are fleecing them." Moreover, if clients did not appreciate the waiver, it would be a needless loss of income.

- *Financing interest rate:* In Spain, revolving cards were not as common as in the U.S., due largely to the risk-averse nature of Spanish clients. Narciso suggested examining the impact of interest rate on the customer's purchase decision. If the bank could understand how customers valued different interest rate levels, if at all, it could understand how customers used credit cards: as financing instruments, or merely as a method of payment.

- *Mailing brochure content:* The amount of information Bancaja could include in its communications with customers was highly flexible. Some team members thought customers might value detailed descriptions of the product attributes, such as insurance or reward points, and purchase the card immediately. On the other hand, others pointed out, they might be confused by the overload of information. Too much information could lead clients to put off making a decision until they had time to assess the offer more carefully; it might also raise their awareness of variable attributes and lead them to compare Bancaja's card with the offerings of the competition.

- *Inclusion of the actual card in the mailing:* The Bank of Spain recommended that banks avoid mailing the actual card in an offer, citing the risk of loss or robbery. "But customers might be excited to have the card in hand right away," suggested Narciso, "and they might even see it as a token of our trust."

- *Channel:* Bancaja wanted to know whether customers valued visits to the branches or whether it was an obstacle to purchasing the card. If customers were reluctant to visit the branches, the bank would have to explore alternatives to the physical visits, especially in the case of distributing PIN numbers. "PINs are highly sensitive," explained Pérez, "and we prefer to hand them over physically to the customer."

- *Credit limit:* The team debated whether playing with credit limit in the initial offer would affect purchase decisions. They also considered the risk of offering an overly generous limit, as credit limits were more difficult to adjust downwards and could lead to defaults (especially given the poor quality of credit-risk information at the time). A more prudent strategy, Narciso suggested, was to observe customer behavior over time and adjust the credit limit accordingly.

- *Other fees:* Bancaja had the option of including various other fees, including charges for the use of an out-of-network ATM or for cash advances. But the payoff of such a fee was unclear, noted Pérez: "The cash advance option, for instance, was used by very few customers, and mentioning a fee could deter customers even if they never planned to use the applicable service."

- *Payment mode:* The bank could choose to charge customers the full balance at the end of each month, or it could revolve 75% of the outstanding balance at the end of the month. Pérez thought that using revolving as the default option would guarantee Bancaja a larger financial margin but worried about customer reactions. "The risk is that some customers will be surprised to see the interest charge on their statements," she explained. "Clients are often unaware of the default option they are signing to in the contract. If it appears that the default option is one that is more profitable for the bank and less advantageous for the client, we risk a negative backlash."

- *Campaign gift:* To motivate customers, the bank could offer a small gift—such as a flashlight, key chain, or pen—as an incentive to buy the card or as a reward for certain behaviors. "We could reward customers who come to the branch to receive their PIN," suggested Narciso, "or those who return cards they do not want." Rewarding customers for card return would minimize the problem of invalid cards floating around, with the inherent risk of loss, robbery, or forgery.

- *Insurance:* In addition to the insurance features imposed by VISA, such as fraud protection and limit liability in case of loss, Bancaja considered offering "armed robbery" insurance. If a customer was mugged at an ATM or forced to go to an ATM and extract money, the bank would reimburse the stolen amount. Some team members wanted to test additional types of insurance, but others wondered whether customers valued any protection in the first place.

Pérez knew that any attributes chosen to attract customers also had to balance the interests of the bank. There was no question that a card with no fees, wide-ranging insurance coverage, and a high credit limit could bring in new customers, but padding the rolls of clients would be useless if the card was not profitable. It was a delicate balancing act, and the attributes for the test had to be narrowed from an extremely wide range of possibilities. If Pérez considered only two options for each of the attributes discussed in the meeting, she could create 2,048[14] different card combinations. Three options for each attribute generated 177,000[15] different cards. Uncovering the optimal combination was almost like looking for a needle in a haystack, she thought, but finding it could turn the competitive landscape upside down.

In the final stages of planning, the CRM team had to narrow their focus to a specific analysis objective that would allow them to identify customer preferences and settle on a means to test it. For Narciso and Sanmatías, both with training in statistics, the idea of conjoint analysis came immediately to mind. A traditional conjoint study was performed by interviewing potential customers and asking them to rank attributes or combinations of attributes. Narciso was not completely satisfied by this approach, however, because the subjects interviewed were not necessarily actual customers and were not forced to make a real purchase decision. The bank had to

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[14] $(2)^{11}$

[15] $(3)^{11}$

assume that what the participants said corresponded to what they would actually do when faced with an offer. Narciso was not convinced that performing the interviews with a set of current Bancaja customers would solve the problem, either. Because they already held a credit card, their purchase response was still simulated. Moreover, Bancaja would learn little about the preferences of customers who did not buy the card but might accept a different combination, and the interviews would backfire if customers became disenchanted with their current product holding when made aware of other possible versions.

In one of the last team meetings, Narciso suggested testing the products on a real population through a series of mini-campaigns. They could market a set of different credit cards to different population groups and see what combination was the most successful. Using real customers was an attractive option, because the information captured would reflect a real purchase decision. Ruiz, however, was not convinced that the option was feasible: "All real campaigns incur an important fixed cost. You have to pay the creative agency to develop each campaign, contract the printing work, develop the IT infrastructure . . . and there are very few economies of scale in these functions. We cannot risk looking cheap for the sake of a test—the image of Bancaja is at stake."

These considerations would limit the number of combinations they could test with the campaign approach. An initiative of more than 8–10 campaigns would be prohibitively expensive. Furthermore, choosing the markets for a campaign might prove difficult. They had to find target groups that were representative of the larger population of potential credit card customers and decide whether they wanted to target only current Bancaja customers or include individuals without any relationship with the bank. Narciso was aware of the difficulties, but excited by the challenge of designing such a test. In the past, he had sometimes turned to his network of college friends and professors for advice. But with this project, unique in its variables, constraints, and potential application, Narciso and Bancaja were on their own.

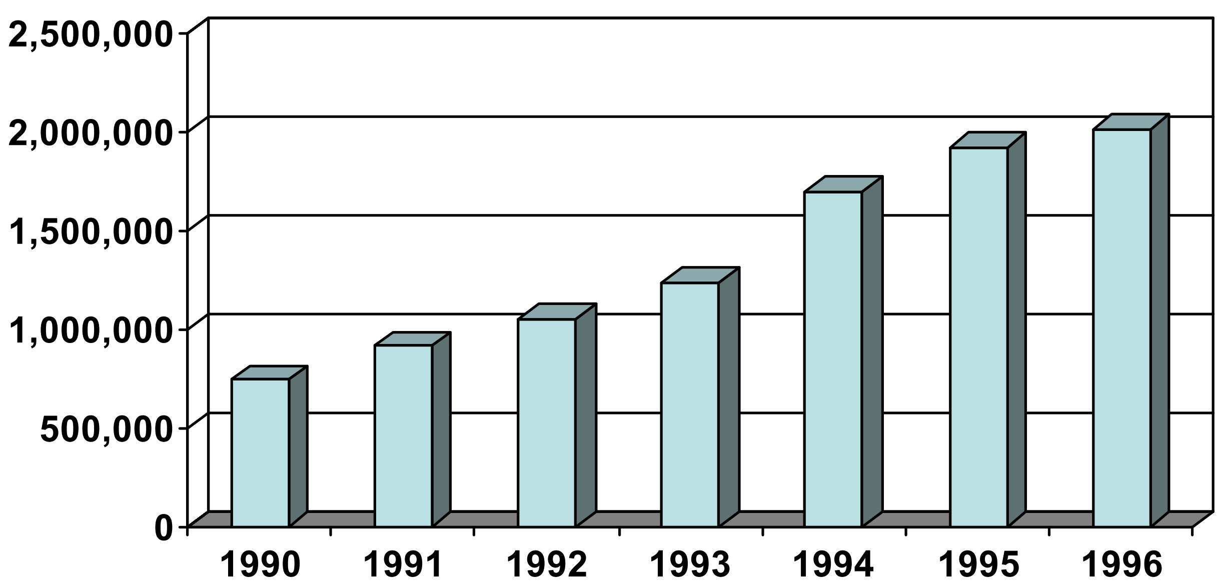
Exhibit 1 Bancaja Annual Report Highlights, December 31, 1996

	Bancaja	Consolidated Group
Total Assets (in millions of pesetas)[a]	1,589,151	2,015,728
Client Funds	1,680,015	2,066,979
Deposits	1,326,198	1,671,677
Off-Balance Sheet[b]	353,817	395,302
Loans	1,022,620	1,313,458
Earnings before taxes	19,065	28,129
Tier 1 Capital	90,525	119,056
Branches	656	951
ATMs	627	781
Employees	4,084	5,896

[a]$1US = 126 pesetas in 1996.

[b]Mutual and pension funds.

Total Assets Bancaja Group (in millions of pesetas)



Source: Bancaja Annual Report, 1996.

Exhibit 2 Bancaja Branch Penetration in Spain, 1996

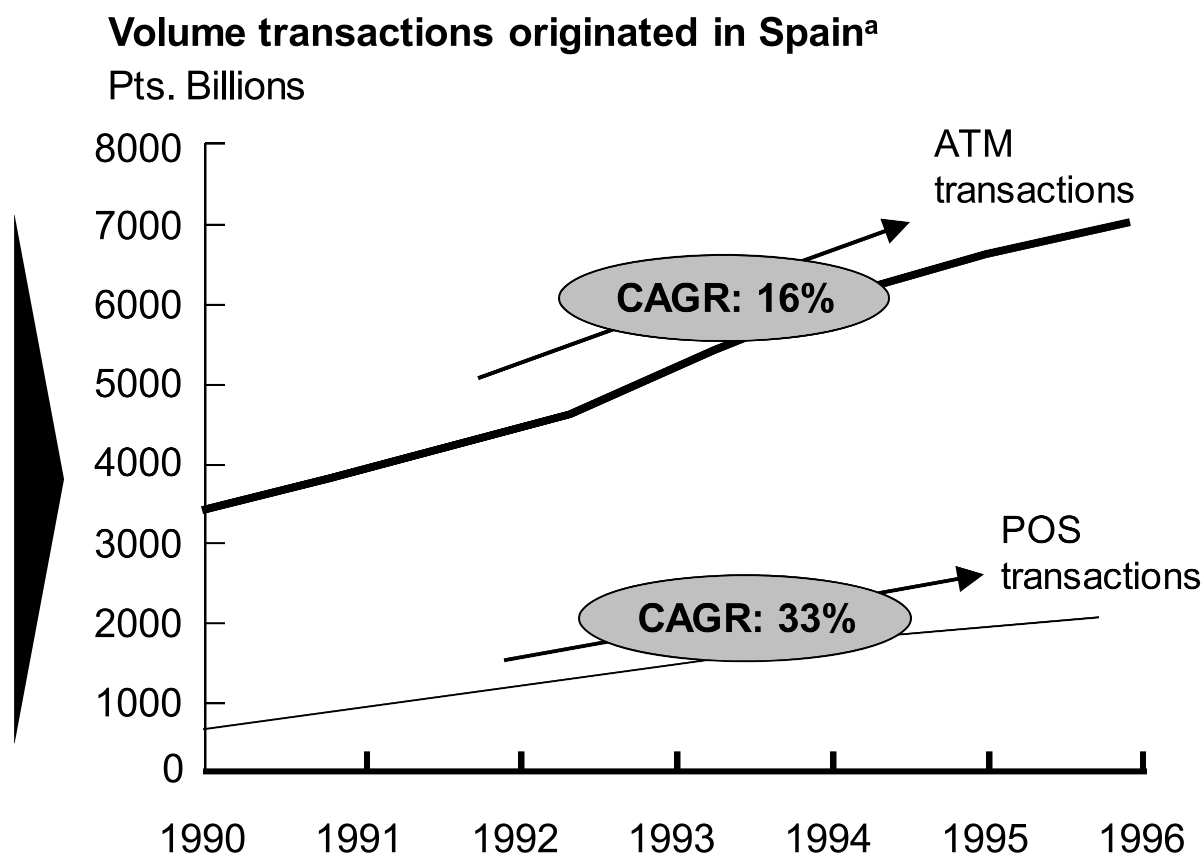
- Numbers represent the number of Bancaja branches in each region or province in 1996.
- Total Bancaja branches in 1996 = 656.

Source: Casewriter.

Exhibit 3 Credit and Debit Card Market Trends, 1996

Factors determining future importance of cards:

- Overcome of cultural barriers
- Increase use of electronic banking
- Emergence of new technologies (chip, Internet, …)
- Convenience to promote products that generate fee income given the fall in interest rates



Source: Company documents.

[a]Transactions originating in Spain are considered to be those conducted with cards issued in Spain.

Exhibit 4 Comparative Statistics of Payment Cards in the European Union, 1996

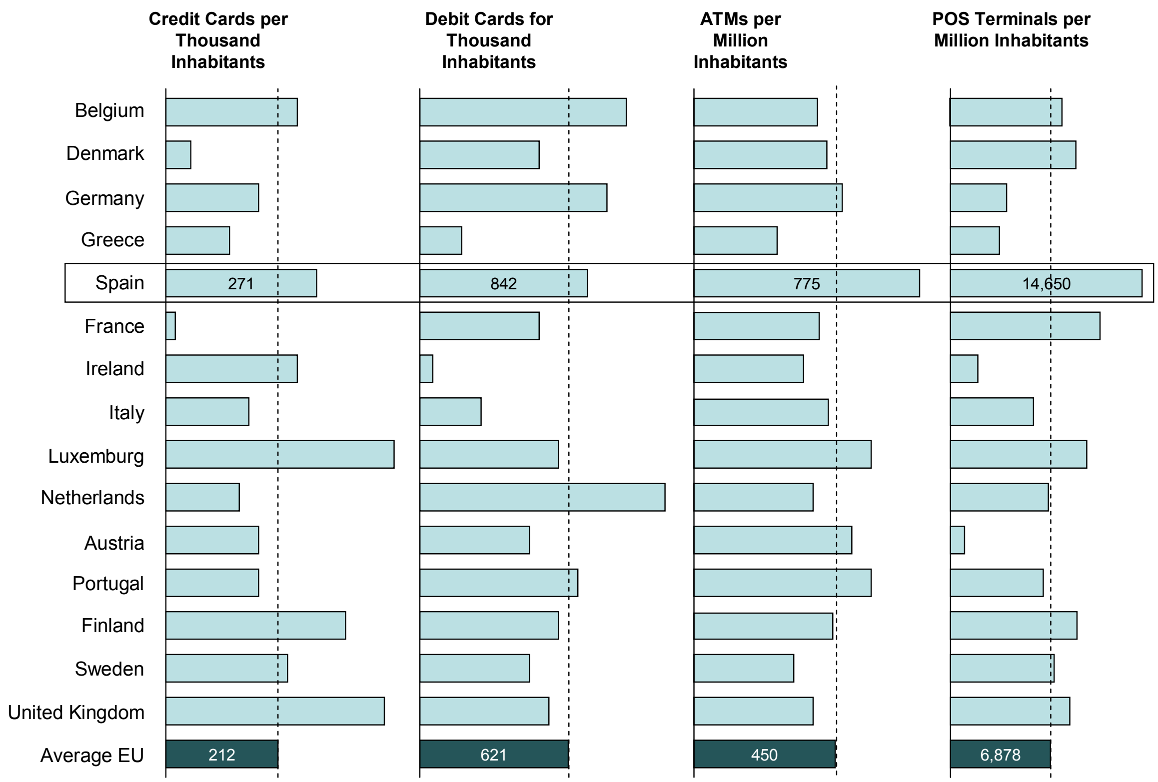
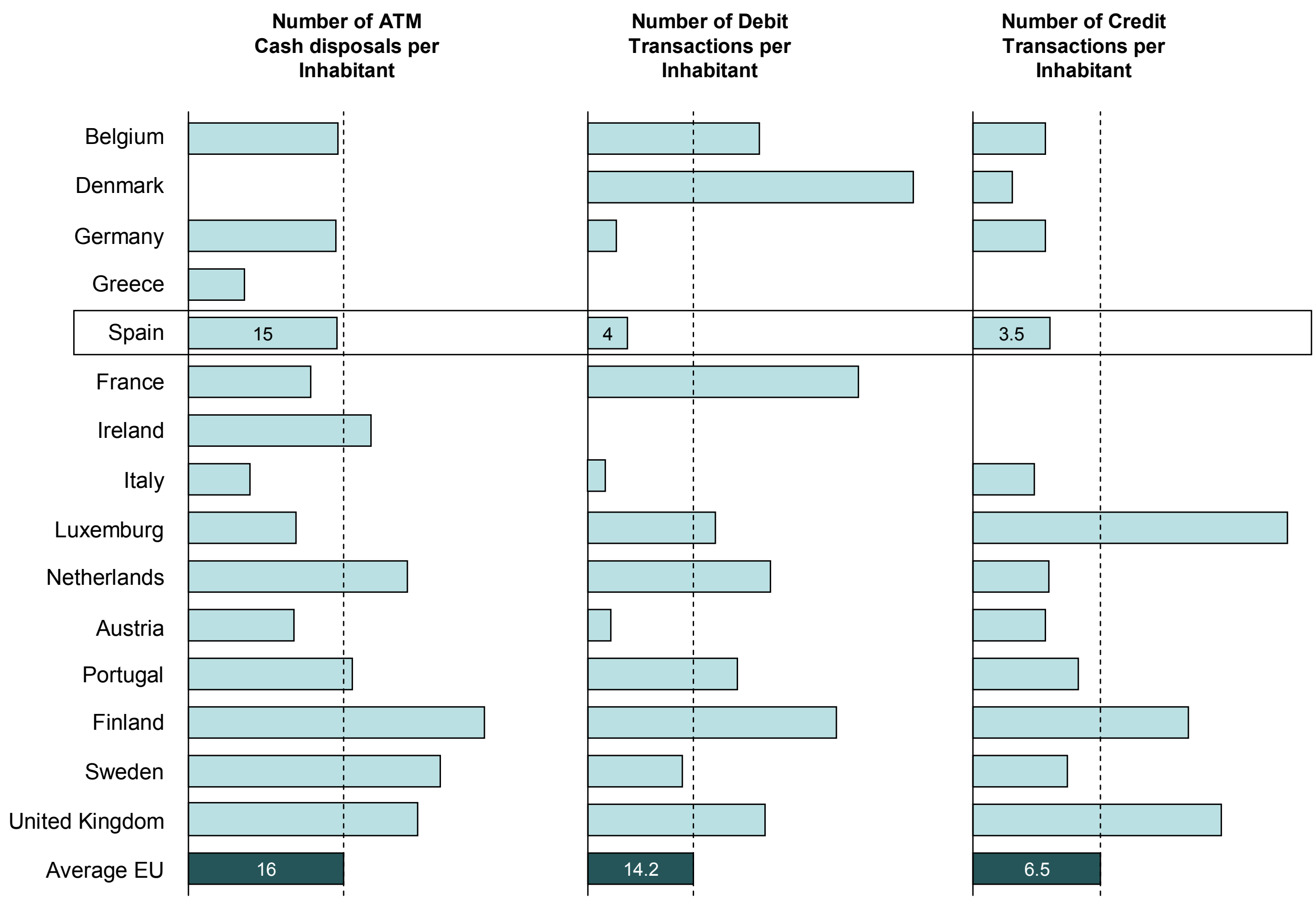
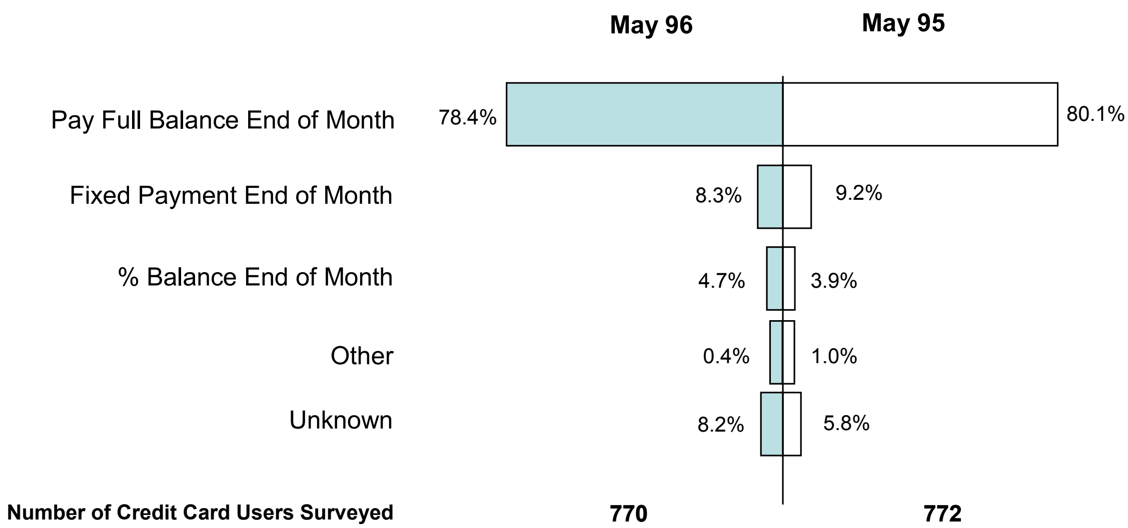


Exhibit 4 (continued)



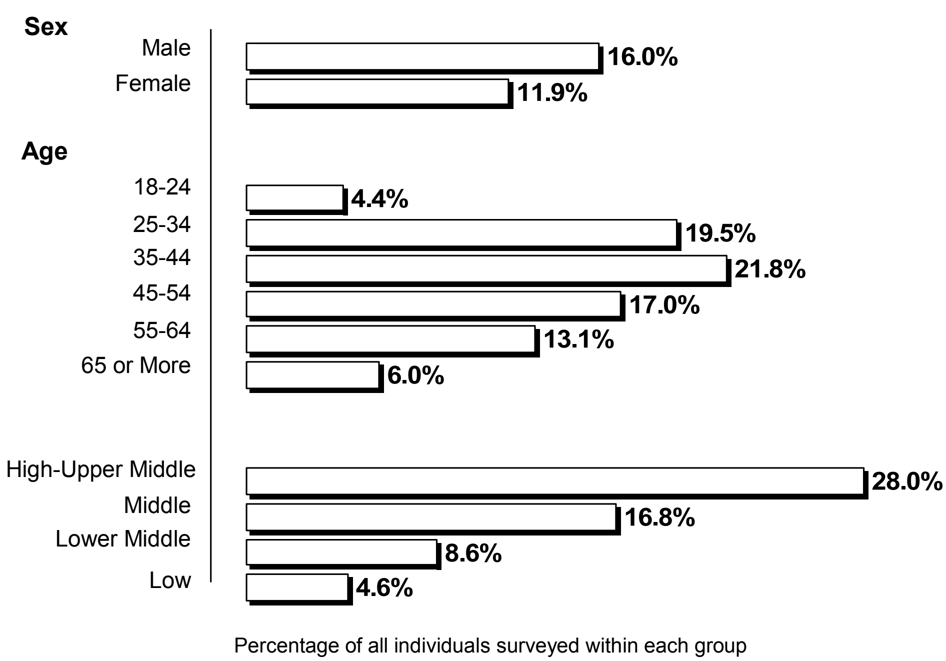
Source: Casewriter, with data from "Payment and Securities Settlement Systems in the European Union," European Central Bank Blue Book, June 2001.

Exhibit 5 Choice of Credit Card Payment Mode in Spain, 1995–1996



Source: FRS/Inmark.

Exhibit 6 Profile of Credit Card Users in Spain, May 1996



Source: FRS/Inmark.

Exhibit 7 Credit Card Attributes

Attribute	Alternatives
Sign-up fees	• Charge industry average • Charge another amount (premium or value pricing) • Waive unconditionally • Waive on the condition of another product purchase
Annual fees	• Charge industry average • Charge another amount (premium or value pricing) • Waive fee as loyalty reward
Financing interest rate	• High interest rate, profitable for the bank • Low interest rate, attractive to the customer
Mailing brochure content	• Simple, containing basic attributes of the contract • Detailed description of all card attributes or a subset (e.g. insurance coverage)
Inclusion of the actual card in the mailing	• Include card in envelope • Send customers to branch to pick up card
Channel	• Hand PIN to customers in the branch • Customers activate card and receive PIN over the phone
Credit limit	• Standard, low initial credit limit (€500) • Standard, high initial credit limit (€2,500) • Customized initial credit limit
Other fees	• No hidden fees • Charge fee for use of out-of-network ATM • Charge fee for cash advances
Payment mode	• By default, charge customers the full balance outstanding at end of month but allow a choice of revolving credit • By default, finance a portion of the outstanding balance at end of month but allow choice of full payment • Allow only full payment of outstanding balance at the end of the month
Campaign gift	• Give a small present to customers who buy the credit card • Give a small present to customers who do not buy the credit card but return the plastic card to the branch • Do not give any present
Insurance	• Do not include any insurance feature above and beyond VISA™ offering • Include additional insurance for "armed robbery" protection/reimbursement • Include other insurance options

Source: Company interviews.