Study Case Analysis

ALPEN BANK:

LAUNCHING A CREDIT CARD IN ROMANIA

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Group 9

1. How should Alpen position its card if it intends to launch it? What should be the segments considered if it intends to launch it?

Without looking deep into the problem, our first thought will be to go forward with the credit card launch.

- Alpen's high-segment client type should be tempted to experiment this form of payment.

- Despite the Romanian financial situation not being too great, the prospects a lot of show potential to grow.

1. How should Alpen position its card if it intends to launch it? What should be the segments considered if it intends to launch it?

"Alpen Bank developed a reputation for excellence in serving affluent clientele".

Usually includes **premium services** such as a wealth management programs, private banking or investment advice.

AlpenBank
Private Banking

1. How should Alpen position its card if it intends to launch it? What should be the segments considered if it intends to launch it?

1. Card usage **kick-out phase**.

2. In the beginning, only the **wealthier** population will go forward.
   They are the most interested, the most capable and the ones who
   will generate more revenue.

AlpenBank's clients **meet the profile.**

1. How should Alpen position its card if it intends to launch it? What should be the segments considered if it intends to launch it?

- **14 branches** already opened(over 200,000 customers).

- **24% of the wealth** in the hands of 10% of the population.

- Imminent entry into the **European Union**.

- Coming out of a 3-year recession. **Prospects are good**. Salaries, card usage, etc. Infrastructures should follow trend.

In the table, we can see the international and most affluent like bank, Raifeissen Bank, shows good results, when comparing to others..

	Credit Cards	Credit Card Utilization
Romanian Commercial Bank (BCR)	180 000	10%
Raifeissen Bank	200 000	70%
Bancpost	29 000	6%
Romanian Bank for Development (BRD)	606 000	27%
Estimated total credit cards, Romania	1 710 000	20%

2. What is the cost of customer acquisition?

Estimates of Customer Acquisition in the 1st year for all customers:

Customer Acquisition Costs (All Customers)	Customers	Total Cost (€M)	Cost per Customer
Direct Mail	45,000	1,250,000 €	27.78 €
Take One	15,000	200,000 €	13.33 €
FSIs	15,750	175,000 €	11.11 €
Direct Sales	9,000	30,000 €	3.33 €
Branch Cross-Sell	22,500	50,000 €	2.22 €
Total, All Channels	107,250	1,705,000 €	15.90 €
No Direct Mail	62,250	455,000 €	7.31 €
Top 3 Channels (Direct Mail, FSIs, Branch Cross-Sell)	83,250	1,475,000 €	17.72 €

- Clear hierarchy of acquisition methods: Branch CrossSell and Direct Sales are the cheapest but attract few customers.
- Direct Mail attracts the most but is very expensive.
- FSI and Take One is a mix of both, in the sense that is not very expensive but doesnt get many customers.
- A balance between both is needed to attract enough customers without overspending.

2. What is the cost of customer acquisition?

Estimates of Customer Acquisition in the 1st year for Premium:

Customer Acquisition Costs (Premium Only)	Customers	Total Cost (€M)	Cost per Customer
Direct Mail	22,500	625,000 €	27.78 €
Take One	7,500	200,000 €	26.67 €
FSIs	7,875	175,000 €	22.22 €
Direct Sales	9,000	30,000 €	3.33 €
Branch Cross-Sell	22,500	50,000 €	2.22 €
Total	69,375	1,080,000 €	15.57 €
No Direct Mail	46,875	455,000 €	9.71 €
Top 3 Channels (Direct Mail, Direct Sales, Branch Cross-Sell)	54,000	705,000 €	13.06 €

- Middle term Acquisition Methods now acquire less customers, therefore is on the same tier as Direct Mail.
- Same conclusion as before: a compromise between cost and number of costumers has to be reached.

3. What are the economics of each customer? What is the breakeven number of customers?

Customer Targeting	All Customers							
Acquisition	All Channels	No Direct Mail	Top 3 channels	Direct Mail	Take One	FSIs	Direct Sales	**Branch Cross-Sell**
Breakeven (customers)	77817	75379	78395	82081	77041	76403	74388	**74125**

Time until breakeven is achieved varies a lot depending on the customer aquisition conditions. Generally between 12 and 18 months.

Customer Targeting	Premium Only							
Acquisition	All Channels	No Direct Mail	Top 3 channels	Direct Mail	Take One	FSIs	Direct Sales	**Branch Cross-Sell**
Breakeven (customers)	53526	53374	53459	53891	53855	59353	53223	**53198**

3. What are the economics of each customer? What is the breakeven number of customers?

Using a first year approach:

Customer Targeting	All Customers		Premium Only	
Acquisition	No Direct Mail	Top 3 channels	No Direct Mail	Top 3 channels
Breakeven (customers)	81891	90979	60686	60686
Profit (customers)	139447	163682	97037	97037

4. Is break even achievable? In what time period? In which scenarios?

We used **python scripts** to calculate the breakeven for different scenarios: <u>One Year Only</u>

Min. customers for Breakeven: 81890.90
Min. customers for Profit > 5M: 139447.47
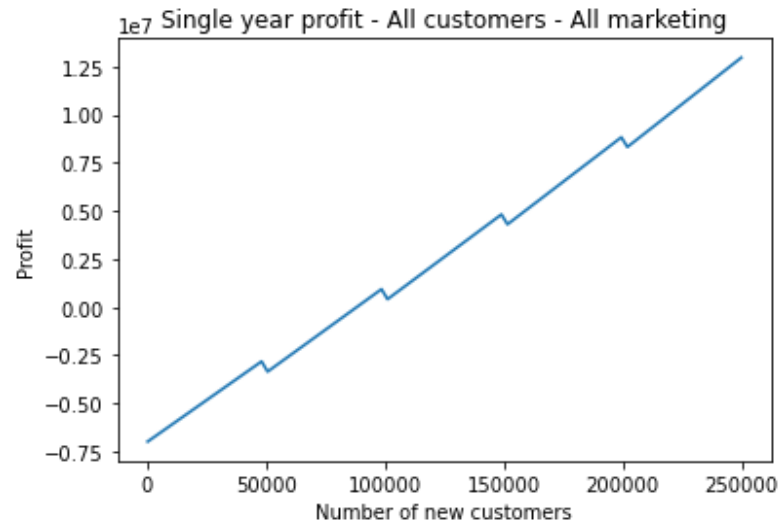
Min. customers for Breakeven: 90978.78
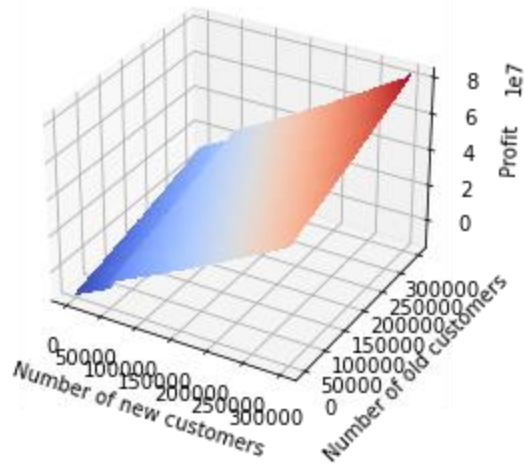Min. customers for Profit > 5M: 160652.52

Min. customers for Breakeven: 60685.85
Min. customers for Profit > 5M: 106125.25

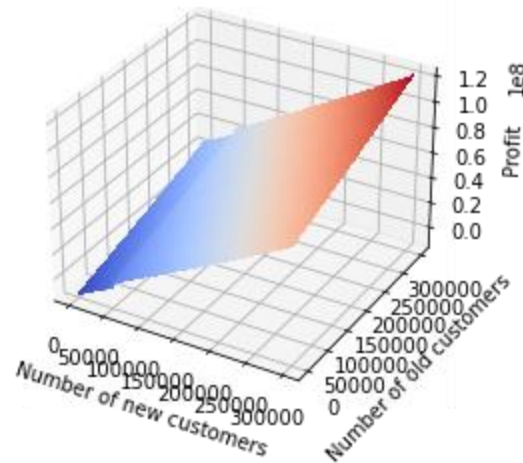# 4. Is break even achievable? In what time period? In which scenarios?

We used **python scripts** to calculate the breakeven for different scenarios: **Two Years**

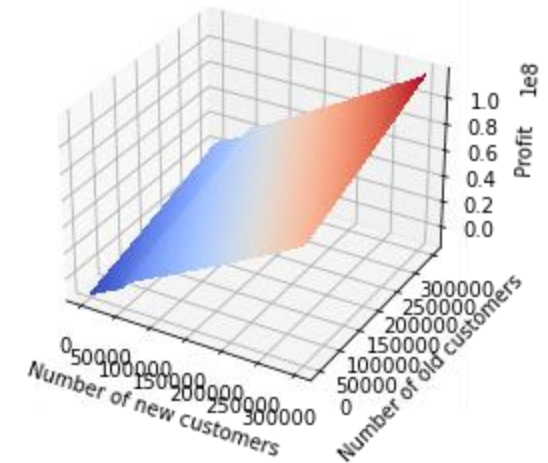2 year profit - All customers - All marketing

2 year profit - Affluent - No mail

2 year profit - Affluent - All Marketing

Min. customers for Breakeven: 54727.27
Corresponding second year customers: 100.0
Corresponding first year customers: 54627.27

Min. customers for Breakeven: 51697.97
Corresponding second year customers: 100.0
Corresponding first year customers: 51597.97

Min. customers for Breakeven: 51697.97
Corresponding second year customers: 100.0
Corresponding first year customers: 51597.97

4. Is break even achievable? In what time period? In which scenarios?

We used **python scripts** to calculate the breakeven for different scenarios: **Two Years** but with **balanced customer acquisition** between the two years

	All – All Marketing	Afluent – All Mark.	Afluent – No mail
Total Customers	69873.73	69873.73	66844.44
Profit	650825.47	241365.37	687782.84
Second year customers	33422.22	33422.22	27363.6
First year customers	36451.51	36451.51	39480.80

Table 4: Example of Combination of First and Second Year Customers For Breakeven

4. Is break even achievable? In what time period? In which scenarios?

Breakeven is achievable in both 1 and 2 years, if the values presented for new customers are achieved.

But is that possible?

4. Is break even achievable? In what time period? In which scenarios?

- **Afluent – All Marketing, 1 Year**, achieves Breakeven within the values predicted by the Marketing agency

Tables 2A, 2B
Customer Acquisition Costs (All Customers)

	Effective Hit Rate	Customers
Direct Mail	1500000,00	45 000
Take One	600000,00	15 000
FSIs	1050000,00	15 750
Direct Sales	36000,00	9 000
Branch Cross-Sell	45000,00	22 500
Total, All Channels	3231000,00	107 250
No Direct Mail	1731000,00	62 250,00
Top 3 Channels (Direct Mail, FSIs, Branch Cross-Sell)	2595000,00	83 250,00

Customer Acquisition Costs (Premium Only)

	Effective Hit Rate	Customers
Direct Mail	750000,00	22 500
Take One	300000,00	7 500
FSIs	525000,00	7 875
Direct Sales	36000,00	9 000
Branch Cross-Sell	45000,00	22 500
Total	1656000,00	69 375,00
No Direct Mail	906000,00	46 875,00
Top 3 Channels (Direct Mail, Direct Sales, Branch Cross-Sell)	831000,00	54 000,00

4. Is break even achievable? In what time period? In which scenarios?

- **Two year strategies** require even less customers (unless taking into account a natural distribution between years)

Tables 2A, 2B
Customer Acquisition Costs (All Customers)

	Effective Hit Rate	Customers
Direct Mail	1500000,00	45 000
Take One	600000,00	15 000
FSIs	1050000,00	15 750
Direct Sales	36000,00	9 000
Branch Cross-Sell	45000,00	22 500
Total, All Channels	3231000,00	107 250
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Top 3 Channels (Direct Mail, FSIs, Branch Cross-Sell)	2595000,00	83 250,00

Customer Acquisition Costs (Premium Only)

	Effective Hit Rate	Customers
Direct Mail	750000,00	22 500
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FSIs	525000,00	7 875
Direct Sales	36000,00	9 000
Branch Cross-Sell	45000,00	22 500
Total	1656000,00	69 375,00
No Direct Mail	906000,00	46 875,00
Top 3 Channels (Direct Mail, Direct Sales, Branch Cross-Sell)	831000,00	54 000,00

5. Should Alpen launch the credit card? Why? To which target segments? With which marketing strategy?

We consider that Alpen **should launch** the credit card...

<u>Targetting the wealthy</u>

• Their service is already mostly targeted to said demographic

<u>Targetting the affluent using all marketing means</u>

• The data backs it up...

5. Should Alpen launch the credit card? Why? To which target segments? With which marketing strategy?

Although a balanced distribution between the two years fails...

	Afluent – All Mak.
Total Customers	94108.08
Profit	5104107.55
Second year customers	45539.39
First year customers	48568.68

Table 4: Example of Combination of First and Second Year Customers For 5M Profit

5. Should Alpen launch the credit card? Why? To which target segments? With which marketing strategy?

If the customers are obtained all in the first year, the 5M mark is attained within the customer prospects.

	Afluent – All Mak.
Total Customers	57756.56
Profit	5304696.51
Second year customers	100.0
First year customers	57656.56

Effective Hit Rate	Customers
750000,00	22 500
300000,00	7 500
525000,00	7 875
36000,00	9 000
45000,00	22 500
1656000,00	69 375,00
906000,00	46 875,00
831000,00	54 000,00

Table 4: Optimal Combination of First and Second Year Customers For 5M Profit