

MARKETING STRATEGY



ABC

(A leading US Credit Card company)



Roadmap 2.0 - Reshaping the business with a new marketing plan

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Scope of the Study



Business objective

- Design a communication strategy using analytics to maximize customer's spend on the credit card
- Leverage data science & analytics ability and communicate the differentiators from traditional methods



Current Scenario

- ABC's marketing team sends out a variety of communication— primarily email and direct mail
- ABC has 15+ million cardholders across 15+ products
- 500 unique types of communication go out to customers



Key Stakeholders

- Multiple Teams (Internal) - Marketing analytics, data science and marketing/communications
- Customers - Credit Card Holders
- Employees and Executives



Assumptions

- Credit card (cc) transaction data provided for 2 years
- Data considered – Online US Market data, Cardholders credit score, product transactions data



Expected Impact/Outcome

- Strategy plan to increase the customer's credit card spend
- Application of data science & analytics to streamline the communication plan for the customers
- Understand on how it is different from the traditional methods

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graph LR; Plan[Plan] --> Phase1[Phase 1]; Phase1 --> Phase2[Phase 2]; Phase2 --> Testing[Testing]; Testing --> Deliver[Deliver];
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Plan

- Set the goals
- Target existing cardholders
- Budgets and resource allocation

Phase 1

- Market comparison
- Consumer Behavior analysis
- Segmentation with **k-means Clustering**
- Product recommendations **with market basket analysis**

Phase 2

- Marketing Strategy
- **Market mix model** – Applying analytics to optimize the marketing channels
- Calculate the ROI to assess the impact

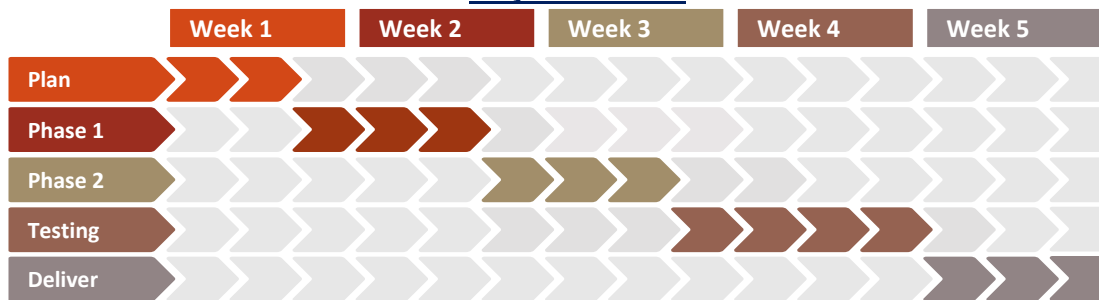
Testing

- **Random Sampling** to develop samples groups of cardholders to share offers
- Control group kept without offers
- **A/B testing** to compare both the samples and recommend best fit for the customers

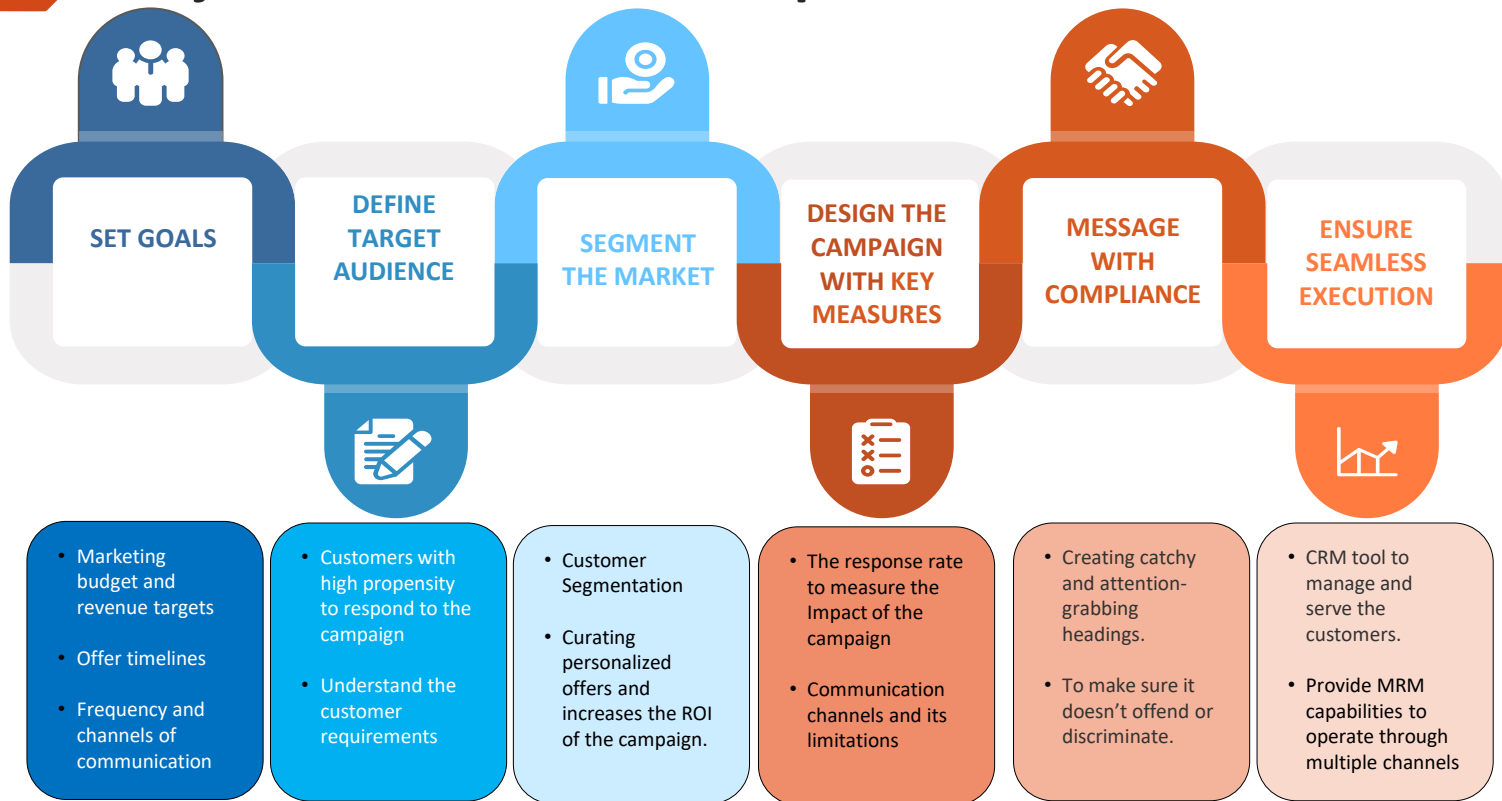
Deliver

- **Identify customer segments** with relevant offers/deals
- **Communication Plan** for the cardholders
- **Marketing impact** assessment
- 5th Week timeline - Delays

Project Timeline



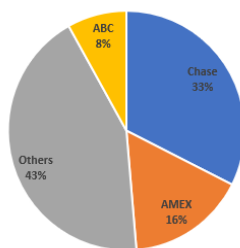
Project Plan – detailed steps



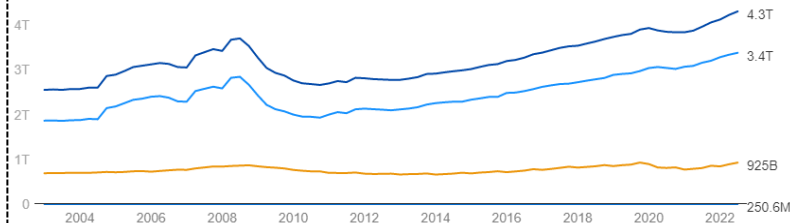
Market Comparison: Portfolio

(Data till Q3 2022, estimates considering 15 Mn+ cardholders)

Estimates	Total	ABC	Chase	AMEX
Customers	160 Mn	16 Mn	55 Mn	35 Mn
Total credit cards (CC)	556 Mn	45 Mn	150 Mn	93 Mn
Total CC Debt	\$925 Bn	\$75 bn	\$300 Bn	\$ 150 Bn



Total balance and credit limit for credit cards (USD)

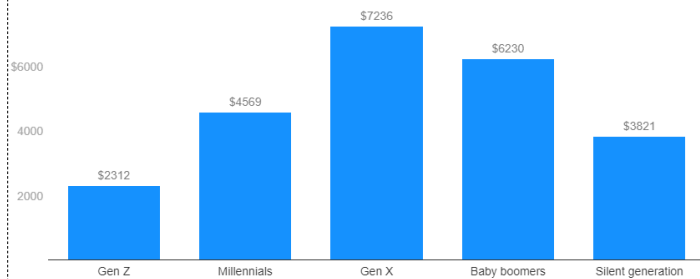


US Market Findings

- 83% user with at least 1 CC
- 14% have at least 10 CC
- 60% US owns credit cards
- Customers with high credit scores (850+) hold an avg. cc debt of \$11.2k
- Avg. 3 cards used per adult
- 1.01 bn transactions per day
- Avg. cc debt of US families is \$6.2k
- Total limit available: \$4.3 Tn
- Total credit available: \$3.4 Tn
- More than 51% cc holders increased limits due to Covid-19

Split by Generation of users

Average credit card debt by generation



- Gen X have an average debt of \$7,236 with baby boomers with a debt at \$6,230, followed by Millennials at \$4,569

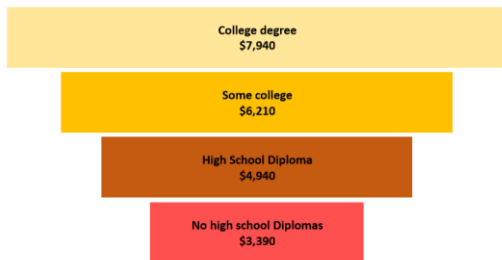
The highest and lowest spend



Alaska reported highest Avg. Credit card spend ~\$7k whereas Wisconsin being lowest avg ~\$4.6k

Customer Segmentation: ABC's portfolio

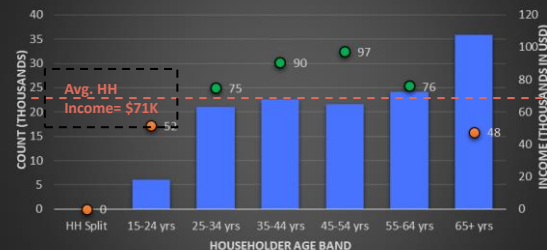
Average credit card spend on Education



Customer segmentation

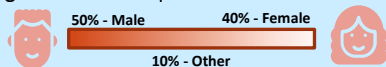
- Cc spend highest in College Degrees (Ref: Chart on the left)
- College and high school is often on EMI paid by parents so majority cardholder's age band lies between 45-54 with income levels nearly \$97k (Ref: Chart on the right)
- Household Count is max. for 65+ years of card holders with \$48k avg. income
- Average debt on cc is \$3k in income band < \$25k, nearly \$11.6k for \$25-\$90k and higher in income bands \$90-\$150k being \$12.6k

Income vs Householder's Age

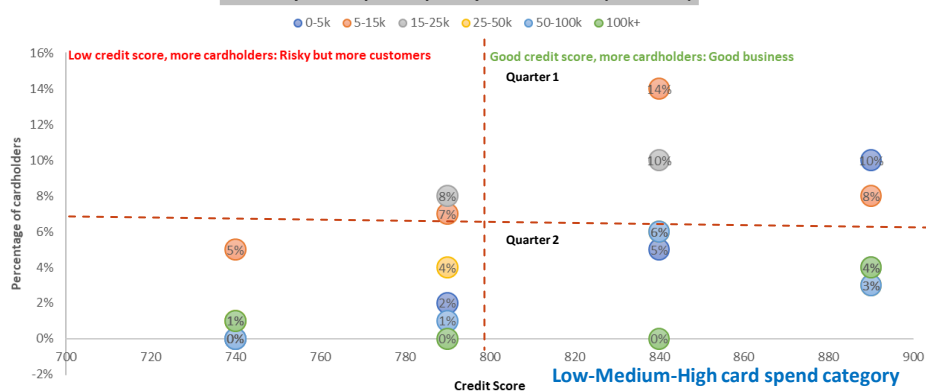


Potential Opportunities from behavioral segmentation:

- 40% card usage is regular, however 35% use it only on monthly basis
- Nearly 24% of the cardholders aren't using their cards
- 70% of the offline purchases using other mode of payments
- Credit Utilization Ratio is 0.6 for nearly 40% of the cardholders- Avg. living expenses constitute for 65% of the expenses and Hotels/dining out constituting for 15% of the expenses
- As a business, you do not want to attract very high risk, hence quarter 1 and 2 are the better opportunities (Ref: Chart on the right)
- Quarter 1 has more cardholders with good credit score with avg. monthly card spend from 0-25k
- Quarter 2 has comparatively less cardholders however they possess good credit score with high avg. monthly card spend from 25-50k, 50-100k & 100k+
- Cardholders gender ratio is important to understand the buying behavior



Monthly card spend split by credit score (\$ in '000)



Marketing Assessment

Sales and marketing campaigns: An average user has eight social media accounts and spends 2.5 hours daily on social media platforms

Product

- 15+ products – Different products in introduction, growth, maturity and decline (shown below)
- Retention/Churn rate
- CLV and NPS
- Ratio of MAU to DAU
- Feature Adoption – Understand how many people access new features

Promotion

- Frequency of emails/direct mails
- Analyze the email open rate
- Credit utilization ratio and avg. credit limit
- ROI on media
- CAC
- Conversion Rate

People

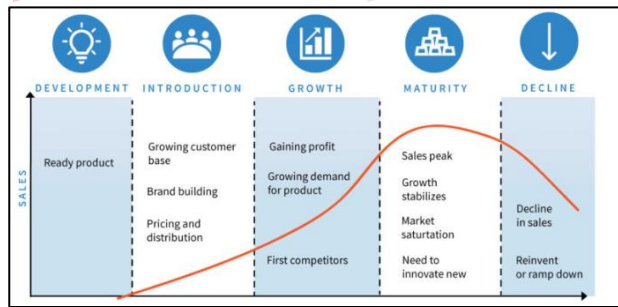
- Internal processes should be quick and easy for customers
- Customers onboard and prefer a brand for experience
- Product experience
- Customer service
- Employees are the customers too
- Customer's Feedback
- Synchronization between internal teams

Place

- South has the most households however the avg. income least around \$63k compared to other regions
- Card spend is directly proportional to income levels
- Conversion Rate

Communication

- Emails - 4-6 times of the week + Direct mails - once a week
- Timing: 8-10 am & 6-9 pm - online user activity peak hours
- Days: Tues, Thurs, Sat (twice a day) or Mon- Sat (once a day)
- Conversion Rate + email open rate
- Explore new channels – Social Media/online ads, TV



How to decide on promotional offers and communication?

- **Promotional offers** – Cardholders often wait for the deals, discounts, offers on products.
- **Communication** - Collaboration of internal teams to work together and send out offers jointly using one common email.
- **Give users the choice** to opt for frequency of communication (2/4/6 times a week)
- **Main KPI** - recommending relevant products which are similar to customer's buying behavior. **How to identify relevance to suggest products/offers?**

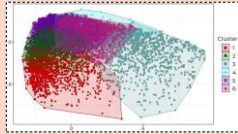


Data science solutions: Assess the capabilities

Identify the relevance of products for customers

Customer Segmentation (K-means Clustering)

- Segment the market based on 'K-means clustering' to group customers into homogenous clusters that are mutually exclusive.
- Iterative process to obtain an optimum number of segments within the data.
- Once the segments are identified, Profile each segment to understand factors such as its spending behaviors and preferences, demographics, and income and credit situation.



Product recommendations (Market Basket Analysis)

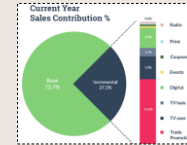
- Market Basket Analysis is modelled on Association rule mining
- It is a **supervised learning model**. Essentially, it considers items purchased in a sequence to determine cross-selling.
- For example – Citibank frequently employs sales personnel at large malls to lure potential customers with attractive discounts.



Marketing Campaign Impact

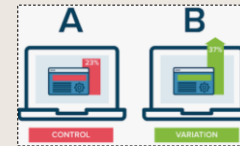
Marketing Analytics (Market Mix Model- MMM)

- MMM optimizes the marketing budgets** and defines its contribution to sales-volume, efficiency (sales volume generated divided by cost) and ROI.
- This models the pricing, seasonality and other factors of the data.
- Carry over effect is important for the mature products** which are bound to decline in the market.



Marketing Strategy (measure effectiveness via control group)

- The response rate is considered to be the minimum baseline.
- A test group consists of customers who actually receive campaign offers, while a control group is not exposed to any offers during the campaign period, in order to set a baseline.
- A/B testing to compare both the samples and recommend best fit for the the customers.



Traditional Vs Modern marketing

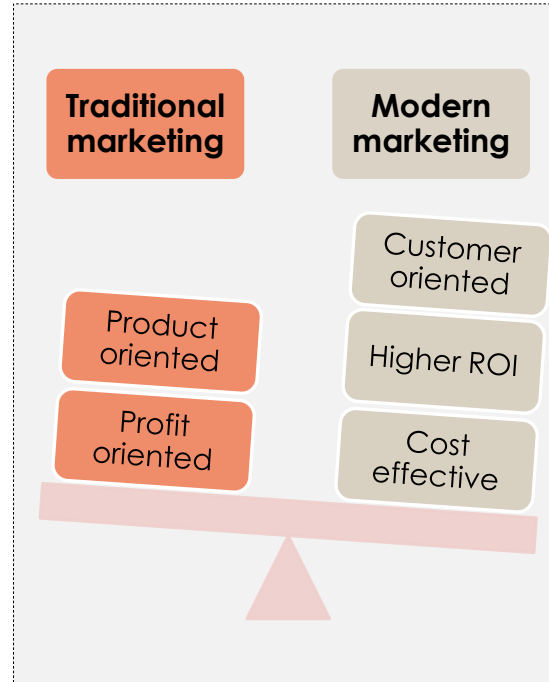
- **Traditional marketing** concept is based on push marketing, focuses on products only.
- The aim is marketing of products and gaining more profit.
- **Most commonly used** traditional marketing strategies are business cards, TV and radio ads, billboards and signage, flyers and brochures and telephone marketing.

Advantages:

- Opportunity for powerful creative efforts
- Easy to understand
- Easier reach to local target audience

Disadvantages:

- Short term approach on products
- Little interaction
- Targeted customer is minimal



- **Modern marketing** concept is based on pull marketing, focuses on customer's needs and aims in meeting the customer's satisfaction.
- **Multidimensional approach** which aims to use technology and data science to help reach the **larger audience and target** specific customer segments.
- **Customer Segmentation and Product recommendation** to increase the sales
- Mainly done via internet ads, E-mail marketing, e-commerce website, Use of social media.

Advantages:

- Higher ROI
- Deeper levels of customer engagement
- Cost effective
- Opened to larger and bigger markets

Disadvantages:

- Requires technical skills and technology to use it in the business



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