



AGENCY POSITION



CREDIT CARD ACTIVATION



**PRESENTED BY STRATEGIC DIRECT MARKETING, INC.
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CREDIT CARD ACTIVATION – OVERVIEW

In the not-too-distant past, many leaders in the financial services industry were predicting the demise of credit cards as we know them. Their belief was that "smart" cards would be the primary access to individual accounts, and that credit would be granted through an instant review of the cardholder's financial status.

This scenario has yet to materialize, and smart cards are still years away from practical, widespread application. The trend is actually AWAY from smart cards, as the University of Michigan in Fall, 2001 has discontinued their campus-wide program.

The basic credit card remains the cornerstone of personal and business corporate purchasing. In fact, the use of credit cards is growing along with purchasing over the Internet. With secure connections now a practical reality, more and more expenditures are taking place using card numbers for purchasing items through a secure shopping cart. This increase in transaction volume is bringing with it an increase in the number of cards issued, as well as the number of offers being made by issuers to prospective cardholders.

With this proliferation of cards comes a massive fight for share of wallet. Most consumers now carry 3 to 5 cards or more, and many people carry upwards of 10 cards at a time. Their choice of which card to use for which purchase is often driven by the benefits and rewards that are given to them by the issuer.

WHAT DRIVES CREDIT CARD CHOICE?

The key factors affecting card choice are:

- Rate: how does the card's rate compare with others?
- Incentives: what rewards does the card offer?
- Terms: how flexible is the issuer on repayment?
- Service: can the cardholder get fast, correct service?
- Fees: how do the card's fees compare with others?
- Access: how easy is it to access the credit line, and what alternative ways can funds be easily obtained and/or applied?

Few issuers will be the category leader in all of these categories; the profit picture would be severely impacted if an issuer tried to beat everybody at every aspect of the card game. The secret then becomes one of perception and promise rather than simply "buying" the market.

CREDIT CARD ACTIVATION – TOOLS

Here are some ways to promote activation of the credit card once it is in the account holder's hands:

1. Cash Advance Checks

Many issuers neglect to suggest lump-sum loans against the credit line. This is something that finance companies have done for many years. While it may be obvious to the issuer that the cardholder can get lump-sum cash, many end users do not view their card in this way. For example, if a cardholder has a credit limit of \$10,000 but has only activated \$1,000, they have \$9,000 waiting to use however they would like. By issuing a check for \$2,500 on a consumer account or \$5,000 on a corporate account, these funds are likely to be put to use to meet larger needs. It is unlikely that the cardholder will walk into a bank and present their card to request a cash advance in this amount - it appears too suspicious. But in the privacy of his or her own home or office, getting quick and easy access to a lump sum of cash is a tempting offer - one that few cardholders can resist.

2. Specific Usage Checks

One way to suggest and motivate large-dollar purchases is to align with a manufacturer or retailer of these items. For example, let's use large appliances from General Electric. If the normal retail price of a refrigerator is \$999, we can create a MICR check that allows the cardholder to purchase the refrigerator for \$849 - but only if they purchase it from a specified retailer, and only if they pay using the check.

The check is actually pre-printed with a photo of the specific make and model of refrigerator, and is laser-printed with the name and address of a local retailer that carries the item. This concept works with any large-ticket item, in any industry. Many of these manufacturers will actually cover or share the cost of marketing. You enjoy the card activity and revolving balances, and they enjoy additional sales. It is a win/win program from all perspectives.

3. Web Site Discount Shopping Center

This program calls for the creation of an Internet-based value shopping site. Here is how it works:

- ④ The cardholder logs into his/her personal account on the site.
- ④ The cardholder registers the categories that he/she is interested in, from a product purchase perspective. I.E., if a small business knows they will be buying computers in the upcoming year, they can register to view special offers on computers.
- ④ The cardholder is presented with a variety of offers. To purchase the featured items, the cardholder need only add them to the shopping cart; the site is log-in activated, so we know who they are and we know their card number **WITHOUT** having to transfer this sensitive information over the net.
- ④ Because the values are only available to your cardholders, there is added incentive to accept and use the card. This works particularly well in the commercial card environment.

4. Check Subscription Service

To help the cardholder meet his/her financial needs, card issuers can establish a "favorites" account for automatic payments using the card account. This is similar to establishing automatic payments from a DDA, but different in some key ways. Here is how it works:

- This is an Internet-based program.
- The cardholder logs onto the program and creates a mini-database of his/her frequent payees. These would be the larger payee accounts such as landlord, utility company, other card accounts, etc.
- If the cardholder wants to make payments to these payees, he/she simply has to log into the site. Clicking on the payee name and typing in the payment dollar amount makes all of the payments instantly. This saves the cardholder time and money: there is no need to write out individual checks or buy stamps, or lose 3 to 5 days for the mail to arrive at the payees' location. The cardholder can make one deposit to the account to cover a multitude of individual payments. Plus, if they are short on funds, they can revolve the balances until their finances are replenished.
- One of the key advantages of this concept is control: no payments are automatic, yet you can enjoy rapid service and posting of your payments in a matter of seconds. With a traditional automatic payment from DDA, the payment attempt goes through even if you don't have the funds to cover it. This causes bounced checks, late / NSF fees and many other negative effects. With the total being covered under the card account, there is a certain comfort zone that the cardholders are sure to enjoy.

5. Specific Merchant Check Program

The program establishes a marketing affiliation with your merchant partners.

They have products and services they want to promote; you want outstandings. You simply parlay the two, and offer your cardholders special discounts on their featured products and services. What's more, you can drive them to a specific merchant location, for regional tie-ins with your merchant's locations. SDMI has implemented a great variety of these programs; call us for details!

CREDIT CARD ACTIVATION – SUMMARY

These are just a few of the many ideas we can help implement for you at SDMI. Our forte is program development, and brainstorming new ways to help card issuers is a key component of our business activity. For more information, call SDMI at 1-800-843-8861, or visit our web site at <http://www.sdmi3.com>.



CREDIT CARD ACTIVATION INFORMATION REQUEST FORM

Your Name _____

Your Title _____

Your Phone # (_____) _____

Your Email Address _____ @ _____

Institution Name _____

Total Assets (estimated) _____

Total Number of Households Served (estimated) _____

PROGRAM TYPE

- Credit Card Activation Credit Card Solicitation
- Convenience Checks Cash Advance Checks

PROGRAM DETAILS

Number of Card Holders _____

Primary Card Types (VISA /MasterCard / Discover, etc.) _____

Do You Issue Convenience Checks Now? _____

Please complete and FAX to (615) 834-6698, or mail to:
SDMI, 447 Metroplex Drive, Nashville, TN 37211-3109.
For more information call 1-800-843-8861.