



## Case Study

Barclays Africa

# Customer Lifecycle Management

# A healthy credit card portfolio begins with a compelling product and high-performing distribution. However, for sustained success, you also need an effective customer lifecycle management program.

Creating a compelling product, recruiting customers and encouraging them to use their credit card for the first time is the start of a process – not the end of it.

To optimize your portfolio performance and sustain your success, you also need an effective approach to customer lifecycle management. That way, you can encourage more of your customers to spend more widely and frequently; and you can convince a good proportion of them to take better advantage of their revolving credit facility.

Barclays Africa enlisted Visa Consulting & Analytics to bring more discipline and consistency to its customer lifecycle

management. Together, we developed a simple, yet effective customer segmentation model, and we devised a set of hard-working campaigns to optimize the performance of the bank's credit card portfolio.

The results have been impressive. Across 10 African countries, Barclays now takes a more structured approach, and has seen significant increases across all of its key metrics – including activation, usage, receivables and income growth.

Although Barclays may be a large player with significant resources, the lessons learnt can be useful for any issuer – irrespective of the size of its portfolio.



## How Barclays and Visa worked together to optimize credit card portfolio performance



**12 million  
customers**



**12 markets**



Barclays is one of the world's largest financial institutions, providing personal, corporate and investment banking solutions to customers in more than 30 markets.

In Africa, Barclays has enjoyed significant growth over recent years. It provides banking services to almost 12 million customers in 12 markets and issues credit cards across 10 countries.

The bank has built a series of high-performing credit card businesses across Africa, but it has also recognized that, to sustain its success and optimize its performance, it needs to continue to innovate – both in the quality of its product propositions and in the way that it engages with its customers.

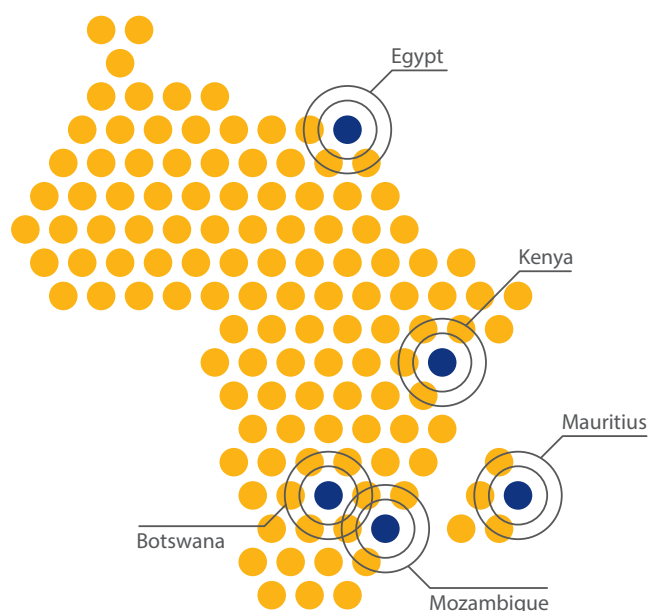
In addition, with increased competition from existing issuers and new entrants, the rationale for a more disciplined approach to customer lifecycle management became all the more compelling.



## Working in partnership with Visa Consulting & Analytics

Having worked in partnership with clients in both mature and developing markets worldwide, Visa Consulting & Analytics has deep expertise in the optimization of credit card portfolios.

The Visa Consulting & Analytics teams combine practical experience with professional consulting skills, thereby enabling clients to achieve their business goals more quickly, effectively and efficiently.



Across Africa, both Barclays and Visa have a shared strategic objective to grow card usage and increase acceptance. Therefore the two businesses worked together to implement a new approach to customer lifecycle management across five key markets – Egypt, Kenya, Mauritius, Botswana and Mozambique.

Given the success of the tools, models and campaigns that were developed, Barclays has now deployed the same approach across a further five African countries.

### Visa Consulting & Analytics

- ✓ Has deep expertise in portfolio analytics, customer segmentation and customer lifecycle management
- ✓ Delivers demonstrable returns on marketing investments, and shares aligned commercial objectives with clients
- ✓ Achieves profitable and sustained portfolio growth – quickly, efficiently and effectively





## Bringing more discipline, structure and consistency to customer lifecycle management

In engaging Visa Consulting & Analytics, Barclays had some clear objectives in mind – the bank wanted to understand global best practice, build a set of fit-for-purpose customer management tools, and deploy them consistently across several markets.

A 'build once, deploy many times' methodology was particularly appealing. With a consistent, multi-market approach, Barclays felt that it could become far more disciplined and effective in the way that it evaluates its performance, identifies its opportunities, and engages with its customers. Also, across each of its markets, it could adopt effective strategies to increase activation, lift usage, build balances and maximize retention.

Together, Barclays and Visa Consulting & Analytics followed a structured, three-step process:

STEP 1

### Establish crystal-clear objectives, agree on tangible deliverables and secure senior-level buy-in

The first step was to agree on terms of reference. In particular, a well-defined statement of objectives enabled Barclays and Visa Consulting & Analytics to be clear about the purpose of the project, its components and its anticipated outcomes.

This, in turn, helped to secure commitment from senior-level stakeholders, so that the entire initiative would have focus and attention from across the bank.



#### Objectives

Implement a consistent approach to managing credit card customers

Adopt a common language and methodology to measure and report on portfolio performance

Pursue clear opportunities to

- Increase activation
- Lift usage
- Build balances
- Maximize retention



#### Components

Develop a new customer segmentation model

Devise a suite of appropriate tactical campaigns

Establish a blue-print campaign calendar

Create a series of market-specific guidelines

Deliver a customer lifecycle management eLearning module

## STEP 2

# Analyse existing portfolio performance, identify tactical opportunities, and select appropriate solutions

The second step covered discovery, analysis and solution development. Through a series of workshops, Barclays brought the Visa Consulting & Analytics team right up to date on the bank's vision and strategy, as well as the performance of its credit card portfolios. From these initial discussions it was apparent that the Barclays teams in each of the national markets had a good understanding of how to pursue portfolio growth, but lacked a consistent and cohesive approach.

In order to develop an appropriate customer segmentation model, Barclays provided Visa Consulting & Analytics with anonymized data sets. From these, two key segments were identified, namely: Early months on book (EMOB) customers and Longer-term (tenured) customers.

These two key segments were then broken down into a hierarchy of further sub-segments. For example, within the tenured segment, those making a regular monthly repayment were identified as 'revolvers', and further sub-segments were identified based on their respective repayment behaviors (see figure 1).



Figure 1

## Discovery

- 1. Assess portfolio characteristics**  
Products, levels of activation, usage, repayment and attrition
- 2. Benchmark existing activities**  
Segmentation, customer management, tactical campaigns
- 3. Understand existing in-house capabilities** Analytics, customer communications, resources

## Analysis

- 1. Analyze portfolio data** Repayment, and attrition
- 2. Identify behavioural segments,** For example:
  - Blocked accounts
  - Dormant accounts
  - Pay-down revolvers
  - Active revolvers
  - High ATM Users

Devising and timetabling a suite of tactical campaigns armed with this customer segmentation model, the team then analyzed the existing portfolio management activities that Barclays had traditionally implemented in each of its markets. These were then benchmarked against global best practice. Drawing from the resulting gap analysis, a suite of tactical campaigns was proposed (see figure 2). Each of these marketing campaigns was then allocated to one or more of the new customer segments in order to do one of two things, either:

- 1 Address under-performing segments**  
For example, in the case of dormant cardholders, a 'spend and get' campaign may trigger usage

- 2 Nurture highly-performing segments**  
In the case of high-spending customers, a product upgrade may lift usage further

Some of the recommended campaigns were to be on-going, such as the 'call to welcome' campaign, that could be delivered to every new customer. Others were to be periodic, such as the 'seasonal usage' campaigns, typically run on a quarterly or monthly basis.

This allowed for the creation of a campaign calendar, which provided each of the Barclays markets with a regular program of precisely targeted activities, scheduled across an entire year.

### A complete suite of tactical campaigns

CALL TO WELCOME

ACTIVATION CHASER

SEASONAL USAGE

SPEND & GET

CREDIT LIMIT INCREASE

PRODUCT UPGRADES

ATM SPEND & GET

BALANCE RETENTION

PRE-EXPIRY CALL

INSTALMENT PLAN

Figure 2

### The campaign calendar – a regular program of precisely targeted activities

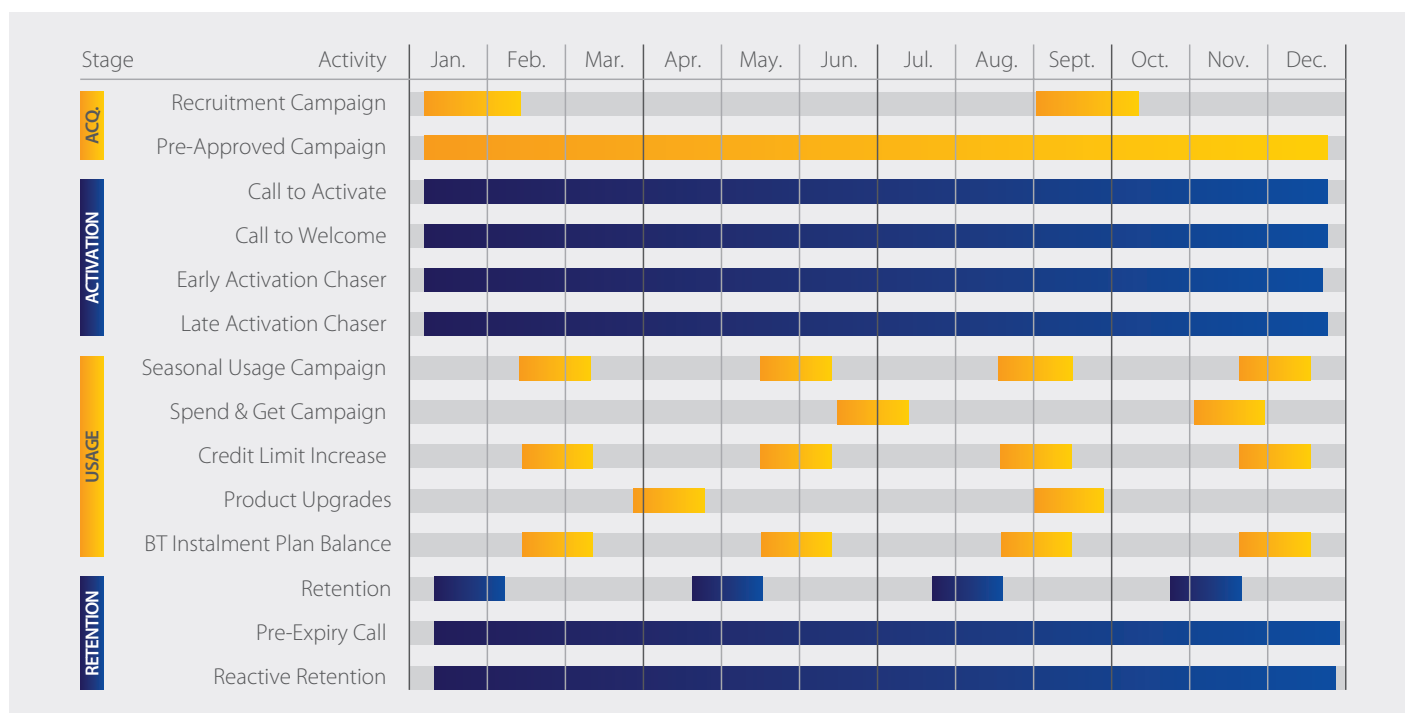


Figure 3

Of course, with different markets to consider, an element of flexibility was necessary. For example, each country faced some unique challenges within its portfolio, or confronted certain constraints. So, market-specific guidelines were created for each country, providing step-by-step action plans for locally-based teams to follow.

In addition, to bring everyone in the locally-based teams fully up-to-speed on the principles of customer lifecycle management and the disciplines involved, an eLearning module was created and delivered throughout the organization.

### STEP 3

## Validate plans, brief teams and deploy the program



The third stage of the engagement was all about deployment.

Having validated the segmentation model, the recommended campaigns and the calendar of activity with the bank's senior regional management teams, a meeting of the local country managers was convened.

This allowed for a detailed walk-through of all the program components, and enabled the various countries to prioritize their campaigns – and, it was agreed that for each of them, the top priority would be to target EMOB and dormant customers.

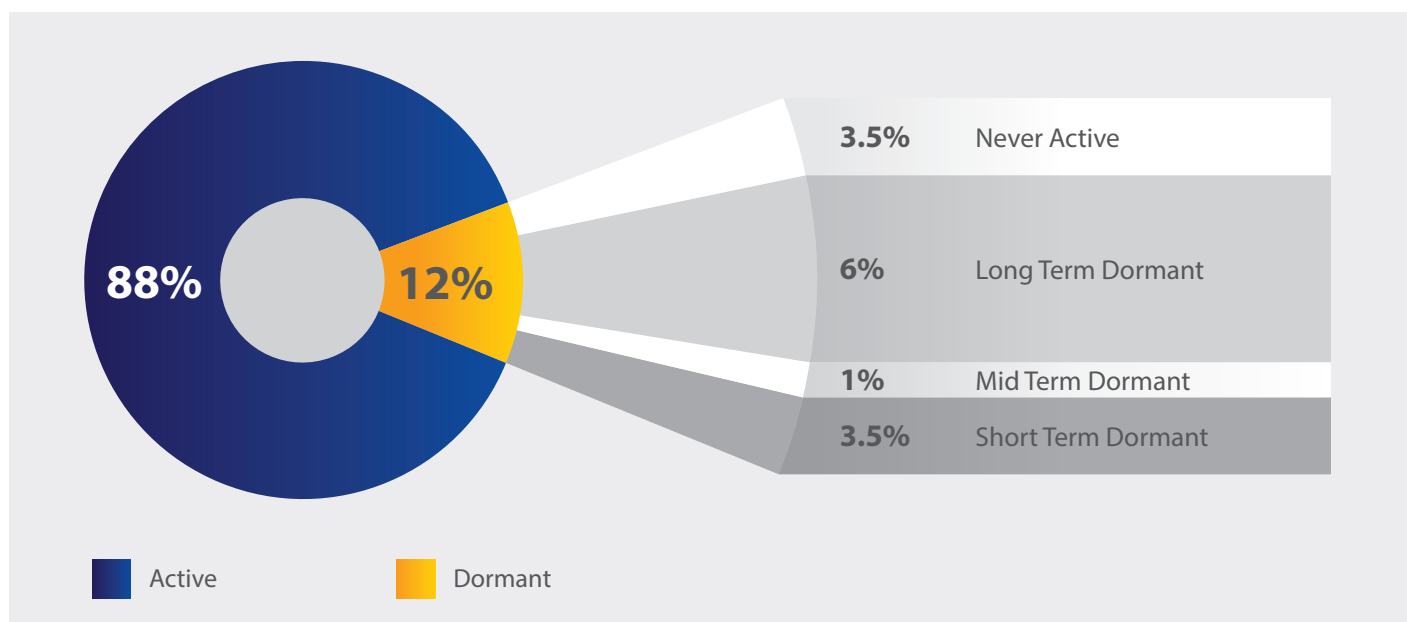


## A series of notable successes – feeding through to a considerable improvement in overall performance

The new approach to customer lifecycle management included a full suite of tactical campaigns run during 2015, many of which delivered strong results. Before turning to the overall performance improvements, it is helpful to consider the success of some of the individual campaigns. These include:

### 1. Encouraging dormant customers to start spending

Through the segmentation, it became clear that, in Q1 2015, some 12% of all accounts were dormant. This, in itself, signalled a clear opportunity for Barclays to secure incremental income and grow its receivables.



Source: Barclays

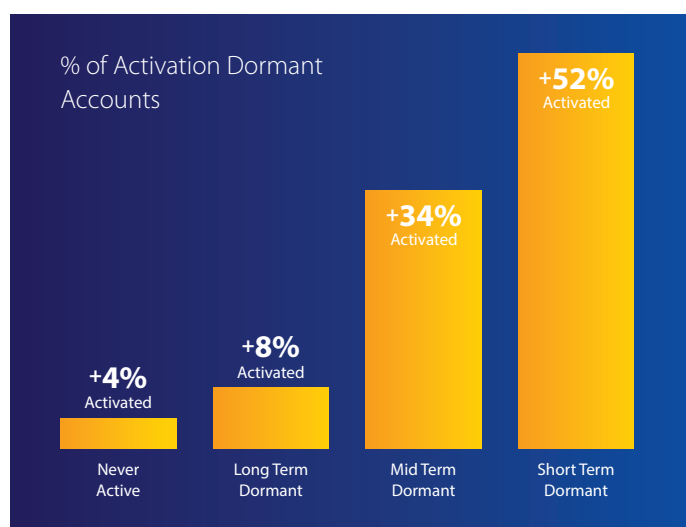
Among the dormant customers, further sub-segments were identified based on the period of time they had remained dormant. Consequently, Barclays implemented a 'spend and get' campaign during Q2 and Q3 2015. Via a mix of e-mail and SMS messages, these customers were offered cashback on all of their purchases – and the level of cashback offered was proportionate to the length of time their accounts had lain dormant.

|                    |   |             |
|--------------------|---|-------------|
| Never Active       | → | 4% cashback |
| Long Term Dormant  | → | 4% cashback |
| Mid Term Dormant   | → | 3% cashback |
| Short Term Dormant | → | 2% cashback |

Source: Barclays



Thanks to the precise targeting of customers, and the creative use of the available communication channels, Barclays enjoyed impressive results. Overall, the activation of previously dormant accounts reached 24%, and an encouraging proportion of these accounts have remained active since the campaign ended.



Source: Barclays

### Two key takeaways for all issuers

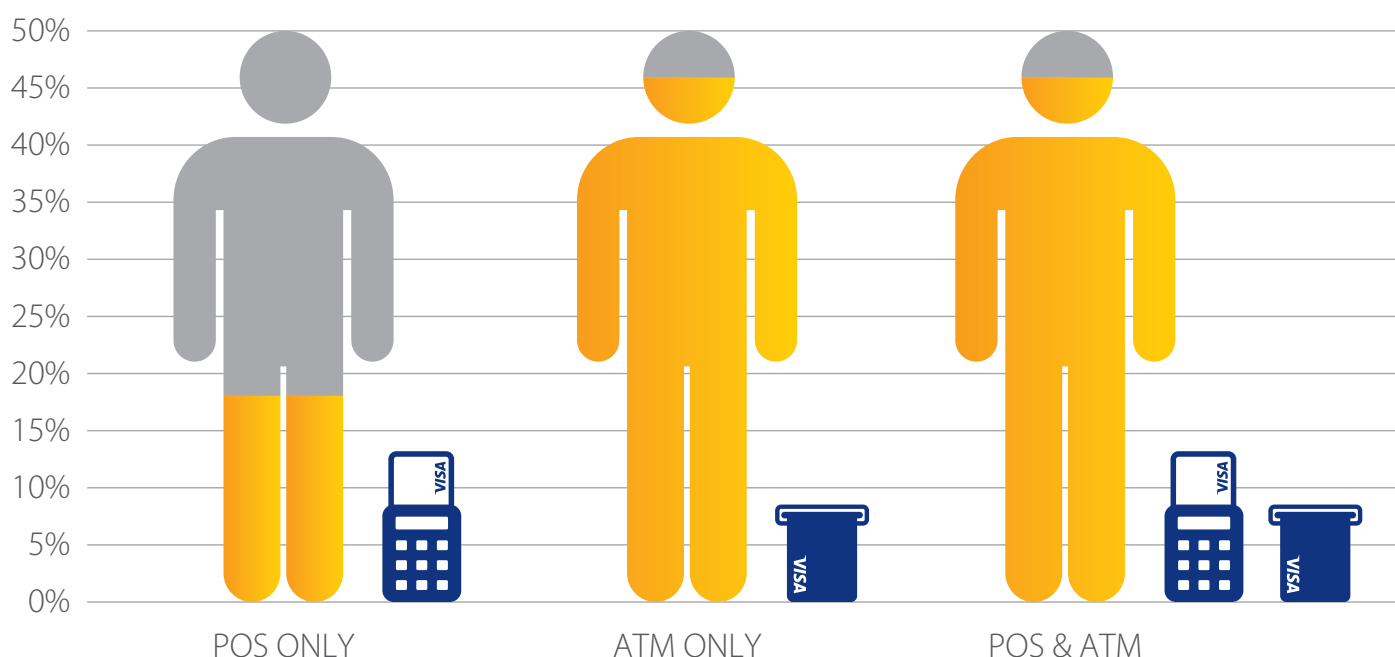
- It is far easier and less costly to reactivate customers who have been dormant for a short time
- It makes sense to continuously and strategically target customers who have fallen dormant – in order to prevent longer-term dormancy to long term dormancy

## 2. Persuading more customers to take advantage of their credit facility

One of the key customer benefits of a credit card is the ability to borrow money. And, for the issuer, a customer who takes advantage of the credit facility tends to be more profitable.

To persuade more of its customers to take advantage of their credit facility, Barclays decided to offer an instalment plan. Some 7% of customers were targeted with this campaign and offered a preferential interest rate of between 0% and 1.67% per month (depending on their individual characteristics).

### % of customers who took out an instalment plan



Source: Barclays

On average, 37% of targeted customers took advantage of the offer. For those customers who had only previously used their credit cards for ATM transactions, or for a mix of ATM and POS transactions, the success rate reached 46%.

### Two key takeaways for all issuers

- By offering instalment plans with attractive interest rates, it is possible to build revolve-like behaviours among customers who never previously used their card to borrow money
- Even after the campaign ends, this behaviour will often continue

### 3. Offering loyal customers an upgrade – and encouraging them to use their card more frequently

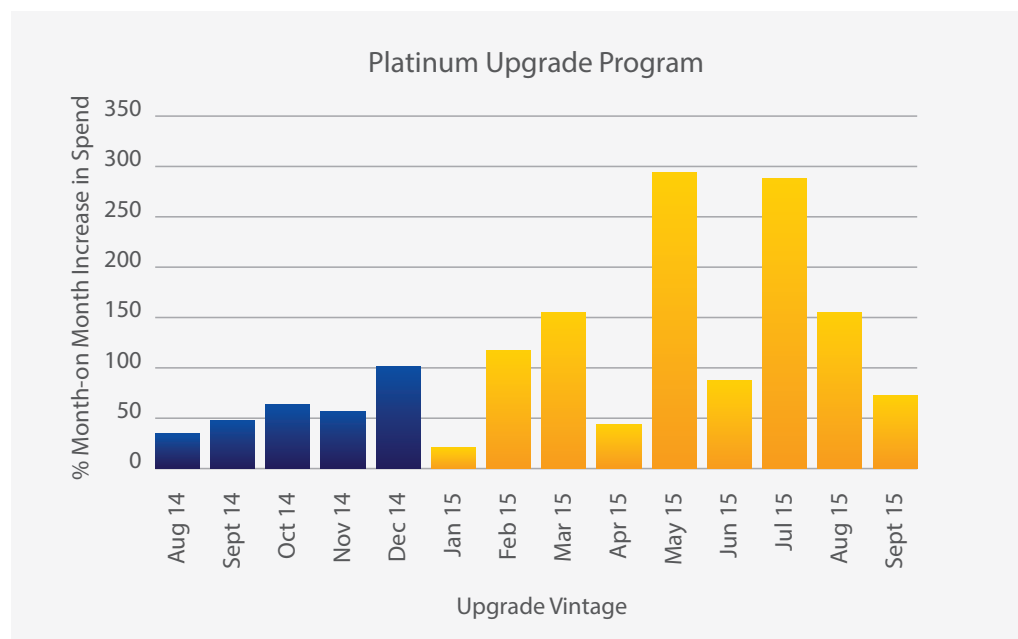
A customer lifecycle management program does not only target under-performing customer segments. It can also be used to nurture relationships with high-performing segments.

To this end, Barclays targeted qualifying customers with the offer of an upgrade to a Visa Platinum card. Run over the course of a year, the aim of the program was to reward loyal customers and, in doing so, encourage them to use their card more frequently. On average, the uplift in like-for-like, month-on-month spending was a satisfying 107%.

#### Offering loyal customers a credit limit increase – and encouraging them to use their card more frequently

Another way for Barclays to reward its loyal customers was to offer them a credit limit increase – something that was done across 32% of the total portfolio

Once the impact of new account openings had been isolated, this resulted in an average 15% in cardholder spending, with a 47% increase among Visa Platinum cardholders.



Source: Barclays



#### Two key takeaways for all issuers

- Product upgrades and credit limit increases are an ideal way to reward your better customers
- As well as increasing stickiness, these upgrades and increases can also drive significant levels of incremental spending



## Significant improvements in overall performance

The overall success of the new card lifecycle management approach has been impressive – resulting in several qualitative and quantitative improvements.

Barclays has derived significant operational benefits from adopting a consistent approach, a common set of key performance indicators, and a standardized way of segmenting its portfolios. For example, when reporting on its performance across 10 African countries, and comparing the success of its respective businesses, it can be confident that it is doing so on a like-for-like basis. What is more, the strategic value of customer lifecycle management is now better understood across the organization, and the in-country teams have the necessary models and tools to optimize the performance of their respective credit card businesses.

Perhaps more significantly, Barclays has seen a considerable improvement in the overall performance of its African credit card operations. For example, thanks to its prioritization of EMOB behaviours, the bank has benefitted from a 10% increase in cardholder activation levels in their first three months of a new account opening. This, together with the reactivation of dormant customers, has contributed to a 12% uplift in cardholder spend; which, in turn, has led to tangible increases in receivable and income.

Overall, it is a clear picture of more effective teams, healthier returns and positive customer outcomes.



### Quantitative benefits



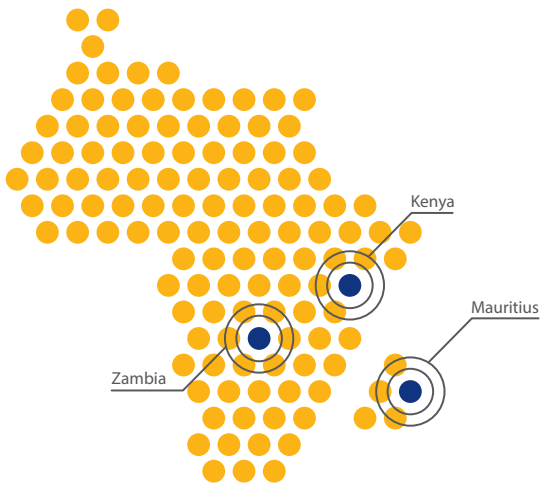
10% increase in  
EMOB activation



12% uplift in  
cardholder spend

### Qualitative benefits

- Standardized language and KPIs
- Consistent cardholder segmentation
- Common set of cardholder management activities



## A strong, deep partnership delivering tangible benefits

The involvement of Visa Consulting & Analytics has contributed to the wider partnership between Visa and Barclays. The bank has reinforced its position as a leading provider of credit card products across Africa, as demonstrated by many recent accolades – including Visa's Best Credit Card Product in Kenya, Zambia and Mauritius, and The Asian Banker Best Premium Product Award.



### Objectives Achieved



#### Implement a consistent approach to managing credit card customers

- Based on their behaviour, customers are routinely assigned to one or more clearly defined segments
- With an annual calendar of marketing activity, Barclays benefits from a disciplined, structured approach to managing customers across ten countries



#### Adopt a common language and methodology to measure and report on portfolio performance

- Customer segments and KPI terms are now precisely and consistently applied across all ten countries
- Portfolio performance is now reported and discussed in a consistent way
- The importance of customer lifecycle management has been communicated, understood and acted upon in each of the ten countries



#### Pursue clear opportunities to increase activation, lift usage, build balances and maximize retention

- Each segment has a series of associated tactical marketing campaigns to effectively remedy or nurture customer behaviour
- Campaigns are now routinely executed, yielding positive outcomes

## For further information

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For more information, please contact your Visa Account Executive or email Visa Consulting & Analytics at **VCA-CEMEA@visa.com**. You can visit us at **visa.com** or on **YouTube**.

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