

# Analysis

## Common Causes —→ Primary Problem

- Carle's boss, Richard Tschumperlin skeptical
- Established credit card issuers in Romania already
- Romania ranks low in terms of financial cards per household, but rising
- Launching credit card service requires a large financial investment
- Reputation of Alpen Bank on the line

AlpenBank

### Primary Problem

- Can Carle prove that launching the credit card service by Alpen Bank in Romania is worth it? Who should be targeted? Will it add €5 million in annual profit in two years?

# Financial Data Analysis (Revenue and Cost)

| Segment       | Annual Income (€) | % of Potential Card Holders | Potential Card Holders | Annual Revenue (€) | Total Revenue (€) |
|---------------|-------------------|-----------------------------|------------------------|--------------------|-------------------|
| Middle class  | 3,000-4,500       | 18.2%                       | 3,385,200              | 60.63              | 205,244,676       |
| Affluent      | 4,500-6,000       | 15.0%                       | 2,790,000              | 123.38             | 344,230,200       |
| Most Affluent | 6,000+            | 12.9%                       | 2,399,400              | 209.75             | 503,274,150       |

Total Potential Cardholders: 8,574,600

Total Revenue (€): 1,052,749,026

"Only a subset of the 18.6 million adults in Romania would actually want and qualify for a credit card"

Middle class, Affluent , and Most Affluent Revenue per Cardholder (€)

$1,052,749,026 / 8,574,600 = 122.78$

Affluent and Most Affluent Revenue per Cardholder (€)

$847,504,350 / 5,189,400 = 163.31$

# Financial Data Analysis (Customer Acquisition)

## Customer Acquisition Cost (All Segments)

| Marketing Channel      | Unit Cost (€) | Prospects Reached                                         | Response Rate | Qualification Rate | Conversion Rate | No. of Customers | Total Cost (€)                                                     | Cost per Customer (€) |
|------------------------|---------------|-----------------------------------------------------------|---------------|--------------------|-----------------|------------------|--------------------------------------------------------------------|-----------------------|
| Direct Mail            | 0.5           | 2,500,000                                                 | 3.0%          | 60.0%              | 85%             | 38,250           | 1,250,000                                                          | 32.68                 |
| Take-One               | 0.10          | 2,000,000                                                 | 2.5%          | 30.0%              | 85%             | 12,750           | 200,000                                                            | 15.69                 |
| FSIs                   | 0.05          | 3,500,000                                                 | 1.5%          | 30.0%              | 85%             | 13,388           | 175,000                                                            | 13.07                 |
| Direct Sales           | 3000/rep      | 60,000                                                    | 25.0%         | 60.0%              | 85%             | 7,650            | 30,000                                                             | 3.92                  |
| Branch Cross-sell      | 1.00          | 50,000                                                    | 50.0%         | 90.0%              | 85%             | 19,125           | 50,000                                                             | 2.61                  |
| Total No of. Customers |               | 38,350 + 12,750 + 13,388 + 7,650 + 19,125 = <b>91,163</b> |               |                    | Total Cost (€)  |                  | 1,250,000 + 200,000 + 175,000 + 30,000 + 50,000 = <b>1,705,000</b> |                       |

# Financial Data Analysis (Customer Acquisition)

## Customer Acquisition Cost (Affluent + Most Affluent Segments)

| Marketing Channel      | Unit Cost (€) | Prospects Reached                                       | Response Rate | Qualification Rate | Conversion Rate | No. of Customers | Total Cost (€)                                                   | Cost per Customer (€) |
|------------------------|---------------|---------------------------------------------------------|---------------|--------------------|-----------------|------------------|------------------------------------------------------------------|-----------------------|
| Direct Mail            | 0.5           | 1,250,000                                               | 3.0%          | 60.0%              | 85%             | 19,125           | 625,000                                                          | 32.68                 |
| Take-One               | 0.10          | 2,000,000                                               | 2.5%          | 15.0%              | 85%             | 6,375            | 200,000                                                          | 31.37                 |
| FSIs                   | 0.05          | 3,500,000                                               | 1.5%          | 15.0%              | 85%             | 6,694            | 175,000                                                          | 26.14                 |
| Direct Sales           | 3000/rep      | 60,000                                                  | 25.0%         | 60.0%              | 85%             | 7,650            | 30,000                                                           | 3.92                  |
| Branch Cross-sell      | 1.00          | 50,000                                                  | 50.0%         | 90.0%              | 85%             | 19,125           | 50,000                                                           | 2.61                  |
| Total No of. Customers |               | 19,125 + 6,375 + 6,694 + 7,650 + 19,125 = <b>58,969</b> |               |                    | Total Cost (€)  |                  | 625,000 + 200,000 + 175,000 + 30,000 + 50,000 = <b>1,080,000</b> |                       |

# Financial Data Analysis (Customer Acquisition)

---

|                                              |                              |
|----------------------------------------------|------------------------------|
| Cost per Customer (All Segments)             | $1,705,000 / 91,163 = 18.70$ |
| Cost per Customer (Affluent + Most Affluent) | $1,080,000 / 58,969 = 18.31$ |

## Revenue per cardholder

- All segments = € 122.78
- Affluent and Most Affluent = € 163.31

# All Segments Break-Even Analysis

| Break-Even Analysis (All Segments)    |                   |                  |                   |                   |
|---------------------------------------|-------------------|------------------|-------------------|-------------------|
|                                       | Year 1            | Year 2           | Year 3            | Year 4            |
| No. of Customers                      | 50,000            | 100,000          | 150,000           | 200,000           |
| Revenue per cardholder (€)            | 122.78            | 122.78           | 122.78            | 122.78            |
| Acquisition Cost (€)                  | 18.70             | 18.70            | 18.70             | 18.70             |
| Direct Cost (€)                       | 20                | 17.5             | 15                | 12.5              |
| New Customers                         | 50,000            | 50,000           | 50,000            | 50,000            |
| Existing Customers                    | 0                 | 50,000           | 100,000           | 150,000           |
| New Customers Cost (€)                | 38.70             | 36.20            | 33.70             | 31.20             |
| Existing Customers Cost (€)           | 0                 | 17.5             | 15                | 12.5              |
| Profitability: New Customers (€)      | 4,204,000         | 4,329,000        | 4,454,000         | 4,579,000         |
| Profitability: Existing Customers (€) | 0                 | 5,264,000        | 10,778,000        | 16,542,000        |
| <b>Total Profitability (€)</b>        | <b>4,204,000</b>  | <b>9,593,000</b> | <b>15,232,000</b> | <b>21,121,000</b> |
| Less:                                 |                   |                  |                   |                   |
| Infrastructure (€)                    | 5,000,000         | 5,750,000        | 6,500,000         | 7,250,000         |
| Advertising Expense (€)               | 2,000,000         | 2,000,000        | 2,000,000         | 2,000,000         |
| <b>Net Profit (€)</b>                 | <b>-2,796,000</b> | <b>1,843,000</b> | <b>6,732,000</b>  | <b>11,871,000</b> |

X = number of ADDITIONAL customers

Break-Even Formula:

$$122.78(X + 50,000) - (5,750,000 + 2,000,000) - (50,000 \times 17.5 + 36.20 \times X) = 0$$

$$86.58X = 2,486,000$$

$$X \approx 28,713$$

$$\text{Break-even Customers} = 28,713 + 50,000 = 78,713$$

# Affluent + Most Affluent Break Even Analysis

| Break-Even Analysis (Affluent + Most Affluent Segments) |                  |                   |                   |                   |
|---------------------------------------------------------|------------------|-------------------|-------------------|-------------------|
|                                                         | Year 1           | Year 2            | Year 3            | Year 4            |
| No. of Customers                                        | 50,000           | 100,000           | 150,000           | 200,000           |
| Revenue per cardholder (€)                              | 163.31           | 163.31            | 163.31            | 163.31            |
| Acquisition Cost (€)                                    | 18.31            | 18.31             | 18.31             | 18.31             |
| Direct Cost (€)                                         | 20               | 17.5              | 15                | 12.5              |
| New Customers                                           | 50,000           | 50,000            | 50,000            | 50,000            |
| Existing Customers                                      | 0                | 50,000            | 100,000           | 150,000           |
| New Customers Cost (€)                                  | 38.31            | 35.81             | 33.31             | 30.81             |
| Existing Customers Cost (€)                             | 0                | 17.5              | 15                | 12.5              |
| Profitability: New Customers (€)                        | 6,250,000        | 6,375,000         | 6,500,000         | 6,625,000         |
| Profitability: Existing Customers (€)                   | 0                | 7,290,500         | 14,831,000        | 22,621,500        |
| <b>Total Profitability (€)</b>                          | <b>6,250,000</b> | <b>13,665,500</b> | <b>21,331,000</b> | <b>29,246,500</b> |
| Less:                                                   |                  |                   |                   |                   |
| Infrastructure (€)                                      | 5,000,000        | 5,750,000         | 6,500,000         | 7,250,000         |
| Advertising Expense (€)                                 | 2,000,000        | 2,000,000         | 2,000,000         | 2,000,000         |
| <b>Net Profit (€)</b>                                   | <b>-750,000</b>  | <b>5,915,500</b>  | <b>12,831,000</b> | <b>19,996,500</b> |

X = number of ADDITIONAL customers

Break-Even Formula:

$$163.78(X + 50,000) - (5,750,000 + 2,000,000) - (50,000 \times 17.5 + 35.81 \times X) = 0$$

$$127.5X = 460,000$$

$$X \approx 3,608$$

$$\text{Break-even Customers} = 3,608 + 50,000 = 53,608$$

# Break-Even Analysis Application

- “In order to win approval, he [Carle] would need to demonstrate that generating €5 million in profit within two years was a realistic objective

## All Segments

Y = number of ADDITIONAL customers

Formula:  $122.78(Y+100,000) - (6,500,000+2,000,000) - (15*100,000+33.70*Y) = 5,000,000$

$89.08Y = 2,722,000$

$Y \approx 30,557$

No. of customers =  $100,000 + 30,557 = 130,557$

## Affluent + Most Affluent Segments

Y = number of ADDITIONAL customers

Formula:  $163.31(Y+50,000) - (5,750,000+2,000,000) - (17.5*50,000+35.81*Y) = 5,000,000$

$127.5Y = 5,459,500$

$Y \approx 42,820$

No. of customers =  $50,000 + 42,820 = 92,820$