

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 = 91,163			Total Cost (€)		1,250,000 + 200,000 + 175,000 + 30,000 + 50,000 = 1,705,000	

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 = 58,969			Total Cost (€)		625,000 + 200,000 + 175,000 + 30,000 + 50,000 = 1,080,000	

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
Total Profitability (€)	4,204,000	9,593,000	15,232,000	21,121,000
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
Net Profit (€)	-2,796,000	1,843,000	6,732,000	11,871,000

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
Total Profitability (€)	6,250,000	13,665,500	21,331,000	29,246,500
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
Net Profit (€)	-750,000	5,915,500	12,831,000	19,996,500

X = number of ADDITIONAL customers

Break-Even Formula:

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

$$127.5X = 460,000$$

$$X \approx 3,608$$

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

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 = $50,000 + 42,820 = 92,820$