

Credit card issuers continue mailing to high risk households

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29 November 2007, NEW YORK – Credit card mail volume in the US remained stable during 3rd quarter 2007 as issuers continued mailing credit offers to high risk households according to Mail Monitor, the direct mail tracking service from global market research company Synovate.

During 3rd quarter 2007, 1.29 billion card offers were mailed to US households compared to 1.27 billion offers sent during 2nd quarter. Approximately 363 million of the total offers mailed in 3rd quarter were sent to potentially high risk households (those already utilizing more than 30% of their available credit) while 347 million offers were sent to high risk households during 2nd quarter.

'Households using more than 30% of their available credit account for 28% of all card owning households,' said Andrew Davidson, Vice President of Competitive Tracking Services for Synovate's Financial Services Group. 'Despite the credit crunch and increase in foreclosures, the majority of these households continue to receive an average of 6.4 offers for new credit cards every month,' he added.

In addition to card offers and response rates, Synovate Mail Monitor tracks the credit card Utilization Ratio, which represents current outstanding balances plus new charges expressed as a percentage of the total credit line available across all credit cards in the household. The Utilization Ratio is a key indicator of the 'credit health' of the nation as it shows to what extent consumers have maximised their available credit. Synovate organizes households into five types based on their Utilization Ratio: Zero (0% utilization), Light (0%-3%), Average (3%-9%), Heavy (9%-30%) and Ultra (30%+).

A figure of 30%+ is considered risky by the card industry since a staggering 81% of Ultra Utilization households carry a balance each month and the average revolving balance is \$9,722. These households typically have lower incomes yet continue to spend, with 80% charging an average of \$1,372 each month.

'Nearly half of all Ultra Utilization households have 'maxed out' by tapping 75% of their available credit. Not surprisingly, 28% of Ultra Utilization households were charged a late or over the limit fee in the past year,' said Davidson.

Ultra Utilization households receive more card offers than other types of households and response rates are also higher than average at 0.8% versus 0.5% among all cardholders.

'Even though these households own multiple cards and receive multiple offers each month they are more likely to apply for new cards,' said Davidson. 'Their propensity to revolve credit makes them receptive to lower rate and balance transfer offers. Also, since they have already utilized a good proportion of their available credit lines, many will be looking to extend their access to credit to avoid the risk of paying costly over-the-limit fees,' he said.

This also explains why Ultra Utilization households are less likely to receive offers promoting a rewards program. Forty-eight percent of card offers received by Ultra Utilization households promoted a rewards program compared to 58% of offers to all households. 'Issuers understand that rates and fees are more important to these households than rewards,' said Davidson.

'Ultra Utilization households are more risky than others and will feel the impact of the credit crunch more than most. These households are no longer a niche market and represent a large and growing proportion of those with credit cards. For now, it seems that card issuers are willing to take on the risk given the potential for growth,' concluded Davidson.

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About Mail Monitor
Synovate Mail Monitor tracks credit card acquisition volumes and response rates throughout the US, and evaluates

attitudes, behaviours, terms, and usage for each card in consumers' wallets. It is a service of Synovate's Financial Services Group, which generates consumer insights that drive competitive marketing solutions in the banking, investments, insurance and payments industries.

For more information on Mail Monitor visit www.synovate.com/mailmonitor.

About Synovate

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