

US credit card mail volume declined in 4th quarter 2007 as troubled issuers pull back

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NEW YORK — Credit card mail volume declined in 4th quarter 2007 as issuers, straining from fall-out due to the mortgage crisis and concern about an uncertain economy, cut back on direct marketing activity according to Mail Monitor, the direct mail tracking service from Synovate.

During Q4 2007, 1,285.7 million offers were received by US households, down from 1,501.6 million offers received during Q4 2006, a 14% decrease. Response rates were flat at 0.5%. Overall mail volume for the year was 5.2 billion, down almost 10% from 5.8 billion in 2006.

"Driving the decline are issuers that target subprime customers and those exposed by the mortgage meltdown," said Andrew Davidson, Vice President of Competitive Tracking Services for Synovate's Financial Services Group. Card issuers that cut back solicitations the most were Washington Mutual (-73%), HSBC (-34%), Citibank (-52%) and Discover (-50%). Washington Mutual and HSBC, in particular, target subprime customers while Citibank and Discover have both experienced financial difficulties as a result of the mortgage crisis. All four issuers were down significantly compared to Q4 2006 and, notably, were also down versus Q3 2007.

"Subprime customers are struggling financially, and issuers are cutting back on acquisition in an effort to limit their exposure to further bad debts. Also, for cash strapped issuers such as Citibank, it represents a cost cutting exercise," said Davidson. Interestingly, Chase, in an effort to take advantage of the situation, has dramatically increased its mailing volumes, which are up 62% compared to one year ago. Chase limited its exposure to the mortgage crisis and its financial results were therefore better than most. "One in four offers in the mailbox come from Chase," said Davidson. "This means a typical household is likely to receive two or more Chase offers each month at a time when its key competitors are pulling back," he added. Uncertainty surrounding the economy has caused issuers to be more selective in their targeting. In addition, despite the decline in the prime rate, offer terms have been tightened. "Fifty-seven percent of households with incomes under \$35K received an offer in Q4 2007 compared to 67% in Q4 2006 indicating that issuers are pulling back from low-income households," said Davidson. "At the same time, despite the fact that the prime rate dropped by 1% in Q4 2007, the single/go-to APR on variable rate offers increased to 13.96% versus 13.48% in Q4 2006, suggesting a more cautious approach than seen previously," he added. Contact for this press release

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