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Some credit-card mailings profitable despite anemic average response

Response rates to credit-card mailings hit an all-time low in the year 2000, according to BAIGlobal's MAIL MONITOR survey.

- Yet credit-card advertisers mailed 3.54 billion pieces during the year, up 23% from 2.87 billion units in 1999.
 - During the fourth quarter of 2000 alone, credit-card promoters mailed 1 billion packages, the category's "largest three months of mail volume...ever seen," according to BAIGlobal, based in Tarrytown, New York.
- During 1999, their average response plummeted from 1% to 0.6%.
- Some card issuers, however, enjoyed much higher response rates. "Some issuers are in the 2% to 3% range," reports Arthur E. Clark Jr. of Business Dynamics Consulting of Nyack, New York.

What's working—and what's not?
- Direct mail generally is still profitable for card issuers, according to Stuart Feldstein of SMR Research Corporation of Hackettstown, New Jersey.
 - In 2000, mail produced 68% of new card applications, SMR figures show—down only a point from 69% in 1999.
- Gift offers have turned sour.
 - Only 6% of credit-card mailings offered a gift in exchange for a favorable response—down from 10% in 1999.

"Card marketers need to think much more about efficiency and less about volume."

—Kate Fitzgerald

- Bottom fishing seems increasingly to be paying off.
 - Credit cards with annual percentage rates over 19% accounted for 25% of all mail card solicitations in the fourth quarter of 2000, according to Andrew Davidson of BAIGlobal—up from 4% in the last quarter of 1999.
 - In the same period, mail solicitations offering a window of time to enjoy cards carrying a 0% APR rose to 30%, from 13% during the fourth quarter of 1999.
- Smart cards—incorporating computer chips—produced a surge in year 2000 responses.
 - Atlanta's Brittain Associates research company estimates that the American Express Blue Card has amassed 6 million customers—a figure Amex will not confirm.
- Novel card features appear to pay.
 - "We're on track to launch a number of new products," says William B. Buchanan of Providian Financial, one of the industry's most innovative card issuers, "and we'll be supporting those heavily with direct mail."

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