

RETAILERS ARE HELPING CUSTOMERS CLEAR THEIR DEBT.

The majority of U.S. retailers who have a proprietary or bank credit card program are now offering debt cancellation to their customers.

BY BOB REILLEY

Bob Reilley is the Senior Vice President and Chief Marketing Officer for Aon Integramark, a company formed in 1998 to assist retail credit card lenders with their debt cancellation programs.

Can you imagine clearing away a customer's outstanding balance or monthly payment obligation when they hit tough financial times? Imagine both your organization and the customer feeling good about it. That's what is happening today on the card programs offered at major U.S. retailers from Bloomingdale's to Wal-Mart.

Retailers who have their own card program and those who outsource to other card issuers are finding great success with something called "debt cancellation". As the name implies, these programs promise to cancel consumer debt or monthly payment obligations should defined events occur.

The protected events often create financial hardship for the customer like losing a job or being hospitalized, and reduce the customer's ability to repay or keep their good credit. Of course, these circumstances often create financial hardship for the retail lender who may ultimately see things ending in write-offs and losses.

Debt cancellation programs are an optional amendment of the credit card agreement that actually provides additional features, benefits and protection for a given fee. The customer must choose to enroll and pay a fee for this protection. These programs are regulated by banking authorities yet retailers have great flexibility to tailor features and benefits that make sense for a given customer base.

Traditionally, retailers offered off-the-shelf credit insurance programs. Over the last several years, results have degraded from this type of protection. In addition, retailers had to secure and maintain some sort of insurance license in most states in order to offer this form of protection. Not so with debt cancellation. Since it is a bank product that is an extension of the credit card agreement, insurance licensing does not apply. The other major advantage of creating a debt cancellation program is the ability to

design the features and benefits around the needs of the customer. This allows for development of customer-focused benefits that are easily understood and specific to the customer base. Your program can truly be marketing-driven with actuarial guidance and consumer research to guide the proper selection of benefits and fee structure.

CREATING A DEBT CANCELLATION PROGRAM

Most Valuable Protected Events	Most Valuable Features
<ul style="list-style-type: none"> • Involuntary Job Loss • Hospitalization • Military Deployment • Loss Of Life • Birth Of Child 	<ul style="list-style-type: none"> • Agreement Is Easy To Understand • Able To Terminate At Any Time • Customer Service When Needed • No Up-Front Expense • Easy To Enroll

HOW TO DETERMINE WHAT IS BEST FOR YOUR PROGRAM.

In a recently conducted Consumer Value research study, Aon Integramark, a debt cancellation services provider, found that 53% of U.S. consumers would value some form of debt cancellation offered on their credit card. In addition, the study determined what consumers expect from a debt cancellation product and how the retailer can better identify and create the right combination of features and benefits. While understanding that each retailer's customer base is unique, the study offers valuable guidance.

It was found that the consumer's basic expectation is to have "debt relief" made available for their credit card. Canceling one's outstanding balance when defined events occur was understandably the preferred program type. Canceling the monthly payment obligation was next in preference. The least preferred method of debt relief was found to be programs that simply defer the repayment obligation for a period of time and do not reduce or eliminate the debt owed.

The research revealed that many of the protected events offered by retailers were viewed to be very valuable. Value is defined as an issue that has both a high importance

to the consumer and the consumer believes the issue contributes to their "value perception", meaning they are willing to enroll or pay the fees associated with having debt relief benefits.

In particular, people from a wide range of demographics valued debt relief should they lose their job, go on strike or are let go involuntarily. Other high value examples cited in the study include debt relief offered during times of hospitalization, military deployment or for younger families, the arrival of a newborn. Of particular importance to consumers of high value durable merchandise such as electronics, appliances and jewelry, was providing debt relief if the merchandise was stolen or damaged.

IT'S TIME TO LET CONSUMERS KNOW ABOUT IT.

So let's assume, you've put together your debt cancellation program option and you're ready to start enrolling those interested. What are the best methods to offer the program in today's retail environment? Experience with some of the largest retailers shows a multi-channel marketing effort works best.

You begin by looking at the key contact points you have with your card customers. For example, can you effectively offer this option during the initial account opening transaction at your point-of-sale terminal? Many retailers have found the answer is "yes", and it can take place quickly and easily without adding to customer wait time.

Another ideal opportunity is during the initial 90 days or so of the new account relationship. Account activation calls offer an opportunity. Bill payment time is a good time to promote the availability of the program through a bill-pay web site, statement message or insert. Cross-selling through inbound customer service calls can be effective too.

Most retailers find a mix of "mass market" approaches combined with highly targeted contacts ultimately deliver best results. In the end, you'll need to examine your specific opportunity, build a debt cancellation program, and design a marketing plan that will get the word out – valuable debt relief is now available to your cardholders!