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*Fleet Credit Card Services  
Franchise Acquisitions / New Business Development  
1999 Plan - Retail Bank Alliances*

*October 14, 1998*

P-0209

GOVERNMENT  
DEPOSITION  
EXHIBIT  
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*Fleet Credit Card Services (Fleet CCS) is organized along specific Business Lines including National Accounts, Fleet Franchise, Leveraged Portfolio, Partnership Marketing, and Emerging Products. Together, these Business Lines will produce approximately 1.7MM new accounts in 1998. 1999 Plans, while still under development and review, contemplate new account volume in excess of 1998 levels.*

*The Fleet Franchise Business Line is responsible for planning and management of all credit card initiatives against the following consumer population:*

- Fleet Bank customers within the geographic footprint of the branch distribution network*
- Non-customers within the geographic footprint*
- Fleet Bank customers outside of the geographic footprint*

*The Fleet Franchise will generate a significant portion of Fleet CCS' total new account objectives for 1999. The strategy for meeting new account objectives is twofold:*

- 1. 70% - 72% of Fleet Franchise new account volume will come from continuing to capitalize on Fleet CCS' current strengths in direct marketing (e.g., broadscale prescreened direct mail programs).*
- 2. Importantly, 28% - 30% of Fleet Franchise new account volume is to be achieved by developing key alliances within the larger Fleet organization, primarily with Fleet Retail Bank. This represents a significant shift in strategy. It also has "win-win" potential for both Fleet CCS and the Retail Bank. By building multiple account relationships, customer loyalty can be strengthened and attrition limited for both business units.*

*It is important to note that at the core of all Fleet CCS new account objectives is the underlying requirement to source credit card customers with a high propensity for longer term profitability. To this end, efforts will focus on attracting customers who are likely to build and sustain revolving balances on their Fleet credit card. Many such customers should be found within the Retail Bank customer base as well as among the customer bases of other Fleet units (e.g., Fleet Mortgage).*

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Below is a snapshot of proposed 1999 Fleet Franchise tactical initiatives which follow-through on the strategy of developing key alliances with the Retail Bank. The proposed approach to each initiative is described further in the following pages.

**Franchise Acquisitions - New Business Development - 1999 Plan - Retail Bank Alliances**

Program		Jan 99	Feb 99	Mar 99	Apr 99	May 99	Jun 99	Jul 99	Aug 99	Sep 99	Oct 99	Nov 99	Dec 99	Total 99
1. Branch Cross-Sell Program	Applications	0.5M	0.5M	8.5M	19.0M	19.0M	19.0M	19.0M	19.0M	19.0M	19.0M	19.0M	8.5M	170.0M
	Accounts	0.15M	0.15M	2.6M	5.7M	5.7M	5.7M	5.7M	5.7M	5.7M	5.7M	5.7M	2.6M	51.0M
	Acquisition BTs	\$0.2MM	\$0.2MM	\$2.9MM	\$6.4MM	\$6.4MM	\$6.4MM	\$6.4MM	\$6.4MM	\$6.4MM	\$6.4MM	\$6.4MM	\$2.9MM	\$57.4MM
<ul style="list-style-type: none"> <li>• Baseline ongoing promotion</li> <li>• Periodic special promotions</li> </ul>				Platform	Special Promotion			Second Special Promotion	Special Promotion			Special One Gold Promo		
2. Hotline Direct Mail Program	Mail Volume			60M		60M		60M		60M		60M		300M
	Accounts			0.6M		0.6M		0.6M		0.6M		0.6M		3.0M
	Acquisition BTs			\$0.75MM		\$0.75MM		\$0.75MM		\$0.75MM		\$0.75MM		\$3.75MM
<ul style="list-style-type: none"> <li>• New Checking Customers</li> <li>• Address Changes</li> </ul>														
3. Retail Bank Statement Inserts	Exposures			2.0MM	3.1MM			3.1MM		2.0MM	3.1MM			13.3MM
	Accounts			1.0M	1.6M			1.6M		1.0M	1.6M			6.7M
	Acquisition BTs			\$0.75MM	\$1.2MM			\$1.2MM		\$0.75MM	\$1.2MM			\$5.0MM
<ul style="list-style-type: none"> <li>• Fleet Financial Connection</li> <li>• Traditional Statement Insert</li> </ul>														
4. Event Marketing Program	Applications			1.4M	1.4M	1.4M	1.4M	1.4M	1.4M	1.4M				10M
	Accounts			0.2M	0.2M	0.2M	0.2M	0.2M	0.2M	0.2M				1.5M
	Acquisition BTs			\$0.07MM	\$0.07MM	\$0.07MM	\$0.07MM	\$0.07MM	\$0.07MM	\$0.07MM				\$0.5MM
<ul style="list-style-type: none"> <li>• Fleet sponsored events</li> <li>• Other events</li> </ul>														
5. MLM Direct Mail Test	Mail Volume							80M						80M
	Accounts							1.2M						1.2M
	Acquisition BTs							\$2.8MM						\$2.8MM
6. Telesales Program*	Applications	0.5M	0.5M	1.5M	1.5M	1.5M	1.5M	1.5M	1.5M	1.5M	1.5M	1.5M	1.5M	16.0M
	Accounts	0.1M	0.1M	0.3M	0.3M	0.3M	0.3M	0.3M	0.3M	0.3M	0.3M	0.3M	0.3M	3.2M
	Acquisition BTs	\$0.1MM	\$0.1MM	\$0.3MM	\$0.3MM	\$0.3MM	\$0.3MM	\$0.3MM	\$0.3MM	\$0.3MM	\$0.3MM	\$0.3MM	\$0.3MM	\$3.6MM
<ul style="list-style-type: none"> <li>• Baseline ongoing TS support</li> </ul>														
7. Web Development	Applications													
	Accounts													
	Acquisition BTs													
Total- All Retail Bank Alliance Programs	Accounts	0.25M	0.25M	4.7M	7.8M	6.8M	6.2M	8.4M	7.4M	7.8M	7.6M	6.6M	2.9M	66.7M
	Acquisition BTs	\$0.3MM	\$0.3MM	\$4.8MM	\$8.0MM	\$7.5MM	\$6.8MM	\$8.7MM	\$9.6MM	\$8.3MM	\$7.9MM	\$7.45MM	\$3.2MM	\$72.7MM

NOTE: Gray shaded areas indicate in-market dates. \*Telesales volumes represent only incidental apps received as a result of general advertising/referrals. A portion of applications sourced through branch efforts will actually be taken by Telesales.



## 1. 1999 Branch Cross-Sell Program

### Branch Distribution Benchmarking Study:

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*Fleet's extensive branch network offers the potential to generate new credit card customers on a significant scale. The creation of a Branch Cross-Sell Program for credit cards where virtually none exists today is a key goal for 1999.*

*As a first step to inform the process of creating a Branch-Cross Sell Program, a comprehensive competitive review benchmarking branch distribution practices of 16 major credit card issuers was performed in August 1998. Research was completed by Elrick & Lavidge InterServ Marketing Solutions. Mystery shops were executed at three geographically dispersed branches for each of the following:*

<i>Bank of America</i>	<i>First Chicago</i>	<i>Norwest</i>
<i>BankBoston*</i>	<i>First Union*</i>	<i>Peoples Bank*</i>
<i>Bank One**</i>	<i>Key Bank*</i>	<i>PNC*</i>
<i>Barnett Bank</i>	<i>Marine Midland*</i>	<i>Summit Bank*</i>
<i>Chase*</i>	<i>NationsBank</i>	<i>Wachovia</i>
<i>Citibank*</i>		

*Areas of focus for the study included:*

- ⇒ Promotional / Display materials*
- ⇒ Employee knowledge and sales orientation*
- ⇒ Application materials*
- ⇒ Specific product information*
- ⇒ Incentive structure for customers and/or employees (where available)*

*\* Competitive Banks within the footprint.*

*\*\* Bank One is considered to be "best in class" - As a result, a separate study using Business Dynamics, an industry consultant, was executed to obtain actual performance and other detailed information.*



Branch Distribution Benchmarking Study - Bank One Highlights:

- ◇ Similar size and scope to Fleet Bank with respect to branches: Fleet=1,200 branches, Bank One=1,500 branches
- ◇ Generating an average of 10 new accounts per branch per month (with a goal of 14 per branch per month in '99)
- ◇ 25% Approval Rate - They are planning to offer instant approval at the Teller level in 2Q99.
- ◇ Aggressive & consistent branch distribution system, employing branch tellers as well as branch platform personnel.
  - All tellers and platform personnel consistently ask customers if they have the bank's credit card.
  - There is a stack of simplified applications next to each teller w/ a branch code & employee # on each.
  - Periodically promote to Tellers & SSRs that they can earn \$5.00 per booked account.
  - The number of approved accounts per branch is also included as part of an overall point system used for evaluating branches and branch employees.
- ◇ Bank One uses custom scorecards for relationship customers - assuming risk is lower for existing retail customers.
- ◇ Strengths of account performance (relative to accounts sourced through other channels)
  - Lower attrition
  - Lower credit losses
- ◇ Weaknesses of account performance
  - Lower active rates, balances and spending
  - Underdeveloped portfolio management programs
- ◇ Products:
  - The branches are primarily focused on selling a straightforward offer of 9.9% fixed (Platinum). One branch seemed to be testing a premium - a Bank One T-shirt for completing an application.
  - A self mailer could also be found in branches - the offer was a 3.9% intro, 12.99% thereafter, plus a premium - a free Monarch Expandable portfolio that could only be obtained after the first purchase or a balance transfer.

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Branch Distribution Benchmarking Study - General Highlights:

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◊ *Comments from Elrick & Lavidge:*

- *The banks appear to have done a much better job of developing the credit card products than of executing the delivery to the prospective customer.*
- *It was apparent that employee knowledge was sorely lacking.*
- *As might be expected, in banks where reps were rewarded for selling credit cards, they were more likely to encourage a prospective customer to apply. In addition, they were more knowledgeable about their credit card products.*

◊ *Other Observations:*

- *14 of 16 banks offer relationship pricing discounts on the intro or post-intro rates, however, Bank One does not.*
- *12 of 16 banks offer some type of incentive to branch personnel for the sale of credit cards.*
- *13 of 16 banks offer a balance transfer option on their branch application.*
- *Within Fleet's footprint, Fleet currently offers the least competitive and flexible product.*
- *At present, none of the issuers appeared to have a sophisticated instant decisioning system.*



Existing Fleet Branch Cross-Sell Program:

In addition to researching the competition, a brief review of existing in-branch credit card marketing at Fleet reveals the following:

*Pricing and product features are non-competitive...*

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- Pricing:

<i>Our current "best" offer, which is available only if the consumer has one or more other Fleet relationships is...</i>	<i>9.9% intro for six months, 17.4% post intro rate, annual fee waived</i>
<i>Consumers without a Fleet relationship are not eligible for any introductory rate or fee waiver...</i>	<i>17.4% ongoing rate (variable), \$20-\$40 annual fee</i>

- Product:

*Current branch take-ones for the credit card product offer Gold and Standard cards. Competitive tracking by BAI Mail Monitor clearly indicates that since the advent of the Platinum Card, Gold Card offer volume has dropped dramatically. Most of the prestige factor associated with Gold Cards has been usurped by Platinum, and the positioning of Platinum benefits as superior to Gold benefits has taken hold in the marketplace.*



Existing Fleet Branch Cross-Sell Program (continued):

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*Underwriting is sub-optimal...*

- *Aging Criteria:*

*Much of existing underwriting policy has been in place for many years, and some policies are fragmented geographically (often representing vestiges of credit tools from old merger institutions). While custom scorecards have been revalidated over time, a comprehensive review of credit card underwriting policy and process has not been undertaken.*

- *Approval Rates:*

*Historical approval rates for branch take-one applications reveal that the majority of applicants are declined under the current paradigm:*

<u>Year</u>	<u>Fleet Relationship Customers</u>	<u>Non-Customers</u>	<u>Total</u>
1997	27%	16%	24%
1998 (Y-T-D)	31%	16%	27%

*Heightened sensitivity to the potential negative effects of credit card turndowns on other Fleet relationships is required for the future.*

- *New Credit Entrants:*

*Today's underwriting policy is not designed to support issuance of credit to students. This target population represents a significant opportunity for branch cross-sell, whether in branches located near centers of higher learning, or in broader communities where significant numbers of customers are parents of pre-college age and college age children.*





Existing Fleet Branch Cross-Sell Program (continued):

*Merchandising and Sales Promotion of credit cards exists at virtually imperceptible levels...*

- *Merchandising:*

*Take-ones are currently the only visible manifestation of credit card marketing on the branch floor. Existing take-ones are copy-heavy and fairly non-promotional. The credit card application attached to the take-one is unnecessarily lengthy and certainly a turn-off to potential applicants. Competitor applications, as well as Fleet's own direct mail applications, are generally more brief and inviting.*

*In the recent past, the credit card group has not actively leveraged any of the three levels of branch merchandising (primary-- outside posters and other large posters; secondary-- inside posters and other materials; or tertiary-- inside counter cards and other collateral materials).*

- *Sales Promotion:*

*Credit cards are not currently integrated into the Shares In Success sales incentive program. Nor are any direct individual level incentives paid to branch employees for generating new credit card accounts.*

*At present, the branch receives \$20 for generating a new credit card account if the new customer has a Fleet relationship. It is believed that this payment is made as a general credit at the branch level, and has no positive impact either on evaluation of branch performance or on rewarding/motivating any branch personnel. Historical accounting of the per account payment referenced above shows the following:*

<u>Year</u>	<u>Total Payment to Branch Network</u>
1997	\$183,600
1998 (projected)	\$140,000

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Proposed 1999 Branch Cross-Sell Program:

*New Accounts: 51.0M (20% of Franchise total)*  
*Total 6 Year NPV: \$9.35MM*

*Acquisition BTs: \$57.4MM (\$1,125 /acct) CPA: \$49.57*  
*Per Account 6 Year NPV: \$183.33 Total Cost: \$2.53MM*

*Insights from the Branch Distribution Benchmarking Study and review of current Fleet practices provided the background for Fleet CCS' proposal for a new Branch Cross-Sell Program.*

- Pricing and product features, underwriting, merchandising and sales promotion will change to create competitive and much more visible Branch Cross-Sell Program. Each of these elements is outlined in further detail on the following pages.*
- The new program requires a strategic shift from a passive "take-one" marketing approach to a pro-active sales environment leveraging tellers as the front-line **distribution force** to market product at the high volume necessary to achieve scale goals that are a common requisite for profitability in credit card portfolios. At the individual branch level, significant yet achievable increases in credit card cross-sell volume are anticipated:*

<u>Year</u>	<u>Total New Accounts</u>	<u>New Accounts Per Month</u>	<u>New Accts per Branch per Month</u>
1997	12,542	1,045	0.87
1998 (projected)	11,304	942	0.79
1999 (Plan)	51,000	4,250	3.50

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Proposed 1999 Branch Cross-Sell Program (continued):

*In addition to pricing, underwriting, merchandising and sales promotion improvements, several other elements of the proposed Branch Cross-Sell Program will support the achievement of desired business objectives, without conflicting with other Retail Bank priorities.*

*→ Neither tellers nor other branch personnel will need to be product experts or memorize complicated terms because:*

- a) product support will be provided via simple, straightforward "collateral" materials, and*
- b) pricing and terms are intended to remain consistent throughout the year (variation would be limited to special promotional twists [e.g., photo card, Edvance card, etc.,...])*

*→ Customers would be guided toward applying by mail (collateral material incorporates self-mailer) or phone (1-800-CALL-FLEET), rather than diverting scarce branch resources to time consuming application data entry via the existing Cross-Sell System.*

*→ This proposed Baseline cross-sell program would be complemented by special promotions two to three times during the year as well as individual and branch level incentives.*

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***Proposed 1999 Branch Cross-Sell Program - Marketing Calendar:***

*The suggested timeline for introduction of both the new Baseline Cross-Sell Program and Special Promotions follows.*

- ***January & February:*** Pilot new baseline cross-sell program in 30 branches to ensure operational and sales processes are functioning properly prior to roll-out (Platinum Card offer).
- ***March:*** Roll-out new Baseline cross-sell program across all 1,200 Fleet branches (Platinum Card offer). Accompany with special promotional materials and incentives.
- ***April through December:*** Continue Baseline cross-sell program, with refreshed collateral (hand-out/take-ones) and tertiary merchandising materials (e.g., counter cards) provided at the start of Q3 and Q4.
- ***July, August & September:*** Second Special Promotion (a range of potential themes includes parent/student/education theme featuring Edvance Card [w/savings bond reward feature] for parents of young children, student cards for new college entrants, etc.,...).
- ***September, October & November:*** Potential to piggyback on Fleet One Gold Fall promotion (credit card would be in a secondary/support/complementary role).

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Proposed 1999 Branch Cross-Sell Program - Key Elements :

The following changes to key marketing elements will make the planned increase in new credit card account volume achievable:

1. **New pricing and product features** for the credit card product will be highly competitive
  - ✓ The non-competitive offer currently available via branch take-ones will be retired. A card with a highly attractive intro rate and a competitive post-intro rate will be offered throughout 1999.
  - ✓ The combined Gold/Standard card offered in current take-ones will be pulled. The Fleet Platinum MasterCard, with a full complement of Platinum benefits matching current competitive offers will be marketed (Gold Cards will still be marketed when piggybacking on Fleet One Gold promotions).
  
2. **Underwriting** for branch sourced credit card applications is undergoing a comprehensive review and redevelopment headed by Fleet CCS Decision Support. The intent is to create underwriting criteria which will use up-to-date knowledge and tools to provide higher levels of confidence in individual account profitability.
  - ✓ This is a two phase process in which initial changes will be made for Q199 and subsequent changes will be made for Q299. As part of this process, opportunities to improve approval rates for Fleet relationship customers will be pursued aggressively. The intent is to minimize potential negative effects of credit card turndowns on other Fleet relationships.
  - ✓ Importantly, new account goals for the proposed Branch Cross-Sell Program are conservative, using current approval rates of 30% for relationship customers. Volumes do not take into account any upside related to planned improvements in approval rates.

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Proposed 1999 Branch Cross-Sell Program - Key Elements (continued):

3. **Promotional support** which is non-existent for credit card today, has been incorporated on a quarterly basis.
  - ✓ \$680M has been budgeted for the production of "collateral" pieces. These highly promotional materials will be designed to stand on their own, as would a direct marketing piece. They would include rate specific product information and an abbreviated application. These materials would double as a teller/SSR hand-out and a take-one. They would be provided free of charge to all branches.
  - ✓ \$120M has been budgeted quarterly for other branch promotional materials (e.g., counter cards, etc.,...).
  - ✓ Additional promotional support could be funded if space can be made available for special/sprint promotions for credit card.
  
4. Specific **incentives** are proposed as part of the 1999 Branch Cross-Sell Program. If structured properly, these incentives would support the attainment of credit card acquisition goals, without inappropriately skewing the focus and motivation of branch personnel.
  - ✓ Proposed \$5.00 per new account paid to individual as part of Baseline ongoing cross-sell program (teller, SSR, etc.,...).
  - ✓ Proposed \$5.00 per new account incorporated into "Shares in Success" program as part of Baseline ongoing cross-sell program.
  - ✓ Additional incentives could possibly be made available to accompany special promotions.
  - ✓ All incentives would be based on new accounts booked (not applications taken) in order to avoid creating spurious application activity and/or defocusing branch personnel.
  - ✓ Branch personnel would continue to code applications before distributing to customers in order to ensure incentive credit. Data entry shops and Telesales unit would capture coded data.



1999 Branch Cross-Sell Program - Key Elements (continued):

5. *In the proposed Branch Cross Sell Program, the branch system serves as a **distribution** channel for credit card marketing communications. There is no heavy investment in terms of time or resources in individual selling activity. Front-line branch personnel distribute credit card marketing materials in high volume, with minimal selling. The branch serves as an alternative delivery channel to accessing a household (vs. the prospect's mail box). This approach is factored into conversion rates (Plan calls for just 1% of applications distributed to be completed). The branch prospect would primarily reply by phone or mail. Support for the application process would be provided as follows:*
- ✓ *Telesales would capture an estimated 38% of branch sourced applications (approximately 65M applications)*
  - ✓ *The balance of applications (62%) would be mailed directly by the customer, or by the branch if requested by the customer, to a data entry shop for processing (approximately 105M applications).*
  - ✓ *Under the proposed approach, there would be little reliance upon the Cross-Sell System operating platform to capture application data. Time consuming data entry of applications by branch personnel through the Cross-Sell System could be largely avoided.*

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Proposed 1999 Branch Cross-Sell Program - Key Elements (continued):

*Additionally, given the following considerations, proposed Plan volumes should be realistic:*

*→ Reliable information from the Branch Distribution Benchmarking Study indicates that Bank One is currently producing an average of 9 to 10 new credit card accounts per branch per month using a marketing approach which is highly similar to the proposed approach for a Fleet Baseline cross-sell program. Approval rates for the Bank One program are also similar to current and expected approval rates for Fleet. In light of this information, an average goal of 3.5 to 5 accounts per month per branch would seem achievable for a Fleet Branch Cross-Sell Program.*

1999 Branch Cross-Sell - Additional Opportunities:

*In addition to the 1999 Branch Cross-Sell Program as proposed above and included in Fleet CCS' preliminary 1999 Plan, several other opportunities may exist for Branch Cross-Sell related alliances between Fleet Franchise and the Retail Bank. These could include the following:*

- periodic in-branch tabling of applications and cross-sell marketing by third party resources*
- in-branch photo card promotional events*
- leveraging corporate advertising \$\$\$ to promote in-branch credit card related events (would create branch traffic)*
- offer premium items in conjunction with new branch sourced credit card accounts (all fulfillment of premium items would be handled by a third party fulfillment house)*
- special sweepstakes contests for both customers and employees*
- participate in Welcome Kit currently being planned within Retail Bank (this is actually outside of branch cross-sell)*





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*Other Retail Bank Alliance Programs Planned for 1999 (see Marketing Calendar on 3rd page)*

*The following initiatives are also included in Fleet CCS' 1999 Plan. Account volumes are in addition to Branch Cross-Sell Program volumes:*

- \* Hotline Direct Mail Program to New Retail Bank Customers and Address Changes*

*300M mail, 3.0M new credit card accounts*

- \* Statement Inserts to Retail Bank Customers*

*13.3MM inserts, 6.7M new credit card accounts*

- \* Event Marketing Program*

*10M applications, 1.5M new credit card accounts*

- \* Managing Local Markets Direct Mail Test*

*80M mail, 1.2M new credit card accounts*

- \* Telesales Program (baseline ongoing Telesales support - excludes Branch Cross-Sell related volume)*

*16.0M applications, 3.2MM credit card accounts*

- \* Web Development*

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