

Interoffice Memorandum

TO: Distribution
FROM: Linda Fuller
SUBJECT: Joint Credit Card Strategy Paper
DATE: September 23, 1998
CC: Charlie Hegarty, Steve Eulie, Stan Kelly, Michael Stephens, Bev Wells



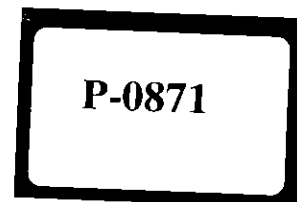
WBCS would like to develop a joint strategy with the Retail Bank for the marketing of credit cards in our home states markets during 1999. This document provides an outline of past sales trends, current environmental issues, the branch delivery channel and recommendations for the future. Please review this document and provide your comments to us at your earliest convenience. We believe that we will be in a stronger position to meet our collective goals and objectives for 1999 with a clear, joint strategy that is fully endorsed by the management of WBCS and the Retail Bank.

In March 1998, I produced a document on 1996 and 1997 sales trends and a competitive overview of our regional competition from a branch perspective (see attached). In addition, I have included a chart reflecting home states account generation from 1993-1998. The landscape for credit card marketing has evolved dramatically over the last few years for both Wachovia and the industry as a whole. It is no longer realistic for us to expect the branch network to produce 100,000 new accounts as they did back in 1994. This is due primarily to the large number of direct mail solicitations that consumers receive each year which has changed the way that our customers acquire credit cards. The market is saturated with pre-approved offers from all major issuers to the creditworthy individuals in the Wachovia footprint. It is no longer necessary for a customer to go to a branch if they want or need a new credit card. Their buying behavior has changed and will continue to change, especially as the Internet becomes a more viable option for the consumer to make purchase decisions.

Despite this shift from the branch to other marketing channels (mail, telemarketing, internet), we must continue to maximize the opportunities that the branches have to offer as a delivery channel for our credit card products. We believe WBCS must do the following to place the retail branches in as favorable a position as possible to meet our account goals:

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- First, we need to provide efficient and effective processes for the application and decisioning of branch originated applications. Several steps have been taken to achieve this objective including the new short application process, Special Handling procedures and, new limit increase procedures which have resulted in significantly reduced costs. In addition, we are working to develop a Retail Scorecard that will utilize the retail relationship data available in CCIF to expand/enhance our decisioning process.
- Second, we must continue to offer competitive products and will continually test new products in order to offer as complete a group of competitive products through the branch channel as possible.
- Third, WBCS will ensure that the retail salesforce is equipped with the appropriate tools to successfully market our products and services.

As WBCS is committed to these steps outlined above, we need to work together with the Retail Bank to set realistic account goals for 1999 and put in place an ongoing process to review and manage those goals throughout the year. In addition, we should continue to work together to refine these steps through continuous response to and analysis of feedback from the field.

Finally, WBCS continues to have an interest in appropriately incenting the branches for credit card sales. This could take the form of cash compensation similar to the current Fall Sales Focus incentives. We would like to work together to determine ways that we can motivate the branches in a manner complimentary to the Retail Bank's goals/objectives and existing sales/marketing programs (e.g., Promise '98). We feel that we can work together to set both realistic and aggressive goals for branch credit card sales in the future.

From a direct mail perspective to retail customers, WBCS has seen outstanding net response rates in 1998 ranging from 1.85% - 2.90%. In order to help prevent our competition from providing our customers with credit cards, we need to increase our direct mail efforts to our own customer and prospect base. At this time, WBCS is planning to conduct 6 pre-approved direct mail campaigns to prospects in our retail market in 1999 and would like to include customers in each of those campaigns. Early numbers from campaign tracking analyses indicate that new cardholders acquired in our home states markets appear to represent our more profitable customers. Therefore, we would like to maximize this potential in the following ways:

- Increase volumes of direct mail to both customers and prospects (6 campaigns, volumes determined by credit criteria)
- Expand underwriting criteria (resulting in increased number of prospects)
- Employ New Retail Scorecard (development/targeted for 1999)
- Special Handling of cc apps for Relationship Customers (continue to refine process)
- New Products/Ongoing product tests (e.g., Platinum Ultra, Travel Rewards)
- Expanded Delivery Channels (e.g., Internet)

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We have identified that approximately 40% of WBCS' active accounts reside in our retail market areas and that those accounts appear to represent our more profitable accounts (vs. our "national" cardholders) due in part to their additional retail relationships with Wachovia. For our initial 1999 planning purposes, WBCS is allocating almost double the funding of 1998 for marketing efforts in our retail footprint. We believe that we can further boost our market share in the Home States through additional marketing efforts to include high quality telemarketing, deposit account statement inserts, branch sales promotions, increased direct mail volumes, and many others.

In order to achieve our aggressive goals we will need to rely heavily on the retail bank's assistance. Specifically, we will need:

- Inclusion in the 1999 retail planning process for product marketing
- Customer files for credit bureau pre-approval for 6 direct mail campaigns
- CCIF information to build retail scorecard and expand credit underwriting criteria
- Continued communication support (i.e., Wachovia Weekly, Sales Training documents, Area Management agenda, Sales Promotion Council agenda, etc.)
- Retail's endorsement of our products and services

Overall, our home states' cardholders collectively represent a very important segment of our credit card portfolio. Our goal is to maximize the potential of our home states markets to generate well-performing and profitable cardholder accounts. We believe that clear, aggressive marketing and sales strategies which are jointly endorsed by the retail bank and WBCS will place us both in the optimum position to successfully achieve our goals. We look forward to discussing this with you.

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HOME STATES ACCOUNT GENERATION

YEAR	BRANCH ACCOUNTS	DIRECT MAIL CUSTOMERS	DIRECT MAIL PROSPECTS	TOTAL
1993	77,780*			77,780*
1994	115,640*			115,640*
1995	61,072*			61,072*
1996	62,528*			62,528*
1997	31,256		10,860	42,116
1998 (YTD)**	16,411	3,582	15,913	35,906
1998 Forecast	25,000	7,928	26,916	59,844

* SOURCE: Wachovia Retail Management Report

** YTD is as of 8/98 Month-end reporting

Note: Direct Mail acquisitions up to July 1997 were conducted jointly with Retail Bank Marketing and were included in the branch accounts figures.

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