Case Study: LIF Universe Coverage Study / Merchant Churn - US Major Credit Card Company

PAIN POINTS

- As part of their international coverage strategy, LIF acquisition targets were set across key GES markets. This targeting approach involved primary research to establish the gap between the LIF and LIF Universe. There are a number of key metrics used in the setting of these targets, specifically and most importantly:
  1. *Their LIF*
  2. *LIF in universe*
  3. *% LIF coverage*
- However, it was also necessary to estimate merchant churn as part of this equation. This research therefore seeks to understand the **market churn** in key industries and markets: ***Restaurants and Bars; Retail; Hotels and Lodging****.* Estimations were also broken down by company size in terms of: *turnover size ranges* and *employment size ranges.*
- A further key objective was to outline survival rates of new companies over their first few years. This work along with the European Merchant Churn analysis contributed to an estimation model that extended to other industries and markets.

RESEARCH METHODOLOGY

- All data has been collated through a program of secondary research from published statistics, usually using governmental sources. In each country, data has mainly been drawn from Eurostat and VAT registrations.
- Key to making this study more focused on merchants, was to further analysis of how churn differs between their merchants and all merchants. This analysis involved examining the differing demographic profile of their merchants and the general merchant population, and how churn is influenced by different demographic factors.

SELECTED FINDINGS

- Restaurants and bars have by far the highest rate of churn at 18%, although this appears to be dropping year on year.
- Overall, the majority of industries are seeing a considerable yearly increase in the total number of merchants as new formations are nearly always higher than company closures.
- A large proportion of company closures relate to 'new companies' (i.e. formed in the last 3 years).
- Rates of churn vary tremendously between industries.
- As in other countries, churn is significantly higher among restaurants.
- Retail Services has a very high merchant population and this contributes to a very high total churn.
- Across all their industries, growth from year on year was 4.5%.
- Overall, 97% survive their first year, 81% survive their second year and 71% survive their third year of operation.

STRATEGIC DECISIONS MADE

- As a result of the insights SIS collected, the client identified and developed new target markets for their services.