

TD Banknorth Launches 'Good Cop' Credit Card

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TD BANKNORTH SEEMS TO HAVE found a safe way to wade into dangerous waters, unveiling a new credit card that rewards consumers who pay down their balances by offering a lower interest rate.

Called Simply Flexible, the new card lets customers who decide to pay off 10% or more of their monthly balance choose "a highly competitive standard APR of 7.99% on the items they purchase," the company says.

The launch comes at a time when the credit card industry is getting hammered on two fronts. An Associated Press poll in late December found that credit-card delinquencies are up 26% compared to the year-earlier period, fueled by woes in the housing market. And the U.S. Senate has the industry in its crosshairs, convening hearings on what it sees as unfair interest rate increases.

"The timing was fortuitous for us," says Tom Dyck, executive vice president/retail product management for TD Banknorth. "When we did our research, we found that customers were quick to say, all things being equal, that they'd prefer to get a credit card from a bank they know, rather than some 1-800 number." And enhancing relationships with existing customers is key. "The more a customer deals with you, the more likely they are to stay with you," he says.

In fact, says David Robertson, publisher of *The Nilson Report*, which tracks consumer lending trends, "that 'stickiness' has become the Holy Grail of the retail banking world. Multiple relationships are very important."

Robertson, who points out that Discover has a similar product, says the new card provides TDBanknorth with two immediate advantages. "First, it hurts a competitor by taking away one of its customers. And second, by adding a customer who already has run up a \$2,000 or \$3,000 balance, they've got an instantly profitable account--they don't have to wait for the consumer to build up a new balance."

Targeting more responsible cardholders is also a smart strategy. "Everyone is cognizant of the fact that we're walking a very thin line right now," he says, with many economists predicting a recession. "And rising unemployment numbers scare credit card companies."

Ads for the new card--one of three introduced this week--are from VIA Advertising, in Portland, Maine, and run throughout New England and the mid-Atlantic region.

Ads include TV, print, online banners and in-branch marketing. "We're trying to be reasonably loud," says Dyck. "January is a time when many people are thinking about their financial well-being."

Sarah Mahoney can be reached at sarah@mediapost.com