DISCUSSION PAPER
PAYMENT CARDS CENTER

Financial Management Tools and Consumer Confidence: Chase Blueprint

Larry Santucci*

October 2015

Summary: *On March 10, 2015, the Payment Cards Center hosted a workshop on the development and performance of Blueprint, a set of money management features developed by JPMorgan Chase & Co. (Chase) and available with several of Chase's credit cards. The workshop featured presentations by Thomas O'Donnell, managing director of Chase Consumer and Community Banking Quality, and Florian Egg-Krings, general manager of the Slate and Blueprint portfolios. O'Donnell discussed the development of Blueprint, a process that began during the financial crisis and the Great Recession of 2007–2009. Egg-Krings then shared some insight on the adoption and success of several Blueprint features. Lastly, both O'Donnell and Egg-Krings briefly discussed their expectations for the evolution of Blueprint in the coming years. This paper summarizes the presentations of O'Donnell and Egg-Krings, supplemented by additional research.*

Keywords: behavioral consumer finance, credit cards, debt repayment, financial management
JEL Classification Codes: D14, D91

* Payment Cards Center, Federal Reserve Bank of Philadelphia, Ten Independence Mall, Philadelphia, PA 19106. E-mail: larry.santucci@phil.frb.org. The author thanks Thomas O'Donnell and Florian Egg-Krings. The views expressed here are those of the author and do not necessarily reflect the views of the Reserve Bank of Philadelphia or the Federal Reserve System. This paper is available free of charge at www.philadelphiafed.org/PCC.

I. Introduction

In September 2009, the credit card division of JPMorgan Chase & Co. (Chase) introduced a set of money management features called Blueprint. Developed during the tumultuous period between 2007 and 2009, when the financial crisis and recession were affecting both consumers and the credit card environment, Blueprint was envisioned as a way to help consumers regain confidence in their ability to manage credit card debt and spending. Blueprint itself comprises four features, each designed to meet a specific customer need:

1. **Track It** enables customers to track their monthly spending and manage it by setting a budget.
2. **Full Pay** allows customers to avoid paying interest on purchases in designated merchant categories.
3. **Finish It** lets customers pay down all or a portion of their balance over a set period of time.
4. **Split** is a way for customers to create installment-type paydown plans for big ticket purchases.

On March 10, 2015, the Payment Cards Center (PCC) hosted a workshop on the development and performance of Blueprint. Thomas O'Donnell, managing director of Chase Consumer and Community Banking Quality, discussed the process of creating Blueprint and shared some of the market research insights that led to the development of the four Blueprint features. Florian Egg-Krings, general manager of the Slate and

Blueprint portfolios, then spoke about Blueprint's adoption and success within Chase's customer base.[1]

In many ways, the Blueprint features developed by Chase marked new territory for credit cards. While the industry has seen myriad changes with respect to pricing, solicitation, usage incentives (including rewards), and regulation, the basic elements of the product have remained the same since the 1950s. Today's most widely issued credit cards have two main features. First, they are an accepted means of payment at millions of locations nationwide and worldwide. Second, they allow users to carry over a balance from one month to the next. Cards with these two features can trace their existence back to at least 1958, when Bank of America and Chase Manhattan Bank introduced universally accepted credit cards.[2] Since then, credit card innovation has focused primarily on promoting card usage. In his presentation, O'Donnell recounted Chase's recognition in 2007 that "the credit card market wasn't evolving significantly over time." He noted that some innovation had occurred, but it had been spend-related, often tied in with rewards programs.

In contrast, Blueprint was seen as a customer-centric move toward innovation in financial management. Whereas the typical communication between issuer and customer — the billing statement — was an itemized list of dates, merchants, and purchase amounts, Blueprint displayed the customers' actual spending category by category. In the past, if customers wanted to pay their credit card debt in installments, they had to refinance it with a bank loan. Going forward, Blueprint embedded two different

[1] Slate is one of Chase's main consumer credit card offerings and typically comes with a low- or no-cost introductory balance transfer option.

[2] See Evans and Schmalensee (1999).

installment features into the credit card itself. In addition, in recent history, no credit card company offered interest-paying customers the opportunity to avoid paying interest on purchases or, more specifically, a category of purchases. Blueprint enabled revolving customers to avoid paying interest on purchases made in everyday spending categories of their choosing.

This paper is organized as follows. Section II lays out the multistage market research effort that began in late 2007. Section III discusses the principles that guided the design of the four Blueprint features. Section IV explains each feature in more detail. Section V provides some insights into the business case for undertaking the costly Blueprint build, which required more than 120,000 person-hours to complete. Section VI presents information on Blueprint's overall performance and provides additional details on the two most popular Blueprint features. Section VII summarizes O'Donnell and Egg-Krings' concluding remarks and thoughts on the future of Blueprint.

II. Market Research

According to O'Donnell, Chase first identified the need for something different in the credit card space in 2007. At the time, home prices were beginning to fall, and mortgage default rates were increasing. As home equity borrowing became less of an option, consumers began to pull back on spending. Echoing the macroeconomic changes, Chase's customer research revealed that consumers were starting to lose financial confidence. O'Donnell noted that consumers "weren't feeling as confident managing their finances," both with respect to spending as well as managing their money.

At about the same time, calls for reform of the credit industry, including credit card products, were growing. In her widely cited 2007 article, “Unsafe at Any Rate,” then-Harvard Law School Professor Elizabeth Warren suggested that, just as buyers of goods are protected by the Consumer Product Safety Commission, consumers who use credit cards and other loan products should be protected by a regulatory body as well. Shortly thereafter, the mortgage crisis began, contributing to the failure of major Wall Street firms and a near-collapse of the United States financial system.

The combination of internal usage trends, a deteriorating economic environment, and a recognition of a mindset shift by consumers led Chase business leaders to the conclusion that both their customers and the credit card industry were ready for change. O’Donnell noted that macroeconomic forces had shifted consumer focus from “spend more, get more” to “what happens after I’ve spent?” With the objective of developing a new vision of the future of credit card lending, Chase embarked on a special, multistage market research effort.

According to O’Donnell, Chase’s research was conducted between late 2007 and early 2008. Early stage research used ethnographic methods to better understand the motivations, behaviors, and perceptions of the Chase customer base.[3] Part of this research involved in-house interviews with about 36 Chase credit card customers. These “voice of the consumer” interviews unearthed financial management practices that included physical commitment devices such as putting an overused card in the freezer, managing

[3] An *ethnography* is a qualitative process that aims for cultural interpretation. This is typically achieved by studying the research subject’s point of view. O’Donnell noted that Chase wanted to understand its customers’ motivations and the insights customers had about their own behaviors.

balances by cycling through a stack of credit cards, and using sophisticated spreadsheets.[4] Insights from the in-house interviews were used to inform a larger, more quantitative study.

As the quantitative study progressed, the Chase team narrowed its focus to mass affluent clients who were identified as either having revolving balances or as being high spenders.[5] From the revolver population came the first key insight: Rather than building a large balance and then gradually paying it off over a long period of time, clients tended to cycle through periods of balance growth, followed by periods of paydown.[6] O'Donnell noted that the cycling up and down of credit card balances was something Chase had also heard from research participants and appeared to be a result of customers seeking stability in an environment with uncertainty, whether it be regarding income or expenses. Somewhat ironically, clients who had experienced this type of balance cycling tended to view their credit card debt, rather than the unanticipated expense or income shortfall that created the debt, as a threat to their financial stability. According to O'Donnell, being in debt had left these customers feeling cautious about using credit cards. The importance of finding emotional stability throughout the cycle became Chase's second key insight. High credit card balances tend to generate feelings of fear and instability, and low balances generated feelings of self-trust and confidence. In effect, customers' perceptions of their own financial well-being seemed to cycle in tandem with their credit card balances.

[4] O'Donnell noted that, while the participants were compensated for their time, each of them expressed enthusiasm to share his or her financial management practices with interviewers.

[5] Loosely speaking, Chase defines the mass affluent population as households with an annual income under $100,000.

[6] The term *revolver* is used to refer to a credit card customer who carries a balance from month to month on which he or she pays finance charges.

a. A Paradigm Shift

While the Chase team's credit-card-specific insights were valuable on their own, when augmented with an understanding of consumers' attitudes toward installment borrowing (such as that used to finance homes and automobiles), the insights revealed a clear direction in which to proceed. According to O'Donnell, the key objective became to help customers move from feelings associated with "debt" to the concept of "borrowing." For research participants, installment borrowing felt *intentional*, *predictable*, and *repeatable*. An installment loan is intentional in the sense that it is linked to a specific good and specific purchase decision. The terms, including amount financed, interest rate, loan term, and monthly payment amount, typically do not vary over time and thus are perceived as being predictable. Lastly, an installment loan is repeatable, in contrast to being perpetual. For example, once an auto loan is repaid, it is closed by the lender.

On the other hand, some of the credit card's most appealing characteristics, such as universal acceptance and immediate availability of credit, are also what make it such a distinct and potentially troublesome credit product in the eyes of some consumers. Rather than credit card debt being characterized as intentional, predictable, and repeatable as with installment borrowing, Chase found that its study participants characterized it as *unintentional*, *unpredictable*, and *perpetual*.

Consumers' discomfort with credit card debt has been a subject of research in behavioral finance for many years. According to Prelec and Loewenstein (1998), while using a credit card at the point of sale can enhance the enjoyment of a purchase (relative to paying with cash or debit card), it can also worsen the feeling of paying the credit card bill, since the benefits of the purchase are experienced in the past, while the payment is experienced in the present.[7]

The work of Prelec and Loewenstein builds on the theory of mental accounting first proposed by economist and Nobel Laureate Richard Thaler in the 1980s.[8] Thaler used mental accounting theory to explain how people make purchase and payment decisions, as well as how they manage their finances. He noted that people tended to create “accounts” for different types of expenditures, such as food, clothing, or housing.[9] Once money was earmarked for a particular account, a consumer could become unwilling or unable to think of it as being useful in another capacity. Likewise, a consumer might start viewing each credit card in his wallet as having a specific purpose, associated with one or more mental accounts. Thus, one card might be used for large purchases and another for day-to-day incidentals.[10] In the case in which a single card is used for multiple purposes, the resulting month-end balance is then a composition of spend across a variety of mental accounts. This blending of purchases could lead to confusion and frustration for the customer who would like to remember what he or she purchased, at least in terms of broad categories. Blended purchases can also lead to unwanted outcomes for some consumers, particularly those revolving a balance who would prefer not to pay interest on current consumption and other day-to-day expenses.

---

[7] Prelec and Loewenstein (1998) suggest that the utility of consumption is partially offset by the thought of payment and that the disutility of payment is partially offset by the thought of consumption. Credit card purchases reduce the thoughts of payment, which increases net consumption utility. However, consumers making credit card payments, sometimes occurring long after the purchase, may have little in the way of consumption thoughts to offset their pain. The concept of purchase and payment occurring at different times is referred to as *decoupling*.

[8] See Thaler (1985).

[9] This is the mental equivalent of the old envelope budgets — literally envelopes containing cash — that many of our grandparents used most of their lives.

[10] This may explain some of the appeal of certain private-label cards such as department or home improvement stores, since expenditure is explicitly linked to a particular category.

Thus, it is not surprising that Chase's research led to an unfavorable characterization of credit card debt, particularly compared with installment loans. By decoupling the purchase and payment events, and bundling dishwasher purchases in with trips to the gas station and pizza parlor, credit card balances can easily become dissociated from their purpose and value. Chase customers expressed this feeling as a lack of control. In addition, rather than having set terms such as installment borrowing, a card balance may be subject to more than one interest rate, thereby creating interest charges that the customer may not find straightforward. The lack of set terms, particularly a set number of payments until full payoff, might easily create the perception that credit card debt is perpetual.

III. Design

Chase's market research helped its company understand its customers' relationships with their credit cards and provided some direction for its innovation efforts. At the core of Chase's new credit card features was the ability for customers to achieve the financial goals of paying off debt and budgeting their spending. Chase turned to the academic research on goal setting to help translate its market research into a set of design principles. Two concepts critical to goal commitment are *importance*, meaning that the person must value the goal, and *self-efficacy*, meaning that the person must believe he or she can attain the goal.[11] In addition, for goals to be effective, the literature suggests that people need to be given feedback on how far they have progressed relative to their goals. This can be somewhat tricky, since reminders of too-little progress may

[11] See Locke and Latham (2002).

result in the person giving up. On the other hand, steady progress toward the goal often results in the person accelerating to completion.[12] This means that, in a debt repayment setting, the customer might decide to make slightly larger payments as she drew closer to paying off the debt. Lastly, complexity can be a barrier to achieving a goal, particularly when people do not have the tools at their disposal to work through a complex issue. Providing people with the tools they need to be successful ensures that the complexity does not overwhelm the goal.

O'Donnell and his team used the theory of goal setting to create a set of five design principles consistent with customers' emotional needs. The new card features would have to be simple and transparent and would have to reinforce responsibility, build the customer's self-confidence, be personally relevant, and set the customer up for success. Simplicity would reduce the barriers to starting plans by making the process fast and straightforward. For example, O'Donnell noted that "anything … [the customer] needed to do online had to be accomplished in [less than] three steps." Transparency would mean that the new credit card features could not be used as a means to make the consumer worse off in any way. Thus, there would be no fees for creating and managing a plan, nor would there be any way that using one of the tools could lead to incremental interest costs for the customer.[13] O'Donnell added, "We made it very clear … to our customers that these were plans for them; these weren't plans for us." Transparency would also have the added benefit of demonstrating to the customer that Chase was not only advocating personal financial responsibility for its customers but also facilitating it

[12] See Hull (1934) and Kivetz, Urminsky, and Zheng (2006).

[13] In other words, the tools had to be designed in such a way that, in terms of the charges made by the bank, the consumer would never be any worse off than if he or she had never used the tools.

with the introduction of new card features. Choosing features that customers perceive as personally relevant would help with the adoption of the new features; customers would not be left wondering if the features were appropriate for their particular situations. In addition, personal relevance dictated that each feature be customizable, so cardholders could establish a plan that suited their own needs, expectations, and financial positions.

IV. Blueprint Features

With all this in mind, Chase decided upon a set of four new credit card features to be called Blueprint.[14] One feature would enable customers to allocate credit card debt to an installment-type paydown plan. Similarly, a second feature would create separate balance buckets for big ticket items, which could then be paid off much the same as an installment loan. A third feature would provide customers with the option to avoid interest on day-to-day expenses. The fourth feature would be a budgeting and spend-tracking tool. Each of the four features is described in the following subsections.

a. Split

The Split feature enables Chase customers to create an installment-type paydown plan for any purchase, particularly big ticket items such as appliances. When establishing a Split plan, the customer selects the purchase she would like to pay off over time, and then chooses either the number of payments or the monthly payment amount.[15] If the customer chooses the number of payments she would like to make, Split calculates the payment amount that will pay off the purchase at the corresponding interest rate over the

[14] The name *Blueprint* comes from the notion that the customer would be developing his or her own design or plan for successfully managing their account.

[15] Any purchase designated into a Split plan is still subject to the card's prevailing purchase annual percentage rate (APR).

desired number of periods. Conversely, if the customer chooses a payment amount, Split will calculate the number of payments required for payoff. Once a plan is built, the monthly payment amount is displayed separately on the cardholder's monthly statement as a "Blueprint goal" and is added to the total Blueprint payment.[16] See Figure 1 for an example of a Chase credit card statement with active Blueprint plans. In the example, the Blueprint goal for the active Split plan is $60, and the total Blueprint payment is $222.27. Aside from the Blueprint payment goal, the statement will always include a minimum required payment based on the outstanding balance that the cardholder may choose to pay (or another amount above the minimum payment due) at any time without a penalty. This is true for any of the Blueprint plans. Progress toward full payoff can be tracked online, on the monthly billing statement, and by phone. Once established, a plan can be changed or canceled at any time without any penalty to the cardholder. In addition, since the customer may have more than one Split plan open concurrently, the customer is prompted to give the plan a name corresponding to the purchase, such as "New Refrigerator."

As mentioned previously, the key objective the Chase team learned from its market research was that, to be successful, Chase's new credit card features would have to make the experience of taking on credit card debt more like borrowing on an installment loan. The Split feature, in O'Donnell's words, helps "make that very direct connection between 'what did I buy?' and 'when will I pay it off?'" With Split, a Chase credit card retains its universal acceptance as a payment method and does not require any additional approval or loan origination fees, but it can now generate one or more

[16] The Blueprint payment amount is the greater of the standard minimum payment or the sum of all active Blueprint goals. Thus, paying the Blueprint payment amount satisfies the account's minimum payment requirement.

installment loans with monthly payment amounts and loan terms that are more flexible than standard installment loans.

b. Finish It

The Finish It feature allows Chase cardholders to pay down all or a portion of their balance over a period of up to 36 months. Finish It and Split share similar functionality, the main difference being that a Split plan is applied to a purchase, while a Finish It plan is applied to one or more purchases comprising some portion of the customer's balance. When building a plan with Finish It, the customer is shown a list of his balances by type (e.g., purchase, cash, promotion), amount, and APR. The customer may then select the type of balance and the portion of that balance he would like to pay down. In the next step, the customer chooses either the number of payments or the monthly payment amount. Finish It automatically calculates the nonspecified quantity (either number of payments or payment amount). The resulting Finish It plan consists of four components: a balance type, a total paydown amount, a monthly payment goal, and a term (number of monthly payments). As with a Split plan, once a Finish It plan is built, the monthly payment goal is incorporated into the cardholder's Blueprint payment amount. Progress toward payoff is similarly tracked, and the plan can be changed or canceled at any time, without penalty. See Figure 2 for an example of a billing statement with an active Finish It plan. The Feature Activity section displays both a plan summary as well as a progress indicator bar.

Finish It provides a useful way for customers to understand how they are progressing on debt reduction while they continue to use their cards for new purchases. A revolving customer can create a plan to pay her balance off entirely in a set number of months, assuming she does not make additional purchases. For customers who continue to make purchases on the card, or who elect to place only a portion of their balance on a Finish It plan, they may not see their debt go to zero, but they will still have the experience of having successfully paid off, at least a portion of, a credit card balance.

c. Full Pay

According to O'Donnell, with Full Pay, "a customer can select certain categories of spending — gas, groceries, dining … everyday types of spending, and they can isolate those. If they pay those off in the month where they made those purchases, they don't incur any interest [on those purchases]." When beginning a Full Pay plan, the customer selects any number of everyday spending categories from the 14 available.[17] Each month, spend in those categories is broken out separately from the revolving balance. The total spend in the Full Pay categories (including the minimum payment) becomes the customer's Blueprint payment goal. If the customer pays less than the goal amount, the unpaid portion will retroactively accrue interest, but no more interest than he would have incurred if he had not used the Full Pay tool. This is a rare opportunity for customers revolving a balance, since new purchases made on an account with a revolving balance typically accrue interest immediately.[18]

d. Track It

The Track It feature has two interrelated functions. First, it allows Chase cardholders to see their monthly purchases separated into different merchant categories,

[17] Gas, Drugstores, Groceries, and Dining are among the most frequently selected.

[18] Perhaps the only revolving credit card to offer relief from interest on a revolving balance was the Optima True Grace card from American Express, which debuted in 1994. Its key feature was that no interest was charged on purchases until 25 days after the statement close date. The Optima True Grace card program was cancelled in 1998. See Hansell (1994) and Fickenscher (1998).

such as automotive, restaurant, and drugstore. When the cardholder clicks a category name, she can see the individual purchases in that category. Not only is this feature helpful for those customers trying to better understand their spending, it also enables customers who have rewards cards to see how much they've spent in a particular rewards category.[19] Second, Track It allows the customer to establish a budget for each billing statement. The customer selects the maximum amount of money she wants to spend in particular categories. Once a budget has been created, the website allows the customer to track in real time how far over or under budget she is in each category.

As noted previously, to some consumers, credit card debt feels unintentional. Purchases of immediately consumed goods such as food or incidentals are fleeting and often less costly than big ticket purchases. Over the course of a billing cycle, those many smaller transactions accumulate into a single large balance. Should the cardholder be revolving a balance, the small transactions will have already begun to generate interest charges. When faced with the billing statement, the consumer may only vaguely recall the individual purchases but is keenly aware of his total cost. In addition, the decoupling of purchase and payment events, which may differ by as much as 30 days, can heighten the pain of payment. Such temporal dissonances can create the perception that the consumer lacks control over his spending. While a tool such as Track It cannot overcome the realities of the balance accumulation over the billing cycle, it does provide a way for Chase customers to mitigate the periodic surprise of accumulated expenditures in certain categories.

[19] Some merchant categories may be subject to limits on the amount of rewards that can be earned. A sophisticated user may wish to use his or her card for purchases within that category until the limit is reached.

V. Business Case

O'Donnell provided some insight into the internal approval process for Blueprint. Initial presentations and requests for development resources were met with some degree of skepticism. At the time, the typical credit card executive had not put much consideration into helping customers repay their credit card debt. As mentioned previously, much of the recent innovation in the credit card product had focused on increasing spending (transactions) on the card. Much of the day-to-day business of account management involved efforts to increase balances (through spending and balance transfer incentives), not in reducing them. In addition, Blueprint's initial development cost was estimated to be so large that it might be years before the project would break even. In the end, it required more than 120,000 person-hours, or 55 person-years, to complete. O'Donnell noted that Blueprint was "the single largest technology initiative that [Chase credit card had] ever undertaken."

Ultimately, O'Donnell found that some of the insights that drove Blueprint's design were the same insights that helped build internal support for it. For example, some stakeholders voiced concern that by helping customers repay their balances more quickly, Blueprint would lead to decreased account usage and increased attrition. However, by establishing a link between customers' attitudes toward their credit cards and the repeating pattern of low and high debt over the account life cycle, the team reasoned that Blueprint's Split and Finish It features could have the *opposite* effect. If a Chase credit card could reduce the length of time the customer felt financially unstable, it could generate a more positive attitude toward using his Chase card in the future. Thus, when building its business case, Chase assumed that Blueprint's Split and Finish It features might decrease interest income from enrollees in the short term, but the financial confidence instilled in customers using these products would ultimately lead to longer and therefore more profitable relationships.

The profitability of the Full Pay feature hinged on its ability to increase Chase's share of a customer's spending in selected merchant categories. By indicating a preference to avoid paying interest on certain purchases, it follows that customers on Full Pay plans would want to shift as much of their category spending away from other means of payment and onto their Chase credit card. The Chase team reasoned that, over time, the gains from increased spending on Chase cards would outweigh any loss of interest income. Similarly, customers using Track It to manage their spending would also want to shift spending away from payment methods not linked to their budgets, and on to their Chase card. Thus, while budgeting and spend monitoring might reduce a customer's overall spending, Chase's share of the smaller pie would increase.

With a clear idea of how each feature might be profitable to the company, recouping the total research and development costs would hinge on Chase's ability to market the tools to its customer base, which at the time was the largest in the country.[20] In September 2009, Chase added the ability to activate the Blueprint features to its Freedom, Ink, Sapphire, and Slate-branded products. Those features were immediately made available for all existing accounts and were core features of any new accounts for those products. With millions of those products already in use by Chase customers, a major communication initiative was launched and included explanatory mail sent directly to customers, targeted messaging for customers managing their accounts online, and

[20] Source: *The Nilson Report* (2009)

information in the monthly account statements. As well, Chase developed an interactive website where customers and consumers could learn about the Blueprint features, see how they work, and understand how they could impact account management and costs. These communication elements were accompanied by TV advertising that ran to support the direct-to-customer communications. Importantly, for customers, all Chase credit card customer service advisors were trained regarding Blueprint so that they could both explain the features and benefits and directly assist customers with setting up their customized plans.

VI. Results

Egg-Krings, who oversees the Blueprint program, noted that since its inception in 2009, more than 3 million Blueprint plans have been activated. Regarding program results, he noted that Chase has "seen two things. One is a material number of our customers have used Blueprint. And for those customers who have used Blueprint, what we're seeing is real change in behaviors."

Overall, the feature that has most appealed to Chase customers is Full Pay, which allows customers to avoid paying interest on certain merchant categories. Full Pay plans account for about 60 percent of all Blueprint plans opened to date, with about 2 million plans currently open. The second most popular Blueprint feature is Finish It, with about 800,000 plans currently open. Although Split and Finish It are very similar, to date there have been two-thirds fewer Split plans opened than Finish It plans. Egg-Krings noted that fewer customers have opened Split plans than have expressed their interest, suggesting that interested consumers are not making it all the way through the plan setup process.

Track It, the budgeting and spend analysis feature, has received the least interest from Chase customers. Egg-Krings suggested that the time required to start a budget might be too much for some customers.

Supporting his conclusion that some features may be too complex, Egg-Krings noted that, while plans activated over the phone represent just 40 percent of total plan activations, those plans display stronger overall performance than those activated by e-mail or website, in large part because communication by phone allows customers to have their questions addressed up front.

The following subsections summarize Egg-Krings' discussion of Finish It and Full Pay, the two most popular Blueprint features.

a. Finish It

Finish It allows Chase customers to pay down all or a portion of their outstanding balance between four and 36 months.[21] On average, customers opening a Finish It plan have a $4,800 outstanding card balance and establish a plan to pay off $3,000 of debt, or about 60 percent. Two-thirds of initial plan amounts are more than 90 percent of the outstanding balance. The average initial plan term is 14 months, although at least 9 percent of the plans are two to three years long.

According to Egg-Krings, "Almost two-thirds of the customers who sign up remain committed to the plan and finish the plan." Most of the degradation in commitment rate occurs during the first three months. At month one, 90 percent of customers make their planned payment amount. By month three, 70 percent of plan

---

[21] See Kuchler (2015) for a discussion of debt paydown plans using an online financial management service. The results of that study are not directly comparable with Finish It. Most important, consumers in Kuchler (2015) make a plan to be completely debt free, whereas Finish It is constrained to debt on a single credit card. In addition, Finish It plans cannot be longer than 36 months, whereas the plans analyzed by Kuchler (2015) may extend for many years.

amounts are paid. The commitment rate declines more slowly after that, and by month 12, it remains steady at just more than 60 percent. Of those customers who complete a plan, the time to complete is very close to the original duration. Customers choosing to pay off at least 90 percent of their balances on average take 12.5 months, compared with their expected duration of 12 months. Customers who choose to pay off 25–50 percent of their balances show the highest variation. Although on average they expect to complete their plan in nine months, it typically takes about 11 months.

From a customer's perspective, Finish It has been a valuable debt paydown tool. Egg-Krings indicated that enrolled customers were able to pay down their outstanding balances at a significantly faster rate than observed in a comparable customer pool without Finish It plans. After a year, Finish It participants had paid off 25 percent of their outstanding balances, and 35 percent after two years, even while adding new balances.[22]

Chase also experienced a lower chargeoff rate in the Finish It participant population when compared with a comparable non-Finish It customer pool.[23] Egg-Krings noted that the reduced risk could be the result of selection bias (less risky customers choosing to participate in Finish It) or the relief experienced from smaller monthly minimum payments on a smaller balance. Since Finish It participants tend to be riskier than the portfolio average prior to starting a plan, Egg-Krings believed that selection was not contributing significantly to the more favorable outcomes.[24]

---

[22] Paydown rates for comparable non-Finish It customers were not provided.

[23] Egg-Krings noted that comparison results were calculated using matched pair analysis where the non-Blueprint customers had similar debt and behavior patterns before the start of the plan.

[24] An alternative explanation for lower chargeoff rates may be the positive reinforcement that customers receive as they progress through their plans.

b. Full Pay

Full Pay, which enables customers to avoid paying interest on certain merchant categories, is Blueprint's most popular feature, comprising 61 percent of all plans created since inception. The categories that customers select for Full Pay tend to be the high-volume, everyday transactions associated with many rewards programs, such as gas and groceries. According to Egg-Krings, "People are most keen on keeping their essentials off their balance. The larger purchases, they're fine with revolving, but with gas, groceries, and dining to an extent, customers seem less comfortable revolving balances from those purchases."

Enrollment in Full Pay has led to both a higher level of satisfaction with Chase as well as increased card usage. About two-thirds of Full Pay participants are spending more on their cards, both within their Full Pay categories and outside of them. The increased spend appears to be the result of substitution away from both other credit cards as well as other non-credit card payment methods, including cash and debit.

A consequence of paying in full for certain merchant categories is that Full Pay participants have a larger monthly payment amount than they would otherwise be required to pay (based on minimum payment). The average participant's Blueprint payment amount is 2.5 times the minimum payment amount. Egg-Krings discussed the effects of the Blueprint payment amount on the amount plan participants actually pay. While the discussion focused on Full Pay, the findings are generally applicable to the study of anchoring and reference points in credit card payments. Researchers have found that the minimum payment amount required on all credit card statements constitutes an anchor that influences consumers' payment decisions.[25] After the Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (the CARD Act) mandated that statements also display the payment amount required to pay off the outstanding balance in three years, researchers examined the influence of this second anchor on payment behavior.[26] By and large, the research found that the additional reference point at best had a small but positive effect and at worst a "perverse" effect on payment behavior by inducing some customers to pay less than what they would have. [27]

According to Egg-Krings, Chase found that, for Full Pay participants, the Blueprint payment goal did indeed influence actual payment amounts by acting as a new reference point between the minimum due and the full balance. Egg-Krings noted that, absent the Blueprint payment goal, if a customer paid more than the minimum, it was often a multiple of it, such as twice or 2.5 times the *required minimum payment*, but typically it was not more. However, with the Blueprint payment amount serving as a new reference point, some participants now paid twice the (higher) *Blueprint amount*. In addition, some participants who could not afford the Blueprint payment goal paid 50 percent of it, which was often greater than the minimum payment.[28] While these findings certainly confirm the power of anchoring in credit card payments, without randomized controlled trials or a similar experimental construct, it is not clear if the Blueprint

[25] See Navarro-Martinez, Salisbury, Lemon, Stewart, Matthews, and Harris (2011) and Stewart (2009).

[26] Pub. L. No. 111-24, 123 Stat. 1734-1766 (2009)

[27] See Campbell, Gartenberg, and Tufano (2011); Jones, Loibl, and Tennyson (2012); Agarwal, Chomsisengphet, Mahoney, and Stroebel (2014); Wang and Keys (2014); and Hershfield and Roese (2015).

[28] There will be instances in which half the Blueprint amount will be lower than some multiple of the minimum amount, in which case, the customer might have chosen a higher payment amount in the absence of the Blueprint payment.

payment goal actually results in customers making higher payments than they would have otherwise.

VII. Conclusion

In their concluding remarks, O'Donnell and Egg-Krings discussed the profitability of the Full Pay and Finish It features. They noted that Full Pay, the most popular of the four Blueprint features, has been profitable as a result of increased spending and account longevity that offsets lower interest income. While expressing a firm commitment to Finish It, they indicated that it has not yet become profitable.

Regarding the future of Blueprint, O'Donnell and Egg-Krings suggested that the customer insights they uncovered in 2007 and 2008 have been echoed in more recent customer research. This indicates that customers' needs from their credit cards have not changed drastically in the past seven years. At the same time, the need for a seamless mobile interface has grown, particularly for millennial customers. O'Donnell and Egg-Krings noted that the next version of Blueprint will likely have enhanced mobile capability and will also be linked to social media so customers can share their progress with friends and perhaps even challenge them to paydown contests.

Compared with traditional account management strategies that focus on increasing cardholder use, the Chase Blueprint program is geared toward improving the financial management of credit card debt such that cardholders perceive these unsecured loans to be more intentional, predictable, and repeatable. This strategy is an innovation that the market will be watching very closely.

References

Agarwal, S., S. Chomsisengphet, N. Mahoney, and J. Stroebel. (2014). "Regulating Consumer Financial Products: Evidence from Credit Cards," *The Quarterly Journal of Economics*, 130, 1.

Campbell, D., C. Gartenberg, and P. Tufano. (2011). "Reframing Behavior: The Impact of the CARD Act on Cardholder Repayment Rates," presentation prepared for CFPB CARD Act Conference, The CARD Act: One Year Later. http://files.consumerfinance.gov/f/2011/03/Gartenberg-Presentation-Revised-Final.pdf. Accessed May 19, 2015.

Evans, D. S., and R. Schmalensee. (1999). *Paying with Plastic: The Digital Revolution in Buying and Borrowing*. Cambridge: MIT Press.

Fickenscher, Lisa. (May 8, 1998). "An Amex Optima Card Falls from Grace," *American Banker,* 163, 87, p. 11.

Hansell, Saul. (September 7, 1994). "American Express Offers a New Card," *New York Times,* 143, issue 49812, p. D4.

Hershfield, H., and N. Roese, N. (2015). "Dual Payoff Scenario Warnings on Credit Card Statements Elicit Suboptimal Payoff Decisions," *Journal of Consumer Psychology*, 25, 1.

Hull, C. L. (1934). "The Rat's Speed-of-Locomotion Gradient in the Approach to Food," *Journal of Comparative Psychology*, 17, 3.

Jones, L. E., Loibl, C., and Tennyson, S. L. (2012). "The Effects of CARD Act Disclosures on Consumers' Use of Credit Cards," available at http://ssrn.com/abstract=2034419.

Kivetz, R., O. Urminsky, and Y. Zheng. (2006). "The Goal-Gradient Hypothesis Resurrected: Purchase Acceleration, Illusionary Goal Progress, and Customer Retention," *Journal of Marketing Research*, 43, 1.

Kuchler, T. (2015). "Sticking to Your Plan: Hyperbolic Discounting and Credit Card Debt Paydown," Working Paper, Stern School of Business, New York University.

Locke, E., and G. Latham. (2002). "Building a Practically Useful Theory of Goal Setting and Task Motivation," *American Psychologist*, 57, 9.

Navarro-Martinez, D., L. C. Salisbury, K. N. Lemon, N. Stewart, W. J. Matthews, and A. J. L. Harris. (2011). "Minimum Required Payment and Supplemental Information Disclosure Effects on Consumer Debt Repayment Decisions," *Journal of Marketing Research*, 48, SPL.

Nilson Report (The). (2009). "Top 100 U.S. Visa/MasterCard Credit Card Issuers Ranked by Outstandings MY 2009," August 2009, Issue 931.

Prelec, D., and G. Loewenstein. (1998). "The Red and the Black: Mental Accounting of Savings and Debt," *Marketing Science*, 17, 1.

Stewart, N. (2009). "The Cost of Anchoring on Credit-Card Minimum Repayments," *Psychological Science*, 20, 1.

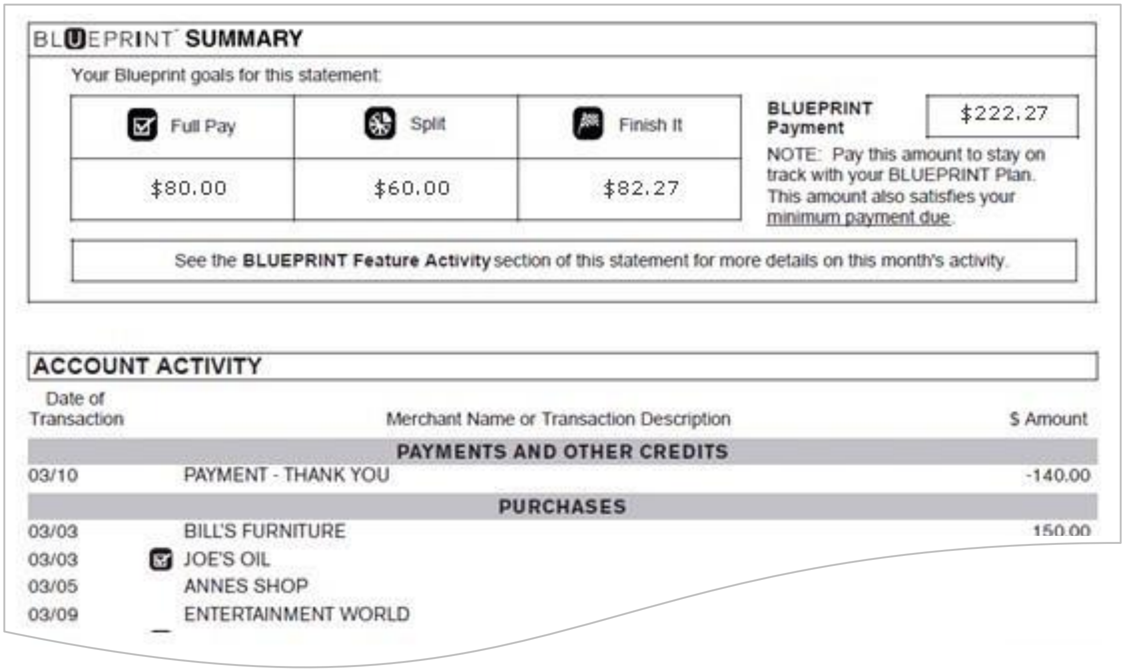
Thaler, R. H. (1985). "Mental Accounting and Consumer Choice," *Marketing Science*, 4, 3.

United States House of Representatives. "The Credit Card Accountability, Responsibility, and Disclosure Act of 2009," Pub. L. No. 111-24, 123 Stat. 1734.

Wang, J., and B. J. Keys. (2014). "Perverse Nudges: Minimum Payments and Debt Paydown in Consumer Credit Cards," *Issue Brief*, Penn Wharton University of Pennsylvania Public Policy Initiative, 2, 4.

Warren, E. (2007). "Unsafe at Any Rate," *Democracy: A Journal of Ideas*, 5, Summer 2007. www.democracyjournal.org/5/6528.php?page=all. Accessed May 19, 2015.

Figure 1. Sample Billing Statement with Active Blueprint Plans


BLUEPRINT SUMMARY

Your Blueprint goals for this statement:

Full Pay	Split	Finish It
$80.00	$60.00	$82.27

BLUEPRINT Payment $222.27

NOTE: Pay this amount to stay on track with your BLUEPRINT Plan. This amount also satisfies your minimum payment due.

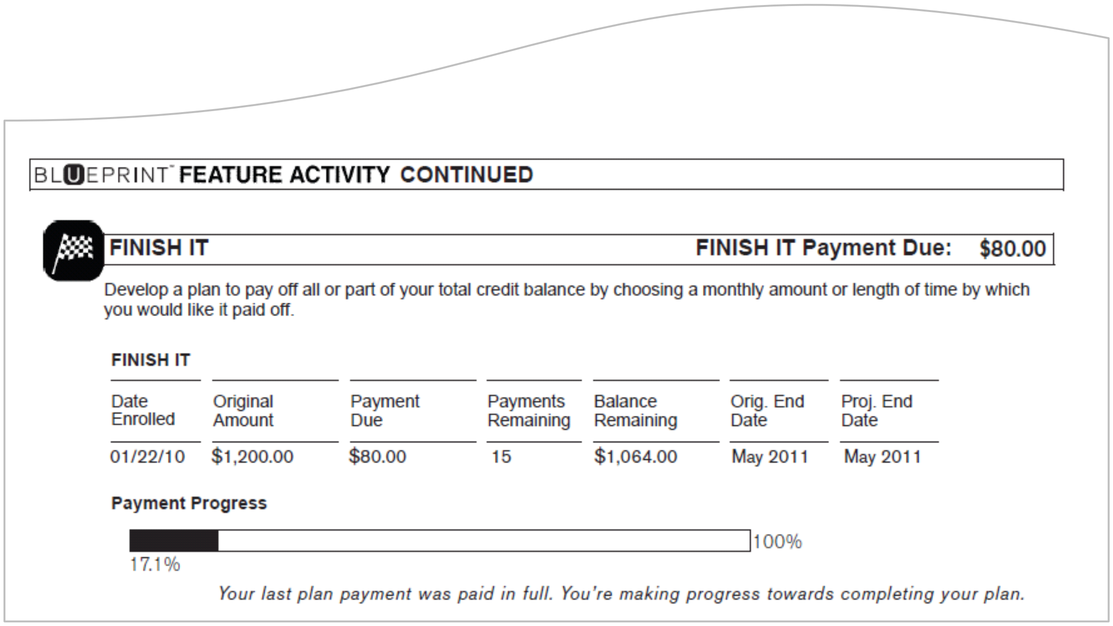
See the **BLUEPRINT Feature Activity** section of this statement for more details on this month's activity.

ACCOUNT ACTIVITY

Date of Transaction	Merchant Name or Transaction Description	$ Amount
	PAYMENTS AND OTHER CREDITS	
03/10	PAYMENT - THANK YOU	-140.00
	PURCHASES	
03/03	BILL'S FURNITURE	150.00
03/03	JOE'S OIL	
03/05	ANNES SHOP	
03/09	ENTERTAINMENT WORLD	

Source: JPMorgan Chase & Company

Figure 2. Sample Finish It Plan Summary with Progress Indicator on Billing Statement



BLUEPRINT™ **FEATURE ACTIVITY CONTINUED**

FINISH IT **FINISH IT Payment Due: $80.00**

Develop a plan to pay off all or part of your total credit balance by choosing a monthly amount or length of time by which you would like it paid off.

FINISH IT

Date Enrolled	Original Amount	Payment Due	Payments Remaining	Balance Remaining	Orig. End Date	Proj. End Date
01/22/10	$1,200.00	$80.00	15	$1,064.00	May 2011	May 2011

Payment Progress

100%

17.1%

Your last plan payment was paid in full. You're making progress towards completing your plan.

Source: JPMorgan Chase & Company

FEDERAL RESERVE BANK OF PHILADELPHIA

Payment Cards Center Discussion Paper Series

http://www.philadelphiafed.org/PCC