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THE WALL STREET JOURNAL.

WSJ.com

BUSINESS | APRIL 20, 2010, 6:55 P.M. ET

Target to Stop Offering Visa Cards

A Wall Street Journal Roundup

Target Corp. said Tuesday it will stop issuing Visa credit cards to qualified shoppers and will instead offer new cardholders access to the company's proprietary credit card.

The change, which takes effect next Thursday, won't affect current Target Visa cardholders. That group makes up about 70% of the retailer's total credit cardholders.

The Minneapolis-based retailer said its research shows that shoppers who use the in-house credit cards, which it began issuing in 1995, tended to spend more money than those with the Visa cards.

"The whole purpose is to drive retail sales and this is doing that," said spokesman Eric Hausman.

The move will have no impact on Target's relationship with **J.P. Morgan Chase & Co.**, which owns about half of Target's credit-card business.

Switching to proprietary cards will allow Target to "capture customer-level transaction data and leverage it in deepening customer relationships," according to a research note from John T. Williams, a credit-card analyst at Goldman Sachs. Target will also reduce the money required to fund receivables as retail credit cards typically have lower credit lines.

Credit-card companies are increasingly pulling the plug on some of the specialized, rewards-laden cards they offered customers when credit was easy. Co-branded and affinity cards have become too expensive as credit-card companies try to reduce expenses amid the surge in late payments and delinquencies by card users. Issuers usually pay partner firms or groups an upfront fee and a percentage of profits throughout the term of the contract.

Last fall, **Citigroup Inc.** dropped a three-year-old Home Depot co-branded card called Home Depot Rewards MasterCard that could be used anywhere. At the time, Home Depot said the card didn't resonate with shoppers as much as the retailer had hoped.

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