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Merchant Discounts Appeal in Theory But Not in Practice for Credit Card Users, says Auriemma Consulting Group

WESTBURY, N.Y. — The new realities of credit card economics are prompting many issuers to re-evaluate the benefits they provide to cardholders. Merchant-funded rewards are increasingly popular as a cost-effective option, and cardholders give positive marks to the concept of merchant discounts. In reality, though, very few actually use them, according to Cardbeat[®], a syndicated market research report published by Auriemma Consulting Group (ACG).

“The gap between consumers’ positive reaction to the concept and the lukewarm reaction to the execution suggests that issuers have not found the right combination of merchant brands and offers, or haven’t communicated them effectively,” says Nancy Stahl, editor of Cardbeat. “When we asked consumers to rate the appeal of a wide range of benefits, merchant discounts received high scores.” Consumers place the highest value on discounts based on stores where they shop and for everyday items, such as gas and groceries. “However, few issuers seem to have cracked the code for how to turn the idea into a reality that actually motivates consumers the way co-branded reward programs do.”

Credit score information suffers a similar fate, Stahl noted; consumers like the idea of getting information about their credit score and how to improve it, but those who’ve used this benefit are not impressed with what they got. “With card profitability under pressure, issuers need to make sure they are getting the most bang for their marketing bucks,” said Stahl. “Over-promising and under-delivering may be worse than not offering the benefit at all.”

The information in this release includes data from a survey of 419 credit card users conducted in November 2009.

About Auriemma Consulting Group

Auriemma Consulting Group (ACG) is a full-service management consulting firm serving the payments and lending industries since 1984. Cardbeat is ACG’s syndicated market research study of credit card holders, conducted monthly in the U.S. and quarterly in the U.K. With offices in New York and London, ACG consultants are experienced practitioners, drawn from the credit card, private label, auto finance, mortgage, and retail banking industries that we serve. For more information, contact Nancy Stahl at 516-333-4800 or nancy.stahl@acg.net.