



FOR IMMEDIATE RELEASE

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### **Consumer Opposition To Rewards Caps Is High, says Auriemma Consulting Group**

WESTBURY, N.Y. — The widespread practice of capping the amount of rewards that can be earned on a credit card diminishes their appeal to consumers, even though most consumers are personally unaffected. According to Cardbeat<sup>®</sup>, a syndicated market research report published by Auriemma Consulting Group (ACG), only a small fraction of cardholders who get points, miles, or cash back from their credit cards spend enough to hit the earnings cap, yet they still object to the concept of limitations. Credit card issuers who try to restrict their exposure to a handful of ultra-high spenders are thus limiting their appeal to the mainstream consumers they seek to attract.

“Consumers who say their favorite credit card provides some kind of reward do put more dollar volume on their cards,” says Nancy Stahl, editor of Cardbeat, “but the great majority never reach their cap. Nevertheless, 60% of reward card users feel these restrictions are inappropriate.” The average annual spending by these respondents was just under \$10,000, and most rewards programs’ caps range from \$25,000 to \$50,000 or more, she said.

This creates a dilemma for card marketers: if they try to please this large group of consumers by waiving the cap, they have no effective way to filter out the small group of “professional” cardholders whose huge amounts of spending can deplete and distort program P&Ls, Stahl said. “Issuers have to make a choice between designing a program that has fewer constraints but opens the door for ‘gamers’ or reducing their risks by adding restrictions and fine-print disclosures that alienate consumers.”

While consumer dislike of restrictions is predictable, there are other aspects of design that may affect the rewards program’s appeal without major impact on the P&L. “Consumers react much more to the absolute ‘price’ of rewards than to the earnings ratio,” Stahl noted. “When we presented respondents with three arithmetically equal value propositions, they showed a strong dislike of the option that required the most points to redeem, even though they earned at a commensurately high rate; they would rather earn fewer points to buy ‘cheaper’ rewards.”

The information in this release includes data from a survey of 269 rewards cardholders conducted in February 2010.

### **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](mailto:nancy.stahl@acg.net).