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### **American Consumers Still Love Credit Cards with Rewards, says Auriemma Consulting Group**

May 17, 2011 (New York, NY). After the turbulence of the last three years, many observers expected that the competitive landscape for credit cards in the US would be profoundly changed. However, a recent study by Cardbeat<sup>®</sup>, a syndicated monthly publication of Auriemma Consulting Group (ACG), shows that the dominant product is the tried-and-true rewards card. More than half (56%) of survey respondents have at least one rewards card, and these cardholders are significantly more upscale than those whose cards don't provide rewards. With most banks targeting their customer acquisition strategies on prime and super-prime segments, rewards cards are proving to be effective magnets for customers with more education and income who spend heavily and borrow less.

Heavy credit losses in the card industry, coupled with new regulations and curbs on pricing and marketing, had placed the future of rewards programs in doubt, said Dr. Patricia A. Sahm, Managing Director at ACG. "For debit cards, the jury is still out until finalization of the Durbin Amendment caps on interchange: witness JP Morgan Chase's very public announcement that they may have to discontinue rewards on the Disney-branded debit card", she noted. "However, credit card issuers still find that compelling rewards programs attract the more affluent and lower-risk customers that are particularly attractive in today's more conservative underwriting environment."

Since these customers generate less interest income, annual fees are becoming more common features of rewards cards, and consumers seem to have grudgingly accepted them. 61% of consumers with a rewards card said they'd be willing to consider paying an annual fee if it meant they would earn more rewards. "In many cases, cardholders who objected to annual fees have already attrited", Sahm pointed out. "There are still many rewards cards that have no annual fee. Nevertheless, the trend is for lower levels of rewards on no-fee cards, compared to the more enticing array of rewards and perks that cardholders can buy into with an annual fee."

Cash-back and points-based programs predominate, while rewards cards tied to a particular airline, hotel, or retailer have smaller but devoted bases. Consumers place a high value on having the freedom to choose their own rewards, and like programs with flexible redemption options. Card issuers have listened: over half of cardholders say they "always" have the option to get something they really want when redeeming rewards and a whopping 89% say that their redemption experience was "very good and smooth".

## **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. ACG also conducts research in the debit and prepaid space, and published a quarterly report known as The Debit Report. 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 Dr. Patricia A. Sahn at 212-323-7000 or [patricia.sahm@acg.net](mailto:patricia.sahm@acg.net).