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One-Fifth of Young Consumers Plan to Obtain a New Credit Card This Year, says Auriemma Consulting Group

Amid signs of a slow but gradual economic recovery, U.S. consumers are showing more interest in financial products. According to a recent study by Cardbeat[®], a syndicated monthly publication of Auriemma Consulting Group (ACG), just under a third of consumers surveyed plan to open at least one new account this year. As banks return to an emphasis on growth, they will be competing to gain a bigger share of consumer's wallets.

As a result of the many bank takeovers and mergers from the last three years, retail banking is increasingly consolidated, with the three biggest players – Bank of America, Chase, and Wells Fargo – named by 40% of consumers as their primary bank. Furthermore, while only 31% of respondents in June 2009 said their main credit card was issued by their primary bank, that number has risen to 47% in January 2011 when the survey was fielded.

“After writing off huge losses of bad debt in the recession, many banks are assessing customer needs as the economy improves, making serious efforts to establish deeper, multiple product relationships that integrate the total value of their customers. “The initial marketing is to their base of deposit customers”, said Dr. Patricia Sahn, Managing Director at ACG. “Their existing relationship with checking and savings accountholders gives them insight into how to segment and market to these customers.”

Interest in obtaining a new credit card was at 11% among the population overall, but twice as high among those under 25 years old. New regulations have sharply curtailed the marketing of credit cards to college students, Dr. Sahn noted, so young adults are less likely to already have a wallet full of cards, making them a particularly responsive segment. However, young adults are also less likely to have strong ties to their bank, and put less emphasis on local presence than older consumers do. Large national card issuers like American Express and Discover may find it easier to compete with bricks-and-mortar banks for young customers.

The consumer's prior experience with the bank is the single most important factor in the decision to buy additional products. Among customers who had multiple relationships, 42% cited good customer service as their primary motivation for consolidation, compared to 35% who said their decision was driven by a better rate. "Of course, banks need to make sure their offerings are competitively priced", said Dr. Sahm. "But customers who have experienced excellent service may choose that provider without doing extensive comparison shopping. A strong service reputation can be more important than having the absolute best price."

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 Dr. Patricia Sahm at 212-323-7000 or patricia.sahm@acg.net.