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Old Offers, New Responses in Credit Card Industry says Auriemma Consulting Group

July 6, 2011 (New York, NY). After bottoming out in 2009, the rates of new card acquisition have settled into the low end of normal. In a recent survey by Cardbeat[®], a syndicated monthly publication of Auriemma Consulting Group (ACG), 15% of respondents had opened a new credit card account within the last 12 months, up from a low of 11% in 4th quarter 2009 but well below the 20% rate seen in 2007. “Banks are mailing again, but far more selectively,” says Dr. Patricia A. Sahm, Managing Director at ACG. In a flight to quality, card issuers are focusing on those with prime and super-prime credit scores---and those consumers have a myriad of choices, she noted.

“According to our Cardbeat respondents, little has changed in the way banks market their credit cards,” Sahm said. Reward programs are the most frequently received type of solicitation, and half of those who opened a new account said it was for a rewards card. Just over a third said they had acquired a low-interest rate card. In addition to the core benefits, about 2/3 said they received some special acquisition offer, most often an introductory period of low interest rates.

It’s not just the offers that are traditional: issuers continue to rely heavily on tried and true channels, with 77% of survey respondent reporting receipt of credit card offers through direct mail. Less than half that percentage report getting any card offers through email. But recipients are increasingly availing themselves of online channels to respond. Among those who had opened a new credit card account, a whopping 63% submitted their application online, regardless of how the offer was received. “Direct mail continues to be an effective channel for savvy marketers,” Sahm said, “with about a third of all respondents saying that they open and read at least some of the credit card solicitations they get. But these responders tend to ignore the paper application and return-postage mailer, finding it easier to complete an online application.”

This hybrid model of communication illustrates the challenges banks face as they rush to develop online and mobile channels for marketing and customer management. “There’s a tendency to talk about consumers as if they were committed to only one channel,” Sahm said. Quite the contrary, she noted: the same customer may read a direct mail solicitation, apply online, check their statements on their smartphone, and call customer service to inquire about an unexpected charge on the statement. “Multiple-channel communication is the norm, and the integration and visibility of information across multiple channels and touchpoints is a bigger challenge than the development of any single technology.”

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.