



FOR IMMEDIATE RELEASE

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While Consumers Are Accepting of Some Credit Card Fees, Annual Fees Provoke Ire, says Auriemma Consulting Group

NEW YORK, N.Y. — Credit card issuers who are considering whether to impose annual fees will encounter stiff consumer resistance, according to Cardbeat[®], a syndicated market research report published by Auriemma Consulting Group (ACG). New regulations, coming at a time of high losses, are driving many issuers to consider ways to increase revenues. In a recent Cardbeat survey, nearly half of respondents said they had paid some type of fee on their credit card within the past 12 months, although only 25% paid an annual fee.

“While people predictably dislike fees in general, they are particularly resistant to upfront fees for services which they feel entitled to receive: account initiation, inactivity, and annual fees,” says Nancy Stahl, editor of Cardbeat. Respondents reserved their strongest condemnation for annual fees, she added. “Most consumers have come to expect that checking accounts and credit cards will be free.”

While clearly undesirable, activity and penalty fees -- for cash advances, late payment, and going over limit -- provoke less ire among consumers and are grudgingly accepted as part of doing business. The fees that cause the least ill-will, those for foreign exchange and for additional services like credit monitoring, don't touch on the core functionality of the card for most consumers, Stahl said.

When it comes to applying for a new credit card, Cardbeat research indicated that consumers look first at annual fees, with APR considered second, and rewards programs being a distant third, Stahl noted. “When we presented respondents with six hypothetical credit card offers, most showed a strong dislike for cards with high annual fees, even though these cards had comparatively generous rewards programs. While there are certainly segments of reward-chasers, the majority of consumers are willing to sacrifice rewards to have no annual fee or a lower APR.”

For consumers, avoiding annual fees may become more difficult. Though only about 20% of U.S. credit cards currently have an annual fee, this percentage will likely rise as many current direct-mail card offers are for premium cards loaded with rewards programs...and fees, Stahl noted. “We expect that more and different kinds of rewards programs will be offered to consumers to demonstrate the added value that warrants an annual fee. Marginally-profitable customers of today may be faced with the choice of paying an annual fee or deciding to move away from credit card usage and toward debit card usage.”

The information in this release includes data from a survey of 428 cardholders conducted in May 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 212-323-7000 or nancy.stahl@acg.net.