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FOR IMMEDIATE RELEASE

## **You Can Sign Them Up, But Can You Keep Them? Asks Auriemma Consulting Group**

There is at least one sector that seems optimistic about the American consumer: credit card issuers are aggressively wooing prospects with teaser rates and rich sign-up bonuses. Zero percent rates on balance transfers vie with big sign-up bonuses of air miles or hotel points to entice affluent customers to acquire new credit cards, and many prospects are responding enthusiastically. But according to a recent survey conducted by Cardbeat®, a syndicated consumer research publication of Auriemma Consulting Group, holding on to these new customers is a challenging task.

Zero-percent offers for balance transfers were a hallmark of the pre-recession economy, but this time around they're a bit different. For one thing, they're mainly being offered to the most creditworthy customers. And issuers are trying new twists to combat "rate surfing," according to Dr. Patricia Sahm, Managing Director at ACG. "Consumers told us that their primary reason for acquiring a card was the APR, and it was also the primary reason for cancelling the same card once the teaser rate expired. Now we see issuers offering zero interest with very long time frames, such as over a year on new purchases as well as promo checks." Getting the customer to actually put the card in their wallet and use it for purchasing is a big step, says Sahm. "In our most recent Cardbeat survey, 40% of those who cancelled a card in the previous six months said they never or rarely used that card."

While teaser rates appeal to people who usually carry balances, consumers who pay their monthly balance in full are rejoicing at the range of supercharged airline and hotel bonus offers. Sign-up bonuses of 10,000 to 25,000 miles or points used to be the norm; now many travel companies are offering 50,000 or more points along with waiving the first year's annual fee. Instead of rate surfing, the T&E segment has travel hacking, with frequent-flyer fanatics boasting of having 20 different airline cards in their dresser drawer. And while some hardy road warriors are willing to devote hours to managing their accounts, most consumers aren't. "Because most travel-oriented cards have an annual fee, the issuer has less of an issue with inactive accounts," notes Sahm. "Annual fees have the dual benefit of adding a revenue stream and of forcing the usage issue: if you pay an annual fee, you need to use the card to justify it."

Cardbeat research data was gathered using a web-based survey recently administered to 400 credit card users in the U.S. The number of interviews completed on a monthly basis is sufficient to allow for statistical significance testing between sub-groups at the 95% confidence level  $\pm 5\%$ .

**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. Sahm at 212-323-7000 or [patricia.sahm@acg.net](mailto:patricia.sahm@acg.net).