Bank Travel Reward Cards
Opportunity or Threat

David Edwards
Director, International Partnerships
Opportunity or Threat?

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29th November – 1st December 2017
Is there room for the both of us?
Or are some better at finding space?
Size of Global Personal Credit Card Market, 2016

Big enough?

Even the toughest Interchange Markets predict growth!

If you took all the credit cards in circulation from the top 10 card issuers in the U.S. and lined them up end-to-end, they would stretch around the equator, and then some.

Can your card stand out of the crowd?

Source: creditcards.com
Does Interchange Increase the Threat or Opportunity?
US (High I/C)

Co-brand Cards

Bank Reward Cards

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Australia (Regulated I/C)

Co-brand Cards

Be rewarded for everyday purchases

Bank Reward Cards

Citi Platinum Reward yourself on us with 100,000 Points

For people who want the best, including access to a host of benefits such as a wide variety of Platinum card rewards, Visa Premium Rewards, Airport Lounge Passes and so much more.

Platinum Rewards Mastercard

100,000 BONUS POINTS when you spend $2,500 on everyday purchases within 90 days of account opening. To be eligible enter the promotion code REWARDS into the application form.

Earn 1.5 Bendigo Rewards points for every dollar you spend, which you can redeem for products and vouchers.

Enjoy 180 days comprehensive travel insurance, as well as 90 day purchase protection on lost, stolen or damaged purchases.

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Europe (Low I/C)

Co-brand Cards

Bank Reward Cards

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Who? Me?

Red Herring

Cleverly missing the point to draw attention away from the argument.
**Post-IFR Programme Changes**

Base: Rewards earned on any cards have changed in the past year

**Effect of Changes on Perceived Card Value**
- Decreased: 79%
- Increased: 11%
- About the same: 11%

**Impact of Changes on Card Usage**
- About the same: 55%
- Less: 38%
- More: 8%

Source: Auriemma Cardbeat UK, 2017
The Key is to adapt to Market Conditions

- Contactless helping migrate transactions
- Fin-techs with APIs bring alternative solutions
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- GDPR combined with engaged customers is a USP
- PSD2 has potential to disintermediate & open doors
- International Spend and Commercial Card Options

Digital
Rewards
Regulation

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- CFPB in judicial review; could lead to reduced powers
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Rewards
- Brands have increasing control over new deals and can be very selective with Issuers
- Desire to acquire, potentially creating ‘unprofitable’ bonuses

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Digital

Rewards

Regulation

Digital Regulation Rewards Regulation

Omni-channel shopping driving increase

Rise in Apple Pay coupled with in-browser support expected to increasingly drive digital payments
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Attribute Differences

Emotional

Transactionable

Co-brand Cards

Already Have / Extension of:
- Loyalty Program
- Engaged Relationship
- Brand Experiences
- 360 Experience
Attribute Differences

**Already Have / Extension of:**
- Loyalty Program
- Engaged Relationship
- Brand Experiences
- 360 Experience

**Co-brand Cards**

**Need to Bring / Start Up:**
- Buy in Benefits
- Attract the Customer
- Wide choice of Rewards
- Create Experiences

**Transaction**
WE DON'T NEED TO BE THE ONLY BEER YOU DRINK. WE JUST WANT TO BE THE BEST BEER YOU DRINK.

Goose Island Beer Company was born Friday, May 13, 1988. We remain relentless in our quest for innovation and discovery.
Are you their #1?

- 1 card: 47%
- 2 cards: 29%
- 3 cards: 12%
- 4+ cards: 11%

Source: Auriemma Cardbeat US, 2017
Are you their #1?

Nearly half of all online shoppers prefer to just use **one card** for all purchases.

Source: Auriemma Cardbeat US, 2017
Commitment to Most Frequently Used Card (MFU)

Frequency of Spending More on Non-MFU Card(s) in Past Year (US)

90% Have Spent More their MFU

- 7% in 1 month
- 10% in 2-3 months
- 11% More than 3 months
- 60% Never in past 12 months
- 12% Not sure

38% of those who spent more than on a non-MFU card cited

‘The Desire to Earn Rewards from the MFU’

Source: Auriemma Cardbeat US, 2017

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Commitment to Most Frequently Used Card (MFU)

MFU Card Tenure (US)

90% cardholders with multiple credit cards would also use their MFU card to make a large upcoming purchase

Source: Auriemma Cardbeat US, 2017
Just over half (54%) of UK cardholders have a rewards card & one-quarter (25%) own more than one.

- 29% Holds 1 payment rewards card
- 25% Holds 2+ payment rewards cards
- 46% Does not own a payments rewards card

Source: Auriemma Cardbeat UK, 2017
Rewards Category is King

AMONG ALL REWARDS PAYMENT CARDHOLDERS

82%
Most frequently used card is a rewards payment card

AMONG MFU REWARDS PAYMENT CARDHOLDERS

69%
Would choose the card in the same rewards category vs. would choose card tied to brand

Source: Auriemma Cardbeat UK, 2017
Influence of Rewards in Payment Method Selection

AMONG ALL REWARDS PAYMENT CARDHOLDERS

59%
Choose payment methods to maximize rewards

vs. rewards not deciding factor

Source: Auriemma Cardbeat UK, 2017
Rewards Payment Cards Held

- Supermarket rewards card: 33%
- Airline rewards card: 21%
- Retailer rewards card: 17%
- Hotel rewards card: 9%

Source: Auriemma Cardbeat UK, 2017
Importance of Soft Benefits vs. Spending Rewards

T&E rewards payment card (n=108) - 50% Soft benefits are important

Retailer / Supermarket rewards payment card (n=186) - 34% Soft benefits are important

Source: Auriemma Cardbeat UK, 2017
Issuers of Rewards Cards That Had Points Transferred (US)*

Only 18% of cardholders who have a Bank Rewards Card transferred points at least once to another rewards program

Source: Auriemma Cardbeat US, 2017

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Card Selection Influencers
AMONG REWARDS PAYMENT CARDHOLDERS

No annual fee | Airline Base: 83 | Hotel Base: 35 | Retailer Base: 186
---|---|---|---
40% | 40% | 30% | 40% | 37% | 30% | 22% | 20% | 17%
Companion tickets | Upgrades | Points never expire | No annual fee | Elite status | Complimentary room upgrades | Discounts | Special deal days | Cardholder exclusive offers
28% | 24% | 34% | 31% | 30% | 22% | 20% | 17%

Source: Auriemma Cardbeat UK, 2017

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Card Selection Influencers

The Influence of Softer Benefits

**Airline**
Base: 83

- No annual fee: 40%
- Companion tickets: 28%
- Upgrades: 24%
- Points never expire: 34%
- Elite status: 31%

**Hotel**
Base: 35

- No annual fee: 34%
- Elite status: 31%
- Complimentary room upgrades: 20%
- 0% promotional financing: 17%

**Retailer**
Base: 186

- Special deal days: 34%
- Cardholder exclusive offers: 31%

Source: Auriemma Cardbeat UK, 2017
Most Frequently Used
AMONG REWARDS PAYMENT CARDHOLDERS WHO USE REWARDS PAYMENT CARD MOST FREQUENTLY

T&E: 42%
Retail: 22%

Source: Auriemma Cardbeat UK, 2017
Past Month Spend

T&E rewards payment card (n=91)

- 42% Over £500
- £1080 (avg.)

Retailer / Supermarket rewards card (n=138)

- 29% Over £500
- £606 (avg.)

Source: Auriemma Cardbeat UK, 2017
Is there a Winning Formula?
Remember

Understand what motivates YOUR customer
Differentiate your programme by emphasizing soft benefits.
Remember

IFR will **not** kill rewards payment programmes.
Remember

Be creative with your rewards offerings.