

CREDIT CARD REPORT JUNE 2009

Is the consumer credit card market in decline?

The current recession has had a wider impact than merely on the financials of consumers, businesses and financial service providers alike. It is not even as simple as recognising a more cautious landscape. Figures released by APACS show that between 2005 and 2008 the gap has significantly widened on consumer spend using debit cards and those using credit cards. Debit card spend is even forecast to take over from cash this year if the trends continue. So where does this leave credit cards? How are consumers choosing them, using them and even 'losing' them?

Or is it just a stagnant market?

The majority of consumers do have and use credit cards; nearly 75% of us do in fact. Many, if not most, acquisition marketing communication conducted by credit card companies is focused on encouraging people to switch providers. Our research conducted just last month shows that nearly 80% of people never switch unless there is a problem. There is little difference between men and women or income levels. Only life stage demonstrated a difference in attitude. Younger profiles indicated they are more likely to switch, even here though the majority (ie 68% of young independents) still wouldn't unless there was a problem. Almost all of those living in council accommodation (97.4%) stated they would stay with their current provider unless there was a problem. Could it be that the period of turmoil experienced by financial organisations has led to reluctance to change the status quo amongst consumers – they are waiting for the “dust to settle”?

Go on then tempt me

People are still switching and credit card companies want to keep encouraging them to do so. So what is it that attracts consumers and overcomes the inertia to encourage them to switch? The top 3 important factors when switching credit cards in order of importance is:

1. Easy application process (78.4% said quite or very important)
2. Lowest possible rate (72.7% said quite or very important)
3. 0% balance transfers (63.7% said quite or very important)

Cashback and rewards schemes such as Airmiles follow close behind. The most unimportant factor, perhaps in contrast to retail, was a recommendation from family or friends (55.9%).

Those customers happy to stay with their existing credit card provider also appreciate the additional benefits a credit card gives them. The top 3 important additional benefits in order of importance are:

1. Identity Theft Insurance (73.5% said quite or very important)

2. Purchase Protection Insurance (63.9% said quite or very important)
3. Retail Discounts (60.6% said quite or very important)

Certainly the top two are significant advantages credit cards have over other payment methods.

Managing and juggling their credit cards

All demographics, including age, gender, lifestyle and income, were looked at where consumers had a mix of one or more credit cards. Across all, these were paid off in full always, sometimes or never or (where they had more than one) balances transferred between cards and outstanding debt juggled. Older families were most likely to juggle or never pay off their card in full. Income level had little impact on the tendency to juggle – 6.7% of £70k and above did and 4.7% of £10k and under did, to take the two extremes as examples. Income did have an impact on having several cards that were always paid off in full – 60% of £70k and above did and 16.3% of £10k and under did. Unsurprisingly, retired, empty nesters and independent adults were most likely to pay off the balance in full.

Where next?

It is true in these challenging times that caution is a watchword - for consumers, for businesses and for marketing and research budgets. Can you be sure in your organisation that you are making the most of the activity you are carrying out and that when times are more favourable you have made yourself in the strongest position possible to benefit from it. Whilst the above research is interesting from a "population as a whole" point of view what would the results be for your customers? More importantly how can this insight help you tailor communication and activity to be most effective? At Core Insight we are experts at conducting valid and useful research and data insight and demonstrating a proven commercial gain from it.