

Cash Is King When It Comes To Credit Card Incentives

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Competition is always fierce in the credit card industry, and these days issuers are sweetening incentives to grab consumers'™ attention in an increasingly crowded mailbox.

According to Mintel Comperemedia, cash in particular is becoming the enticement of choice, as 23% of credit card offers in January-April 2011 included an additional cash incentive, compared to just 1% during the same period in 2007.

“An additional cash incentive, usually triggered upon first purchase or once a cardholder spends a specific amount on the card, has been popular in the competitive cash back card segment,” says Andrew Davidson, senior vice president, Mintel Comperemedia. “However, we are now seeing cash used as an additional incentive for some mileage cards, as well as cards without rewards.”

Fifty-nine percent of offers for new credit cards in the first four months of the year promoted some form of additional incentive to encourage potential applicants to sign up for a card, compared to 30% during the same period in 2007.

Despite the growth of cash, miles and points are still the most popular incentive—25% of offers during January-April 2011 lured potential customers with bonus miles or points.

“It is getting to the point where, in some cases, the incentive is so attractive that consumers may as well apply for a card to cash-in on its incentive regardless of whether they have any serious intent to use the card in the long term,” notes Andrew Davidson. “The challenge for issuers will be getting these incentive-driven switchers to change their spending behavior and become loyal cardholders.”

Chase has been setting the pace by offering \$300 as a cash incentive in some offers for its Freedom card and 100,000 bonus miles in offers for its British Airways Visa Signature card—enough for two transatlantic round-trip tickets, or four domestic round-trip tickets.

Source: Mintel Comperemedia

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