



Improving the Return on Investment in Credit Card Satisfaction—Focusing on What Really Matters

THE PROBLEM:

Which Actions Most Impact Business Results?

After a period of volatility and uncertainty, the credit card industry has stabilized and again offers issuers opportunities for revenue growth and profitability. While spend is trending upward, new challenges are emerging:

- Outstanding revolving credit has declined over the past 2 years and shows no signs of rebounding to previous levels.
- New channels, such as mobile and social media, require additional investments, resources, and expertise to understand and meet evolving credit card customer expectations.
- There is less flexibility in changes to terms and pricing to offset emerging risks.
- Competition for new customers continues to be intense; simultaneously, customers are spending an average of only \$913 on their primary card, and the ease of switching is high.
- The Consumer Financial Protection Bureau has heightened scrutiny regarding the handling of consumer problems and complaints.

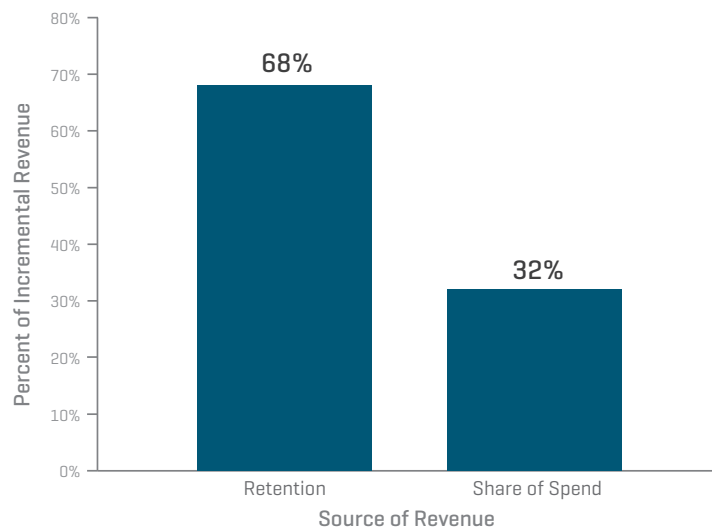
Within the context of the number of challenges competing for limited resources, what role does customer experience play? Which actions will have the greatest impact on business results and the largest payoff to major stakeholders—customers and shareholders?

THE SOLUTION

The good news is that the actions are, broadly speaking, pretty straightforward: reduce problems and improve rewards. Analyses conducted by J.D. Power and Associates show that improving customer experience impacts business results primarily through reduced attrition and secondarily through increased share of spend.

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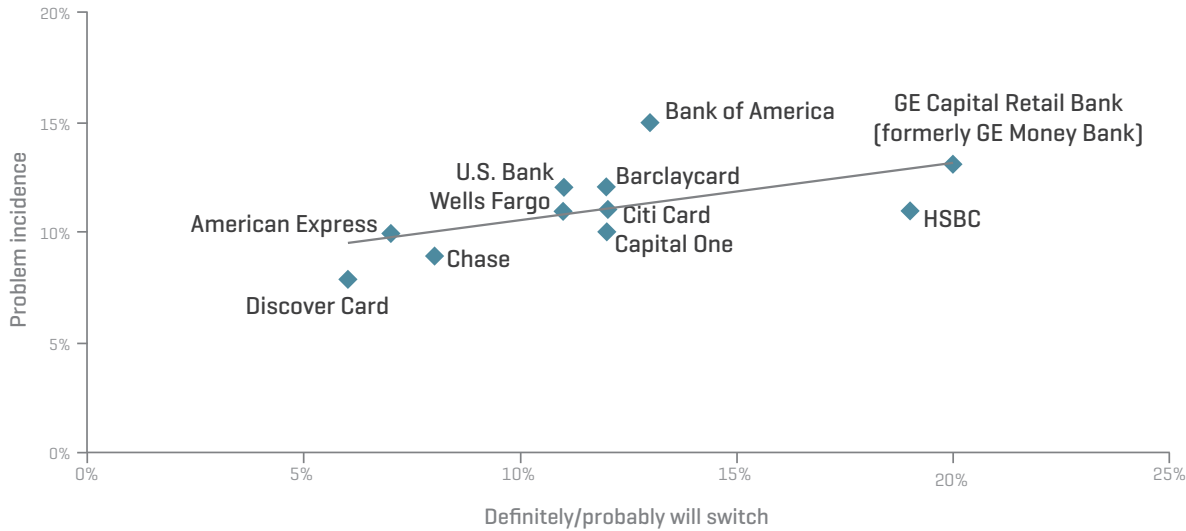
SOURCES OF INCREMENTAL REVENUE RESULTING FROM INCREASES IN SATISFACTION



Source: J.D. Power and Associates 2012 US Credit Card Satisfaction StudySM

The No. 1 driver of attrition is the number of problems an issuer’s customers experience. The problems most likely to drive attrition (in order of importance) are poor customer service; interest rates; unsatisfactory problem resolution; issues with rewards programs; and fees.

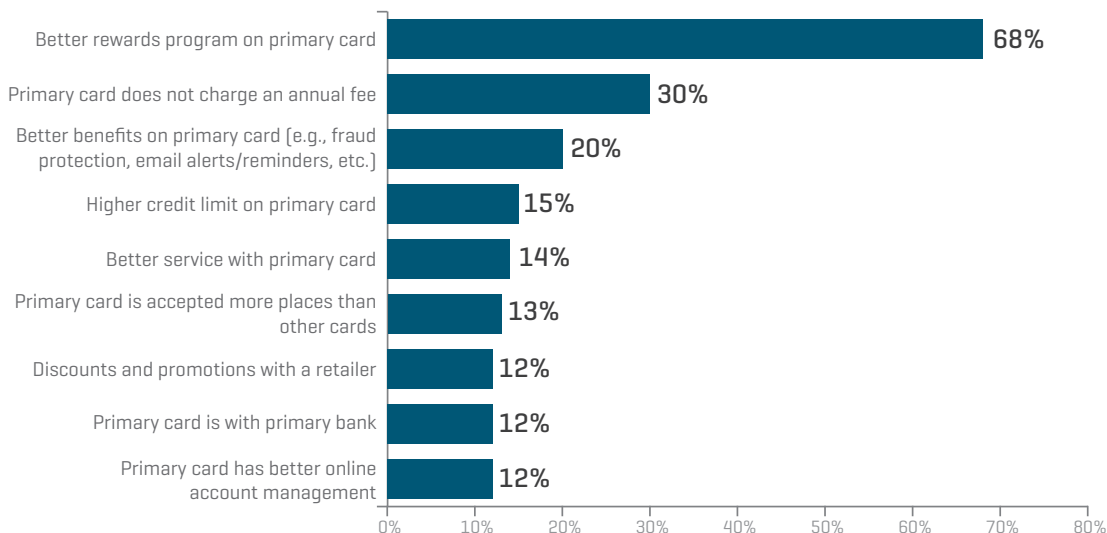
RELATIONSHIP BETWEEN PROBLEM INCIDENCE AND INTENDED ATTRITION



Source: J.D. Power and Associates 2012 US Credit Card Satisfaction StudySM

More than two-thirds (68%) of credit card customers cite the quality of their card’s rewards program as the main reason for selecting and maintaining their primary credit card, which increases the share of wallet held by issuers.

REASON FOR SELECTING AND MAINTAINING PRIMARY CREDIT CARD



Source: J.D. Power and Associates 2012 US Credit Card Satisfaction StudySM

RECOMMENDED ACTIONS

No. 1: Reduce problems through clearer communication of pricing and rewards.

J.D. Power analyses across all financial services products show that the most effective way to reduce or prevent problems is to clearly communicate the benefits, functionality, and pricing of a product at both the initial point of purchase and through ongoing communications. For example, not only is satisfaction higher among customers who say they “completely” understand their pricing structure, but they also have a greater understanding of their terms; experience fewer problems; have lower intended attrition; and have greater share of spend on their primary card. Notably, many of these customers indicate experiencing better communication during the card activation process, saying their representative took that opportunity to clarify benefits; explain rewards programs; fully explain fees; and answer questions.

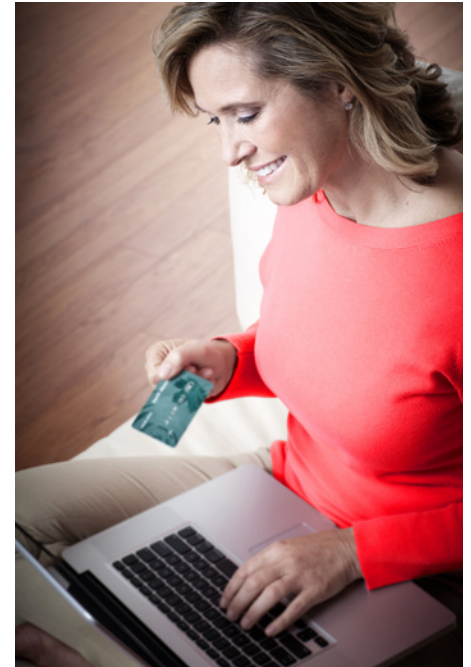
Effective communication is also important to ensuring that customers are highly satisfied with their available rewards programs, which is critical because loyalty and retention metrics are tied heavily to the rewards provided by card issuers. Customers who say they “completely” understand their rewards program are also more likely to indicate that their account rep explained the rewards program during the application/activation process, as well as more likely to have received clear rewards information delivered to them in a welcome packet after card activation.

No. 2: Raise the bar on service standards.

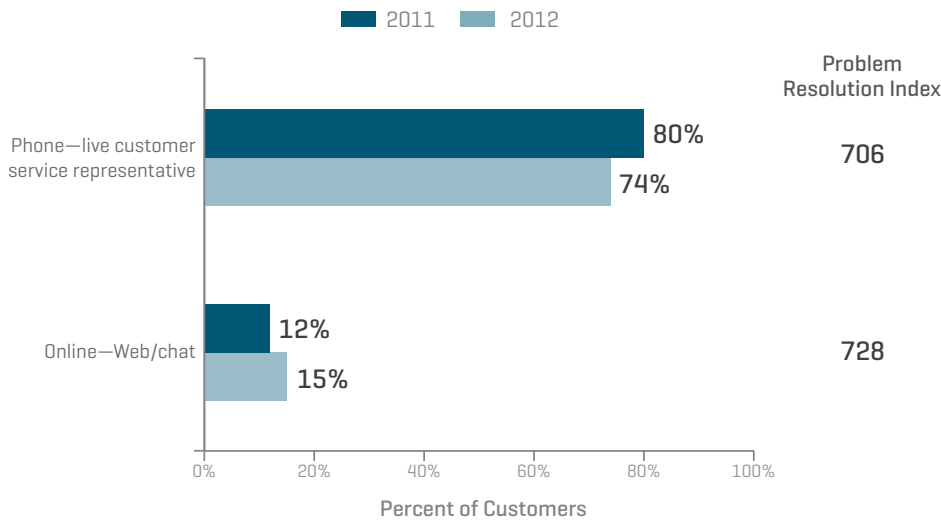
Issuers that have been unsuccessful in executing on the more common aspects of the customer experience tend to receive more complaints related to customer service. In turn, those complaints lead to low levels of satisfaction, thereby increasing the risk of customer attrition.

Despite the increased comfort with conducting simple transactions online, the call center remains the primary interaction point for problem resolution, yet satisfaction with the live phone problem resolution is lower than the online experience. Customers who report a service problem are less likely to receive key best practices during an interaction with their call center rep, including being greeted in a friendly manner; being called by name; and being thanked for their business. Long wait/hold times are also common among customers who experience a service-related problem. Finally, issuers must ensure that their call center reps speak clearly and in terms that are easily understood by all customers.

The good news for issuers is that service-related problems tend to be preventable through improved training and coaching.



METHOD USED TO RESOLVE PROBLEM/COMPLAINT



Source: J.D. Power and Associates 2012 US Credit Card Satisfaction StudySM

Since it is impossible to prevent all problems, properly handling them when they do arise is paramount. Keys to resolution include taking ownership of the problem, expressing empathy, and resolving the issue quickly; however, in those instances where problems can't be resolved quickly, setting and meeting expectations become critical to satisfaction. The importance of ownership is underscored by the finding that customers who are given the choice between a single point of contact and same-day resolution prefer the single point of contact. Satisfaction actually drops by 85 points when customers are transferred to a second rep.

No. 3: Offer a rewards program that is easy to understand, easy to use, and provides clear value to customers.

Rewards programs are primary drivers of selection, switching, and spend in the credit card industry. In fact, customers with above-average satisfaction with their rewards programs spend 51% more per month on their primary card than do those with below-average satisfaction.

It is critical that customers understand how rewards are earned and even more critical that they understand how to redeem them. Ease of understanding may be enhanced by displaying rewards earned on statements and personalized Web pages; providing information on reward promotions and special offers; and offering and promoting rewards tracking tools online. For more complex programs, care must be taken to clearly communicate which rewards—of all available—can be earned by different uses of a specific card and what the different rates of point accumulation are based on purchase categories.

Data shows that different types of customers prefer different types of rewards. Nearly half (45%) of customers prefer cash rewards, while others prefer such rewards as airline miles, hotel discounts, or gift cards. Regardless of the types of rewards offered, ensuring that rewards have no maximum limit and no expiration date may enhance the perceived value of the reward program, thereby increasing satisfaction, spend, and loyalty metrics.

THE BOTTOM LINE

While priorities ranging from investment in digital channels to CFPB compliance need to be addressed, don't lose focus on the actions that are likely to have the greatest impact on customer—and shareholder—satisfaction:

1. Ensure customers understand pricing and rewards
2. Raise the bar on personal interactions, which are less about routine transactions and more about moments of truth
3. Provide a rewards program that delivers ease of use and value



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