

## Commentary

### What's In The Cards?

Robert Passikoff, Jun 02, 2009 05:00 AM

Loyalty and engagement metrics are excellent leading-indicators, i.e. predictors, of consumer behavior. They can predict the success of one brand over another. They can predict whether consumers will behave positively toward one campaign or another. They correlate highly with sales and profitability. However, they cannot predict the vagaries of internal planning of brands like credit cards.

Years ago, in an attempt to differentiate what were essentially commodities, or at best, well-known brand "placeholders," credit card companies sought to provide "added-value" and discrimination by offering users points of one sort or another, cash-back rewards, frequent-flier miles, annual gifts, and other perks. But there's a problem with category values that brands can't own; once one does it, the whole pack of cards follows. What was once "delight" becomes "expectation."

The credit card companies didn't do this out of the goodness of their hearts. They charge the companies who use their services, and they imposed punitive fees and penalties on customers who were late with their payments. And, they figure that if they can get a greater "share-of-wallet" from a consumer, it's certainly worth something to them. We're talking billions of dollars in fee revenue.

Loyalty and engagement metrics also identify customer expectations, and when it comes to meeting expectations regarding credit card "extras" we turned to our 2009 Brand Keys Customer Loyalty Engagement Index to see how credit card brands rank on handing out "Rewards and Services":

1. American Express
2. Discover Card
3. Capital One
4. Visa
5. MasterCard

Because of the economic crunch, Congress is moving to limit the penalties on riskier borrowers. So to make up for lost income, the card companies are going after people who paid their bills on time and who have great credit ratings!

Yes, banks are expected to look at reviving annual fees, curtailing cash-back, instituting shorter grace periods, charging interest immediately upon use, adding new hidden fees, and much, much higher interest rates.

So if you are looking for economic advice, we can offer up two thoughts. You'd better hope that those new regulations are in easy-to-understand language. And, if you want 21% risk free, pay off your credit cards now!

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