

Credit cards – Luxury Memo special report

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The Starwood Luxury card. Image credit: American Express

By JOE MCCARTHY

Even as banking options diversity, brand loyalty fades and new payment options emerge, credit card ownership and usage has remained strong over the past decade.

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For affluent consumers, credit cards continue to offer unique experiences, exclusive perks, networking opportunities and significant savings options. With data collection techniques becoming evermore sophisticated and the market becoming crowded with more players, companies have to go above and beyond the bare minimum of offering cash back and rewards to retain elite customers.

“Besides the points and airline lounge access, affluents are expecting credit card companies to create personalized benefits from vendors they love, as well as exotic and unique travel opportunities, among other 'wow' benefits,” said Milton Pedraza, CEO of the **Luxury Institute**, New York. “It's hard to please the affluent, but the best credit card companies are creative and personal.”

Top 5 trends in credit cards

- The perks

From free nights at an exclusive resort to front-row tickets at a coveted event to early access to a new fashion line, the perks of owning a credit card have become more diversified and niche in recent years. Companies staying ahead of the competition are able to tailor rewards specifically to customers.

- **Branded cards**

Brands across sectors now offer top customers the chance to open a credit line for exclusive offers. Although these options are often little more than marketing and data collection gimmicks, they give brands an opportunity to secure loyalty.

- **Customer service**

A satisfying customer service experience can be the difference between retaining and losing a customer. As countless automated call center and unresponsive chatbot nightmare stories attest to, luxury consumers are

eager for brands to offer human-first customer service experiences.

- **Privacy and security**

Being a victim of credit fraud has become the norm in recent years and it is now up to companies to ensure that customer data is protected. This could require a lot of investment up front, but it will likely lead to greater brand loyalty in the future.

- **The future of cards**

Artificial intelligence, biometric scanning and novel ways for using cards are reshaping an industry that could have gone the way of cash. In the years ahead, credit card providers could ward off challengers in the peer-to-peer payment sector through an embrace of technology.

The perks

The most coveted credit card benefits tend to involve air travel and the constellation of perks that can elevate a mediocre travel experience into a luxurious one.

Whether it is the Mastercard Black Card, the American Express Gold Card or the Citi/AAdvantage Executive World Elite Mastercard, elite credit cards have **robust travel benefits**.

For example, priority check-in, priority screening, free checked bags and much more are now a minimum standard for top credit cards, and luxury consumers have come to expect seamless travel experiences as a result.

[View this post on Instagram](#)

This @bankofamerica Mastercard cardholder has had a week full of #PricelessSurprises! #WorldSeries tickets, an exclusive Fenway Park tour, and riding on the Mastercard Duck Boat at the #RedSoxParade! 🦆

A post shared by Mastercard (@mastercard) on Oct 31, 2018..

Instagram post from Mastercard

The Executive World Elite card provides a dedicated concierge to help customers plan travel, shop and find things to do in a new area, and the Mastercard Black Card offers carriers private jet options and a lifestyle management service.

In many ways, an arms race of benefits has emerged to attract and retain customers.

Elite credit cards regularly offer consumers gifts from luxury brands, spa experiences, backstage passes to top shows, Uber discounts and more.

Money-back guarantees have also become a key point of differentiation, and partnerships with luxury brands allow consumers to shop at their favorite stores while earning more points.

Premium card provider Luxury Card recently tapped pro surfer Ian Walsh for TV commercials that highlighted its Mastercard Gold Card perks, including cash back for staying at luxury hotels such as the Ritz-Carlton, Mandarin Oriental and Four Seasons ([see story](#)).

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Branded cards

Historically, branded and partnership credit cards have been limited in scope and appealed primarily to ultra brand loyalists, who view these cards as a way to enter an exclusive club.

In recent years, however, brands have begun to make these offers more attractive.

For example, card owners of Starwood American Express can accrue points while staying at more than 6,700 hotels worldwide ([see story](#)) following Marriott International acquisition of Starwood ([see story](#)).

"By making our credit cards even more powerful and attractive for them, they'll earn points more quickly and enjoy travel even sooner," said Thom Kozik, vice president of loyalty at Marriott, when the deal was announced.

The cards were recently rebranded under the more unified Marriott Bonvoy program, which also includes Chase cards tied to the program previously referred to as Marriott Rewards ([see story](#)).



Image credit: Fairmont

Mercedes-Benz has long partnered with American Express to offer regular customers the chance to receive discounts on gas, access special branded events and obtain exclusive leasing options ([see story](#)).

These expanded offerings are essential to retaining customers. A report from Bond Brand Loyalty found that 78 percent of ultra affluent consumers consider loyalty programs to be key sticking point for their brand relationships ([see story](#)).

Department store Nordstrom is recognized by Bond Brand Loyalty as a leader in this space ([see story](#)). In addition to offering shopping perks such as curbside pick-ups and access to exclusive shopping windows, cardholders get free basic alterations on clothes, invites to special events, access to beauty classes and in-home stylist privileges.



Nordstrom asks for privacy as a cofounder passes away. Image credit: Nordstrom

The London department store Harrods offer similar benefits to consumers through a Visa partnership ([see story](#)) and travel companies such as Uber spur repeat purchases through credit card arrangements ([see story](#)).

Customer service

Credit card providers do not rely on physical locations, so the primary way companies interact with consumers and make an impression is through customer service, either online or over the phone.

No customer likes to speak to an automated operator, dialing through a maze of options, only to end up frustrated with more questions than answers, and many mind waiting half an hour as elevator music drones on for a call representative to appear.



Four Seasons Chat allows guests to connect with real people on property in real time on multiple channels, including latest addition WhatsApp. Image credit: Four Seasons

Similarly, consumers expect more than automated chatbots, FAQs and outdated customer-driven forums when they try to address a question online.

Millennial customers, in particular, value warm, humane customer service experiences ([see story](#)), and surveys have found that customers who speak with live agents report higher levels of satisfaction ([see story](#)).

While it may be the least glamorous aspect of business, credit card companies catering to affluent consumers have an opportunity to stand out through superior customer service, boosting customer loyalty in the process.

“The best benefit a credit card company can execute for an affluent client is to deliver the fundamental core benefits brilliantly and seamlessly,” Mr. Pedraza said. “Today, the call centers are inattentive, unknowledgeable and robotic, even for the best clients.”

“Instead of trying to put too much spin on the ball, the luxury credit card vendors who serve the wealthy would do well to stop trying to come up with more gimmicky benefits and just execute brilliantly when it matters with humanity,” he said. “When a card is lost or experiences fraud, and needs to be replaced, the credit card companies need to deliver with zero friction, and fast.”



Lincoln is one of many brands who provide extreme customer service to its affluent customers such as personal drivers. Image courtesy of Lincoln

Creating a culture of superior customer service begins with adequate training programs for call agents to establish company-wide standards for etiquette and knowledge. When a customer calls a hotline, automated operator experiences should be brief and limited, and a call agent should be summoned after the reason for the call is determined, according to Mr. Pedraza.

Oftentimes, companies are able to contract with a third party that specializes in customer service to make the experience more seamless ([sees story](#)).

Even as artificial intelligence and other digital advances create new opportunities for automated and responsive customer service experiences, consumers still prefer the experience of speaking with an actual person online and are able to tell the difference between a chatbot and a live agent ([see story](#)).

Privacy and security

Major credit card breaches in recent years have understandably rattled consumers across demographics. Luxury

brands such as Starwood Hotels ([see story](#)) and Saks Fifth Avenue ([see story](#)) have faced massive data breaches in just the past year, and new vulnerabilities seem to be exposed daily.

Opening a new credit line, it now seems, can be an endeavor fraught with security risks.



Saks' Fifth Avenue light show is already underway. Image credit: Saks

In 2016, 15.4 million people in the US were victims of credit fraud, with losses totaling more than \$16 billion, according to a report by [Javelin Strategy & Research](#).

“Credit card providers, and any business that has a database with sensitive data, are fighting to stay ahead of the hackers,” Mr. Pedraza said. "It is extremely difficult today to secure data, especially since country-sponsored criminals are the main hackers.

"It is a cat and mouse game right now and no one seems to be doing enough to keep data secure or private," he said.

When it comes to ensuring security, credit card providers have to invest in state-of-the-art technology and services ([see story](#)). That means providing customers with regular security scans and updates, hiring teams of forensic data specialists, rapidly assisting customers who experience fraud and being transparent whenever a breach occurs.

Companies also have to invest in their Web sites to ensure that there are no security vulnerabilities.

Transparency may seem like a quick way to lose customers by exposing problems, but it could end up earning loyalty down the road, especially if companies meticulously detail the ways in which they are improving security measures.

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Stay poolside. #spglife

Instagram post from Starwood Preferred Guest

For example, Starwood has provided regular updates on a security breach facing the company's servers and has been able to assuage fears by informing customers that encrypted information that was stolen likely remains encrypted (=see story).

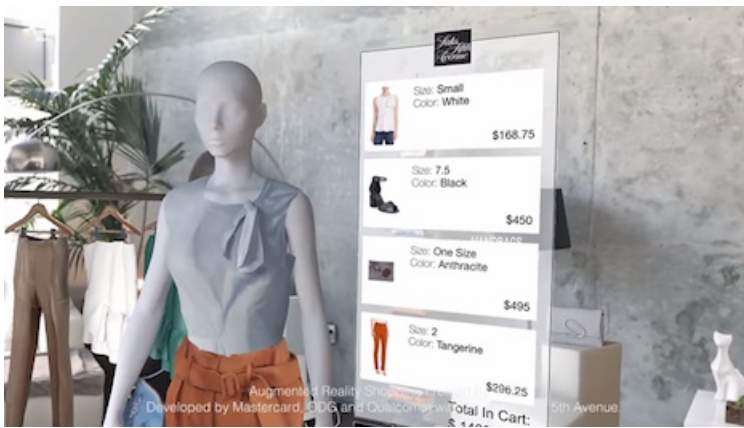
Data privacy is another matter altogether and it presents a vexing conflict of interest – credit card providers often reap tremendous profits by selling personal data. While consumers may have difficulty finding credit card providers that do not collect data, they can at least hold companies to a high standard of protecting that data (see story).

The future of cards

If cash is quickly becoming an anachronism, then credit cards could either go the same route or evolve to compete with digital payment systems such as Apple and Samsung Pay and peer-to-peer players including Venmo.

Many credit card providers have anticipated the need to innovate.

For example, Mastercard has partnered with department store chain Saks Fifth Avenue to create an augmented reality payment solution. Consumers still have a physical card, but they can opt to have their eyeballs scanned to pay for products and get shopping tips (see story).



Mastercard and Saks bring AR to shopping, as retail becomes more integrated with tech

Many other companies are going the biometric route.

Both Visa and Mastercard have enabled fingerprint scanning on cards to complete transactions to ensure security.

Some experts believe that certain benefits could be tied to health factors in the future. For example, a card could be synced to a person's gym and offer rewards for **working out**.

Card providers are also trying to become integrated into transportation systems. Rather than swiping a specific ticket for a rail line or bus, transportation systems could allow riders to simply tap their credit card.

Artificial intelligence (AI) will also likely be implemented into card systems in the future to detect fraud, optimize savings and more.

Several luxury brands have experimented with AI (see story). For example, fashion companies have deployed AI to provide personalized shopping recommendations (see story) and the ecommerce lifestyle retailer Yoox uses AI to analyze on trends in the industry (see story).

Best practices for credit card providers

- Chris Ramey, president of **Affluent Insights**, Miami
 - "The affluent see credit cards as tools to living a life of abundance."
 - "Demanding ROI is second nature to an affluent individual."
 - "A store card must have a value proposition that matches their best customers. Make it personal."
 - "Serve your affluent client so they want to use your credit card."

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