

# Do customers still value co-brand cards?

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# A quick introduction

- *Head for Points* is the UK's biggest business travel website by a substantial margin
- 1.6 million page views last month, 80% UK
- Winners of three '2017 Business Travel Journalism Awards' including 'Editor of the Year' and 'Best Newcomer to Business Travel Journalism'

# Why do people read Head for Points?

- Most business travellers are **not** interested in business travel news
- How many supermarket websites do you follow?
- They **ARE** interested in their frequent flyer miles and hotel loyalty points

# Co-brand cards are hugely important to readers

- I would guess that 90% of our regular UK readers put 90% of their card spending onto a co-brand card
- They are also keen on ways of pushing non-credit card spend onto a co-brand card:
  - Billhop (UK launch partner)
  - Curve (UK launch partner)

# The UK travel co-brand market is shrinking

- MBNA closed its eight UK airline cards last year – Virgin Atlantic is relaunching but Emirates, Etihad, Lufthansa, American and United have no new deal
- Lloyds pulled its premium (£140 fee) Avios card and its Choice Rewards card
- Marriott withdrew its UK card a couple of years ago due to licensing issues

## That leaves you with ....

- Amex – Gold, Platinum, Amex Rewards, BA, BAPP, Starwood
- Barclaycard - Hilton
- Creation – IHG, IHG Premium, Flybe
- Lloyds – Avios (will be pulled due to Amex license)
- Plus Tesco x 2 and HSBC Premier x 2 due to airline conversions

# How do customers treat the co-brand market?

# How switched-on travellers see co-brand (1)

- My readers are educated about the value of their miles and points and act accordingly
- Although, if we're honest, some of the co-brand cards I listed are worse than the leading cashback cards – and that's before we start considering liquidity
- However, the intrinsic lure of miles and points keeps people keen. This is your strongest weapon.



## How switched-on travellers see co-brand (2)

- In their wallet or purse you will find:
- An Amex card for day-to-day spending (good for you)
- A Visa or Mastercard for day-to-day spending (good for you)
- Cards which are churned alongside these due to a high sign-up bonus but low long-term benefits (bad for you)

# The most valuable UK co-brand sign-up bonuses

- Hilton Honors Platinum Visa - £250
- American Express Preferred Rewards Gold - £200
- HSBC Premier World Elite Mastercard - £205
- British Airways American Express Premium Plus - £205
- American Express Platinum - £150
- Amex Rewards Credit Card - £100
- or get a John Lewis Mastercard and get £10 .....

(Based on NET bonus, ie minus fee, pro-rata if allowed)



# The most valuable UK co-brand long term returns

- BA Premium Plus American Express – 10.1% return on £10k
- BA American Express – 6.1% return on £20k
- Lloyds Avios Rewards – 5.9% return on £7k on the Amex
- IHG Rewards Club Premium Mastercard – 2.3% return on £10k
- Hilton Honors Platinum Visa – 1.9% return on £10k
- or get a John Lewis Mastercard and get 0.5% .....

(Based on NET benefit, ie incentive minus annual fee)

# How to be a card that gets churned and loses money

- Be high up the first slide .....
- ..... and well down or not on the second slide
- Hilton Honors Platinum Visa is the key example. EVERY UK resident in this room should get one (and your partner) but you should cancel after getting the free night voucher at £750.

# What is the future of co-brand?

# How do I see the future of co-brand?

- Interchange fee caps mean the old model is broken
- The good news is that cardholders are not just interested in (expensive) points – status also works, and is cheaper
- Although .... perhaps you should give up trying to make money off your co-brand card and treat it as a marketing expense? It makes perfect sense to anyone not brought up on the old model.

# Cards I admire – IHG Rewards Club Premium M'card

- £99 annual fee provides income stream (sign-up bonus worth £80-£100 so low risk to prospective cardholders)
- Permanent Platinum status in IHG Rewards Club (usually 40 nights) provides real value – but cost is met by hotels not IHG
- Free night in any IHG hotel for spending £10,000 encourages long-term spending – but cost to IHG is c \$25
- Good earning ratio and double on lucrative FX spend



## Cards I admire – Iberia Icon (Spain)

- No UK card offers airline status – a missed opportunity?
- Icon, launched late 2017, has a €90 fee waived in Year 1, with a good - in the new world - earnings rate of 0.5 Avios per €1
- Comes with Iberia Plus Plata status (BA Bronze) – automatic in Year 1, needs €9000 of spend from Year 2 inc €100 on Iberia
- 15,000 Avios sign-up bonus is attractive (I would not have waived the fee in Year 1)



# A potential model for a super-premium BA card

- £295 annual fee (current top fee is £195)
- BA Bronze status (no lounge access but priority elsewhere)
- Award tier points alongside Avios for spend, ie 1 tier point per £100. BA Silver status (lounge access) would trigger at £60,000 or less if flying BA regularly.
- Avios earn rate no better than current £195 card, which could be cut



# Conclusion

- Frequent travellers are still very positive about returns from their co-brand cards
- If you want to keep your logo in their wallet, you need an attractive long term package. Status may be as good as points.
- Do you really need to make money off your co-brand card, or can it run at a loss funded by your marketing budget?

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