

ARE CO-BRANDED TRAVEL CARDS REWARDING ENOUGH?

Oliver Wyman Examines How to Win the Millennial Wallet in Time for Summer Travel

New York – May 25, 2016 – Oliver Wyman examined how consumers use co-branded credit cards as part of its annual *Transport & Logistics Journal* and found that co-branded travel cards may not be rewarding enough.

Consumers like co-branded credit cards. In fact, 80 percent of card holders believe co-branded cards offer as much or more value than bank-issued rewards cards. But consumers also are willing to switch when the grass appears greener: 40 percent change their primary credit card at least every two years.

This leads to a critical question for airlines and hotels – how do they persuade consumers to acquire their cobranded card, spend with it, and not switch?

Half of consumers leave for better rewards. Even customers who carry a monthly balance are more likely to switch because of rewards rather than a lower interest rate (11 percent).

“To create offers that “stick” with consumers, hotels and airlines need to carefully consider the needs, preferences, and travel and purchasing behaviors of their target customers,” said Jessica McLaughlin, a partner with Oliver Wyman. “Discounts on in-flight meals and room service are popular among travelers, but are becoming common. Rewards need to be highly personalized with perceived exclusivity. Think flight simulator tours, suite upgrades or private dinners with renowned chefs.”

The personalization trend can be most seen among Millennials, the generation aged 18-34. In fact, this group favored options for individual card design as the highest of any other age groups.

Today, only a third of credit card-carrying Millennials have a cobranded travel card, compared to half of credit card users who are their parents’ age. These tech-savvy consumers also value different features and use credit cards in different ways than older generations. For example:

- Millennials expect credit card payment capabilities and other features to be wholly integrated with their digital lives and rank these features significantly higher than other age groups.
- Millennials are twice as likely to use mobile wallet applications than the average cardholder and more than three times as likely as Baby Boomers (52 percent vs 16 percent).

“Winning the wallets of this generation this summer and beyond will require figuring out what rewards and experiences they most value,” added McLaughlin. “The good news for travel companies is that Millennials exhibit a passion for travel, spending a greater share of their income on flights and hotels than any other age segment.”

The co-branded credit card survey was conducted between December 2015 and January 2016 among 1,311 card holders in the US across various demographics.

The Oliver Wyman *Transport & Logistics Journal* is one of the firm’s longest-standing publications. This edition also includes articles on the digitalization of the rail industry, the European motor coach market, changes to the postal service worldwide, Uber-trucking, aerospace innovation, among others.

Oliver Wyman

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