



Making the Most of the Affluent Customer Segment

*How Issuers can effectively reach, acquire and
build loyalty from this profitable consumer group*

A Discover® Network White Paper
for Issuers

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BARBARA MCSTOWE, SR. MANAGER
PRODUCT MANAGEMENT

2500 Lake Cook Road
Riverwoods, Illinois
USA
Main: (224) 405-0900
Web Site: DiscoverNetwork.com

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Defining the Affluent Market Segment

According to Yankelovich, Inc., the affluent market segment is defined as having an annual household income of \$150,000 or more, and differs significantly in its purchasing power, buying habits and behaviors than the ‘mass affluent’ segment (those with annual household income of \$100k).

— Yankelovich, Inc.

INTRODUCTION

Reaching your target segments today is about being *relevant* more than ever. Long over are the days of ‘mass marketing’ in order to cast the widest net possible. Messages and offers have to resonate immediately with your target audience, or they soon move on to other things. Consumers today are sophisticated buyers with a vast amount of information readily available at their fingertips. From the ubiquity of the Internet to a barrage of competitive options competing for their attention every day through a variety of channels, consumers are inundated with information and choices. The contest for their ‘share of wallet’ and ‘lifetime value,’ means Issuers today must look for new ways to effectively reach, acquire and build loyalty with the most profitable customer segments. The affluent market is just that.

With spending power, significant spheres of influence and loyalty opportunities that bring considerable revenue and powerful word-of-mouth potential, the affluent segment is an audience worth understanding. But the affluent segment can also be confusing. With a variety of segmentation definitions and a growing list of sub-groups, Issuers are finding it more challenging than ever to successfully hone in on the right mix of communication channels, messaging and offers. Issuers who take the time to study these segments and build a concerted plan to drive business from them can reap significant benefits in the short term and over the long haul.

KEY QUESTIONS

- Who are the **affluent consumers** and **how big is the opportunity**?
- How can Issuers **adjust current marketing efforts to better target and penetrate** this profitable group?
- What **new methods and messaging** work best in marketing to today's affluent consumer?
- What **myths** should be understood and avoided in marketing to this segment?
- How can Issuers **drive interest and loyalty** from affluent consumers?
- What **key take-aways** should Issuers recognize in order to build a successful affluent marketing strategy?
- **How can Discover Network and its partners simplify** an Issuer's marketing efforts in targeting this unique group?

DEFINING THE AFFLUENT SEGMENT

Who is this unique segment? According to MarketResearch.com, the affluent segment in the U.S. can be divided into three distinct groups:

- **Mass Affluent** | one-person, adult households with an average annual income of \$75,000 - \$99,999 or multiple adults per household with a combined income of \$100,000 - \$149,999.
- **Highly Affluent** | one or more adults per household with a combined annual income of \$100,000 - \$149,000.
- **Super Affluent** | one or more adults per household with a combined annual income of \$250,000 or more.¹

¹ MarketResearch.com: *The Affluent Market in the U.S.*, (April 2007); primary research taken from the fall 2006 Simmons National Consumer Survey (NCS).

Researchers at Guideline, however, offer another segment definition perspective by net worth of liquid financial assets, where the mass affluent segment is differentiated from individuals with high net worth²:



It's understandable why there is significant confusion – every researcher and analyst offers varied definitions and sizing. Whatever definition and segmentation practice you subscribe to, it's clear that this affluent market requires you to have an in-depth understanding of the relationship between income and spending power as keys to cornering this profitable segment. For clarity and simplification purposes, this paper will focus primarily on the following definitions for the mass affluent and affluent market segments – which make up the vast majority of consumers in the broader category, and are defined as:

- **Mass Affluent** | average annual household income of \$100,000
- **Affluent** | average annual household income of \$150,000 or more

² Guideline Trend Report: *Investment Preferences of the Mass Affluent: How Companies Are Targeting, Reaching and Acquiring Affluent Consumers*, (December 2007).

Successfully understanding these sub-segments require insight into the unique lenses from which they view the world, and how they make decisions about the various spending choices at their disposal. There is no doubt that both groups bring spending power, influence and loyalty, although Issuers need to institute different messaging, communication channels, offers and processes to effectively reach them.

The Mass Affluent Consumer

This burgeoning U.S. middle class is the growing and ever-more influential mass affluent group, which has proportionately more spending power than any comparably sized segment in the economic spectrum. They buy frequently and often in volume, and can have a considerable influence on their peers. Because of the growing complexity in marketing to affluent consumers – they are often overlooked by the competition, which may be unaware of the particular nuances in reaching this group. According to Echelon Marketing Group, the mass affluent segment represents:

- 12.9% of U.S. households (12.6 million households),
- 21.5% of U.S. income, and
- 25.9% of U.S. spending, totaling \$1.72 trillion annually.³

Although they are less than 13 percent of U.S. households, their spending power is tremendous. But distinguishing the mass affluent from the mass market can be challenging. Echelon Marketing

³ Echelon Marketing Group: *Targeting the Mass Affluent: the Spending Giants*, (May 2007).

Group also helps identify five important sub-segments (within the mass affluent group) at various stages of life, which at their core differ significantly in spending power as well as in demographics and culture. When combined with key demographic data, this multi-dimensional view offers unique insight into their behavior, including how the mass affluent shop and what they purchase. Yes, they share a high-spending capacity, but they use that purchasing power in very different ways. These five sub-segments represent widely varying preferences in lifestyle and purchasing decisions, even though their income and purchasing power are relatively similar.³

Living Large & Young Boomers	<ul style="list-style-type: none"> • Drive mini-vans, station wagons (Subaru, Volvo) • Visit theme parks, enjoy outdoor sports • Go on vacations that include sailing, running, health spas • Watch family shows, read <i>Better Homes & Garden</i> • Choose price over quality • Recycle
Senior Spenders	<ul style="list-style-type: none"> • Drive convertibles, luxury (Cadillac, Mercedes) cars • Own a time share, enjoy “at home” activities • Take vacations that entail cruises, sight-seeing • Watch Miss USA Pageant, read <i>Smithsonian</i> • Choose price over quality • Drink Cognac
Secure Boomers & Seniors	<ul style="list-style-type: none"> • Drive luxury cars and SUVs (Lexus, Honda) • Own a time share, go power boating • Spend vacation / weekends at home, purchase all inclusive packages • Watch 20/20, Without a Trace, listen to Oldies • Are career-oriented, gadget-oriented

The Echelon Marketing Group: 5 Sub-segments of Affluent Consumers

(Chart cont'd)

Big Spending Generation X	<ul style="list-style-type: none"> • Drive compact SUVs, mid-size (BMW, VW) cars • Like to entertain, visit theme parks • Take vacations that include sailing, scuba diving, Caribbean beaches • Watch the Simpsons, listen to contemporary hits • Are ambitious, materialistic • Are brand name conscious
Up & Comers	<ul style="list-style-type: none"> • Drive mid-sizes, SUVs (BMW, Ford Explorer) • Are leisure-oriented, visit theme parks Vacations include backpacking, hiking, national parks • Watch NASCAR, listen to classic rock • Are influenced by kids in decisions, brand name conscious

Myths around this segment abound, but the biggest myth of all is that creating mass messaging to reach this audience will yield the best results. This group lives differently and spends differently, and it takes a concerted plan of attack to influence their behavior. For example, most of the mass affluent households may be concentrated in specific geographic hubs, so marketing to the entire country would deliver less than optimum results. Collecting and analyzing the right data, including multiple facets of information about the segment, will produce far better results and ROI.

The following chart reveals the varied income and spending power of each sub-segment.

Living Large & Young Boomers	<ul style="list-style-type: none"> • 3.9 million households • Age range: 35-49 • 32.7% of mass affluent spending • \$562.2 million in annual spending
Senior Spenders	<ul style="list-style-type: none"> • 1.88 million households • Age range: 65+ • 16% of mass affluent spending • \$275.8 million in annual spending
Secure Boomers & Seniors	<ul style="list-style-type: none"> • 3.59 million households • Age range: 50-64 • 26.4% of mass affluent spending • \$454.4 million in annual spending
Big Spending Generation X	<ul style="list-style-type: none"> • 1.64 million households • Age range: 18-34 • 13.5% of mass affluent spending • \$232.2 million in annual spending
Up & Comers	<ul style="list-style-type: none"> • 1.58 million households • Age range: 35-49 • 11.4% of mass affluent spending • \$195.4 million in annual spending

The Echelon Marketing Group: Spending preferences of the Mass Affluent

The Affluent Consumer

The highly affluent consumer (annual household income of \$150,000 or more) controls nearly half of the U.S. aggregate household income¹, according to MarketResearch.com, and is estimated at more than 14 million Americans.¹ This group is expected to produce an aggregate household income of \$4.6 trillion by 2011¹, so their spending power, influence and loyalty are certainly topics Issuers should be focused on. According to the Mercator Advisory Group, affluent consumers spend on average \$3,235 per month on all of their general purpose cards,

which is 2.9 times more than the amount the average consumer spends.⁴ This segment also spends five times as much on travel and entertainment (airline, hotel, car rental) as the average consumer, and is more likely to spend on family-related activities. As a group, the affluent segment is highly loyal, and they hold a relatively optimistic outlook on their household finances.⁴ The affluent consumer also has a number of other key demographic factors that can help Issuers understand where and how they live.¹ Overall, affluent consumers are:

- **Highly educated and work for their money.** This group is far more likely to be college graduates or hold graduate degrees. They are also far more likely to be employed full-time or are self-employed.
- **More often homeowners and have family households.** About 87 percent of affluent consumers own their home, versus 65 percent of other consumers. Affluent consumers are more likely to be married and have children, and often both parents work to support their family.
- **Concentrated in the Northeast and Pacific Regions and in large cities.** Almost 28 percent of affluent consumers live in the ten largest metropolitan areas (compared to 20 percent of other consumers).

⁴ Paterson, Ken; Mercator Advisory Group: *The Marketing Opportunities Among Affluent Rewards Credit Cardholders*, (July 2007).

Aside from demographics, affluent consumers have several other core value and life aspiration characteristics that further define the group.¹ First, they are generally content with their lives. Although money is not everything, it does appear to impact consumers' contentment levels. Affluent consumers are also concerned about their image, are more likely to influence others in purchase decisions, and are comfortable taking risks. Second, as far as finances are concerned, the affluent consumer has a strong sense of financial security and is confident about managing their own finances. They are also more likely to pay with plastic and pay off the entire balance each month. On average, they spend nearly one out of every three dollars in the U.S.¹, and spend more than twice the average on apparel. Although they shop more often and claim to enjoy it less than the average consumer, they also tend to reject "sales" and "bargains," but respond positively to "deal" and other types of incentive offers. Third, their leisure time is spent differently than the average consumer: they tend to be more physically active, are drawn to downloading music, have large plasma and flat-panel TVs, they upgrade their PCs more frequently, and they spend more time shopping and surfing the Internet and consider it an integral part of their lifestyle.

HOW TO BETTER TARGET AFFLUENT CONSUMERS WITH CURRENT EFFORTS

Clearly the mass affluent and affluent segments require different approaches, and ‘mass market’ messaging and programs are likely to be relatively ineffective. Issuers can take a two-pronged approach in reaching these segments, both by revamping existing efforts for a more immediate impact, and by launching new programs that leverage current segmentation and targeting tactics for maximum reach and ROI.

There are several key approaches to enhancing and augmenting current marketing efforts to develop a precise and successful segmentation strategy:

1. Know your customers, know your markets.

Comprehensive data must be collected and analyzed on existing customers and targets already held in the marketing database.

“Know Your Customer” has multiple implications here. Not only must Issuers ensure they are complying with industry regulations, they must also understand who current customers and who new targets are through a multi-dimensional lens. A comprehensive data-set on a consumer should include demographic and economic data, as well as behavioral and lifestyle information. Issuers that have a lack of deep internal data should consider purchasing data

The Internet is dramatically changing media consumption habits; affluent consumers are increasingly ‘tuning out’ TV and more often turning to the Internet for online versions of their favorite newspapers and magazines, streaming video and Internet radio.¹

to augment an existing database. This assists tremendously in building out target profiles to improve the clarity and precision of the segmentation strategy.

2. Analyze existing marketing coverage, messaging and offers to determine where changes to current efforts should be made.

Current efforts may be blanketing a region or the entire country with the same message and offers, and ballooning marketing spend levels on channels and activities that are unlikely to yield the most ROI. Once the segmentation strategy, messaging and offers are in place, adjust the communication vehicles and geographic coverage to ensure the right message and offer gets to the most likely prospect in the right way, and at the right time (i.e. seasonal incentives).

3. Study up on what

communication channels have the most impact with mass affluent and affluent consumers to maximize marketing spend in the right places. While traditional print media still has its place in the world, the Internet is dramatically changing media consumption habits among the mass affluent and

affluent bases. Mass affluent consumers still generally turn to television for information and entertainment; however, the affluent segment is increasingly “tuning out” on

television and traditional print, and more heavily relying on the Internet for online versions of newspapers and magazines, streaming video and Internet radio.¹ Although affluent consumers overall tend to express negative feedback about advertising in general, they do at least expect it to be entertaining; a helpful tip when planning ad programs, and obviously the root of successful campaigns launched in recent years by Issuers such as Capital One (“*What’s in your wallet*”), and Citibank (identity theft series).

4. Prepare to track and analyze new data based on adjusted marketing efforts, and reset goals and target metrics as

necessary for continual improvement and optimal program performance. Before changes to existing efforts are launched, be sure to set goals and metrics by which the changes can be measured. Making multiple changes at the same time can lead to confusion about which change

had what impact. Creating multi-dimensional yet independent campaigns around each segment can help more quickly determine what changes and new aspects are adding value, and which are falling short of the new goals.

5. Take advantage of ‘low hanging fruit’ opportunities for messaging and promotions focused around key lifestyle, behavior and buying preferences (and be sure to also apply

strategies 1-4 above to this effort). Mass affluent and affluent consumers are highly motivated to feel youthful and stay fit, so taking advantage of marketing opportunities around their leisure activities and lifestyle preferences with existing partners or retailers can create immediate opportunities for business growth. Promotions around sports, physical fitness or gym memberships can help fuel new customers from the 17 million affluent Americans who engage in regular physical activity, and more than 8 million who do so at a sports gym or club.¹ Fashion is another lifestyle category in which more

than 24 million affluent adults spend money to purchase the latest trends and accessories each season. With more than \$90 billion¹ spent annually on the fashion category, affluent Americans contribute a large portion of the spend, and represent another significant

opportunity for business growth.

NEW METHODS AND MESSAGING TO PENETRATE THIS PROFITABLE SEGMENT

The past fifteen years have seen several change agents dramatically impact the mindsets,

Affluent consumers today are fare more concerned about managing their time efficiently, having a sense of social responsibility, and focusing on the welfare of their families than they are about their status or owning items simply to be different.²

behaviors and buying patterns of the affluent consumer. While tried and true methods for planning a marketing strategy still apply (collect data, build segmentation strategy, craft messages and offers, launch, track, analyze and adjust), it is imperative that Issuers understand the nuanced changes in attitudes currently reflected by this group. New mindsets have emerged based on economic shifts, the political climate, market fluctuations and the expansion of the affluent base itself (more people are affluent today than ever before, and expectations for quality, service and exclusivity continue to increase). The latest approaches in reaching this profitable segment require an in-depth understanding of new attitudes and outlooks.

Although exclusivity is still an important attribute to this sector, according to Yankelovich, it's far less important and overt today than it was ten to fifteen years ago.² Affluent consumers report a diminishing desire to obsess over buying and owning items or services just for the sake of being different. Today, they are far more concerned with efficiently managing their time and leveraging products and services that help them to do so. Issuers that can tap into this sense of time management and offer time-savings and efficiency-related services and value add products or partnerships will successfully reach a large portion of the affluent segment.

An inherently competitive nature is often a key character trait that drives affluent consumers to strive for success. Years ago, competition and the desire to “always be on top and win at all costs” was an important emotional factor that drove behaviors and purchase decisions. Today, however, affluent consumers are far less interested in being competitive than they are in having a deeper and more value-driven set of principles that guide the decision process on what brands to associate themselves with.² The “take as much as you can get” attitude has shifted to a more meaningful sense of conservatism, responsibility to themselves and their families, and concern for the environment. Issuers that understand this attitude shift can tap into the emotional aspects of principle-driven buying decisions.

A decade or more ago, affluent consumers were also more likely to make purchase decisions based on being “trendy.” Today, however, this segment is more concentrated on connections with like-minded peers and trusted influencers than on following trends.² Although that doesn't outweigh their desire to still wear the latest fashions and drive the newest luxury car models, it does mean referrals and connecting with other affluent consumers, and being more conscious of others, has more impact on behaviors and

spending patterns than ever-changing social trends.

While affluent consumers tend to focus heavily on their work and leveraging time-saving opportunities, they have also come to recognize that their financial stability and wealth status affords them greater occasions to put the ‘thrill and enjoyment’ back into everyday life.² As a result, Issuers that can tap into this segment’s desires to take new, but calculated, risks can create significant brand awareness and loyalty.

So the new mindset of affluent consumers offers unique insight into shifting attitudes, preferences and buying behaviors. Luxury goods and services are far more apt to justify quality rather than state their identity. Affluent consumers prefer to live a certain lifestyle that doesn’t force them to sacrifice their time or deeper purpose. They also know that while ‘winning’ means continued success, it does not define or dictate every decision they make. They have to work to create more meaningful and interesting life experiences, rather than expecting it to come automatically as a result of their financial success.

TOP MYTHS IN MARKETING TO AFFLUENT CONSUMERS

Myths about any segment can negatively impact strategy and therefore results. The affluent segments are no different. More importantly, getting the message wrong time and time again can

have a detrimental impact on customer loyalty, and on an Issuer’s ability to successfully acquire new customers. So knowing what *not* to say and do, is just as important as knowing *what* to say and do. Here are the top myths not to get caught by, according to the Luxury Institute:⁵

- 1. The wealthy made their money easily, and they spend their money easily.** Not true. Most wealthy individuals have worked tirelessly and given great sacrifice to make their money. Issuers that can recognize and acknowledge their achievements, deliver compelling emotional benefits and position offers as a complete experience with an appropriate reward will have the best opportunity for success.
- 2. The wealthy are conspicuous consumption machines living in another reality.** Not true. Wealthy individuals who live ostentatious, opulent lifestyles are often portrayed as stereotypical wealthy consumers, but are the minority. In reality, most wealthy consumers are value creators, who seek quality and value, including authentic prestige, in luxury goods and services. Effectively marketing to them requires acknowledging their basic human values and their well-rounded and balanced nature.
- 3. The wealthy can't really define luxury.** Not true. Luxury consumers can more likely distinguish attributes of a luxury brand, discern differences between brands – and

⁵ The Luxury Institute: *The top ten myths about luxury consumers*, (August 2007).

likely better than any luxury marketer. Their definitions are laser accurate, so Issuers should ensure that the brand offers something truly unique and can be perceived as exclusive.

4. **Luxury goods are a far larger industry than luxury services.** Not necessarily true. Luxury goods such as couture fashion, watches and jewelry get all the attention, yet, are dwarfed by the size of luxury services such as wealth management, travel and leisure, security, etc. Innovative services are expected to grow faster and more profitably than luxury goods in the future.
5. **The wealthy don't participate in consumer satisfaction surveys.** Not true. Wealthy consumers provide feedback and respond to surveys, sometimes more than the general population. Most wealthy consumers are highly educated business people. They recognize the value of feedback and will provide their's candidly to brands they trust. No metric is more highly correlated with financial success than customer satisfaction. Issuers should solicit and measure their customers' feedback and continuously seek to improve customer satisfaction to remain competitive.
6. **The wealthy don't use the internet as much as other consumers.** Not true. A recent survey by the Luxury Institute found that the vast majority of wealthy consumers are regularly online. As they work long hours, and are more time-starved, they turn to the Internet for researching goods and services, and to transact. Opportunities to market and promote online

through trusted luxury sites will help drive brand awareness and connections to trusted brands.

7. **The wealthy don't use ratings and reviews to make purchasing decisions.** Not true. The Luxury Institute found that over 80 percent of wealthy consumers use ratings and reviews sites to facilitate purchasing decisions. Although the 'super affluent' often rely on trusted experts, a large majority of affluent consumers have middle class values and lead regular lives that include seeking information from ratings and reviews sites and publications. Issuers again should maintain a clear brand image and avoid conflicting or biased messages that turn off savvy consumers.
8. **Luxury marketers should be targeting only the wealthiest clients.** Not true. Luxury brands that seek to serve only the US\$100 million+ net-worth consumer are usually small and often have fairly low profit margins. The truly under-served wealthy, in luxury goods, and, especially in luxury services, are households with a net worth from US\$1 million to US\$50 million. Their lives are busy, and often complex, and require many types of trusted advice.
9. **Wealthy clients do not give referrals.** Not true. Research with wealthy and ultra-wealthy consumers indicates that the vast majority are willing to refer trusted brands to friends and family. Issuers that can create an effective

referral program can build a successful growth path.

10. Wealthy consumers are not very loyal since they can go anywhere. Not true. The majority of wealthy consumers are among the most loyal customers. But their loyalty must be earned with great service. Ratings show that most luxury goods and services firms have yet to internalize what brands such as Ritz-Carlton, Nordstrom, Neiman Marcus, and Bessemer Trust inherently know: that the entire customer experience, from A to Z, must be at a level that makes customers happy to do business with the brand. Issuers that can stand apart with unique value and exclusivity, while delivering a whole brand experience, are poised for tremendous loyalty building growth.

DRIVING AFFLUENT LOYALTY

With the data in hand, an in-depth strategy on acquiring new customers, and a solid understanding of common marketing myths that can derail even the most well planned effort, the next hurdle in targeting the affluent consumer is building loyalty. Loyalty among affluent consumers is as multi-dimensional as their lifestyles and personal preferences. That said – there are a number of operating rules that can help programs drive loyalty and lifetime share of wallet.

First, Issuers must create a unique and consistent, yet clear and exclusive brand image in the minds of

affluent consumers, and ensure it invokes the right message and connotation with the various sub-segments of the affluent base. Once defined, effectively communicating that value means targeting the right communication channels at the right time, such as the leveraging the Internet, online magazines and trusted partner brands.

Second, Issuers should focus on building opportunities for a unique and whole customer experience, and finding differentiating service opportunities that truly set them apart from the competition. While quality and value always remain a priority, the expected revenue potential from innovative services will outweigh luxury goods growth in the coming years.⁶ Issuers that can derive exclusive services designed specifically around affluent lifestyles (i.e. nanny services, concierge services, and medical services) can create significant loyalty depth and

reap considerable rewards over the short run and long term. A decade or more ago, affluent mindsets focused on materialism and status, but today, effectively reaching them requires understanding their new

priorities of managing and maximizing busy schedules, and finding more purpose in their every day lives. Tapping into such unmet needs, unfulfilled wants and emotional insights with the

Building loyalty among affluent consumers is as multi-dimensional as their lifestyles and personal preferences.

right message and offer mix, helps create interest and lasting loyalty.

Third, Issuers must keep careful watch to track and measure customer satisfaction, and make it paramount to program success. The continual monitoring of this key performance indicator is crucial to help affluent marketers stay in lock-step with changing customer preferences and attitudes toward brand traits that are being used to build loyalty. How can Issuers build strong loyalty if they don't have a timely pulse on what affluent consumers are currently being loyal to?

Finally, loyalty among affluent consumers runs deep – deeper than the mass market segment. Issuers seeking to build lifetime value and increase their share of wallet should create high-value incentives into easy-to-manage loyalty and referral programs. With large spheres of influence and significant word-of-mouth power, the affluent segment – once penetrated – can grow organically over time without incremental increases in focus and spend levels, due to the power and viral nature of referral-based programs.

TOP TAKEAWAYS

The affluent consumer is clearly one worth understanding. Issuers that can adjust current efforts and also create new strategies to penetrate the segment can reap significant rewards. Issuers can generate considerable profit growth and

improve the lifetime value of customers by following some key takeaways as they plan for a concerted marketing effort against this segment:

- ▶ **Set key performance metrics goals and be diligent about collecting, analyzing and leveraging data to become experts in understanding customers, and to track and adjust programs for ongoing improvements.** What programs worked ten, five or even one year ago may not be as effective – or work at all – today. Resting on “tried and true” methods is a misnomer. Any affluent marketer planning to just “do what we’ve always done,” is likely to see diminishing returns on their investments. There are no methods that continue to work as effectively over time. Consumers learn, change and adjust their preferences based on the economic climate, the geo-political environment, their personal financial state, life stage changes and many

other factors. Being able to stay nimble and adjust programs to reflect and stay in lock-step with changing consumer behaviors and spending patterns is only accomplished if the data and analysis is readily at hand, and Issuers take the time to

gain an in-depth understanding of their customers and prospect targets. Then Issuers can demonstrate where the program lands against planned metrics and strategic

Delivering on the brand image requires that every customer-facing corner of the company is consistently engaged – from sales and marketing, to cardholder services and technical support.

objectives, and be ready to adapt quickly and make adjustments as needed.

- ▶ **Differentiate the credit card offering and the brand to create a unique and memorable brand image and lifestyle connection in the mind of affluent targets.** The most effective Issuers spend time analyzing the market, competitive brands and buyer behaviors to understand what brand position and reputation they want to own in the affluent consumer's mind, and what offers will be most attractive to the segment. The brand attributes must be clear, consistent and uniquely set apart from anything else available in the market in order to make an impact. Carrying the brand image and message to every customer-facing aspect of the organization is critical – from sales and marketing, to cardholder services and technical support. Consumers in general are wiser than ever – given the advent of the Internet – but affluent consumers are wiser and also more educated. That means any inconsistencies in the perceived brand image are quickly identified and often cause them to disengage from the brand altogether. Worse yet, consumers who do not trust a brand will pass on negative word-of-mouth feedback more often and to a wider audience than those with a positive experience.

Issuers should consider building affluent-focused 'cross functional' teams – able to understand everything from messaging nuances to what organizational muscle is required in order to win.

- ▶ **The one-size-fits-all approach does not apply; be sure to customize the message as specifically as possible to the individual affluent sub-segments and create specialized communication channels and timing plans for each program.** Offers must be relevant, timely and personalized – giving consumers the impression that the marketer truly understands how they think and live. That approach makes the 'selling and marketing' aspect of the communication simply disappear in the minds of the audience. They focus more on how they can take advantage of the deal or incentive, how they can work it into existing plans, or leverage it to make the most of an already busy schedule. Marketing that doesn't sound like selling is far more effective than hard selling with time-pressured deals or fear-based approaches. Focus messaging and offers around lifestyle choices, time savings and efficiencies, 'giving back' to the community and world, and on affluent consumer wants and values. Issuers should also choose well-trafficked and trusted communication channels to deliver the message – such as via the Internet (online newspapers and online magazines) and through trusted partner brands.
- ▶ **Employ a services innovation strategy in order to discover new ways to meet unmet and**

unfulfilled needs closely associated with buying preferences and lifestyles of the affluent segment.

Issuers that ultimately win over the long term understand that unique and high-touch service offerings can set them vastly apart from the competition, and help build lasting loyalty based on strong emotional ties to the brand. Developing a unique way for consumers to access cardholder statements and account updates, instituting email-based fraud and account alerts, and integrating partner services into one packaged, easy to manage, simple to deploy offer are just a few of the latest trends in services innovation. Issuers on the cutting edge of finding new ways to deliver a valuable and memorable service experience will build lifetime value and loyal customers for years to come.

- ▶ **Leverage specialty vendors to help with the “heavy lifting” around data acquisition, data analysis and management, program development and management in order to simplify the effort and increase the chances for ultimate, long-term success.** The good news is although it can be a complex effort, Issuers do not have to go it alone. There are experienced specialty vendors that serve to support other providers

marketing to the affluent consumer base. From data acquisition and analysis to program definition and loyalty-building services, Issuers

should partner with their payments network as well as best-in-class providers that can simplify the job and help increase the chances for considerable success. The next section of this paper outlines several trusted partners of Discover Network to consider when building such relationships to help guide and drive profitable results.

- ▶ **Prepare the organization internally (people, processes and technology) to evolve often and evolve quickly when ongoing program reviews reveal that program updates and enhancements are necessary in order to continue meeting set performance objectives.**

Yes, it’s always difficult to do all the planning, development and organizational work just to get the program off the ground in the first place, let alone change it frequently. That said – it is imperative to recognize when change is necessary, and Issuers that are able to build

an organization that can stay nimble and flexible – without going off track – have greater advantage here. Expert resources that can collect and interpret data and deliver sound analyses and change recommendations are an absolute requirement for success in this market (whether they are in-house or

outsourced to an expert provider). Processes must also be tailored to adjust easily when program requirements change. Technology

Success in marketing to affluent consumers takes diligent planning, deep demographic and behavioral data, brand and offer differentiation, and an organization-wide understanding of how to measure and adjust when the market calls for it.

should help facilitate data collection and analysis, and simplify the launch, management and tracking of a variety of programs through multiple communication channels and in various stages of deployment. Most importantly, the Issuer should consider developing an affluent consumer-focused ‘cross-functional team’ that consists of members from each major functional area within the organization. This team becomes the internal segment subject matter experts needed to help guide requirements and lobby for necessary changes while helping to drive and manage all the layers as needed. In reality, this team serves as the “affluent specialists” – who thoroughly understand the nuances necessary to successfully reach this segment, and what organizational muscle is needed behind it in order to win.

AFFLUENT RESOURCES FROM DISCOVER NETWORK AND ITS PARTNERS

Discover Network believes strongly in the power of segmentation and in the power of expert business partners. The affluent base offers significant opportunity for Issuers, so in order to help capitalize on the affluent market opportunity, Discover Network launched its *Premium Card* product in 2007. Designed to appeal to high-spend, high-volume consumers who demand a credit card rich in rewards and additional benefits, the Discover Network *Premium Card* offers superior customer service and unique value. Issuers can

leverage the *Premium Card* to:

- ▶ **Increase incremental revenue** – the product carries higher revenue due to the segment of consumers for which the card is designed; these consumers have significant purchasing power with higher than average tickets and greater purchasing frequency.
- ▶ **Improve cardholder retention** – the additional cardholder segmentation provides another product the Issuer can use to retain its existing cardholder base.
- ▶ **Increase spend in customer base** – the *Premium Card* is targeted to high-spend, high volume consumers. To encourage usage, the *Premium Card* carries additional enhancements, benefits, and discounts that support higher spend and use by the cardholder.

The Discover Network *Premium Card* also offers a suite of features and benefits that Issuers can leverage, including a variety of support services such as Concierge Service. Concierge services include:

• Restaurant recommendations	• Music/Theatre recommendations
• Restaurant reservations	• Music/Theatre reservations/tickets
• Hotel recommendations	• Sporting Event tickets
• Hotel reservations	• Airline reservations
• Car rental reservations	• Airline flight status
• Car service/limousine reservations	• Cruise reservations
• Visa/Passport information	• Custom travel packages
• Golf course tee time reservation	• Gift purchasing
• Spa/Health club reservations	• Vacation packages

Discover Network also offers high-end training and marketing materials that help develop differentiated programs and targeted marketing messages. In addition to a robust rewards program, additional card benefits from Discover Network also help ensure the program is competitive and unique:

- **Travel Benefits**
 - *Auto rental loss and damage insurance*
 - *Travel delay insurance*
 - *Travel accident insurance*
 - *Roadside dispatch*
 - *Emergency card replacement*
- **Shopping Benefits**
 - *No preset spending limit*
 - *Purchase protection*
 - *Extended product warranty*
- **Personal Services**
 - *Concierge service*
 - *24/7 Live customer service*
 - *Year-end statement summary*
- **Security Features**
 - *Identity theft protection*
 - *Zero liability*

For more information on Discover Network *Premium Card* or other support services, visit DiscoverNetwork.com or contact your Discover Network Relationship Manager.

DATA AND ANALYTICS PROVIDERS

Yankelovich, Inc. Since deep demographical and behavioral data is paramount to success in marketing to affluent consumers, Discover Network has partnered with Yankelovich, Inc. – a leader in generational marketing since 1958. Their extensive data set includes not only current demographic data, but also data on consumer attitudes, beliefs, behaviors and aspirations. The firm can help Issuers better understand which consumers to target, and how to make their products and services most relevant to them. Yankelovich employs seasoned marketing experts that offer data analyses on who buys what from whom, and why. Such data mining insight helps Issuers better target affluent consumers with magnified precision and segmentation expertise.

For more information on Yankelovich, Inc. visit www.yankelovich.com, or send email to info@yankelovich.com.

Mercator Advisory Group is the leading independent research and advisory services firm exclusively focused on the payments industry. Mercator's subscription research practices include credit, debit, prepaid, and international advisory services, as well as recently-launched retail and corporate banking practices. Mercator's subscription and consulting clients include leading card issuers, acquirers, processors, networks, and payment technology providers.

For more information on The Mercator Advisory Group visit www.mercatoradvisorygroup.com, or send email to info@mercatoradvisorygroup.com.

LesConcierges Inc. Founded in 1987, LesConcierges is the world leader in assistance-based loyalty solutions. LesConcierges is renowned for delivering customized programs that reinforce company business goals while responding personally and flexibly to individual customers' needs. Our multiple, seamless modes of delivery—on-site and virtual—make our services easy to use and highly relevant, producing a demonstrated return on investment for sponsoring clients.

LesConcierges serves over 25 corporations and 5 million customers worldwide, including 6 of Fortune's *100 Best Companies to Work For*. We staff more than 35 locations worldwide, including service centers in San Francisco and London and we offer a comprehensive breadth of services and resources through affiliations with more than 30,000 vendors worldwide. Our technological and operational infrastructure allows us to serve small and large companies alike, scaling to virtually unlimited membership levels when required.

For more information on LesConcierges, visit www.lesconcierges.com, or send email to corporateinfo@lesconcierges.com.

ABOUT DISCOVER NETWORK

Discover Network, a business unit of Discover Financial Services, is a comprehensive and secure payments network. Discover Network markets and supports a full range of credit, debit, and prepaid cards, including the Discover Card. Discover Network also provides customer-centric tools and programs designed to help issuers, acquirers, and merchants drive loyalty,

increase transaction volume, and run their business more effectively, with streamlined efficiencies. Connecting to millions of merchants throughout the U.S., Canada, Mexico, Central America and the Caribbean, Discover Network Cards are increasingly becoming a leading payments choice for purchases made around the world.

Leveraging its legacy of fraud prevention, customer service, and innovative partner marketing practices, as well as its hands-on merchant, issuing, and acquiring

knowledge, Discover Network sets itself apart by delivering meaningful and differentiated solutions. Discover Network's straightforward and collaborative approach combined with its brand-driven economics provide a fresh new brand choice for issuers, acquirers and merchants that want to reach more customers more profitably.

DFS Services LLC

2500 Lake Cook Road

Riverwoods, Illinois

USA

Main: (224) 405-0900

Web Site: DiscoverNetwork.com

NOTICE

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