

Cards play their luxury hand right

A bevy of perks holds sway as power users have high expectations

By JAMES TENSER

AFTER CONSULTING the periodic table of the elements, credit card marketers have yet to attempt to trade high-spending customers up to Uranium cards.

But there's definitely an atomic weight beyond gold and platinum in the credit card business, and major issuers are competing to attract the highest-spending consumers with rewards and services.

There's a lustrous new tier at the top: Centurion, World and Signature. These are the brands that American Express, MasterCard and Visa, respectively, have assigned to card offerings for their highest-spending consumers. No precious metals in sight, and perhaps for good reason.

"Hasn't 'platinum' gotten fairly bastardized?" asks Moshe Orenbuch, credit card industry analyst with Credit Suisse First Boston, New York.

Could be. The offers that tumble from mailboxes almost daily promise "gold" or "platinum" Visas or MasterCards from dozens of issuing banks with a surfeit of options and privileges. But how exclusive can a gold card be when your neighbor in the double-wide carries two on his weekly trip to Family Dollar?

Despite this commoditization, the major card marketers recognize that the luxury psyche has evolved a great deal in the 20 years since American Express Co. unveiled its pioneering platinum card. "We were the first to introduce platinum," says Sylvia Bass, VP-Platinum and Centurion product

management. "We saw the imitation that followed as flattery. But we also saw a need to differentiate further as well as an opportunity to up the ante at the high end."

Unity Marketing, a Stevens, Pa., consultancy hired by AmEx to conduct its "Platinum Luxury Survey," reports that a clear majority (59%) of affluent consumers who earn an average of \$175,000 per year received the greatest satisfaction from luxury experiences. The most common indulgence was fine dining, enjoyed by 79% of respondents during the preceding 12 months.

FOCUS ON WHAT CARDS DO

Consumer insights such as these are leading the Big 3 card marketers to focus more on what their cards *do* for high-spending cardholders and less on what cards *mean* to them. Luxury consumers' minimum expectations include privileges such as 24-hour concierge services and free airline club memberships. Special blocks of tickets to sporting or cultural events, and even reserved tables at trendy restaurants, add to the feeling of entitlement.

"I think that's exactly right," says Susanne Lyons, exec VP-brand marketing at Visa USA. "Fifteen or 20 years ago, it was much more about prestige, the color of the card. Business customers wanted to look good in front of clients."

Now, Visa is targeting what it calls the "new affluents," generally dual-income professionals who were raised with middle-class values, Ms. Lyons says.

"They have money but do not think of themselves as rich," she says. "They believe you get what you pay for. They see credit cards as much less about prestige, much more about tangible benefits that enrich their daily lives."

Consumer research by Edgar, Dunn & Co., a San Francisco consultancy, may explain



BASS: Raising the ante



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you can choose from numerous reward partners you can enjoy remarkable purchasing power and acceptance at millions more places worldwide than American Express

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SIGNING UP: Visa promotes its Signature card as "Everything you always wanted."

further how affluent cardholders are changing. "The advent of frequent flier and co-branded cards redefined what the high-end offer is really all about," says F. Alan Schultheis, director, about his company's "PaymentDynamics 2004" survey. "For a lot of very big spenders, it may be that their airline co-brand card has really become a focal point of their spending behavior."

JOINING FORCES

The superpremium cards are also joining forces with other high-end marketers. Each of the three card programs includes multiple ties. World MasterCard, for example, offers three nights for two at Relais & Chateaux resorts, and complimentary upgrades at Hyatt Worldwide properties on its list of goodies. Visa Signature promises "upgrades, perks and

discounts" at partners like the Ritz-Carlton, men's fashion designer Ermenegildo Zegna and watchmaker Audemars Piguet. Issuing banks choose the exact set of programs.

Centurion cardholders receive the full set of AmEx platinum card extras, including a companion airline ticket, free membership in numerous airline clubs, and special amenities and free nights at some 500 luxury hotels worldwide. The program includes added Membership Rewards and InCircle Rewards points from upscale retailer Neiman Marcus. Heavy spenders also receive a free gift card from Saks, worth several hundred dollars or more.

The card industry seems to know what it's doing. Industry publication *Credit Card Management* reported in its May issue that

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AdAge SPECIAL REPORT LUXURY

Cards

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2003 was the most profitable year for credit cards since the magazine began tracking the industry in 1992.

AmEx's Centurion, introduced in 1999, zeros in on a new luxury customer whom Ms. Bass says is less focused on acquiring material things and more interested in luxurious experiences.

Centurion holders charge at least \$150,000 annually. For them, time—not status—is the precious commodity; the opportunities to spend leisure time engaged in travel, dining and entertainment are highly prized.

ANNUAL FEE OF \$2,500

The value of such privileges easily exceeds the \$2,500 annual fee AmEx charges for a Centurion card, says spokeswoman Desiree Fish. Only holders of the AmEx platinum card, whose fee is \$395, are invited to have the black Centurion card, and it has gotten no mass-media ad support.

"We've closed invitations at various times over the last five years," Ms. Fish says. AmEx isn't saying how many people brandish a Centurion card.

Since most American Express charge cards don't permit customers to revolve their balances, it's easy to see why the highest-spending AmEx cardholders are most profitable, says Mr. Orenbuch of CS First Boston. "Their top customers are four times as profitable as lower-spending ones," he says. "For bank cards, that is not necessarily true, because they make money both from spending and the amount of balances carried."

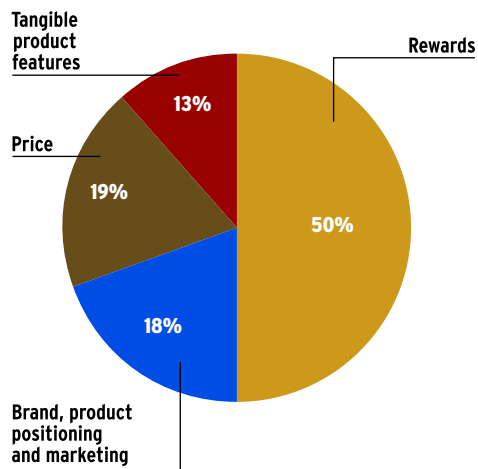
MasterCard International launched its World MasterCard program in 1997. It now reaches 15.3 million households in the U.S. with annual incomes greater than \$100,000, what it calls the "mass affluent." Primary features include a dollar-for-dollar rewards program and no preset spending limit.

World MasterCard (known as World Signia in Europe) generates eight times more transactions per card annually than MasterCard platinum cards, and each transaction averages 15% more.

"The '90s were about conspicuous consumption and 'badge value.' Today, it's less about material items, but rather about spending time with loved ones or sharing unique experiences such as travel," says

THE PRICE OF LOYALTY

Respondents were asked why they would not give up their credit cards.



Note: Percentages are a weighted average, based on respondents being asked to rank the four reasons for loyalty.

Source: Edgar, Dunn & Co.'s "PaymentDynamics 2004"

Nicole Risafi, VP-product management and development at MasterCard.

World MasterCard gets no individual advertising, though several issuing banks provide some marketing support.

Visa is backing its Signature card with a TV campaign that broke during the Athens Olympics on NBC. The push, from Omnicom Group's BBDO Worldwide, New York, features vintage images and the music of Frank Sinatra. Ads are also running in upscale magazines, and Signature has taken a sponsorship position on National Public Radio.

Signature, introduced in 1997, has about 7 million users, and accounts for 3% of Visa consumer credit cards but 18% of Visa sales.

UNDERCOVER AFFLUENCE

For every customer who salivates at the prospect of flashing a black card at a business dinner, there are others who prefer to keep the noise level down, a kind of anti-prestige. Visa calls them the "undercover affluent."

"We have seen new affluents target much more emphasis on tangible value," said Al Banisch, senior VP-consumer credit products and the executive responsible for Visa Signature. "Time is precious to them. So is the ability to get a last-minute dinner reservation."

The rest of us can count on mercury cards, named for the speed with which the money runs through our fingers. ■

Binn

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Beach was beginning to take off.

Ocean Drive established the formula Mr. Binn would later apply at Niche Media—a city magazine that was more upscale, frothy and boldface-name-obsessed than its peers following the Clay Felker model.

Mr. Binn remains a minority investor in *Ocean Drive*, but his empire is based in the Big Apple. Niche Media employs more than 80 staffers, most of them in New York. Mr. Binn says he's running out of U.S. cities and has no plans for another growth spurt. Nor is he interested in selling his company.

As far as ad revenue, he says Niche Media and SoBe News, publisher of *Ocean Drive*, combined will top \$40 million this year. "I've given these magazines 18 hours a day, seven days a week for 14 years," he says. "I don't know if anyone can say they give their magazines more. I love the art of publishing, but I haven't overextended myself."

Advertisers appreciate this kind of work ethic and vision.

"Jason is a magnet," says Jean Zimmerman, exec VP-marketing and sales for Chanel's beauty business. Ms. Zimmerman has joined Mr. Binn and her husband at a banquet in the Grill Room of the Four Seasons for drinks the night after his CNN meeting. "*Gotham* and *Hamptons* are small enough to be intimate with the audience and intriguing to them. It's the right crowd—hip, trendy people."

Jewelry

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established diamond marketer, this year stepped up its education programs for jewelry store personnel and boosted print advertising, says Marcee Feinberg, VP-marketing. The brand's long-running theme, "My Lazare diamond," is handled by AgencySacks, New York.

PEARLS MAKE COMEBACK

Pearls, which are making a comeback this year, are also driving a fresh wave of branding efforts.

Tiffany next month opens the first outlet of a new retail division, called Iridesse, devoted exclusively to pearls. Plans call for a total of 20 outlets within the next five years. David Yurman is also offering a new line of

She turned to Mr. Binn when the time came for Chanel to launch its twenty-something-targeted fragrance *Chance* in 2002. "He's built a pathway to them," she says.

After drinks, Mr. Binn bolts uptown to Bergdorf Goodman, where *Hamptons* is sponsoring the launch of Flirt, a cosmetics line developed by Estee Lauder's BeautyBank division destined to be a store brand for the big-box retailer Kohl's. He's been informed that three Lauders will be in attendance—patriarch Leonard and daughters Aerin and Jane.

NEEDS OWN REALITY SHOW

Mr. Binn is joined at the entrance of Bergdorf's by a pack of his sales team, including Nick Warnock, Donald Trump's passed-over "Apprentice." Mr. Warnock is clearly in awe of Mr. Binn. "He's a genius," Mr. Warnock says slowly, wide-eyed. "He should have his own reality show."

Upstairs in an impromptu Flirt mini-boutique, the party is jammed with the usual flock of socialites and actresses who will likely never set foot in a Kohl's, but who will, it is hoped, imbue the brand with some "heat." Mr. Binn wades right in, offering congratulations to Lauder execs, accepting compliments in turn for such a great party, and arranging tableaux for the photographers hovering behind him.

Leonard Lauder has already left, BeautyBank General Manager Jane Hudis tells Mr. Binn, but he had a good time.

"Did you hear that?" Mr. Binn says, grinning. "The old man liked it. And that's what's important." ■

pearl jewelry this year.

Mikimoto & Co., the longtime leader in luxury pearls, this year has responded to the competition by reviving a previous print ad theme line, "The originator of cultured pearls since 1893," says Robert Artelt, senior VP-marketing and retail for the Tokyo-based company.

AgencySacks handles Mikimoto. Kerwin Communications handles media buying for Mikimoto as well as Kwiat.

Suddenly, jewelry designers, who toiled in relative obscurity, are turning up in fashion magazine columns, and are being touted as minor celebrities in jewelers' promotional material, ads and Web sites.

"For the longest time, jewelry wasn't represented on our covers," says *Vogue's* Mr. Florio, "but starting this year, it has been a very important element." ■



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