

Metal cards taking payments to a higher level

PAYMENT

POSTED ON 03.31.20

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Premiumization is all around us

With consumer buying power rising around the world, more and more consumers are willing to pay to get exclusive products ranging from sober smartphone models to exclusive chocolate and limited edition clothing. We can see this premiumization wave sweeping through the world, and research showing that buying premium products makes 52% of global customers "feel good" confirms this phenomenon[1]. Some of the criteria defining a product as premium within the eyes of the consumers is that the product is made with high-quality materials or ingredients, that it has superior style or design and that it's handcrafted, using artisanal methods[1].

Metal cards: the premium product of retail banking

We see various expressions for this premiumization wave in different industries, and in banking, the premium product is cards made out of metal. These cards are heavy, they look and feel different and they make that "clunck" sound when put on a table. A recent survey with over 18,000 customers spanning over 18 countries reveals that **metal cards are a differentiator** for 58% of consumers[2]. But not only are the cards getting attention from consumers, the packaging, in which the card is sent to the consumer, has become a crucial tool to **create a premium experience**. Look at the YouTube video showing the "unboxing" of a metal card that got a whopping 66,000 views[3]. Interestingly, the demand for metal cards is at its strongest in developing countries and among young customers, that is, the market segments that will dominate global spending tomorrow. 65% of global consumers would choose a metal card over a plastic card if all other things were equal, but in Mexico this is true for an astonishing 88% of consumers and in Turkey for 86%[2]. Furthermore, 73% of global millennials prefer a metal card over a plastic one.

Metal cards spreading to encompass more customers

However, **metal cards** are not a brand new phenomenon. Metal cards made their entrance into the card universe with the 1999 launch of the American Express titanium Centurion card. This by-invitation-only card was targeting the most high-end range of customers with considerable fees, but also a variety of benefits. But what has happened in recent years, is that through a combination of new technologies and evolving consumer preferences, the usage of metal cards has evolved from the High-Net-Worth customer only to the growing mass affluent segment.
The school-book example of how appealing metal cards are to this segment is the 2016 launch of the Chase Sapphire Reserve metal card. The interest in this card was so high that Chase ran out of the material to mint it within weeks of the launch[4] with more than 900,000 people signed up for the Chase Sapphire Reserve in the fall of 2016 alone[5]. With a lift in spend of >50% and an activation rate of 96%, this card posted extremely impressive performance[6,7].

Metal cards leveraging bank brands today and tomorrow

In most recent times, FinTech and Neobanks have proved that metal cards are an incredibly efficient asset when establishing and building their novel brands, not the least towards the growing Millennial (consumers aged 18 to 34 years) segment (since 2015, millennials are the number one source of global income, spending and wealth creation[8]). Worth noticing in this context is that 47% of new American Express accounts are millennials[9]. Revolut, Monzo, N26 and Chime are examples of FinTech/Neobanks that have launched metal card programs as well.

Where will this all leave us? With another major trend, digitization, reducing the number of visits to bank branches and removing monthly account statements sent in paper format, the card is arguably the last remaining physical touch-point between the bank and its customers. It is therefore reasonable to envisage that the importance of the card, as a carrier of the bank's brand and as a tool to create loyalty to the bank will only increase.

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