

Group 2

Dr. Hu

IBM 4112.03

04 December 2024

Marketing a Travel Credit Card to Middle-Class Consumers

Executive Summary

Middle-class consumers play a vital role in the economy, representing a diverse **demographic segmentation** classified by varying incomes, lifestyles, and spending habits. Middle-class consumers prioritize financial stability while seeking to enhance their quality of life through experiences, such as travel. A distinctive segment of middle-class consumers value and or favor experiences over material possessions, underlining travel, dining, and entertainment as prime areas of spending. Thus, a travel credit card will offer the quality and experience-focused purchases middle-class consumers seek while making it affordable.

Middle-class consumers are tech-savvy, utilizing online resources such as mobile applications to make informed purchasing decisions. From the detailed marketing research shown through this report, one can gain insight into the motivations and behaviors of middle-class consumers— more specifically how these behaviors align with experience-based consumption, such as traveling. By customizing marketing strategies to emphasize **customer value**, affordability, and customer-focused experiences, travel credit card companies can enhance engagement and foster **brand loyalty** among middle-class consumers.

Introduction

The overall perspective of traveling has changed over time. It used to be seen as a luxury and mainly centered around the upper class. As mentioned in The Daily Star, traveling targeted the upper society while middle-income families traveled once under rare circumstances and most never left the country. In current times, consumers are more inclined to travel given options for a budget-friendly trip without financial stress regarding any **social class** factors.

Middle-class individuals typically have a moderate level of income that permits them to achieve a balance between meeting their essential needs and enjoying some discretionary luxuries. They recognize a **need** through **cognitive arousal** by being made aware of more cost-effective travel options, such as a travel credit card that will fulfill their travel aspirations. A travel credit card appeals to **psychogenic needs** and offers many benefits, including rewards points, exclusive perks, and discounts that can be accumulated on most or all of their everyday transactions. Rewards can then be redeemed for travel-related purchases, making it a valuable tool for frequent travelers. These rewards are used as **approach objects** in the **motivational process**. These features collectively create a more seamless, enjoyable, and cost-effective travel experience for consumers. Travel credit cards also create **motivators** towards the consumer by setting certain **goal** points based on their purchases to obtain mileage points and other bonuses in return. This kind of benefits-driven relationship, known as **benefit segmentation**, between the middle-class consumer and the travel credit card, effectively attracts a wide audience.

Since most consumers already use a credit card for their purchases, why not earn points or miles in the process? This is particularly relevant for middle-class consumers, as a significant

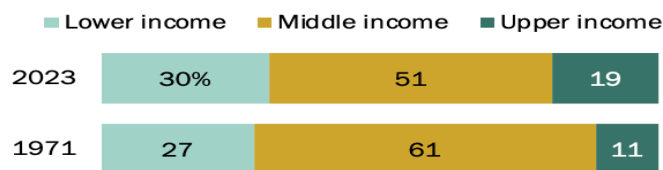
majority of this demographic relies on credit cards, according to Forbes. While many consumers may have their preferred credit cards, there is certainly a market for travel-specific options. The average middle-class consumer's interest in experience-based purchases aligns perfectly with what travel credit cards offer.

Literature Review on Middle-Class Income Consumers

Large Market Segment

The market size for middle-class consumers is vast, giving travel credit card companies a huge segment to market to. According to the Pew Research Center (2024), 51% of Americans fall into the middle-class income bracket, with the average individual's or household earnings between \$56,600 and \$169,800 annually. This accounts for a little over half of the entire US population.

% of U.S. population in each income tier



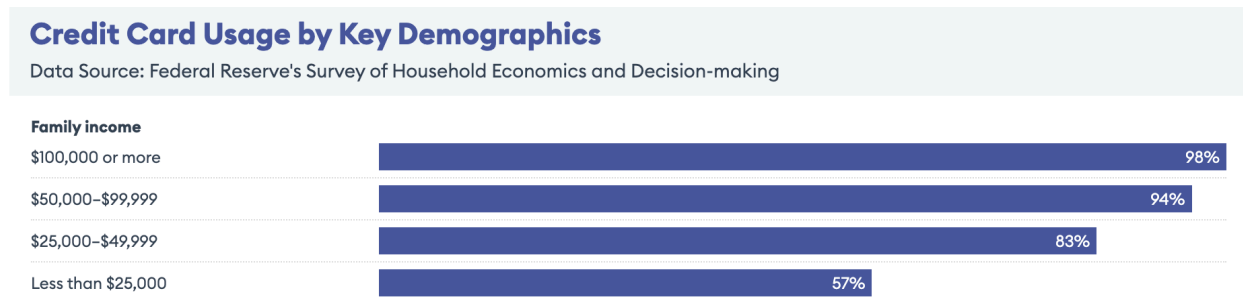
Note: People are assigned to income tiers based on their household incomes in the calendar year prior to the survey year, after incomes have been adjusted for the number of people living in each household. Shares may not total 100% due to rounding.
Source: Pew Research Center analysis of the Current Population Survey, Annual Social and Economic Supplement (IPUMS), 1971 and 2023.

PEW RESEARCH CENTER

Source: Pew Research Center

Middle-class consumers not only represent a significant portion of the market, but they also present a higher percentage of overall credit usage compared to lower-income consumers. In

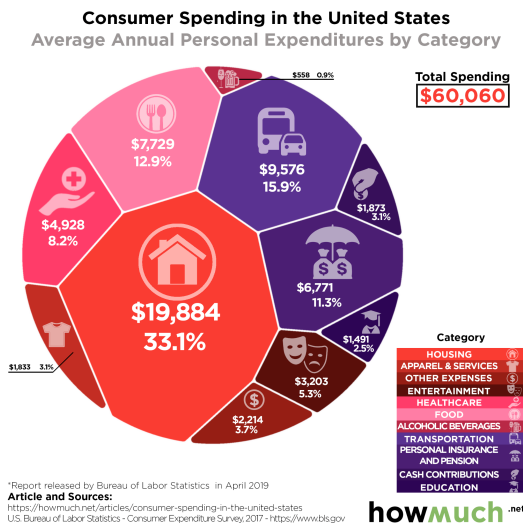
fact, their credit utilization is nearly equalized to that of upper-income consumers. However, upper-income individuals make up only 19% of the U.S. population, giving middle-class consumers a strong arm on overall credit usage.



Source: Forbes; pulled from a study done by the Federal Reserve

Cultural and Psychographic Diversity

To market a travel credit card effectively to middle-class consumers across diverse cultural and psychographic backgrounds, it's essential to understand and emphasize the **core value**, flexibility, and localized relevance. The Chart below shows the **consumer behaviors** of the middle class. The chart shows that the second highest spendings for a middle class consumer is transportation. Since a large portion of middle-class consumers' annual spending is put towards transportation, it makes the travel card all the more appealing to this demographic.



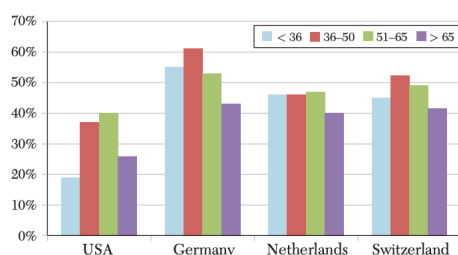
Research shows middle-class consumers are drawn to experience-based purchases. According to the report from Bread Financial (2024), brand loyalty has a strong influence on middle-class consumers with 47% reporting they are motivated to buy products that they love and know. Knowing these purchasing preferences we can use the **benefit segmentation** for the travel credit card that offers rewards and incentives for these kinds of purchases. Rewards that enhance their travel experiences and **perceptions** without compromising financial responsibility.

Financial Literacy and Saving Attitudes

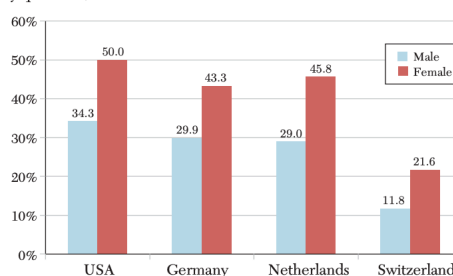
The spending habits of middle-class consumers differ compared to lower or high-income level consumers, especially when it comes to traveling. Middle-class consumers prioritize their spending toward essential purchases and have a different understanding when it comes to finances. According to The Economic Importance of Financial Literacy (2014), research shows that women, minorities, and individuals with low levels of education do not have strong knowledge of financial concepts such as inflation, interest rates, cash flow, and risk management.

The charts below represent the research conducted in which age, sex, and lack of knowledge (do not know answers) were observed under financial literacy questions. These certain demographic groups are greatly overrepresented in the middle-class category. The **attitude** middle-class consumers have toward travel credit cards is shaped due to this lack of knowledge in which they are unaware of how to use it to its full potential. In return, this causes consumers in this market segment to carry a hefty balance on their travel credit card.

Panel 1A. By age group
(percent providing correct answers to all three financial literacy questions)



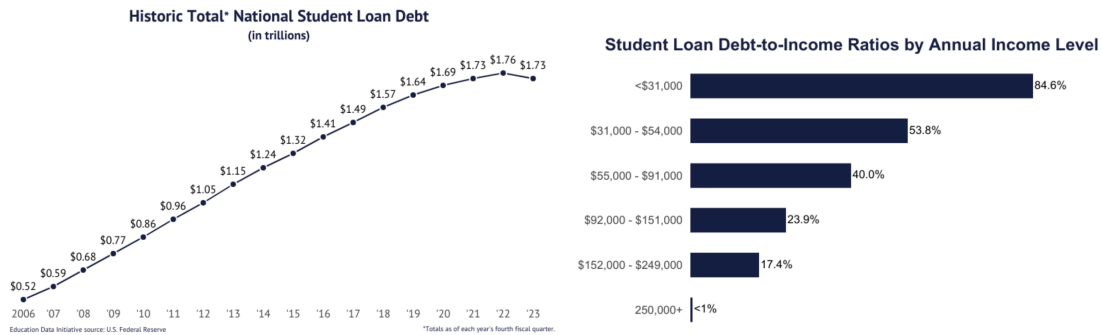
(percent responding "do not know" at least once to any of the three financial literacy questions)



Student Loan Debt

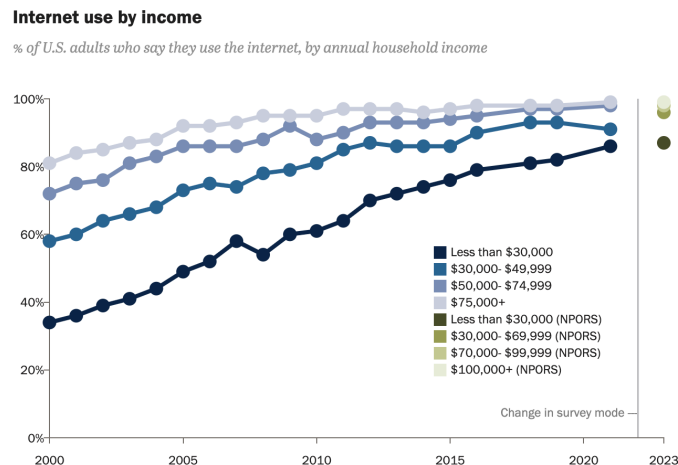
While marketing to our selected market segment, it's important to also consider the existence of debt among middle-class consumers. According to the Education Data Initiative (2024), student loan borrowers from middle-class households owe on average \$46,016 in student loan debt. The debt has gradually increased over time to \$1.753 trillion in 2024. The increased national debt among the middle-class limits our target audience's ability to accrue credit and have available equity or capital to spend. This has snowballed into decreased credit card applications and overall line of credit. Even if a credit card offers attractive rewards, the high debt-to-income ratios make consumers wary of adding on more debt, leading marketers to shift their focus to financial planning and debt management. For the high DTI households, they are constricted on available income to use towards travel and lifestyle spending, so they are going to

be vigilant on adding on any new forms of debt. Our objective would be to effectively **position** the card as a financial tool that would enable them to be able to travel without jeopardizing their debt-to-income ratio.



Personalized Digital Marketing

The role of digital marketing has increased heavily over the years in terms of reaching middle-class consumers. According to the Pew Research Center (2021), 98-99% of middle-class adults use the internet. Consumers begin to build trust and rapport when the content has been customized involving their own lifestyle and spending habits. According to Middle Class Consumers Demand Savings and Value from Retailers (2024), consumers are 68% more likely to engage with an advertising message when it is tailored towards them. This is due to perceived **source credibility** being boosted when middle class consumers believe and resonate with the marketing message. Knowing this, it's important to market a campaign empathically to where the consumer is able to feel involved in the product. Given their high debt-to-income sensitivity, they seek options consisting of flexible payment plans and value, and that don't involve debt accumulation.



Proposed Coping Strategies

Emphasize Travel Rewards

Serving middle class consumers as a credit company that offers travel credit cards is challenging because of the credit usage consumers already hold. It may be hard to convince middle class consumers to open another credit card if usage rates are high. Knowing this information from the market analysis of middle class consumers, marketing strategies must highlight and emphasize the key rewards being offered with this card. Middle class consumers will be more likely to open a credit card that is for travel when they know they are getting tangible benefits from it. Rewards such as traveling miles for everyday spending, lower rates on hotel stays when you use your card, money back on certain purchases in airports, etc.

Promise of Experience

To help the middle class have a promising experience with the traveling credit card, it is important to focus on the **experiential benefits**. By emphasizing the experiential benefits, such

as the ability to create unforgettable traveling memories, access exclusive destinations, and enjoy personalized perks, the traveling credit card appeals to middle-class consumers on a deeper level. This is important when promoting products like traveling credit cards because the middle-class demographic values experiences that can enrich their lives. With this approach of promotion it will not only make the traveling credit card have the same practical aspects as a regular credit card but it will also tap into an emotional satisfaction and status associated with unique experiences. As a result, the middle class will have a card that enhances quality of life through the traveling credit card that resonates to the middle class making the traveling credit card a valuable addition to have in their lives.

Guidance on Credit Usage

Exposing information could be a strong coping strategy that can help relieve the issue of financial literacy among middle-class consumers. This information can be expressed during the **evaluation** step of the **innovation adoption process** through the form of short and brief videos throughout the travel credit card's website and app. They would touch upon financial do's and don'ts as well as perks when it comes to owning one of their credit cards. Including informational videos within the marketing of a travel credit card would help to relieve potential stresses consumers may feel. This would overall make the evaluation process more seamless for the consumer and lead directly to the **trial** step when the consumer actually opens and uses the card.

Opportunity for Growth and Enjoyment

Taking into account the challenges of debt, such as student loan obligations, aiming to market the travel credit card as a tool for financial empowerment rather than an additional burden or stress is key. It is important to note that because many middle-class consumers are cautious about taking on more debt due to high debt-to-income ratios, it is essential to address these concerns head-on by offering a product that not only provides valuable rewards but also supports responsible financial management. Since credit cards are considered a high **consumer involvement** product, we can attract debt-conscious consumers by highlighting responsible spending, enticing rewards, and financial literacy resources. This would mitigate the stresses felt by consumers when opening new credit cards. Laying out ways to spend responsibly and managing debt will help consumers in their decision making process. Essentially, marketing a travel credit card to middle-class consumers by making the card an accessible and valuable financial tool that helps middle-class consumers balance existing debt and pursuing future reward reshapes financial stress into an opportunity for growth and enjoyment.

Embrace Interest Based Personalized Marketing

Based on the personalized digital marketing research done in the literature review, it would be beneficial to have a combination of formal sources and informal sources of communication. Customer service employees are considered to be a **formal source** of communication in marketing. This can be implemented through an in person credit card representative who talks about the perks directly with prospective customers. For example, Costco credit card sales representatives are in person and stop people as they are leaving to talk about the credit card. It would be effective to have a similar format for our travel credit card. For

informal sources of communication, digital marketing directed solely on the personal interest of traveling would be received well by the middle class.

Conclusions and Recommendations

In order to be successful in attracting and marketing to middle-class consumers, travel credit card companies must heavily use cognitive arousal in their favor. Using approach objects such as travel miles back on purchases, discounted stays at hotels, exclusive travel deals, etc. will help to create a benefit segmentation that will attract consumers. Specifically, to attract middle-class consumers, marketing efforts need to be seen through a combination of formal and informal communications directly targeting the interest/experience-based purchases that come with traveling. Lastly, to get past the debt-to-income ratio that may be a hindrance for the middle-class consumer, offering guidance on credit usage during the evaluation step of the innovation adoption process will help to mitigate these hindering feelings. With all these factors in mind and put to use, travel credit card companies can convert more middle-class consumers into travel credit card users.

Works Cited

“Consumersignals.” *Deloitte Insights*,

www2.deloitte.com/us/en/insights/industry/retail-distribution/consumer-behavior-trends-state-of-the-consumer-tracker.html#automotive. Accessed 13 Nov. 2024.

Hanson, Melanie, and Fact Checked. “Student Loan Debt by Income Level [2023]: Data

Analysis.” *Education Data Initiative*, 13 Oct. 2024,

educationdata.org/student-loan-debt-by-income-level.

“Internet, Broadband Fact Sheet.” *Pew Research Center*, Pew Research Center, 31 Jan. 2024,

www.pewresearch.org/internet/fact-sheet/internet-broadband/?tabItem=480dace1-fd73-4f03-ad88-eae66e1f4217.

Kochhar, Rakesh. “The State of the American Middle Class.” *Pew Research Center*, Pew

Research Center, 31 May 2024,

www.pewresearch.org/race-and-ethnicity/2024/05/31/the-state-of-the-american-middle-class/.

Lusardi, A., & Mitchell, O. S. (n.d.). *The economic importance of Financial Literacy: Theory*

and Evidence. Journal of Economic Literature.

<https://www.aeaweb.org/articles?id=10.1257%2Fjel.52.1.5>. Accessed 8 Nov. 2024

“Middle Class Consumers Demand Savings and Value from Retailers.” *Mspark*, 23 Apr. 2024,

mspark.com/blog/middle-class-consumers-demand-savings-and-value-from-retailers/

Pokora, Becky. "Credit Card Statistics and Trends 2024." *Forbes*, Forbes Magazine, 28 Mar.

2024, www.forbes.com/advisor/credit-cards/credit-card-statistics/.

Raul Editor, et al. "Visualizing How Americans Spend Their Money." *HowMuch*,

howmuch.net/articles/consumer-spending-in-the-united-states. Accessed 4 Nov. 2024.

"Report from Bread Financial® Finds 98% of Middle-Class Shoppers Believe Retailers Could

Be Doing More to Meet Their Needs." *Bread Financial Newsroom*,

newsroom.breadfinancial.com/state-of-the-middle-class-shopper-press-release. Accessed

4 Nov. 2024.

"The American Middle Class Is Losing Ground." *Pew Research Center*, Pew Research Center,

9 Dec. 2015,

www.pewresearch.org/social-trends/2015/12/09/the-american-middle-class-is-losing.

Accessed 4. Nov. 2024

Zaman, K. T. (2023, February 12). *Middle class driving our tourism*. The Daily Star.

<https://www.thedailystar.net/supplements/32nd-anniversary/the-changing-middle-class-story/news/middle-class-driving-our-tourism-3246046>