



Case: Chase Sapphire: Creating a Millennial Cult Brand

Porter's Five Forces of Credit Card Industry

Threat of New Entrants (Low)

- Market is dominated by the six card issuers that covered the good amount of credit cards and market share
- Well established brand names

Bargaining Power of Suppliers (Low)

- N/A as such in this industry

Rivalry Among Existing Customers (High)

- New product design and strategy on regular basis.
- High competition and cut throat deals to acquire customers.

Bargaining Power of Buyers (High)

- Low customer switching cost.
- High number of customers are dormant or churners.
- Customer opt for cards which have better rewards and bonuses.

Threat of Substitute (High)

- Competitors are launching new products with high rewards and bonuses.

SWOT Analysis of Chase Sapphire

Strength

- Chase as a brand itself is established.
- Live Advisor customer service which is available 24x7 to handle customer issues.
- Dedicated system to access and redeem rewards point.
- Easily accessible ATM and branches across US
- Successful utilization of non-traditional marketing methods.
- Lowest Interest rates (APR)
- Highest initial sign up bonus and rewards.

Weakness

- Lot of similar products which might lead to product cannibalization.
- High customer acquisition cost
- Revenue lost due to open loop system
- Inability to retain customers and specifically churners
- Inability to forecast sales which leads to shortage of metal supply for the cards.

Opportunities

- Tap the emerging segments in US which have started to use credit cards.
- Charging high fee for established customers which are credit worthiness and use the chase cards more often
- Tailor made offers for different type of customers and segments
- Establish the demand properly and resolve the physical appearance and material of card.

Threats

- Industry margin dropped from 31% to 25% as of 2016
- Threat of competitors as industry is highly competitive and there are lot of innovations.
- Government rules and regulations for credit card industry
- Alliances are increasing the affiliation cost for cobranded rewards and bonuses
- Increase in dormant and churners customers.

Create Value for Targeted Customers - Chase Sapphire

Market Segmentation

- The segmentation of households was done as
 - Prosperous and content
 - Deal chasers
 - Financially stressed
 - Recovering credit users
 - Self-aware avoiders
- The 26-60 age group accounted for 59% of industry revenue
- Wealthy segment with \$500000 to \$1 Million , affluent with \$100000 to \$500000 in asset
- New affluent aged 25-44 and income \$150000+

Target Market

- The Affluent / High Net Worth customers were targeted as this group represents ~ 15% of the 200 M U.S. Card holders
- Millennials were considered as a perfect target group based on their spending habits

Product Positioning

- The Chase Sapphire Preferred card was considered to showcase one's identity
- It wasn't considered showy but a conversation piece
- Chase Sapphire Reserve was positioned as a credit card for the young and successful
- Positioned for people who wanted to be viewed as interesting not rich

Product Differentiation

- A new segment of 'new affluent' that were 25-44 years old with income of \$150,000+, authentic travelers and savvy about rewards
- Construct a value proposition comprised of the optimal mix of rewards, benefits, services, experience, interest rates and annual fees
- The motive to remain top of wallet for long term and to reduce the count of "churners"
- The card was presented as a flexible product that allowed consumers to set their own rules – providing convenience, relevance and choice.

Reaction of Competitors – What To DO

- Chase's success with the reserve card was difficult for competitors to ignore. As a competitor, one cannot let chase take the advantage in this highly competitive market.
- As a competitor, we should analyze the competition based on the 3 factors i.e. Share of Market, Share of Mind and Share of Heart. After the competitor analysis, one should identify potential POP (Points of Parity) and POD (Points of Difference).
- Come up with a new product design based on the consumer analysis and the offerings should be relevant, resonant and realistic to the consumers. The product should be distinctive, defensible and durable compared to the competition.
- Create perceptual maps to understand consumer perceptions and preferences and create a differentiation to build a competitive advantage.
- New product which provide
 - More reward points, better affiliation partners offerings, better sign up bonuses, appealing physical cards, unique customer services etc.
 - Create customized offering package as per customers retention in terms of number of years spend (Gradual benefit increase for retention).
 - Create tailor made offerings and bonuses for different segmentations and customers
- Spend more on marketing, promotion and customer engagement for new product.
- Create emotional branding with the company and product where people will feel like they are using something unique and they want to continue using it. It should give a feeling of feasible, favorable and faithful.
- Create a brand mantra which can connect with consumer and inspire to use.
- Use of social media strategies to engage with potential customers and existing customers.

Retaining Customers – How and Why

We feel that Chase Sapphire Reserve can retain their customer for a short term like 3-5 years. Credit card industry is a fast growing industry in US where gauging the Brand Equity is the differentiating factor. Chase leads the Market with around 21% share but there is a huge threat of competitors here. In a long run they should build on this Brand Equity and come up alternate card option so that customers will have that perception of Chase leveraging their offerings.

What to be continued?

- Value proposition offered by Chase Sapphire Reserve is incomparable and that's the main reason for their popularity among targeted consumers (millennials with income above \$1.5 lakh)
- Their strong brand portfolio with association with leading brands.

Chase was clear that how much they can engage their customers with their card is the way to increase the customer lifetime.

What can be offered?

- Provide referral bonus along with tie ups with e-commerce platforms.
- Rewards or points transfer so that earned reward points can be utilized at fuel stations etc.
- Along with travelers and foodies they can target common millennial behaviors like shopping, tie ups with retailers & clothing brands, movie booking etc.
- Waive off the annual fee once the consumers have used the card for a predefined credit amount for an year.

Way Forward

- Strong Brand Association for Chase Sapphire Brand
- Customers with right expectations and getting them fulfilled by product design strategy and differentiation
- Focus on increasing early month on book consumers to get them hooked and build affinity using POP and POD
- Accommodate and differentiate between various product categories
- Additional Product Innovations for the Sapphire portfolio

Product Portfolio Without Cannibalizing– How To Manage

Apart from the annual cost, there is no major difference between the Sapphire and the Sapphire Preferred. Sapphire Reserve and Sapphire are the portfolio's distinguishing features. With the current wave of rewards-savvy millennials attempting to constantly game the rewards system by amassing advantages that offset the cost, switching to Sapphire (zero) after the introductory year in using Sapphire Preferred is unavoidable. Additional revisions to the Chase Sapphire product collection are needed to define and clarify the lines between the three items.

Things that Chase sapphire should consider:

- Customers must be able to immediately categorize themselves into the product that best fits their needs, therefore Chase Sapphire must offer clarity and transparency between the distinct attributes of each product.
- Chase Sapphire must ensure that the three cards complement each other's branding while not suffocating consumer growth in either product.
- Although all products in the Sapphire Collection are targeted at the same client categories, they are all placed differently, making the target sub-segment ambiguous. Chase needs to refine or sub-segment the emerging wealthy customer market and brand each of their products inside the collection to appeal to those sub-segments specifically.
- Serra spotted an untapped business opportunity in the expanding wealthy young adult consumer market, and the Sapphire collection is well positioned to compete with other high-end target market products from various credit card providers.
- Chase Sapphire must be able to cover the entire market and all types of consumer segments with the fewest feasible brands.

Thank You