



CHASE SAPPHIRE RESERVE CASE STUDY

EXECUTIVE SUMMARY

Chase has a sub-brand credit card line, Chase Sapphire, for "affluent consumers interested in travel and dining," and recently added a new premium card to that line above Sapphire and Sapphire Preferred: Chase Sapphire Reserve. Upon this new launch, competitors such as American Express and Citibank have responded with their own comparable rewards cards, leading Chase to seek the best way to position their new premium card. Their key issue is to decide on a segment of US credit card holders to target, and to figure out the best way to position the Chase Sapphire Reserve Card in order to win that segment over competitors.

RECOMMENDATION:

I recommend that Chase positions Sapphire Reserve to target the Prosperous & Content. This segment is looking for rewards for their spending, and Reserve gives them the best rewards that spending while also satiating their desire for convenience and reliability through perks. This card also fits credit card spending behavior – these people spend liberally on rewards-centric premium cards, and Sapphire Reserve is the best card in that category.

POSITIONING STATEMENT #1: PROSPEROUS & CONTENT

Prosperous and Content: the proudly financially responsible, high-income folks who are 2x as likely than other credit card holders to have a premium card. These individuals are opposed to revolving debt, with only 29% of the segment carrying revolving debt; they do not like to think about their cards. Rather, they prefer to spend liberally mainly using premium credit cards – which for the most part (92% of the time) are rewards cards. They desire rewards for spending, convenience, and reliability.

To the Prosperous and Content, Chase Sapphire Reserve is the top premium credit card that offers the best rewards for convenience and reliability in travel and dining. Sapphire Reserve distinguishes itself from other premium cards by offering convenience and reliability in travel with priority airport lounges, early reservations, and easy trip cancellations, a flexible \$300 travel credit to be used at the holder's convenience, and the best reward return on spending with the highest redemption value per point for airline ticket and hotels. This card offers prime rewards for liberal credit spending.

PROS

- ✓ This segment seeks rewards for spending, and Chase Sapphire Reserve offers the best rewards, objectively. Includes a) best sign-on bonus to sign-on requirement ratio (12.5:1 whereas Amex Premium is 12:1 and Citi Prestige is 10:1) b) highest Redemption Value per Point for airline tickets & hotels, and c) highest cent value per point (TPG).
- ✓ This segment seeks out convenience and reliability, which is highlighted in Sapphire Reserve's rewards through easy trip cancellation/interruption insurance, Priority Pass to airport lounges/cafes/markets, and early reservations.
- ✓ A rewards card is the primary card for 92% of this segment, and they are 2x as likely to get a premium card. Sapphire Reserve, a reward-centric premium card, is the exact type of card these people are using and thus seeking out to obtain.
- ✓ The Prosperous & Content segment makes up the highest portion of US cardholders. If Chase decides to target only one distinct cardholder segment (instead of combining segment to create one bigger segment), this single segment would give the highest likelihood of reaching the most potential clients.
- ✓ This segment uses credit for POS spending 59% of the time; they already spend liberally on credit, and this positioning statement reminds them that their existing spending behavior will get them the rewards and convenience they desire.

CONS

- ✗ This segment pride themselves on their ability to keep their finances in order. While this card is premium – and thus for people with good finances – a different card like Amex Platinum, which is more of a "badge of [financial success and] approval," might appeal more to the Prosperous & Content.
- ✗ American Express Platinum has a 0% APR percentage. For a segment that avoids revolving debt, that absence of annual fee may give them more peace of mind and satiate their preference to NOT think about their cards, especially considering that the Sapphire Reserve APR reaches a very high 23.99% that might will take mental energy to avoid.

POSITIONING STATEMENT #2: DEAL CHASERS

Deal Chasers: those that think heavily about their card usage to obtain the best deals. They don't mind an annual fee as long as rewards make up for that fee, and while 81% of this segment has a revolving credit balance, they are confident in their ability to pay that debt. 76% of these users don't use credit for POS spending and 63% don't use a rewards card as their primary card, but these deal-centric consumers seek out the best reward card deals and use a "play the system" mindset in order to reap the benefits of rewards cards.

To the Deal Chasers, Chase Sapphire Reserve is the best rewards card in the market that gives the most valuable reward deals to involved cardholders. Sapphire Reserve sets itself apart from other reward cards by offering the best sign-up bonus deal (highest sign-on bonus to sign-on spend requirement ratio out of all top premium cards), the highest redemption value per point for airline tickets, hotels, highest cent value per point, the best flexibility in travel credits across the premium credit card market, as well as a points dashboard and notifications on travel sites to aid management of card usage to find the best deals.

PROS

- ✓ Reserve cardholders get the best deals for their spending, which is exactly what Deal Chasers are seeking. They get the highest sign-on bonus to sign-on spend requirement ratio, highest Redemption Value per Point for airline tickets and hotels, best cent value per point, and even the best flexibility in travel credits.
- ✓ Getting Sapphire Reserve may feel like a "win" for Deal Chasers in the "friendly competition" with all issuers, simply because they're getting the best deals for the lowest cost.
- ✓ This segment is very involved in their card usage. Thus, Sapphire Reserve's "Rewards Dashboard" and the pop-up reminders of deals on travel sites will be attractive to these deal-obsessed people, as they can closely track rewards, usage, and the best deals. (Exhibit 4)

CONS

- ✗ Deal Chasers make up a smaller portion of US cardholders than Prosperous & Content (18% vs. 23%); if Chase wants to target one segment, targeting this segment projects the least potential clients.
- ✗ Deal Chasers move balances across cards to get the best deals, but Reserve prevents this as a way to satisfy the sign-on bonus requirement. This may be an off-putting rule at the start, feeling like an immediate "loss" in their "friendly competition" with issuers.
- ✗ Deal Chasers are prone to using debit cards for POS purchases (76% of the time), which would make it hard for them to rack up the points they would need to reach Reserve's rewards.
- ✗ Deal Chasers are okay with an annual fee if the rewards make up for that fee. But, based on Exhibit 7, the travel credits alone for Amex and Citi's premium cards (\$400 total and \$250 + average nightly hotel rate [likely >\$50]) beat Reserve's \$300 credit, making those options where concrete bonuses offset annual fees more attractive.
- ✗ Reserve's variable APR spanning to 23.99% may deter Deal Chasers, 81% of whom carry revolving debt; the high cost of holding debt will be less ideal against the comparable Amex card's 0% APR. (Exhibit 7)

POSITIONING STATEMENT #3: PROSPEROUS DEAL CHASERS

Prosperous & Content and Deal Chasers: affluent individuals who represent 41% of card users, are in control of their finances, and are confident they can pay off their cards. These people can likely afford a premium credit card. Based on their tendency to desire rewards for spending on a credit card, they are likely to consider top-tier, premium cards that offer the best rewards. These consumers do not mind paying an annual fee to obtain the value a premium card offers.

To the Prosperous & Content and Deal Chasers, Chase Sapphire Reserve is the best reward-centric premium card delivering the best rewards for spending. Sapphire Reserve is uniquely top-tier as it gives users the highest sign-up bonus to sign-up bonus requirement ratio, highest Redemption Value per Point for airline tickets and hotel, best cent value per point, and best flexibility in travel credits.

PROS

- ✓ Sapphire reserve has the best reward value for spending, something both groups desire and thus a strong intersecting value in the positioning statement.
- ✓ Targeting two segments as one segment allows Chase to target 41% of US cardholders instead of 18% - 23%, making it possible to gain many more clients
- ✓ Consideration for Sapphire Reserve is substantially higher than that for Amex Gold+Platinum after Reserve's release. (Exhibit 8) This would allow Chase to have confidence that this 41% of the market is already more likely leaning toward their product over Amex.

CONS

- ✗ In targeting two distinct groups of consumers as one group, the lack of homogeneity of the larger, joint group makes the positioning statement less specific and thus weaker, as it cannot speak to important values unique to each group.
- ✗ The main shared value of the Prosperous & Content and Deal Chasers is desiring rewards for spending, but underlying attitudes about rewards (wanting rewards for liberal spending vs. trying to "play the system" for the best rewards, respectively) differ. Thus, even the central reward-focused message of this positioning statement won't specifically resonate with each group.

RECOMMENDATION & JUSTIFICATION

After evaluating the three target segments and the corresponding positioning statements, it would be most beneficial for Chase move forward with Positioning Statement #1, targeting the Prosperous & Content segment.

Overall, the pros for Positioning Statement #1 were much stronger than the cons, and the cons for Positioning Statements #2 and #3 too heavily outweighed the pros to recommend those alternatives based on their pros. Targeting the Prosperous & Content is the best decision because Sapphire Reserve has the best rewards for spending that satiate the segment's desire for convenience and reliability through travel and dining perks. Additionally, the card suits their spending behavior, as 92% of these cardholders' primary card is a rewards card, and they are 2x more likely to get a premium card; Chase Sapphire Reserve is a rewards-centric premium card, exactly the type of card they would be likely to have. Lastly, Chase is more likely to win more customers if they are able to be specific with acute targeting in the positioning statement, and they are the biggest segment on their own of US cardholders; targeting this segment gives Chase the best chance at winning the most market share. These abundant pros outweigh the primary con that the Prosperous & Content may prefer a card that aligns with their financially responsible actual self view.

While Deal Chasers' reward-obsession would certainly make them a good target for this card, their financial tendencies like proneness to debt (and thus likelihood to be deterred by the high APR%) and infrequent credit card use (not earning points without spending, and they can't transfer balance to gain rewards) make them a risky segment to target. And, while Positioning Statement #3 targets the largest segment, the inability to use acute targeting and truly appeal to specific values of each distinct segment makes the positioning statement too weak.