

Social Turnabout In Credit Card Advertising

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Contents

Just Show Them Your Card

The privileged have their membership

They're everywhere we want to be

And They Don't Take American Express

The world turned upside down

SOCIAL TURNABOUT; the idea and the dream have been with us before we were even a country. The high and mighty get their come-uppance and the low become high. We are a people formed and reformed of the disenfranchised, the outsiders of other places, and we haven't forgotten it. America gave us a whole new chance to be on the inside.

Our popular arts and literature have often reflected social reversal, and as we'll see, so has our advertising.

Mark Twain enjoyed the notion immensely. In The Adventures of Tom Sawyer, Tom and his fellow ne'er do wells end up as heros of the town's establishment, showered with respectability, while his "good boy" brother Sid is revealed to be sneaky and mean-spirited.

Successful social reversal generally requires a pack of like-minded rebels. The pack in the movie Animal House is Delta, the lowest-rated fraternity at Faber University, formed of

rejects from the school's more respectable fraternities. In the film's elaborately choreographed conclusion, the school's Dean and the town's Mayor are literally toppled at the homecoming parade. The postscript completes the reversal. The Delta brothers will turn out to be successful members of society, while the respectable fraternity brothers will share a different and ignominious fate.

Another Twain novel, *The Prince and The Pauper*, provides the seed for the movie *Trading Places*. A Wall Street broker, impoverished on a whim by the old money boys, joins forces with a beggar, a prostitute, and a servant to do to his victimizers what they did to him. The pack ends up immensely wealthy, luxuriating in the Caribbean.

The corner of our communal psyche that belongs to social reversal also reveals itself in a different form: credit card advertising.

There is a direct line between the turnabouts depicted in *Tom Sawyer*, *Animal House* and *Trading Places* and the class warfare between The American Express card and other cards, fought throughout the past decade in television and print media. Recently, that warfare culminated in a social reversal of significant proportions.

Just Show Them Your Card

Around the middle of this century, American Express made a marketing decision that would change a part of American life. American Express offices had long functioned as overseas clubs for Americans, providing not only financial help and information, but security, acceptance, and confirmation of identity for beleaguered travelers. Now these benefits were compressed into a small, green plastic rectangle: the American Express Card.

The comfort of "The Club" would be portable from now on. The card proved who you were, opened doors for you, and even got

you out of trouble. Its reassuring presence in your wallet offered a sense of security wherever you happened to be.

At first, the company's marketing efforts concentrated on American Express Travelers' Checks. In a typical Karl Malden commercial, an American couple vacationing in a foreign city is ripped off. All their cash, their travelers' checks, and luggage are taken. They throw themselves on the mercy of their hotel manager, who asks, "Were they American Express checks?" Unfortunately, no. The hotel can do nothing, shrugs the manager. The couple is left with barely the clothes on their back. No one knows them. They have to end their vacation and make their way home as best they can. "Next time," admonishes Karl Malden, "Remember to carry American Express checks. Don't leave home without them."

As we started to become the credit card society we are today, the line soon became "Don't leave home without it." The American Express card became the focus of the company's marketing effort.

The "Do you know me?" advertising campaign that began in 1974 and ran for over ten years promoted the card as a personal reference. It featured bearers of famous names with unknown faces admitting they might have a little trouble being recognized on sight, despite their achievements. These unknown well-knowns, including a former U.S. Vice-Presidential candidate, testified to their dependence on their American Express cards to establish their credentials away from home. The campaign implied that the card could give other, more anonymous cardholders equally prestigious credentials.

By 1984, American Express had garnered a small, elite 9% share of the cardholder market. Visa had achieved a 51% share and MasterCard 38% of cardholders. Yet the total volume of purchases made by the American Express 9% was virtually equal to the purchases made by MasterCard's 38%.

There had always been a financial difference between American Express and other cards. Both Visa and MasterCard allowed its cardholders the option of revolving credit. You needed to pay only a small percentage of your outstanding bill each month. Your American Express bill, on the other hand, had to be paid in full each time.

The difference paid off in prestige. If you happened to have an American Express Card, it told the world you didn't need to take advantage of the revolving credit offered by Visa and MasterCard.

The privileged have their membership

By now, people who carried an American Express card were no longer mere cardholders. They were members, and as American Express was about to point out over and over, members of an exclusive club.

The campaign, "Membership Has Its Privileges," was the ultimate positioning of American Express as the card of the deserving establishment, who were entitled to benefits, recognition, and deference not available to those holding lesser cards.

A TV campaign characterized the acquisition and use of the American Express Card as a rite of passage into the establishment. In one commercial, a fledgling lawyer and his father, also an attorney, are at lunch at a good restaurant. The son pulls out his own American Express Card to pay the bill. The father registers surprise, pride, and recognition of the son as a full-fledged member of the adult club.

American Express continued its "Membership has its privileges" campaign through 1991, combining it with testimonials from famous cardholders such as Tip O'Neill and Baryshnikov.

If you have any doubts that American Express advertising effectively solidified the establishment class positioning for its card, ask yourself which card you would have pulled out of

your wallet before 1985 if you were trying to make an impression on a lunch or dinner guest.

Meanwhile, what was happening to the other two major cards? Unlike American Express, whose advertising sold the virtues of having its card, campaigns until 1985 for both Visa and MasterCard sold the virtues of using theirs. Cardholders were shown purchasing smaller-ticket goods and services. Advertising for Visa sometimes depicted its cardholders out of cash and unable to make the purchase they wanted until their card came to the rescue.

MasterCard's "Master The Possibilities" campaign, appearing at approximately the same time in the eighties, represented more of an indulgence strategy. It suggested that there was a whole world of wonderful purchases available to cardholders, if they would but reach out with their Master-Cards. Payment? We'll talk about it later.

Unwittingly or otherwise, MasterCard and Visa advertising prior to 1985 reinforced the implication that the privileged world of American Express was not for the likes of Visa and MasterCard holders.

It was the classic set-up for a class conflict.
They're everywhere we want to be

At the time, however, conflict with American Express was the last thing on Visa's collective mind. Visa had its own mass market turf- the greatest number of cardholders in the entire world and the largest number of retailers who accepted their card. And American Express had theirs – an upscale, much smaller, but highly profitable membership who used their cards primarily for travel and entertainment.

Even the ways they made their money were different. The banks issuing Visa Cards charged the cardholders a huge interest rate for their extended payment option, while they charged the stores comparatively little for their service. American

Express on the other hand made its profit mainly from the much larger percentage they charged the airlines, restaurants, and the retailers who felt increasingly compelled to accept the prestigious American Express Card.

Visa's real problem was its same-class rival: MasterCard.

Until 1984, Visa could afford to feel complacent. Research completed just two years earlier indicated that most consumers saw MasterCard as inferior to Visa by almost all image-oriented measures. But now, even with a hefty 13% lead in the number of cardholders, Visa and its advertising agency, BBDO, noticed an alarming trend. New research showed that consumers had begun to see MasterCard and Visa as equally appropriate for day-to-day purchases, business or luxury use, and for all payment needs. What's more, MasterCard had become the preferred card for people who used credit cards most often.

Visa's options were depressing, but clear. They had a saturated customer base in a saturated category. With 120 million cardholders, they'd put cards in just about all the available wallets.

What about increasing usage? Not much hope there. Research showed that people who used their Visa cards as a substitute for day-to-day cash could not be induced to spend more often.

To regain the perceptual advantage Visa had traditionally enjoyed over MasterCard, only one avenue seemed to be open: get cardholders to see Visa as appropriate for travel, entertainment, and other expensive purchases. A tall order for a card that consumers thought of as an everyday retail card, and not a particularly superior retail card at that.

In due course, a single-minded advertising strategy emerged. Instead of directly comparing Visa to MasterCard, it was decided to reposition Visa in the same class as the card that stood for travel and entertainment and corporate expenditures, whose prestige was perceived by consumers to be superior to

both Visa and MasterCard – American Express.

A classic finesse strategy. But to make consumers believe that this hitherto plebeian card was appropriate for upscale “establishment” purchases, it wasn’t enough to assert that Visa was as classy as American Express. BBDO’s creative department decided they had to demonstrate that Visa was actually better than the establishment card.

That decision triggered a social reversal not only in advertising but in consumer perception of the credit card category. It would leave American Express with its image noticeably frayed around the edges, and Visa looking more and more like it belonged where the people who mattered dined and played.

And They Don’t Take American Express

To prove Visa superiority, a chink had to be found in the prestige fortress American Express had built over the years. The weakness waiting to be exploited was the relationship between American Express and its retailers. Because of the higher fees American Express charged its stores, only one-fifth the number of retailers accepted American Express as accepted Visa.

All over the United States and elsewhere, there are fabulous out-of-the-way restaurants that bring tears to the eyes of gourmets, sweet little resorts known only by word of mouth, and one-of-a-kind stores frequented by aficionados. Many of these establishments accept Visa, but not American Express. It was these special places that provided the basis for the advertising campaign that’s been running for the past seven years.

The camera takes us past the unpretentious frontage of Rosalie’s restaurant in Marblehead, Mass. Inside, we see a close-up of luscious veal scaloppine being prepared and then carried out to eager, animated patrons. We switch back and

forth from the oncoming food to the waiting faces, each second building up our appetites. Just at the instant when forks are poised to pierce the tender, succulent meat, the announcer sticks in the rapier, "If you go there, remember to bring a big appetite and your Visa card, because they don't take American Express." He concludes with the campaign theme, "Visa. It's everywhere you want to be."

Other commercials follow suit. In thirty seconds, the spots make you want to be where the camera is, and then remind you that "You'd better take your Visa card, because they don't take American Express."

At the time the advertising began in 1985, it was almost shocking to discover that these upscale establishments did not take the ne plus ultra of all cards. The news still provokes a "Can you beat that?" reaction. The reading helps; the announcer gives the line a hint of "In your face, Amex!"

Unlike the American Express ads and commercials that tended to show somewhat stuffy upscale types when they weren't using celebrities, the Visa campaign features relaxed, open, familiar couples having a terrific time. We can easily identify with them.

What happens off screen, in the viewer's head, may be even more important than the filmed commercial. For anyone who has ever seen himself as an outsider, the campaign virtually demands that the viewer imagine a fantasy situation carrying the Visa advertising to its ultimate conclusion:

A sleek, well-groomed establishment couple are at the desk of a resort hotel filled with high-spirited guests. They've just signed the register. As a formality, the desk clerk asks for their credit card and the man presents his Gold American Express card. Instant silence. All eyes turn to the desk.

After a disdainful glance at that thing lying next to the register, the clerk sniffs, "I'm terribly sorry" in his best

1938 Hollywood British accent, “But we don’t take American Express.”

“But we have reservations,” the woman insists.

“Don’t you have a Visa card?”

Unfortunately, no. With a deft stroke of his pen, the hotel clerk crosses out their names and signatures from the register. The outraged couple storms off. The high spirits resume. Fade out on the Visa logo.

Voice-over guest: “It’s everywhere we’d want to be.”

It’s the reverse of a Karl Malden commercial for American Express, and the ultimate revenge of the outsider. They don’t take them. The tables are turned against a living caricature of the establishment. Didn’t we stick it to them? Didn’t we? It’s the Visa announcer delivering the telling line with his tongue out.

Yet, as far as Visa and BBDO were concerned when the campaign was born in 1985, American Express was merely a straw man, a handy class object to be used against its real rival, MasterCard. The goal, after all, was to prevent MasterCard from catching up to Visa.

Soon, research began to turn up evidence that the new campaign was accomplishing its objectives. Early copy testing indicated that the new advertising was beginning to expand Visa imagery to include more sophisticated card-holders, at the same time associating Visa with more upscale travel and entertainment. Yet, the campaign still exuded Visa’s easy accessibility and middle-class familiarity. Nothing lost, lots gained.

Ten months after “It’s everywhere you want to be” started running, a survey confirmed that Visa had regained its perceptual advantage over MasterCard on almost every count. In fact more consumers than ever now thought that Visa was the

best overall card.

In 1987, MasterCard spent \$60 million dollars in advertising. Visa spent one-third less. Yet Visa's perceptual lead over MasterCard continued to grow every year.

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By February 1990, the battle was over. According to American Banker, MasterCard conceded "That Visa will remain the number one bank card. After a ten-year effort to upgrade . . . MasterCard now sees its role as defender of the bank card heartland.'"

Effective as the Visa campaign was against MasterCard, it may have been even more effective against the elite American Express card. Especially when you consider their response to Visa's advertising.

Hey, we're supposed to be the exclusive ones!

At first, American Express maintained a sublime, above-it-all attitude towards the new Visa advertising. With a yearly overall advertising budget of \$280 million (more than seven times that of Visa), they could afford to present the classic posture of the establishment to upstarts: simply ignore them.

Three years after the Visa campaign started, American Express disdained even the whisper of a conflict. Vice President Kenneth Chenault said, "Our major advertising campaign, 'Membership has its privileges,' continues to emphasize the difference between American Express and the other bank cards. Bank cards are credit instruments, while the American Express card is a lifestyle card . . . . What we want to communicate to customers is that they are members of a very important club . . . and that they are entitled to certain privileges based on membership."

But Janet Soderstrom, Visa's Vice President of Advertising and

Marketing, hinted that Visa strategy had widened its net to encompass a new competitor. Recent research, she noted, compared Visa on an image standpoint very favorably to American Express.

Less than one year later, American Express stepped down from its pedestal and entered the fray. An ad appeared featuring a picture of a famous upscale Hollywood restaurant along with the headline, "Chasen's Hollywood accepting only one card – The American Express Card." And a 60-second American Express commercial made for the Super Bowl shows two young men headed for the game in Miami, one with an American Express card, the second with "the other one." Airports, restaurants, and ultimately the Super Bowl ticket window accept the American Express card, but not the other card, which can only be used, it turns out, at a souvenir stand.

To this writer's knowledge, it was the first time that American Express had ever run combative advertising. How wise the decision was to join the battle remains to be seen.

In 1990, according to American Banker, both MasterCard and Visa agreed that Visa's advertising efforts have been very successful. So successful, that according to Visa it now had twice as many cardholders with incomes over \$50,000 as American Express.

Visa cardholders, who not long ago were ranked as proles, could now count themselves among the respectable folk, as classy as any American Express cardholder – but very much in their own terms. Visa still had its revolving credit option. And its commercials still featured easy-to-take, affable middle-class models.

The world turned upside down

When a major advertising campaign changes, it almost never does so only in response to competitive advertising. Other forces, market-oriented, social and internal, are among the

deciding factors.

One reason American Express began to change its advertising in the nineties and go after more of a mass market was certainly the recession. Cardholders who lost or were worried about losing their jobs cut back their spending, particularly in such items as travel and entertainment – traditionally the province of American Express. Conspicuous displays of consumption or consumption potential via one's credit card became unfashionable.

American Express felt the damage from both ends. Some stores whose profit margins were being squeezed refused to pay the higher fees American Express charged to retailers and began to accept only Visa and MasterCard. Other stores tried to switch their customers away from using American Express cards.

American Express had been aware for some time that many of their cardholders carried a second card – a Visa or MasterCard for those times when they found themselves where American Express wasn't accepted, or when they needed a temporary credit extension. The company had introduced its own extended payment card, Optima, to American Express cardholders. As the nineties began, marketing efforts for Optima became competitive against Visa and MasterCard, and emphasized the card's lower interest rates. However, neither the number of Optima cardholders nor the amount of transactions have met expectations. As of this writing, the card is still a losing proposition.

Company strategy also sought to widen total card usage beyond travel and entertainment. American Express now solicited movie chains and fast-food restaurants to accept their cards.

Didn't American Express feel that these moves could potentially tarnish their traditional class image? Not according to Vice President Chenault, who said in a Business Week article, "We like to say the American Express card is a

badge of distinction. It doesn't matter where and how you use the card."

Perhaps. But further changes were ahead.

First the so-called "Weekend" campaign made a brief appearance, featuring special short vacation offers for cardholders. It was the first time that an American Express campaign shifted from emphasis on having the card to emphasis on using it. It was not to be the last.

In 1991, another major change took place. A new campaign was introduced and continues to run without the line "Membership has its privileges."

It appears to be a strategically divided campaign. Depicting "The Card" as larger than life, usually in transactional environments, some of the advertising sells the unique benefits of American Express: responsible use of credit and no revolving interest payments.

But other ads and commercials promote indulgence. "You want to see everything. Maybe bring something back so you remember it all," says an ad featuring American Express cards inserted among the buildings of Rome. "Now if you could find a few nice stores. Ah, there's one. And another. And . . ."

A woman carrying an oversized American Express card stands in front of a Degas-like statuette in a gallery. "Buy what you want to buy. And no bank card is going to stop you with a limit set long ago." A slam at Visa and MasterCard and an exhortation to spend.

Some of the commercials outdo the print ads in pushing members to make purchases. A man buys a catcher's mitt for his dog. An executive, uninhibited by credit limitations, orders extra wine when more people show up for a business dinner.

By frequently emphasizing purchase ability, the new campaign

teeters on the edge of positioning the same as the pre-1985 Visa campaigns, with perhaps a more upscale style and scale. One of its effects may very likely have been to level further some of the perceptual differences between American Express and Visa.

Recent commercials slugging it out with Visa over the issue of which card was really accepted by retailers at the Winter Olympics, may have augmented the leveling process even more.

Meanwhile, Visa advertising continues serenely unchanged since 1985. And the campaign evidently continues to work well. In the United States alone, the number of purchases made with Visa cards grew by 9% in 1990. And consumer perception of Visa as the card of choice for upscale travel and entertainment as well as smaller purchases also continues to grow.

One could say that Visa was the right card at the right time, and that changes since the lavish 1980's in American Express marketing, in the economy, and in our attitudes towards credit just happened to create a turnabout for Visa.

It is also possible to say that Visa's advertising was a primary cause of its rise in the eyes of consumers and of the American Express response, and that the Visa campaign helped to change our attitude towards credit in the process.

Whatever the reason, ask yourself if you have as much compunction today about using your Visa card instead of your American Express card to pay for a client lunch.

The wheel has come full circle. Visa cardholders, like Tom Sawyer, the Delta fraternity brothers, and the outcasts of Trading Places, have learned how to master the levers of society and become the establishment. And the American Express "Club," like the old money brokers and the respectable fraternity boys may be destined for a different fate. A classic American turnabout.

However, the wheel of social reversal never stops. It will be interesting to see the next move from American Express.

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By BILL ABRAMS

Bill Abrams is an advertising consultant and an adjunct associate professor of advertising management at Columbia Graduate School of Business. He taught advanced creative strategy and tactics at the University of Illinois and throughout his career has been a creative director at such major advertising agencies as Ted Bates and Bozell.

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