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CREDIT CARDS

Experience rewards pay off for some credit card users

By Jay MacDonald • Bankrate.com

Michael McAvoy's parents dreamed up an out-of-this-world gift for his 13th birthday: five days at NASA space camp. Cost: 130,000 Diners Club rewards points.

When 57-year-old William Elkjer heard the call of the wild, he and his wife Candy conquered 180 miles of Alaskan snowfield on an eight-day, professionally led dogsled trek. Cost: 500,000 Diners Club rewards points.

For the mundane necessities of life, there are credit cards. For the adventure of a lifetime, there are "experience rewards."

Diners Club and American Express have taken their rewards programs to this sky's-the-limit level. Their best customers get to redeem points in any way they choose -- as long as it's legal. Some of life's rich and rare opportunities that have been enjoyed thanks to mega-points include cosmetic surgery, cooking school in Tuscany and backstage passes to a Dave Matthews concert. Experience rewards to a lesser degree have caught on with a handful of Visa and MasterCard issuers, as well.

"For card members with millions of points, it is hard to excite someone with another TV or a \$100 Saks gift certificate. It really takes something special," says Ashley Miller, vice president of club rewards for Diners Club North America. "For them, the question is, 'What can I do with my points that I would probably never pay for?'"

Desiree Fish of American Express says experience rewards acknowledge that the last thing most road warriors need is another airline ticket or new set of luggage.

"People used to think of credit card rewards programs as travel only. Travel is still very popular, but a lot of people accumulate rewards because they travel a lot, so they may not want to use their points for another airline ticket. They may want to experience something that maybe they wouldn't be willing to spend their money on because they think it is too self-indulgent."

Says Miller: "It's all play money."

Paying for dreams in points

In 1995, a decade after it introduced its Club Rewards program, Diners Club began offering personalized rewards to cardholders who had accumulated more than 100,000 points. American Express, which launched its Membership Rewards program in 1991, expanded into experience rewards two years ago with Your Reward, a design-your-own-reward program.

The idea of enhanced rewards points wasn't groundbreaking. After all, private-label card issuers such as Neiman Marcus and Bloomingdale's had been offering luxurious experiences to their top customers for some time. But it did open the door to anyone who had the points to qualify.

And it was a natural evolution for Diners Club and American Express. Both card companies had long offered personalized concierge services to their top customers, as well as by-invitation-only access to special concerts, celebrity food-and-wine tastings and sporting events that they sponsored. It was easy to lower the velvet rope and admit cardholders who had amassed a sizable bank of rewards points over the years.

To redeem your wildest dream, you simply share your wish with your credit card concierge. They make all the arrangements for you, calculate the dollars-to-points conversion and tell you the damage (the service is free, by the way). You may pay all or part of the bill in points or, if you're a few points shy, by cash, check or, of course, your credit card.

And what a time folks are having with all that "free money."

Diners Club rewards points have been redeemed for:

- A Tiffany engagement ring
- Bar mitzvahs in Israel
- An eight-day cooking school in Rome
- A Napa Valley mystery train dinner for two
- Safaris in Africa

American Express rewards have been used for:

- An RV tour of New Zealand
- A three-day polo clinic with a renowned instructor in Palm Springs, Calif.
- Rental of a private island for a dinner party

Rewards points have also paid for liposuction, hypnosis, Lasik eye surgery, dental work and a Cavalier King Charles spaniel puppy. But experience rewards don't have to be frivolous or self-indulgent.

"We see a ton of redemptions for college tuition. Just in the last month, somebody redeemed over 1 million points for tuition at the Illinois Institute of Art," says Miller.

And some cardholders still use their points for more down-to-earth, but still costly, purposes such as home improvement.

"During the recession of the past couple of years, we really started seeing a trend toward redeeming points for more everyday needs," says Miller. "We see blueprints for a new home, somebody had their house painted. Someone just redeemed a million points for a new Sharp projector for their business."

Calculating reward costs

So just how much do you have to charge to rack up experience rewards? It depends.

The dollars-to-points conversion is inexact, at both accrual and redemption. You may earn one point for every \$1 you charge, but special promotions and partnerships can accelerate that rate significantly, just as they can when you redeem your points.

For instance, although tickets to a recent American Express-sponsored celebrity chef event in New York City cost \$325 or 79,000 points (roughly \$41 per 10,000 points), merchandise in the company catalog averages closer to \$100 per 10,000 points.

But as long as you have a balance in the rewards bank, no experience is too big or too small to pay for with points.

"Using points does not have to be a huge adventure. It can be as simple as going down to the Four Seasons for a wine tasting on a Sunday afternoon. There is no minimum and no maximum," says Miller.

Mainstream cards entering the arena

Experience rewards are beginning to catch on with a handful of major card issuers, as well.

Disney recently partnered with BankOne Visa and Universal Studios teamed up with J.P. Morgan Chase MasterCard to offer credit cards with points redeemable for passes or discounted admissions to the associated theme parks. Citibank has taken it one step further, offering select experiences such as dolphin swims and snowmobile rides to major point holders.

Whether the trend becomes the norm may well depend on how effective experience rewards prove to be at luring and keeping customers in the already saturated credit card market. But for some cardholders who have amassed a stockpile of points, the reward now may literally be the chance of a lifetime.

"People look at experiences as a really good return for their points because they wouldn't get to have that experience otherwise," says American Express's Fish. "Getting access as our card members did recently to a reception with Tiger Woods and Ernie Els, two of the top golfers in the world, at the World Golf Championships in Atlanta is a great experience. How many people actually get that opportunity?"

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