

COMPOSECURE PERSPECTIVE

Hyper-personalisation and premiumisation in payments

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In the dynamic landscape of consumer engagement, the expectations placed upon companies are in a state of perpetual flux. Two discernible trends have crystallised in recent years: (1) consumer desire for offerings that align with their beliefs and ways of life and (2) consumer demand for hyper-personalisation, shifting away from outdated notions of universal solutions. This article delves into these trends, examining their implications within the realm of payments.

The essence of premiumisation

At its core, premiumisation addresses consumers' willingness to pay a premium for products and services for a perception of extra quality or status. The notion of premiumisation¹ may conjure images of exorbitant spending on opulent items, but it encompasses a spectrum of preferences:

- Lifestyle compatibility: Consumers, irrespective of their affluence, seek products harmonious with their beliefs and way of life.
- Signalling and image projection: Products are status symbols, reflecting the identity, aspirations and affiliations of their users.
- Emotional gratification: Premium products aim to fulfil emotional needs by eliciting a profound sense of satisfaction.

Hyper-personalisation unveiled

Hyper-personalisation centres on delivering products and services tailored to individual preferences, a stark departure from the standardised offerings for mass consumer segments. This transformation stems partly from the influence of BigTechs like Amazon and Meta, which have raised the bar for user interaction standards. Today's consumers, particularly Gen Z and millennials, anticipate personalised interactions² in all facets of their lives, driven by their desire for uniqueness and their inclination to share these unique experiences on social media.

Helping shape a memorable payment experience

Matt Turner, head of digital at HSBC UK, sheds light on³ the manifestation of these trends in the banking sector, stating, "Getting to a one-to-one level of personalisation is definitely a focus for us." In the quest for hyper-personalisation⁴, banks stand apart from other industries, as they possess an unparalleled understanding of their customers' (financial) preferences, which they can leverage to create unique (one-to-one) real-time offerings.

Payment interactions are the most frequent touchpoints between banks and their customers. Consequently, banks around the world are harnessing credit and debit cards as a means to meet the burgeoning demand for premium and personalised experiences⁵. The accelerating growth of banks issuing metal cards reflects this dynamic evolution. These cards exude distinctiveness in their tangible weight and their audible presence (the 'clang' sound) when dropped on a surface. Some metal cards are further personalised by engraving the cardholder's signature directly onto the metal. Payments have evolved to spark memorable experiences for the consumer; the payment card has indeed gone from being functional to becoming a fashion statement.

In an era of premiumisation⁶ and hyper-personalisation, the prevailing formula for success in banking appears to be succinctly captured by the adage: "Save your customers money, and they'll remain loyal today. Make your customers feel unique, and they'll remain devoted to you indefinitely." ■

¹ Wharton Business Daily, "Premiumization": How Companies Are Keeping Up With Consumer Demand", *Knowledge at Wharton*, 2023.

² Stephanie Wan, "Unpacking Personalization: Three Ways To Build Hyper-Personalized Experiences And Engage Customers", *Forbes*, 2022.

³ Matthew Gaughan, "An unlikely banker applies an outsider's perspective to digital", *Insider Intelligence*, 2021.

⁴ Kyle Munderville, "How hyper-personalization helps improve the customer experience", *Pega*, 2023.

⁵ Nikolett Bika, "Is Hyper-Personalization The Next Big Thing In Business?", *Acquire*, 2021.

⁶ Jason Martuscello, "Premiumization: The Key to Brand Growth", *Greenbook*, 2019.