

Federal Reserve Bank Chicago 2007 Payments Conference

Adding Value Through
Co-Marketing and
Information Management

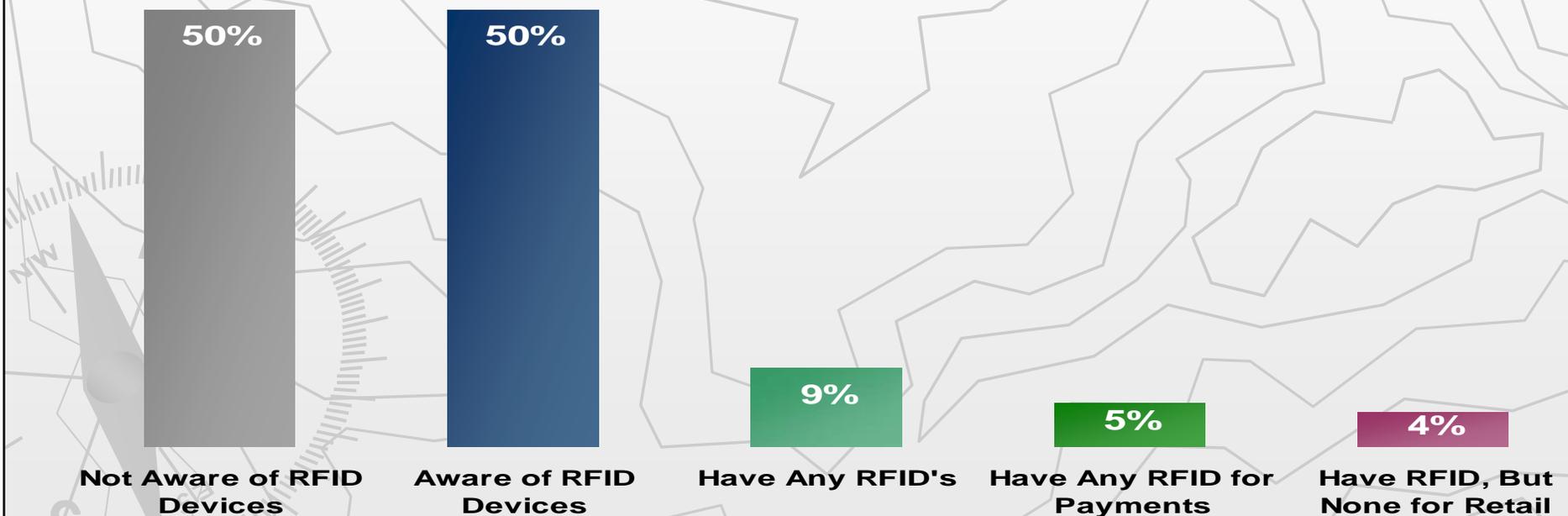
The background of the slide is a light gray map with white contour lines. In the lower-left corner, there is a compass rose with a needle pointing towards the top-left. The compass rose has labels for 'N', 'NE', 'SE', and 'SW'. A dollar sign (\$) is also visible near the compass rose.

Loyalty Matters

For Payment Providers
For Retailers

RFID AWARENESS AND PARTICIPATION

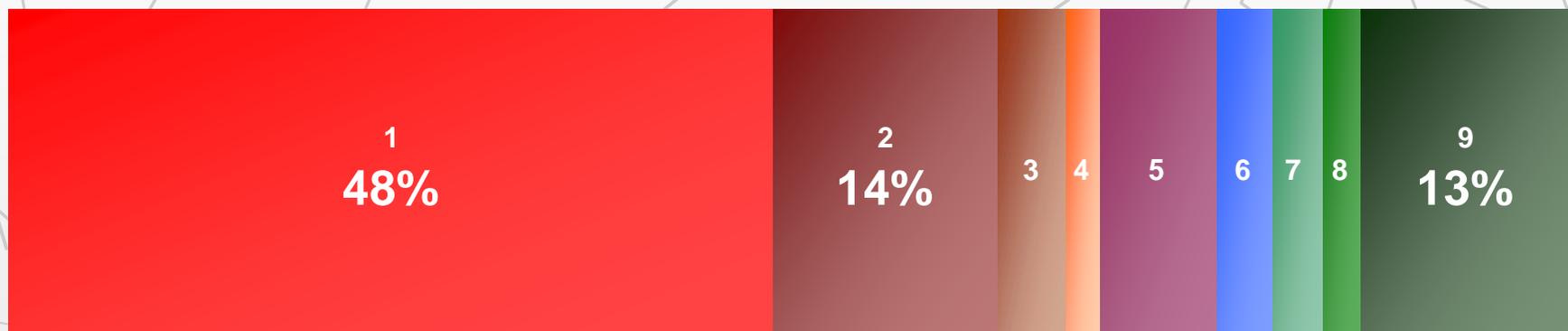
▶“Have you ever heard of transponders or “fast cards,” plastic cards or keychain attachments that you can simply wave or pass in front of a detecting device...one that you can have linked to a checking or credit account to pay for things at retail stores?”



Interest in using RFID at retail

NOT AT ALL INTERESTED

VERY INTERESTED



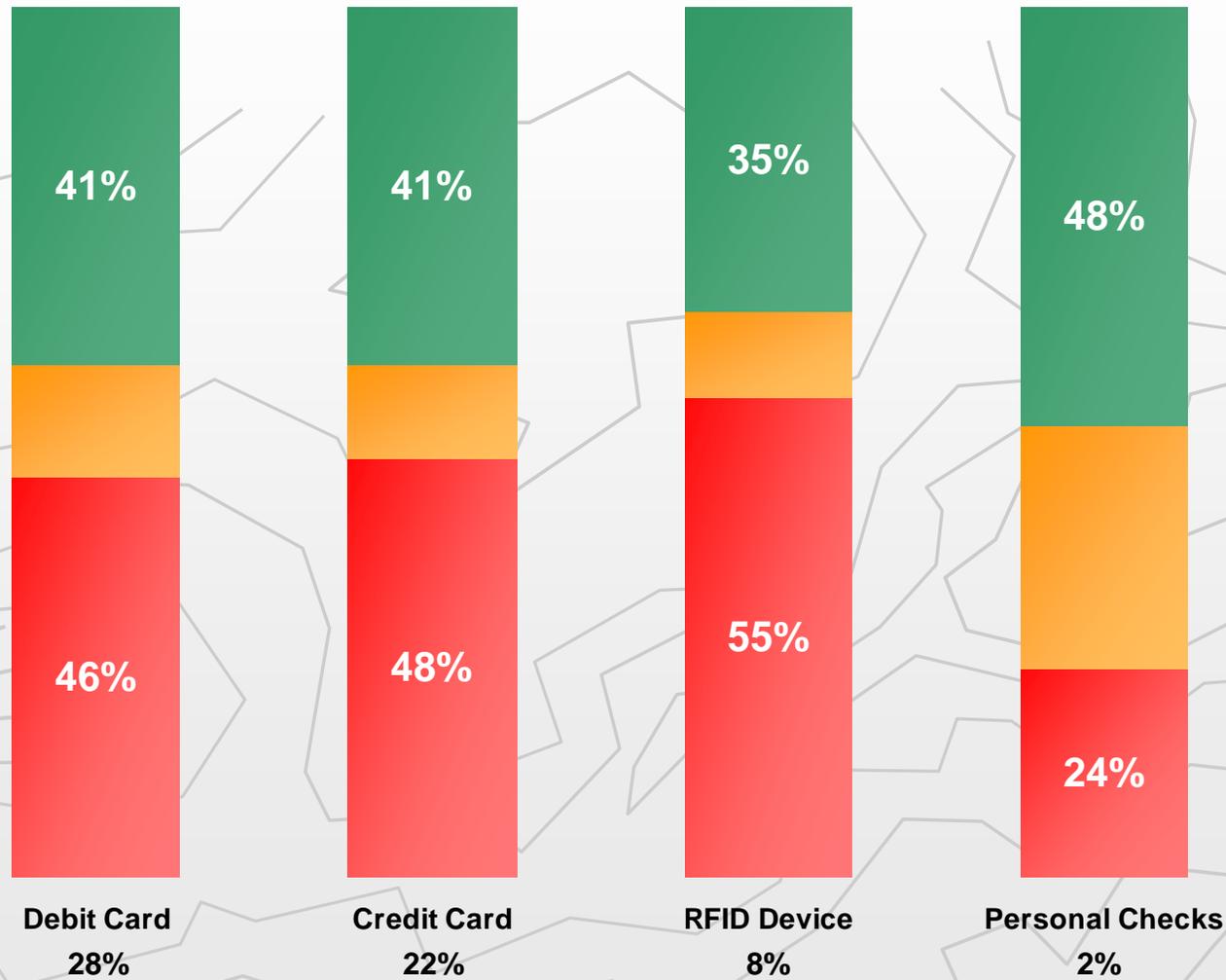
NO INTEREST
67%
(RATE 1-3)

HIGH INTEREST
19%
(RATE 7-9)

CONSEQUENCES OF NOT OFFERING PREFERRED METHOD

Would Use Another Payment Form (Rated 1-3)

Would Go Somewhere Else (Rated 7-9)



Best Shopper Opportunity



A 'Best Shopper' Marketing Definition

A business strategy that drives profitable growth
by creating more 'best shoppers'
through the use of shopper information and targeted rewards
to create meaningful, behavior changing
programs, products and services.



TOTAL
REWARDS



Best shoppers account for most of the Sales

Retailer A

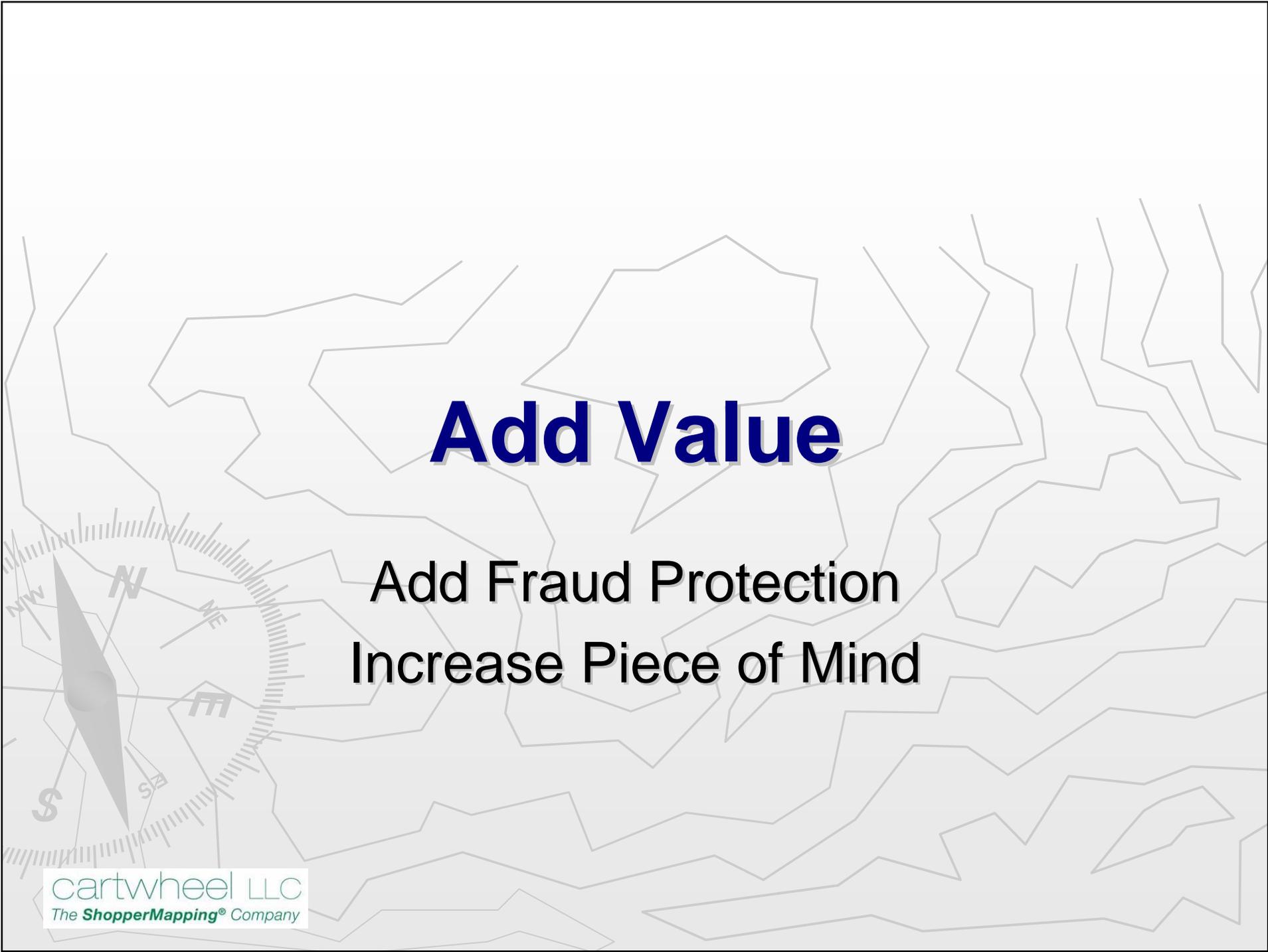
Shoppers	Spend per Shopper	% of Total Sales
	\$716	49%
	\$191	39%
	\$ 31	12%

Potential Ways To Help Retailers

- ▶ **Append their shopper customer records.**
- ▶ **Help develop shopper database.**
- ▶ **Develop cross marketing opportunities.**

Potential Payment Provider Benefits

- ▶ Within a retailer identify 'best card users' and get them to shop the retailer more often utilizing your card.
- ▶ Within a retailer identify 'multiple card users' and give them reasons to use your card more often.
- ▶ Within a retailer identify 'best shoppers' who use other payment mechanisms and give them reasons to use your card.

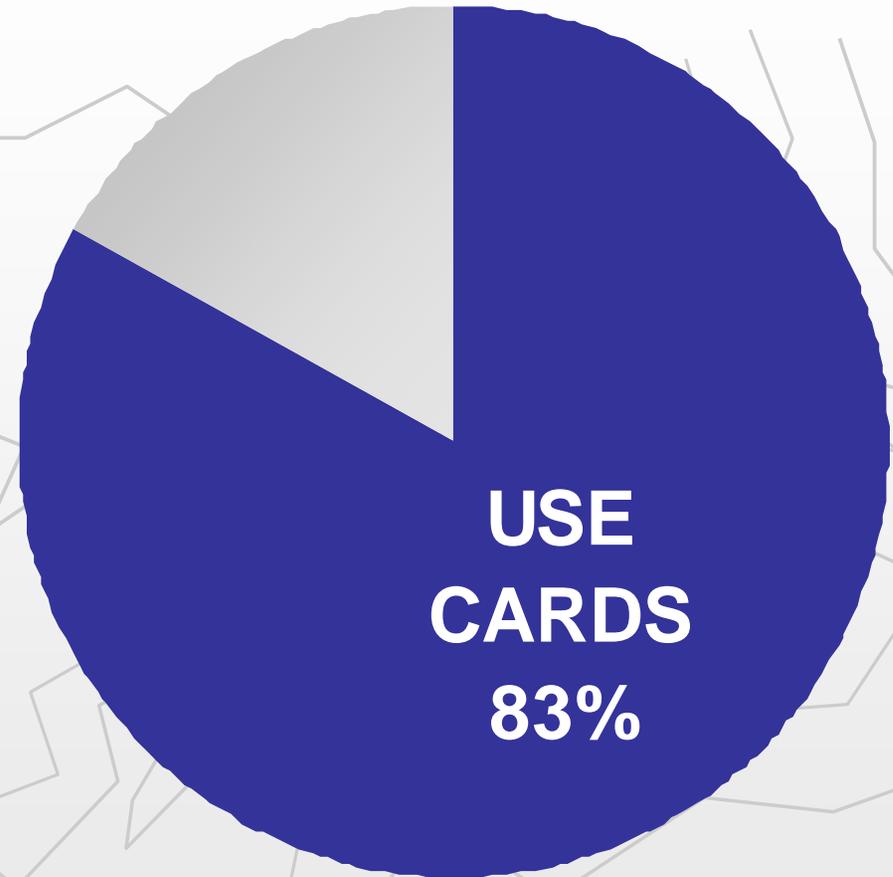
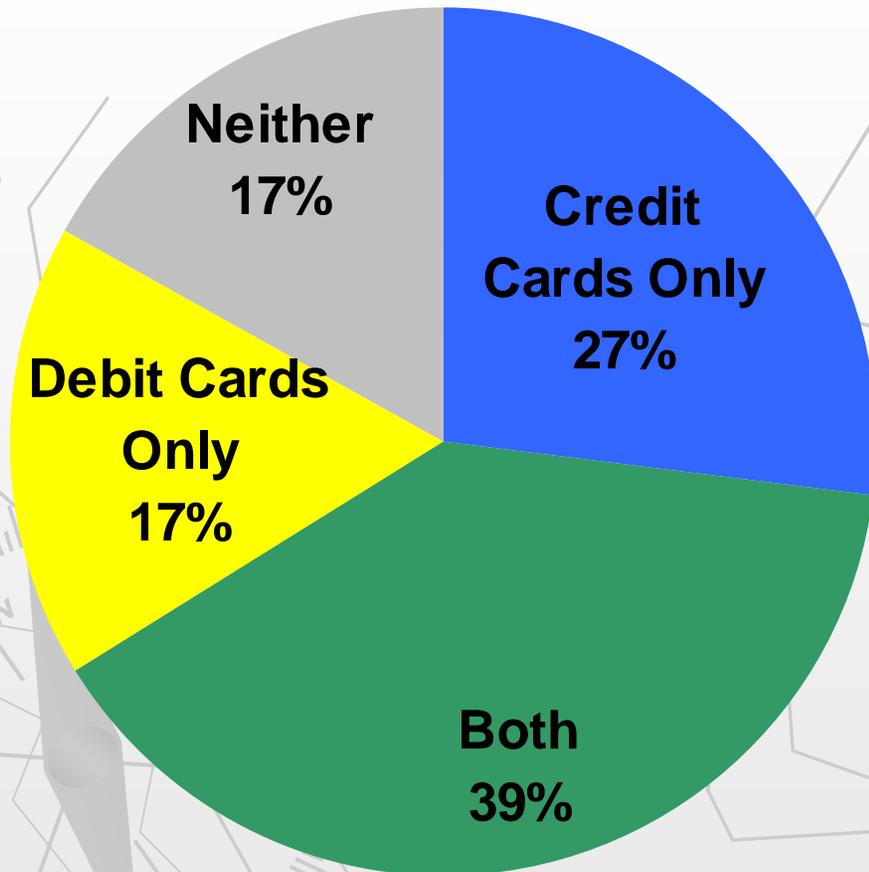


Add Value

Add Fraud Protection
Increase Piece of Mind

CURRENCY USAGE

Base = All Respondents

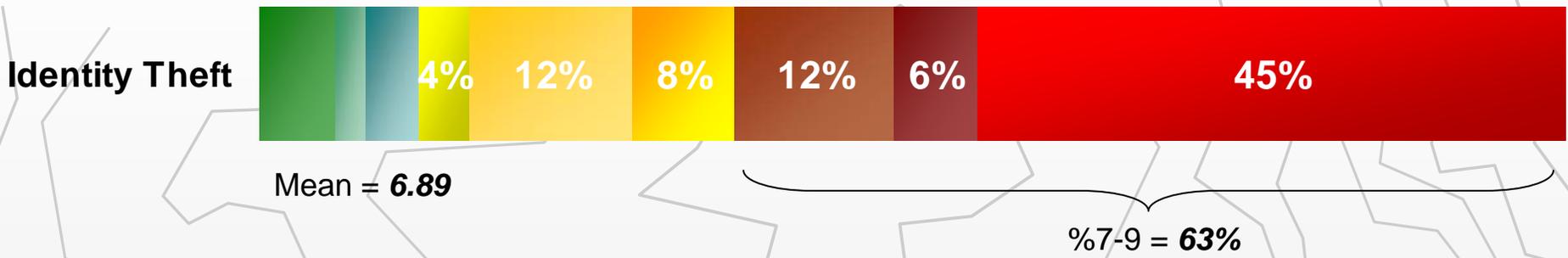


- Only 17% of US Consumers use neither a Debit or Credit Card. The remaining 83% carry and use at least one type of card.

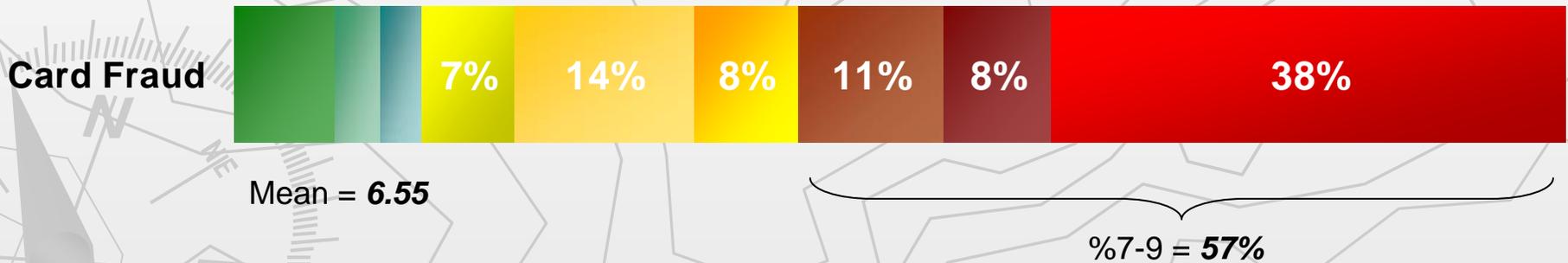
CONCERN ABOUT IDENTITY THEFT AND CARD FRAUD

9-point scale: 9="Very Concerned" 1="Not at All Concerned"

Base = All Respondents



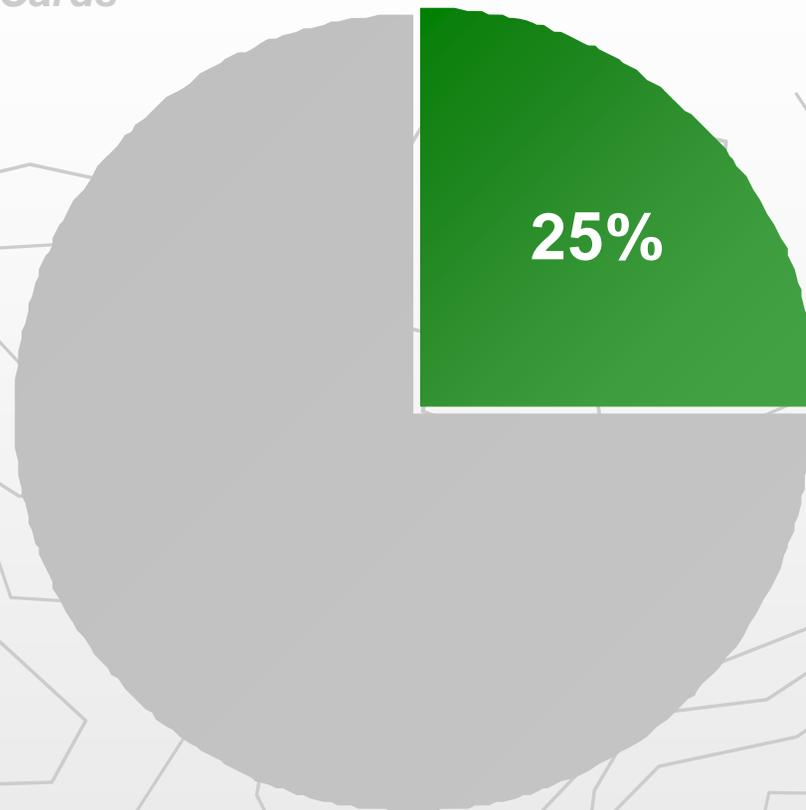
Base = Those Who Use Cards



- Nearly Two-thirds (63%) say that they are Concerned (7, 8, or 9 on a nine-point scale) about Identity Theft.
- A nearly equal number of Card-holders (57%) say that they are Concerned about Card Fraud.

MARKET SIZE AT \$25 ANNUAL FEE

Base = Those Who Use Cards



- An estimated quarter of respondents (25%) would sign up for a two card system if it was priced at \$25/year.

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