Federal Reserve Bank
Chicago
2007 Payments Conference

Adding Value Through
Co-Marketing and
Information Management
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

1 48%

HIGH INTEREST

9 13%

VERY INTERESTED

NO INTEREST

67% (RATE 1-3)

14%
CONSEQUENCES OF NOT OFFERING PREFERRED METHOD

- **Debit Card**
  - Would Use Another Payment Form: 41%
  - Preferred by: 28%
  - Would Go Somewhere Else: 46%

- **Credit Card**
  - Would Use Another Payment Form: 41%
  - Preferred by: 22%
  - Would Go Somewhere Else: 48%

- **RFID Device**
  - Would Use Another Payment Form: 35%
  - Preferred by: 8%
  - Would Go Somewhere Else: 55%

- **Personal Checks**
  - Would Use Another Payment Form: 48%
  - Preferred by: 2%
  - Would Go Somewhere Else: 24%
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.
Best shoppers account for most of the Sales

<table>
<thead>
<tr>
<th>Shoppers</th>
<th>Spend per Shopper</th>
<th>% of Total Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$716</td>
<td>49%</td>
</tr>
<tr>
<td>3</td>
<td>$191</td>
<td>39%</td>
</tr>
<tr>
<td>9</td>
<td>$31</td>
<td>12%</td>
</tr>
</tbody>
</table>

Retailer A
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
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”

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

Base = All Respondents

Mean = 6.89

%7-9 = 63%

Base = Those Who Use Cards

Mean = 6.55

%7-9 = 57%

1  2  3  4  5  6  7  8  9
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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