

Mastercard Loyalty Optimizer

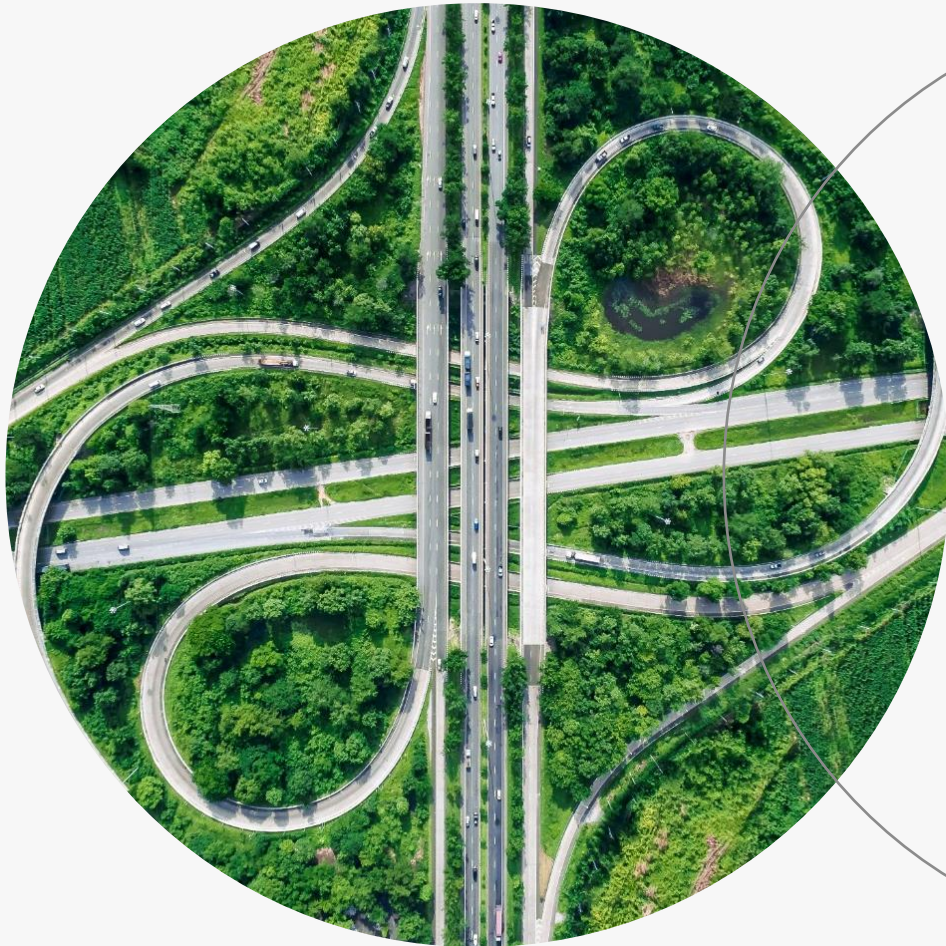
An end-to-end loyalty, consulting, analytics and marketing solution to drive cardholder engagement and unlock incremental portfolio profitability

GLOBAL SELLING MATERIALS, DATA & SERVICES
October 2022



Cardholder loyalty program expectations have changed. To drive continued loyalty engagement & card usage, issuers must:

- Gain an accurate, holistic understanding of their program performance to optimize and enhance engagement
- Adapt an analytics-driven, omni-channel marketing approach
- Provide a personalized loyalty cardholder experience



Driving cardholder preference through your loyalty program is key to your performance.



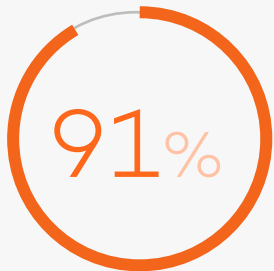
Loyalty rewards are a top influencer of card choice



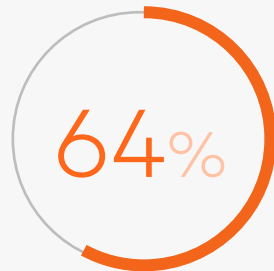
factor of why consumers use one credit card over another¹



And consumers' habits and expectations are changing



of consumers prefer instant rewards redemption²



of consumers say they prefer to receive personalized offers based on their past purchases³

1. TSYS US Consumer Payments Study, 2018

2. Mastercard Rewards Study, 2018

3Merkle Loyalty Barometer Report, March 2021



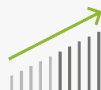
Issuers struggle to determine whether their programs are working and how they can improve cardholder engagement



Loyalty is a key priority and revenue driver for issuers

74%

of executives say their c-suite makes loyalty a top priority⁴



Advanced program analytics is often absent

31%

of businesses claim to have best-in-class ROI measurement capabilities for their loyalty initiatives⁴



Optimizing cardholder engagement is challenging

61%

of consumers agree that programs are too difficult to join or earn rewards⁵



Innovation strategy and execution remains difficult

46%

of business execs say that their loyalty program lacks innovation⁴

4. Mastercard-sponsored Harvard Business Review Analytic Services Report, 2019

5. KPMG Customer Loyalty report, 2019



To maximize loyalty returns, issuers must take an analytics-driven approach to measuring, optimizing and executing their loyalty programs.

Cardholders that are more engaged spend more

10x

more spend from consumers that redeem rewards⁶

72%

more earnings from redeemers versus non-redeemers⁶

Personalized marketing and offers pays off

29%

Increase in transactions when targeted marketing is used⁷

6. "The Future of Loyalty and How to Sell It" White Paper, 2018

7. Experian Marketing Services and Harland Clarke Digital



Mastercard Loyalty Optimizer:

A four-step analytics, consulting and marketing solution for Mastercard Rewards System (MRS) users to optimize the cardholder experience and drive long-term engagement.

From proprietary, enhanced data analytics platforms to best-in-class marketing experts and end-to-end execution and optimization, Mastercard Loyalty Optimizer helps issuers unlock incremental portfolio profitability.



Advanced analytics, expertise and optimization are at the heart of Mastercard Loyalty Optimizer.



**Accurate
performance
measurement**

Obtain key portfolio KPIs, recommendations and timely status updates with a centralized dashboard that includes acquisition, EMOB, spend and loyalty-specific insights.



**Data-driven
loyalty strategy**

Analyze current and past program performance to identify and prioritize opportunities for maximum incremental revenue and engagement.



**Fully-managed
marketing design
& execution**

Develop a holistic approach to cardholder marketing based on your business objectives and robust analysis insights. Our marketing experts can design, develop and execute earning and redemption accelerator campaigns or program awareness campaigns.



**Best-in-class
analytics**

Leverage Mastercard's proprietary Test & Learn® methodology to understand and optimize the impact of your marketing campaigns and loyalty initiatives.

*Not available in every market



Loyalty Optimizer is a comprehensive consulting, analytics and marketing solution that enables Mastercard Rewards System (MRS) users to unlock incremental profitability with increased loyalty engagement.



*Marketing is priced separately from Mastercard Loyalty Optimizer





Use a tailored diagnostics dashboard to pinpoint key insights and uncover optimization recommendations.



Enhanced Dashboard*

A tailored diagnostics dashboard that pinpoints key insights and offers optimization recommendations.

*Dashboard representations are illustrative, dashboard outputs may vary by issuer needs. Custom dashboard updates daily.





Tap into the Enhanced Dashboard's advanced analytics and recommendations.



Portfolio and account status

- Analyze your portfolio by account status
- Identify trends in enrollments for customers and accounts over the last 15 months
- Determine what card types and products are performing best across new and at-risk cardholders to refine your segment strategies



Loyalty metrics

- Recognize trends in redemption behaviors
- Split cardholder spend patterns out by:
 - Redemption activity
 - Redeemer type
 - Redemption reward category
 - Redemption channel
 - Product type
- Understand which initiatives drive first-time versus repeat redemption and measure incremental increases
- Identify which redemption behaviors drive retention
- Engage in cost-benefit analyses of redemption channels



Early Month on Book Activation

- Determine the number of active vs. inactive spenders acquired in the past 6 months to inform cardholder activation initiatives



Spend activity

- Examine cardholder spend by:
 - Overall spend, transaction size and frequency
 - Active vs. inactive accounts
 - International vs. domestic spend
 - Industry segments
- Create a heatmap to compare spending by card type, industry spend and segments
- Quantify the incremental increase in spend from loyalty initiatives





Identify and prioritize key gaps and concern areas from dashboard analyses

Examples: observed concern areas



Spend activity

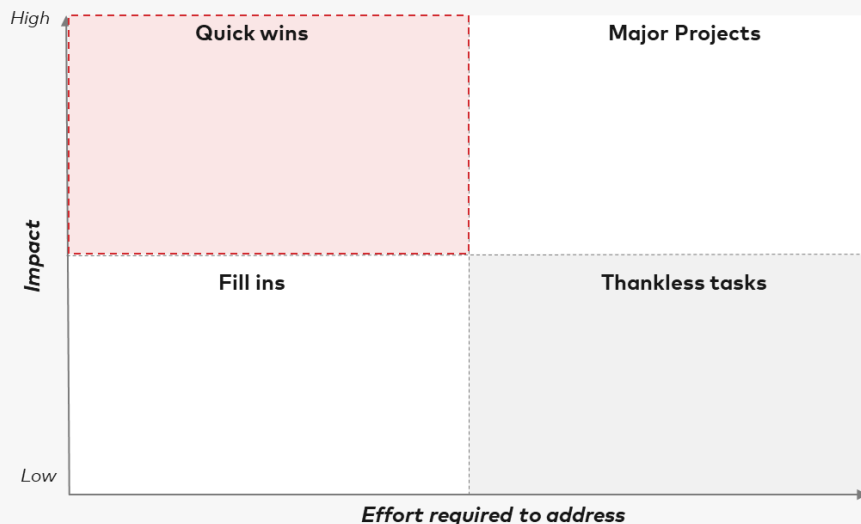
- Declining spend trend
- Limited card usage – Credit / Debit cards used only within a limited set of categories
- Low cross-border usage and penetration
- High customer attrition
- Low and/or declining acquisition and activation rates
- Unused potential for card upgrades



Loyalty metrics

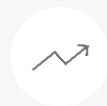
- Lack of redemption by a large segment
- Under-optimized redemption channels and categories
- Points liability by categories – determining the optimal mix and how to drive usage

Prioritize concern areas based on importance and ease of solution implementation:





Mastercard consulting experts will define a strategic loyalty program approach to engage consumers across the entire journey and optimize your portfolio based on key business objectives and past performance.



Review program performance and segmentation via reporting dashboards and identify key strategic areas to address *(from step 1)*



Evaluate existing loyalty program across key metrics, including:

- Enrollment
- Earn
- Redemption
- Reward offering
- UX
- Communication strategy
- Program economics



Benchmark performance and identify best practices along selected program evaluation dimensions



Receive actionable recommendations, across:

Program optimization, like:

- Acquisition and enrollment
- Activation and usage
- Upgrade and cross-sell
- Customer retention
- Cost optimization
- Ongoing P&L analysis

High-level design considerations, such as:

- UX enhancement – gamification, digital and mobile
- Optimization of funding model – issuer / merchant / hybrid



Prioritize and plan to implement key strategic recommendations





Improve and optimize any part of your loyalty marketing mix with our marketing expertise.

Our insights-based marketing approach to *hypothesize, experiment, learn* and *optimize* (HELO) leverages design thinking, deliberate experimentation, actionable insights, and iterative testing to optimize the consumer journey and deliver sustainable portfolio growth.

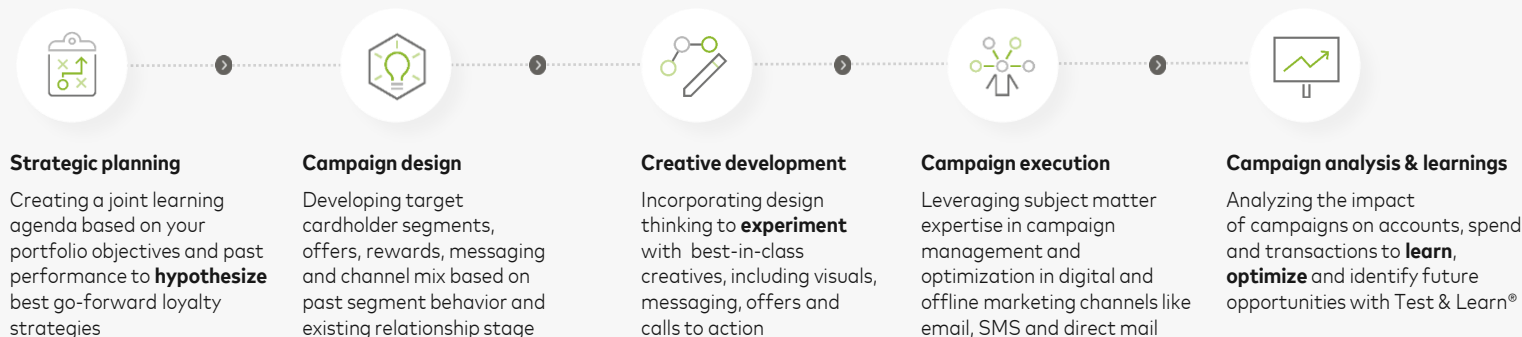
SAMPLE RESULTS

76% increase in conversion rates through landing page design

65% increase in rewards program enrollment with microsite design

150% lift in spend on reactivation of inactives with direct mail

How we help you drive value:



*Marketing campaign design and execution is priced separately from Mastercard Loyalty Optimizer



Measure and optimize your loyalty initiatives in waves to continuously improve your go-forward marketing plan with the Test & Learn® analytics platform.

Key features include:



Optimized campaign design



Fast and accurate test vs. control analysis



Flexible, actionable insights

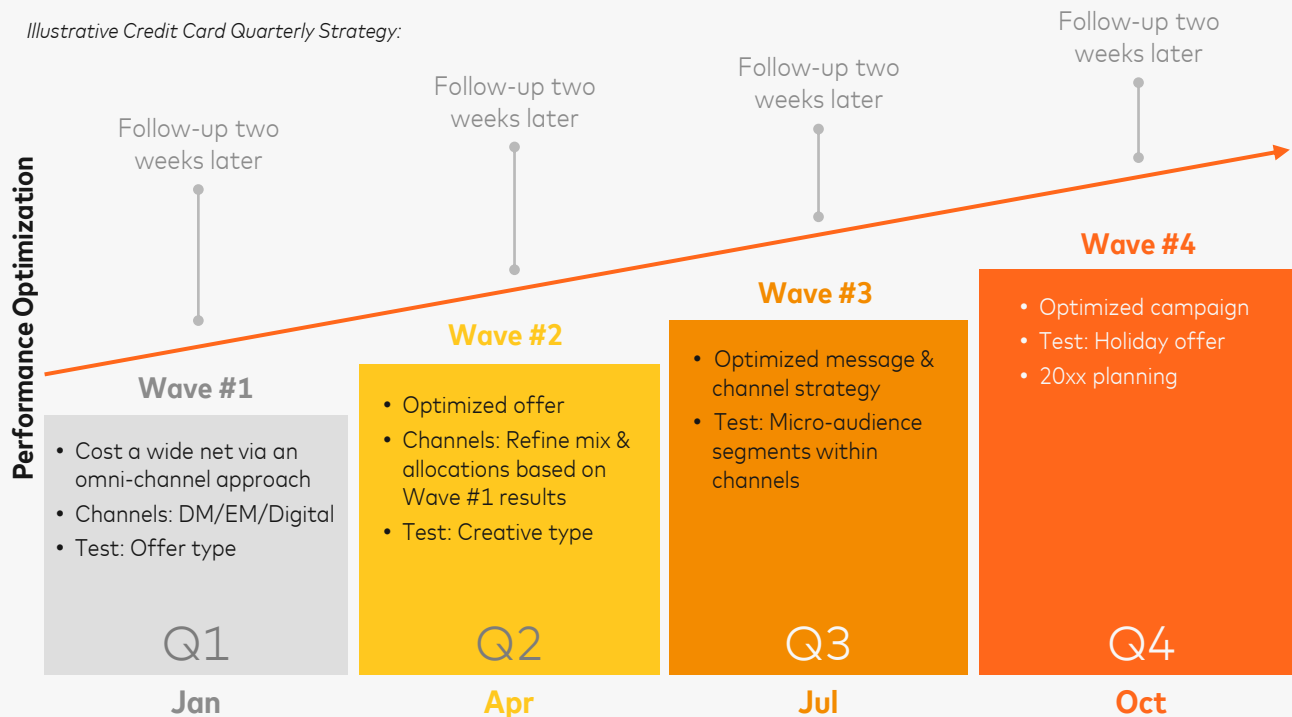


Test and campaign performance segmentation



Financial performance modeling for future campaigns

Illustrative Credit Card Quarterly Strategy:



BENEFITS

Drive a digital-first, optimized cardholder experience and unlock incremental portfolio profitability with Loyalty Optimizer.



Build an effective and sustainable loyalty program strategy

that rewards cardholders with relevant, in-the-moment offers and communications



Acquire, engage and retain cardholders with best-in-class, personalized marketing campaigns, designed to deliver on your business objectives



Gain insights and identify opportunities with advanced analytics to improve portfolio performance, continually optimizing marketing levers for maximum ROI



Get Loyalty Optimizer up and running in just a few weeks.*



FREQUENCY:

Bi-annual

One-off

TBD

TBD

*Timeline may vary depending on issuer needs



Mastercard is uniquely positioned to help issuers re-imagine and optimize their loyalty programs



Unmatched global expertise

We serve 2,500+ customers in 70+ markets with capabilities ranging from analytics and consulting, to innovation and loyalty services.

Mastercard's extensive **loyalty experience** can help you deliver on your priorities.



Marketing know-how

Mastercard has executed thousands of marketing campaigns in 70+ countries. We draw on that experience and our extensive loyalty program experience to design and orchestrate strategies that deliver on your business objectives.



Deeper insights

Leverage Mastercard's payments network of 2.5 billion cards, 73 billion purchase transactions and advanced data analytics to tap into richer, more actionable insights.



Analytics and optimization

Achieve more effective marketing and sustainable growth with multi-phased campaigns and ongoing optimization. Move beyond "one and done" campaigns to an always-on program of dynamic marketing, delivery strategy and execution.



Loyalty Optimizer | MEA case study

A Middle Eastern client used Mastercard Loyalty Optimizer's enhanced dashboard to guide strategic decisioning

Context & Challenge

- A Relationship Rewards client in MEA was looking to **double their card portfolio** of approximately 3MM accounts and **maximize profitability**.
- They wanted to **better understand the impact of their program** as well as what areas of the program to focus on.

Approach & Solution

- Mastercard Loyalty Optimizer consultants met with the client to understand their goals, ran the dashboard and presented findings and high-level recommendations.
- The client initially signed on for two deliveries of the Module 1 Enhanced Dashboard but has now requested an ongoing monthly run of the dashboard.
- Additional opportunities for program optimization discussion include a deep dive review of the client's website and program economics; marketing and communications to targeted segments; Test & Learn measurement of campaign success; and Personalized Card-Linked Offers or Promotions enablement for the client.



Example Recommendations

36%

of Credit GS Accts
active vs. 19% Debit



Sales focus to
increase x-sell of
credit card to debit
cardholders; EMOB
strategy to activate

38%

of overall credit card
spend made by
Platinum cards%



Spend stimulation to
upgrade segment of
customers from Gold to
Titanium and Platinum

+2.6x

Spend - Heavy Redeemers



Campaign to move Active
Redeemers to Heavy
Redeemers; increase
redeemers overall

Customer Testimonials

"We haven't seen anything like this before."

"Dashboard insights were good quality - will be used for our strategy."



Let's get started.

For more information on Mastercard Loyalty Optimizer, including pricing of the individual modules, please contact your account representative.



Connect with your Program Manager to run a Dashboard of your metrics



Collaborate with a Mastercard consulting professional to review metrics and identify improvement opportunities



Partner with our marketing experts to design and execute marketing & communications campaigns based on your strategic objectives

