

# AMERICAN BANKER®

THE FINANCIAL SERVICES DAILY

Wednesday, January 9, 2008

## CARDS

# MasterCard Debit Rewards Program Enrolls Md. Bank

■ BY WILLIAM LAUNDER

MasterCard Inc.'s advisory unit will announce today that it has signed up Provident Bankshares Corp. of Baltimore to offer its loyalty rewards program for debit cardholders.

The program is free for Provident debit cardholders who receive direct deposit, and otherwise costs \$3 a month.

MasterCard worked with Provident to design a Web site that allows customers of the \$6.4 billion-asset banking company to sign up and redeem program points online rather than by phone or in person.

Provident cardholders can customize their points to get rewards like travel discounts, retail, and restaurant gift cards. Customers earn one point for every \$2 in transactions made with their Provident debit card, and the bank will double the dollar value of each point for customers who earn 2,500 points through the program on an annualized basis.

Laura Kreps, MasterCard Advisors' vice president of loyalty solutions, said Provident came to MasterCard seeking "to be a little more unique" in its efforts to retain debit card customers.

The self-enrollment Web feature helps Provident keep costs associated with the program low, Ms. Kreps said.

Rick Sides, the e-banking product manager at Provident, said the MasterCard program is "basically all about deepening the customer relationship." Debit cards form "the centerpiece" of Provident's relationship with

many customers, he said, and the company would only consider extending the program to other services it provides after evaluating it in the debit card space.

In October the MasterCard unit started a similar service that lets customers of Fifth Third Bancorp of Cincinnati earn rewards for purchases made with its credit and debit cards.

Ms. Kreps said the Provident program focuses on retaining the bank's debit card customers, whereas the Fifth Third program aimed to expand its offerings of credit and debit cards.

Other banking companies, including Citigroup Inc. and National City Corp., have rewards programs for customers who open multiple accounts through the bank.

In an interview with *American Banker* in July, Robert Selander, MasterCard's chief executive, described the advisory unit's role in the company. "We have experts who will do the work that might have otherwise been done by the customer themselves, or that they might have hired some third-party consulting firm or whatever to do," Mr. Selander said. "What we're trying to do is just broaden our offering to our customers and trying to find ways to leverage the assets for their benefit as well as our own."



**Scoring points:** Kreps, left, says the Provident effort focuses on retention. Bezard says banks are under pressure to offer debit customers rewards.

Gwenn Bezard, a research director at Aite Group LLC of Boston, said MasterCard's advisory unit is "something that they have been touting as a differentiator" but a "very small piece in the overall scheme" of the company. (By MasterCard's own admission, the unit's contribution to revenues is minimal.)

Mr. Bezard said there is "tremendous pressure" on banks to offer the types of rewards and loyalty programs to debit cardholders that credit card companies started offering their customers two decades ago.

Mr. Sides agreed that competition from credit card rewards programs is "definitely a legitimate concern" for debit card issuers.

*Harry Terris contributed to this report.*