



LOYALTY PROGRAMS

“Making your Bank Card the
Card of Choice”



NIGERIAN PAYMENT CARD DEVELOPMENT

A PARADIGM CHANGING



- **Infrastructure Implementations - Switching Networks**
- **Inter-Operability - ATM networks & POS networks**
- **Multi-Application**
- **Mastercard & Visa entry**
- **Interchange Fees - its impact on acquirer/issuer strategies**
- **Consumer Expectations**
- **ROI Focus**

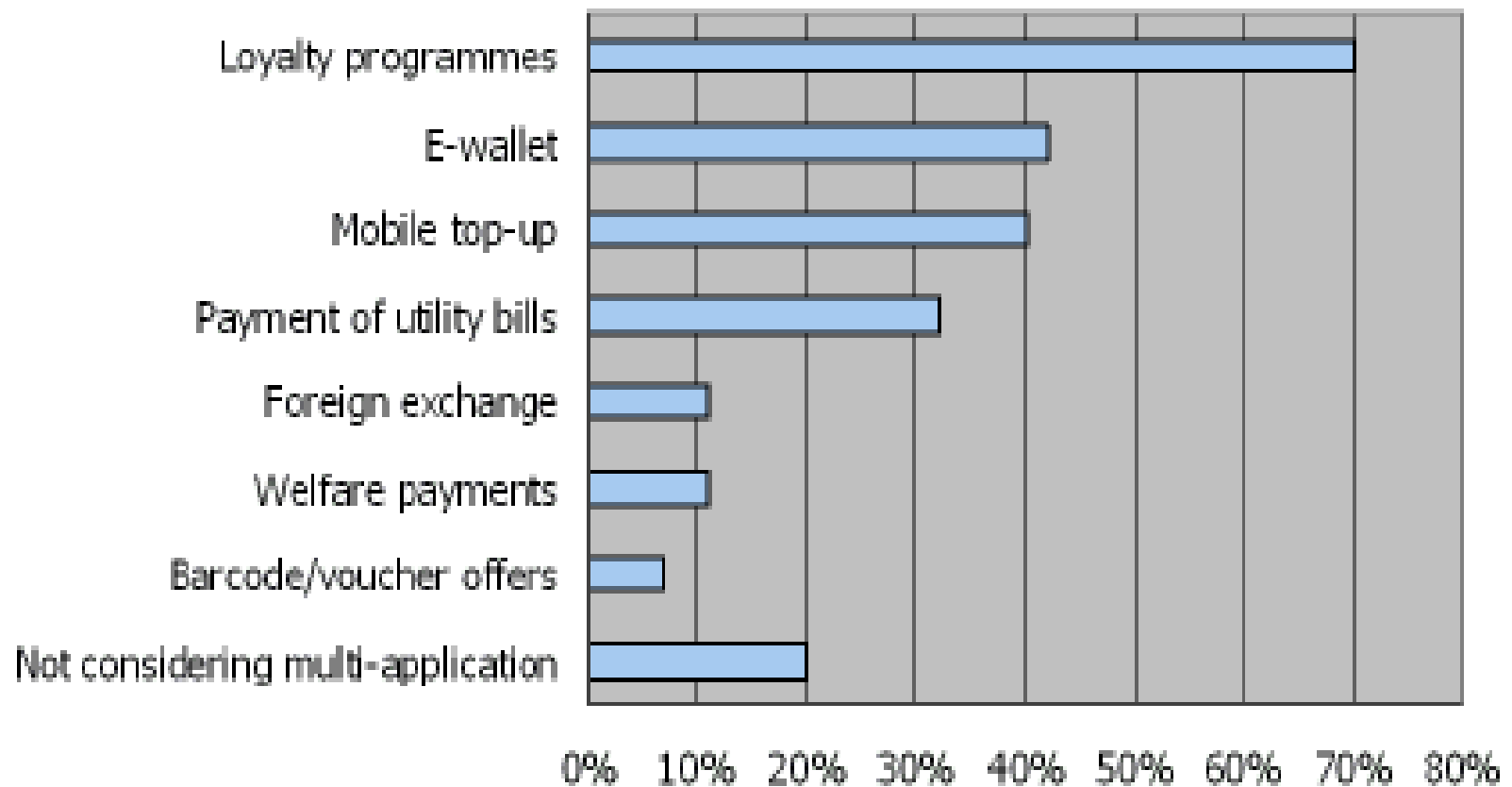


BANKS & LOYALTY PROGRAMS

A COMPLEMENTARY RELATIONSHIP



Value added applications banks intend to offer



Source: Finextra Research, January 2003. Survey of banks in Europe and the Middle East.



What are Loyalty Programs?

Marketing Strategies to identify, maintain and maximize the profit from best customers through long-term, interactive, value-added relationships



Why start Loyalty Programs?

■ ***Acquiring*** profitable customers

Get

■ ***Retaining*** profitable customers longer

Keep

■ ***Eliminating unprofitable*** customers

Grow

■ ***Up-selling*** additional products in a solution

■ ***Cross-selling*** other products to customers

■ ***Referral*** and word-of-mouth benefits

■ ***Reducing*** the cost of service for customers



Loyalty Marketing: Facts

- It costs 7x more to acquire a new customer than to retain an existing one
- A 5% improvement in retention rate can equal an 85% increase in NPV of the customer
- Enhances customer participation
- Generates higher usage frequency & transaction values

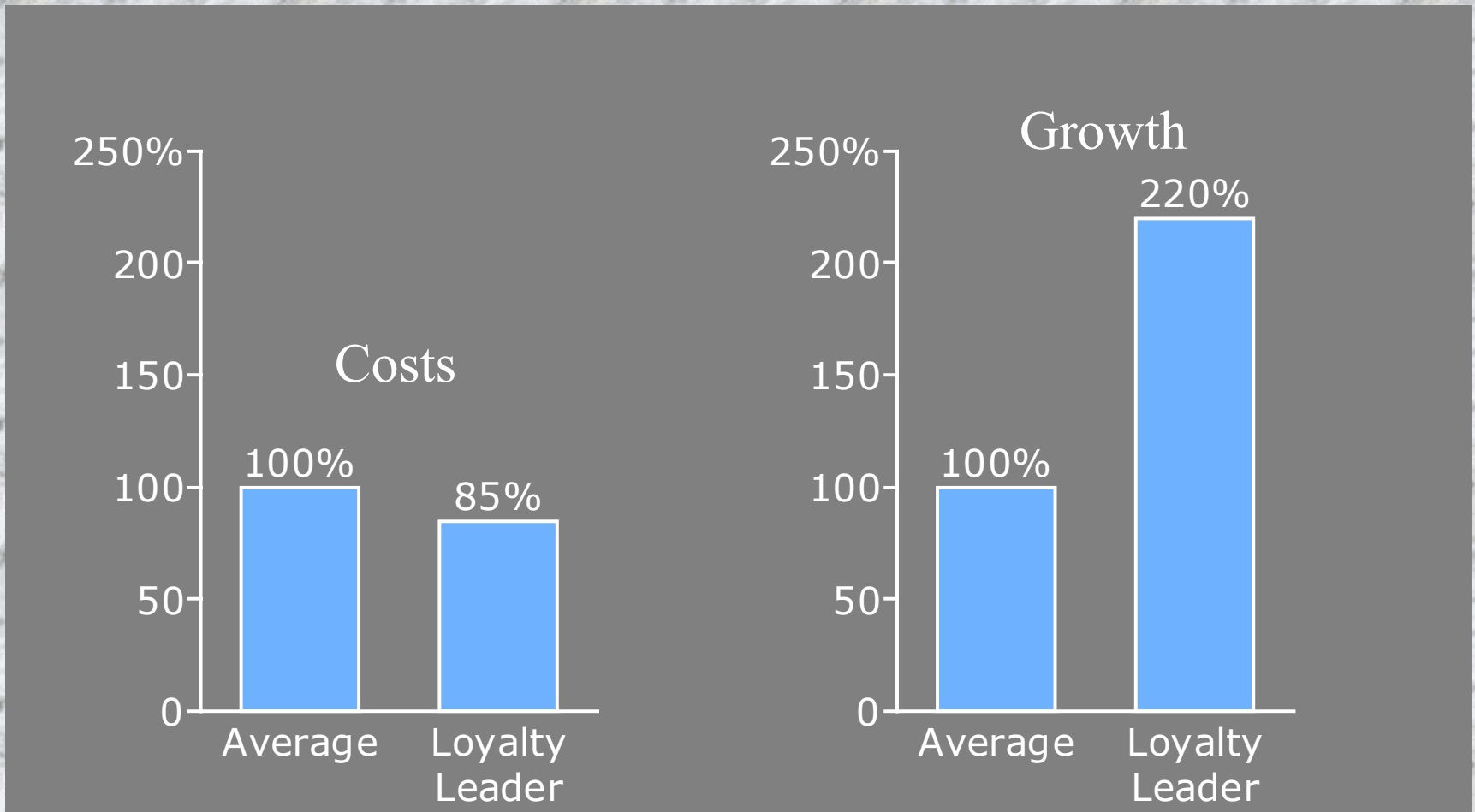


Loyalty Marketing: Facts

- **Lowers marketing communication costs**
- **Improves Customer LTV**
- **Enhances Cross-Sell & Up-Sell opportunities**
- **Provides a measurable ROI**



Loyalty Leaders: Lower Costs, Higher Growth



. Acquisition . Retention . Frequency .



Customer Loyalty Mechanics

. Acquisition . Retention . Frequency .



Use The Perfect Blend of Incentives

Compelling Hard Benefits

Promotional Currencies
Tangible Rewards
Price Tiering
"I get my money's worth"



Defining Soft Benefits

Recognition
Personalization
Access
"They know I'm important"

To Create The Value Proposition via..



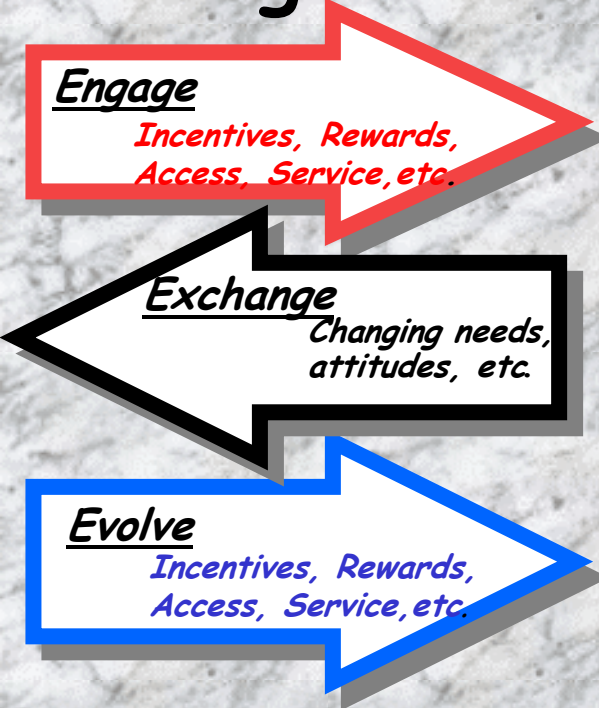
Dialogue

Engage, Exchange, Evolve

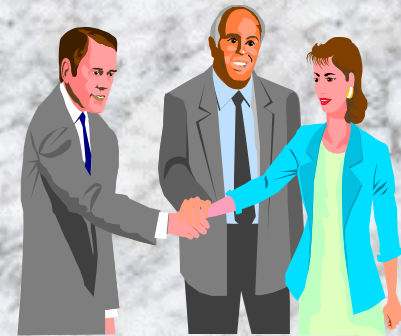
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Dialogue



Relationship





Continuous Customer Development



- Uncover drivers of current behavior
- Identify obstacles to desired behavior
- Blending hard and soft benefits to create the right incentive



Loyalty Programs in Financial Services

**Driving Customer Profitability in a
Payment Card Environment**

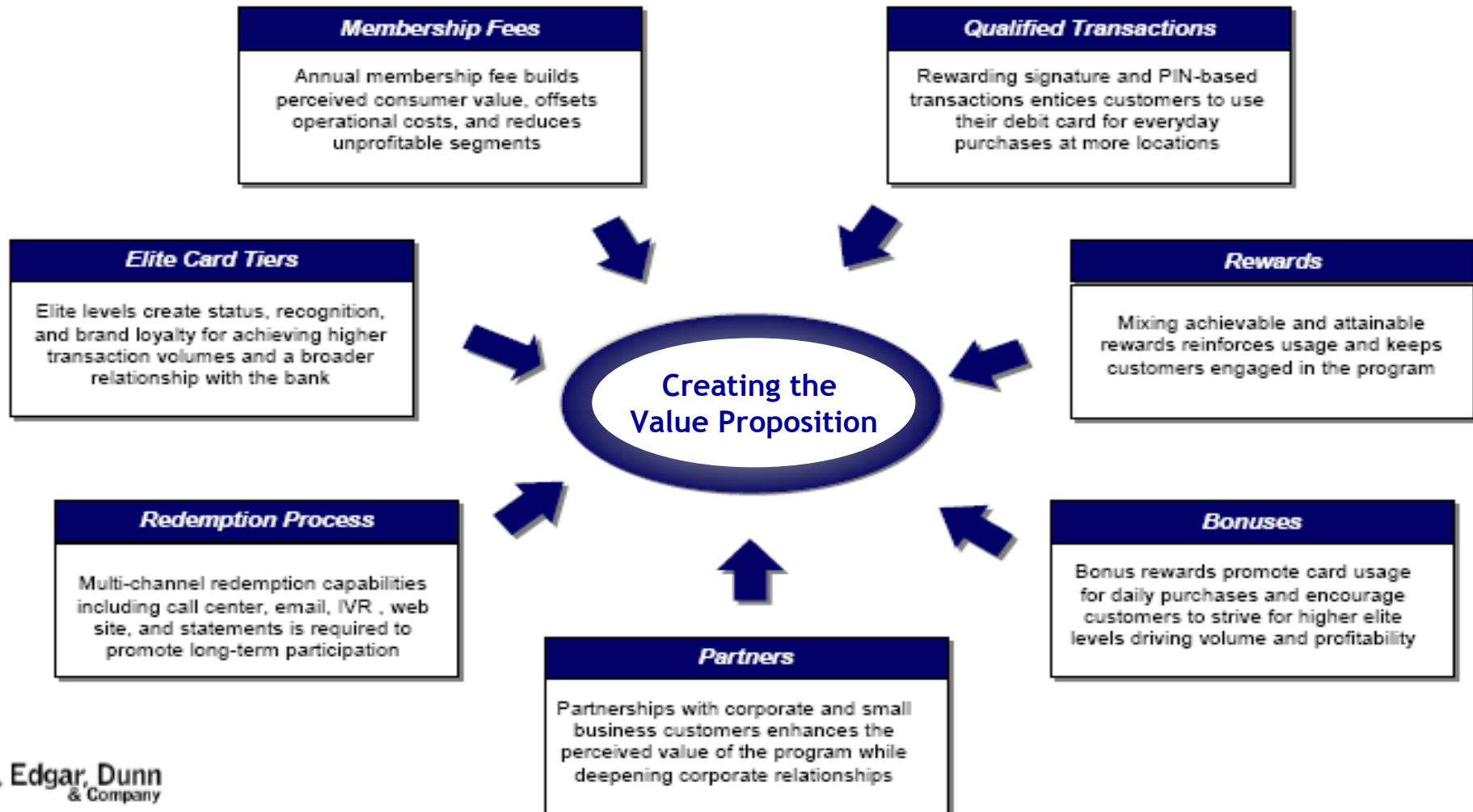


Objectives

- ✓ Increasing customer loyalty and extending the average lifetime value of customer relationships
- ✓ Improving marketing efficiency through customer segmentation and target marketing
- ✓ Consolidating banking relationships and cross-selling products and services such as electronic bill payment
- ✓ Reducing operating costs by migration
- ✓ Differentiating payment card offerings to gain a competitive advantage



Delivering a distinctive value proposition requires a targeted approach and differentiated loyalty offer that is clearly communicated to the customer.





Loyalty Program Funding

Membership Fees

- Debit Card Membership Fees
- Tiered Membership Fees

Interchange Fees

- Signature-Debit Interchange Fees
- PIN-Based Debit Interchange Fees

Transaction Fees

- Foreign ATM Fees
- Debit Card Transaction Fees

Transaction Migration

- Paper Check Conversion Savings
- Bill Payment Program Fees



Build a Sustainable Economic Model based on the right mix of

REVENUES

- Card Membership Fees
- Signature Debit Interchange Fees
- PIN Debit Interchange Fees
- ATM Surcharge Fees
- Foreign ATM Fees
- Cost Savings
- Other fees

OPERATING EXPENSES

- Marketing & Promotion
- Application Processing
- Account Set-up
- Card Production & Issuance
- Transaction Processing
- Statement Processing
- Account Servicing
- Administration
- Legal
- Other Operating Expenses



Benefits of a Loyalty Program To an Issuing Bank

- Increased Payment card usage vs. cash/cheque
- Higher Cardholder retention rates
- Lower cardholder recruitment costs
- Higher cardholder recruitment rate
- Provides added-value to cardholders
- Can design specific marketing operations with selected retail chains
- Higher Revenue & Profit Generation



Benefits of a Loyalty Program to an Acquiring Bank

- The ability to secure or expand margins from merchants, as premiums can be charged for value-added services
- Provides a secure & lasting positive differentiation on added-value rather than 'rate wars'
- New merchants can be recruited easier & faster
- Increases Merchant POS terminal adoption



CASE STUDY

. Acquisition . Retention . Frequency .



PREMIASM

Banco Popular, Puerto Rico



The Opportunity

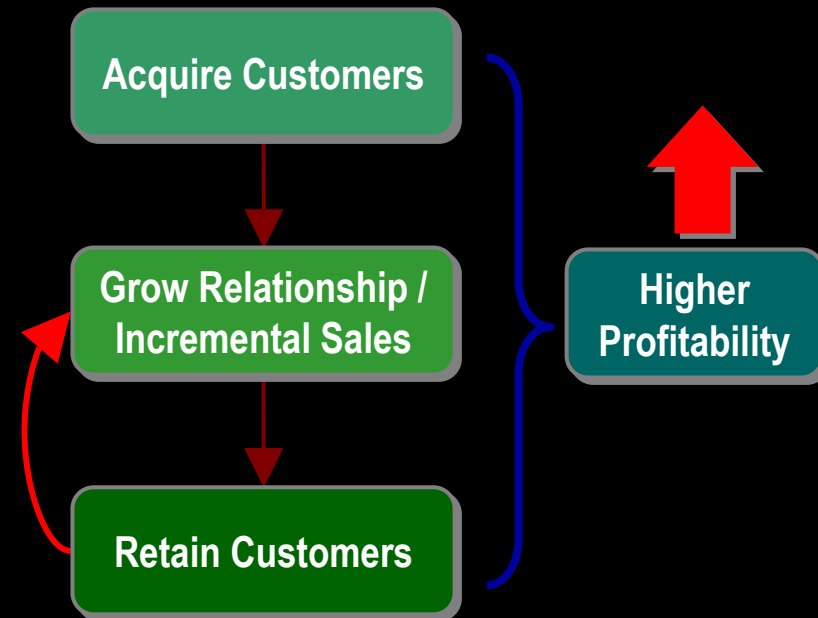
- Develop a loyalty program that incorporates all of Banco Popular's products and becomes the primary loyalty currency in Puerto Rico.

differentiate Popular in an extremely competitive environment

improve lifetime value of customers through behavior and retention

increase share-of-customer

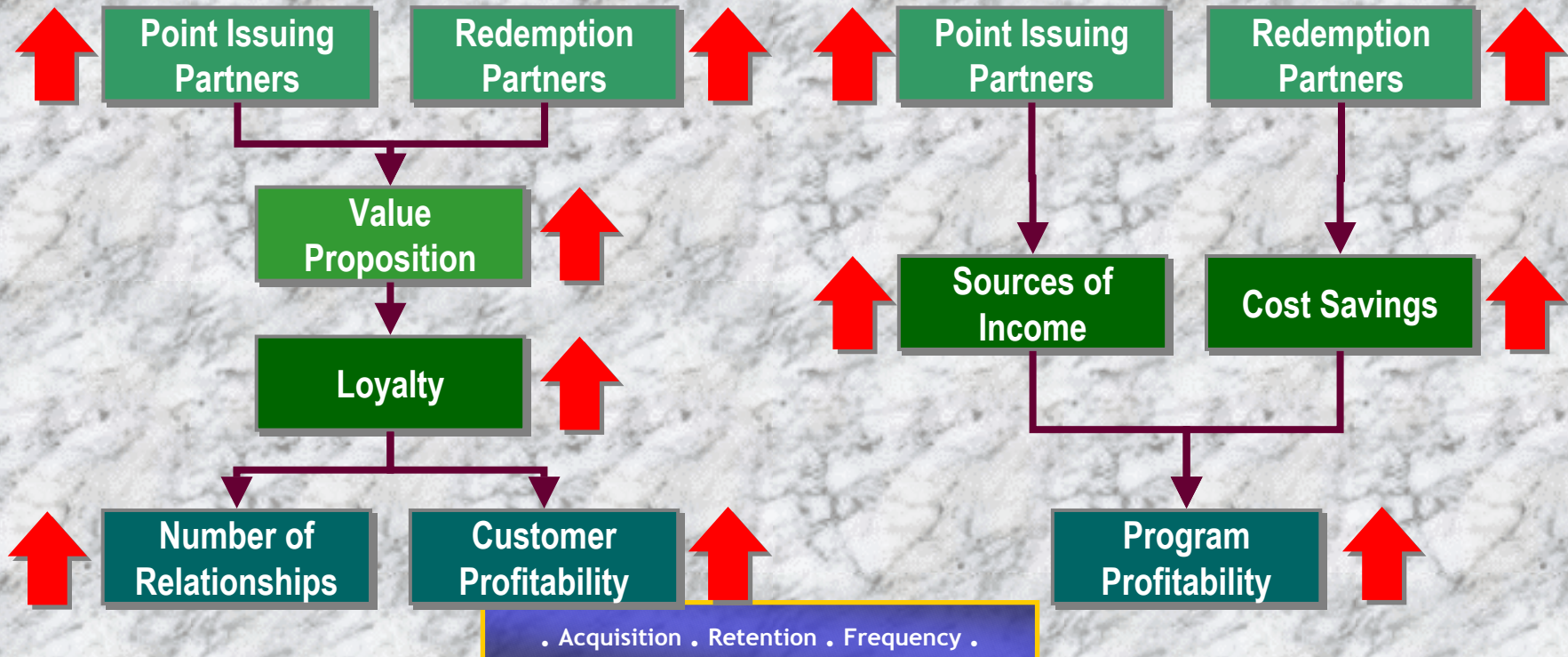
increase effectiveness and efficiency of marketing resources





Strategic Solution - Payment Cards

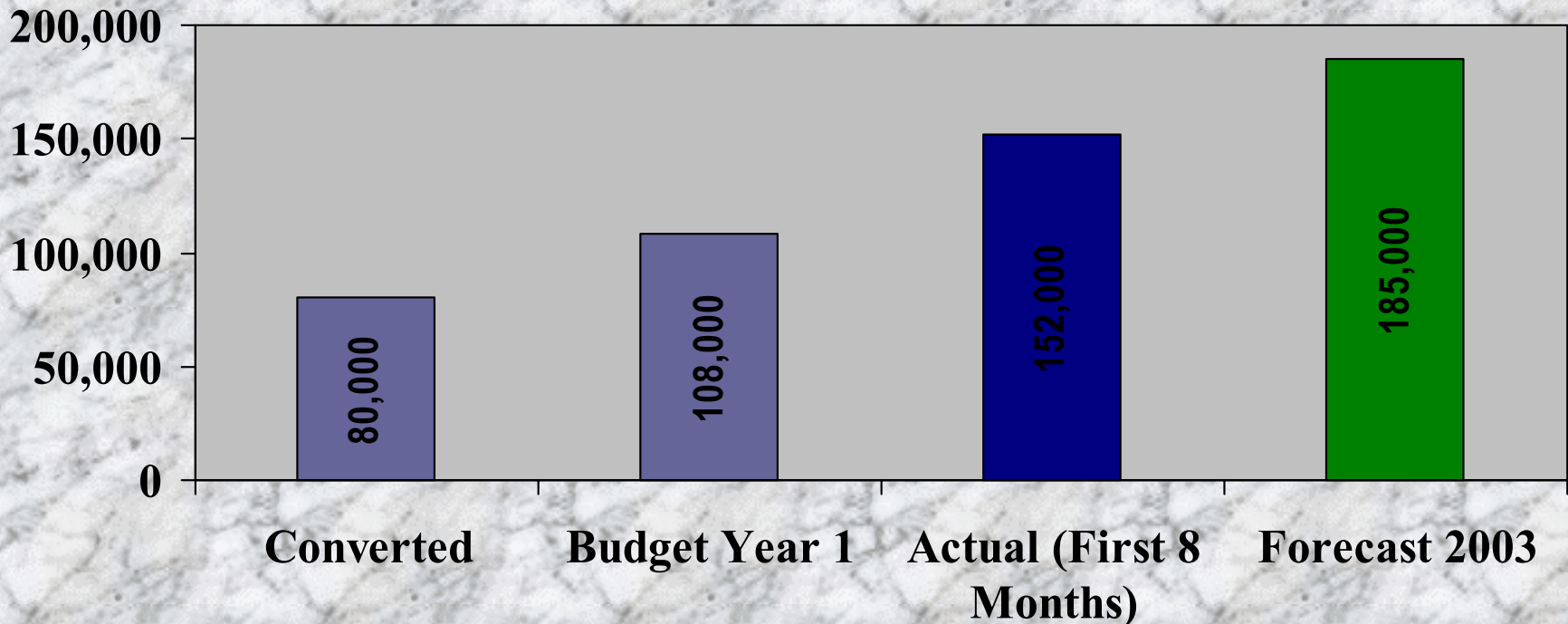
- Require customers to have a debit or credit card to develop an easily implementable “ Earn / Spend ” structure that maximizes profitability.





The Results

- PREMIA exceeded the new member goal for the Year 1 by 250% and almost reached the 5-year goal.





THANK YOU