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Premium Card Strategy Council

June 12, 1996

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P-1061

Agenda

- Introductory Remarks: Overview
- Legal Do's and Don'ts
- Quantitative Research
- Qualitative Research
- Feature Discussion
 - Rewards
 - No Pre Set Spending Limit
 - Exemplary Service
- Premium Card Introduction Plan
- Next Steps/Outstanding Issues

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Premium Card

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Overview CONFIDENTIAL

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US Region
June 12, 1996

Where we are today

- Product /Optimization work completed
- Positioning work completed
- Product/feature design completed
- Naming/Card Design under way
- Conjoint Analysis under way
- Communications development under way
- Product Guidelines drafted for review
- Financials/business case under way
- Phased rollout criteria and structure guidelines underway

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March 27 Strategy Council

What we discussed:

- Product Line Strategy: Where this card fits in
- Preliminary Quantitative Research
 - sized the market opportunity
 - addressed target market segment
 - assessed profitability of target market
 - demographics of target market
- Preliminary Qualitative Research
 - Feature/benefit testing
 - Early concept testing

March 27 Strategy Council

What we presented:

- **Specific feature discussion**
 - no pre set spending
 - rewards program
- **Next Steps**
 - product optimization research
 - conjoint analysis
 - positioning
 - naming/card design

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Product Optimization Market Research

Quantitative Research Update

Global Research & Analysis
June 12, 1996

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PRODUCT OPTIMIZATION

MARKETING OBJECTIVE:

Conduct research on features/benefits which impact the MasterCard brand in terms of:

- Activation and Usage
- Standard Card
- Gold Card
- Premium Card

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PRODUCT OPTIMIZATION

RESEARCH OBJECTIVE:

Benefit from three key research initiatives:

- Quantitative Feature/Benefit Screening
- Premium Card product development and positioning focus groups
- Premium Card conjoint study

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FEATURE/BENEFIT SCREEN

RESEARCH METHOD:

Sample:

- Interviews conducted via central location
- Random sample of 609 MPCC cardholders
 - 18 and over
 - Minimum income of \$18k
 - 1/2 male, 1/2 female
- Augment interviews also conducted to provide readable samples of key sub-groups

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FEATURE/BENEFIT SCREEN

KEY SUB-GROUPS FOF PREMIUM CARD:

- \$75K+
- Heavy Travelers (5+ trips)
- MasterCard and Visa Gold Most Often
- Amex w/Income of \$75k+
- \$3,000 Minimum annual charge volume

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FEATURE/BENEFIT SCREEN

Of the total population observed, 16% are \$75k+...the key segments within this overall target account for the following:

	<u>AVERAGE \$ SPENDING</u>	<u>AVERAGE \$ REVOLVE</u>
• <u>Total Random</u>	<u>\$ 440</u>	<u>\$1,010</u>
• Total \$75k+ <i>→ household</i>	1,090	1,030
• 25% are heavy travelers	1,900	920
• 41% own at least one gold card	1,310	1,100
• 25% own an Amex card	1,410	1,170
• 75% charge over \$3k annually	1,360	1,150
• 24% are small business owners	1,290	1,160

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FEATURE/BENEFIT SCREEN

FEATURE OPPORTUNITIES:

<u>INCOME \$75K+</u>	<u>INCOME \$75K+ AMEX MOST OFTEN</u>	<u>HEAVY TRAVELERS (5+ TRIPS PER YEAR)</u>
Worldwide acceptance	Worldwide acceptance	Worldwide acceptance
Frequent flier mileage	Frequent flier mileage <i>Key</i>	Frequent flier mileage
Rewards program	Rewards program	Rewards program
No pre-set spending limits		Worldwide cash access

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FEATURE/BENEFIT SCREEN

TARGET PROFILE:

<u>SKEWS</u>	<u>TOTAL INCOME \$75K+</u>	<u>TOTAL INCOME \$75K+ AMEX MOST OFTEN.</u>	<u>HEAVY TRAVELERS 5+TRIPS/YR</u>
Card Attitudes	Maximize rewards/mileage points Only carry cards used Have discontinued cards	Maximize rewards/mileage points	Maximize rewards/mileage points Rotate cards to keep them alive Have discontinued cards
Cards Owned	MasterCard Gold (M.O.) Visa Gold Amex Green & Gold (M.O.) Large number of cards	MasterCard Gold Visa Gold Amex Gold Large number of cards	MasterCard Gold Visa Gold (M.O.) Amex Green & Gold (M.O.) Large number of cards
Reasons Most Often Card	Large credit line Gives rewards & incentives Superior security features Extra benefits No pre-set spending limit ✓ Year end charge summary Requires paying in full each month	Superior security features	Gives rewards & incentives Extra benefits No pre-set spending limit ✓ Requires paying in full each month

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FEATURE/BENEFIT SCREEN

TARGET PROFILE (CONT'D):

<u>SKEWS</u>	<u>TOTAL INCOME \$75K+</u>	<u>TOTAL INCOME \$75K+ AMEX MOST OFTEN</u>	<u>HEAVY TRAVELERS 5+TRIPS/YR</u>
Card Usage	More purchases More business expenses More travel (personal/business) Higher spending More money transferred among cards	More purchases More business expenses More travel (personal/business) Higher spending	More purchases More business expenses More travel (personal/business) Higher spending More transactors
Demographics	Better educated Married Full time employed Business owners	Better educated	Males Age 35-49 Better educated Married Business owners Higher income

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FEATURE/BENEFIT SCREEN

CONCLUSIONS:

- The findings from the quantitative feature/benefit research support the Premium Card qualitative research in three distinct areas:
 - No pre-set spending limit
 - Rewards program
 - Worldwide acceptance/cash access

- The conjoint research will identify the “ideal” mix of product features to maximize appeal.

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CONJOINT STUDY

RESEARCH OBJECTIVE:

To utilize the learning from the Feature/Benefit Screening Study in order to develop a cohesive package of features which will maximize product appeal.

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CONJOINT STUDY

METHOD:

- Centrally located research facilities, utilizing computer assisted interviewing.
- Total of 300 interviews completed with:
 - Household income of \$75k+
 - Currently own a gold card
 - Currently own an Amex card
 - Age 18 and older
 - Half males and half females
- Interviewing conducted in fifteen geographically dispersed markets.

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CONJOINT STUDY

PROJECT TIMING:

- Programming of conjoint: 6/3-6/7
- Fieldwork: 6/12 -
w/o 6/17
- Statistical analysis: w/o 6/24
- Availability of preliminary
results: w/o 7/1
- Availability of final results: w/o 7/8

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Marketing Insights on Realizing The Premium Card Opportunity

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Discussion Agenda

- Approach
- Market Target
- Competitive Framework
- Product Concept
- Positioning

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Approach

- Phase I. (February - March)
 - Assess the Opportunity
 - Preliminary Product Opportunity
- Phase II. (April - May)
 - Refine the Product
 - Develop the Positioning Concept

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Phase II.

- Ten focus groups conducted in Los Angeles and New York:
 - Upper Income (\$100,000+ household)
 - American Express
 - Gold MasterCard/Visa
 - Co-Branded MasterCard/Visa
 - Personal and Small Business
 - Profitable: Transact \$1,000+ per month; Revolve 2-3 times per year, with balances of \$1,000+ per month
 - Heavy Travelers (10+ Trips per year, some international)

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The Primary Market Target - Who We're Positioning To

- Household Income of \$75,000+
- 35 - 60 Years Old
- Heavy Transactors/Revolvers
- Heavy Travelers
- Have and Use Both American Express and Gold BankCards

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The Target Market

Key Attitudes and Needs

- "I'm Special" - Everyone Wants My Business ; so I can pick and choose what's best for me"; "I deserve more"
- "I'm Smart - "They have to give me good value if they want to get my business"; "We're a pretty jaded, sophisticated bunch"; "I deserve more for less"

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Key Subsegments

- Small Business Owners
 - Highly Responsive
 - Less Fee Resistant
 - Issue: Corporate Card Product
- American Express Primary Users
 - Highly Responsive
 - Switchers vs. Loyalists
 - Less Fee Resistant

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Key Subsegments

- Bank Gold Card Primary Users

See com

secondary

- Highly responsive, but more skeptical - "Would I really use this?"
- More fee resistant

- Co-Branded Users

- Highly responsive to concept
- Highly responsive to combining their current card with the premium card - "Why wouldn't I?"
- Less fee resistant

The Competitive Framework

American Express is the Primary Target

- Has a major share of spend of this market target
- Can avoid cannibalization
- Vulnerabilities to attack: acceptance, rewards program, image, no revolve; can't be "the one"
- "Better than American Express" - interesting and believable to the market target

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The Product

1. No pre-set spending limit, with the option to revolve.
2. Competitive rates and fees.
3. Preferred Treatment: admittance to over 145 airline clubs globally (with a small per-use fee); airline, hotel and car rental upgrades, access to tickets to hard-to-get shows and special events worldwide.
4. Global Emergency Services: 24 hour 800# connects you to our Global Assist Network - from anywhere in the world - for cash advances, emergency ticket replacement, referrals to English speaking doctors or lawyers - whatever you need.

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The Product

5. Global Mileage Rewards Program: available for every domestic and international airline, no blackout.
6. Personalized Service for Travel, and More: 24 hours a day, you'll always talk to a caring, knowledgeable professional who's specially trained to deal with only our Premium Card customers - whether you're calling us about a billing dispute, to book tee time at St. Andrews, to find out the weather for your next trip, or because you just lost your wallet, you'll always talk to someone who'll go out of their way to meet your individual needs

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The Product

7. All the insurance and purchase protection services you already have on your Gold Card.
8. Security and Privacy Features: activity monitoring, no liability for unauthorized charges, you name not used for solicitation.
9. Global Access: you can use your card, get cash, and use all our services anywhere in the world, 24 hours a day.
10. Year End Account Summary

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The Product

Before we showed them the product, we asked, "What goes through your mind when I tell you we're going to talk about a new credit card product?"

- "So what"
- "What's different about it"
- "Who cares"
- "Who needs another card"

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Response to the Product Concept

We Talked to a Total of 94 People in Phase II:

- 78% of them rated it a 4 or 5 on a scale of 1 - 5
- 52% of them rated it a 5

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Response to the Product Concept

- "It's all the things I want"
- "Makes MasterCard competitive to American Express"
- "Goes beyond traditional cards"
- "Better than American Express - Mileage Program, Preferred Treatment, Acceptance, Revolving Option"

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Highest Rated Features of the Product

- Global Mileage Rewards Program
- Global Emergency Services
- Personalized Service for Travel, and More
- Preferred Treatment
- No Pre-Set Spending Limit, with Option to Revolve

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Global Mileage Rewards Program

- "If I can combine it with the program I have now (e.g.: GM, American Aadvantage) - that's great!"
- "Better than what I have now - any airline, no black-out"
- "Combining miles" - "would love it" - "but even without it it's still a better program than what I have now"
- "American Express Rewards Program is really pretty good, so I need something like this to get me to switch"

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Other Rewards Explored

- Is there anything motivating enough to replace miles?
 - “Not really”
 - Maybe: Use your points to pay down your bill
 - For small business: Health Insurance
- “I’d like rewards in addition to miles”
 - Earn points for Vacations: hotel, restaurants, car rental
 - Earn points for Shopping: big name national retailers and catalogues

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Global Emergency Services

- "Very Important"
- "Critical for Travelers"
- Strong positioning of this service seems to mute the American Express Travel Offices advantage

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Personalized Service for Travel, and More

- "Sound really indulgent and elitist - great"
- "Love all the things they do for you - anything you want"
- "A real person - great"
- "See that person as the coordinator - hooks you up to specialists"
- "Need more about customer service - billing disputes - no hassle - take your side - needs to be as good as American Express"

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Preferred Treatment

- "Airline clubs admittance - a great idea - very useful - unique - a good value"
- "Makes you feel special"
- "Getting tickets to shows and events for people is a great idea - helps me with clients - here and when you travel"
- "Sounds better than concierge - more clear - less esoteric"

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No Pre-Set Spending, With the Option to Revolve

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- "The best of both worlds - American Express and my Gold Card"
- "Need both parts for traveling"
- "I have no pre-set now so I couldn't replace my American Express without it"
- "Don't ever want the embarrassment of being turned down"

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The Positioning

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Premium Card Image

- Luxury/Service

- Comfort
- The Good Life
- Being Taken Care of
- Helpful
- No Worries - Carefree
- Do What I Want
- Rewards

- Freedom/Empowerment

- The World at your Fingertips
- You're in Control
- Yes! - Can-Do
- Hope
- Unlimited
- New Horizons
- An Adventure
- Opportunities - Possibilities

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American Express Image

- Snobby/Classy

- Elegance
- Snotty - Snob Appeal
- Aloof
- Class Act
- Hi-End
- Overt Elitism
- Tries to Impress You
- Status

- Corporate/Travel

- Men in Suits
- Professional
- Yuppie
- Serious
- Solid
- Good for Travel

- Traditional

- My Father's Card
- Stodgy
- Conservative
- Established
- Republican
- Uptight
- Cold
- Familiar

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Gold Card Image

- Middle Class/Family
 - Somewhat Successful
 - A Fun Vacation, But Not Luxurious - Club Med
 - Scaling Down
 - Earthier
 - Home Life
- Everyday
 - No Romance
 - No Real Luxury
 - More Necessity
 - Less Unique or Classy Today
 - More Routine

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Premium Card Positioning

- "More for today vs. American Express"
- "More classy than Gold Cards"
- "Combines the best of both"
- "And gives you more than either one because it has the best miles program"

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The Premium Card Positioning Concept

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- Combines the best features of an American Express card, a mileage card, and a Gold Bankcard -- All in one.

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The Best of American Express	The Best of Gold Bankcards	The Best of Mileage Card
Reputation	Acceptance	Any Airline
No Limits	Revolving	No Blackouts
Hassle-free Service	Tied to You \$ at Banks/ Other Company Product Rebates	
Extra Services	Extra Perks	
Travel Services	Lower Fees	

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The Premium Card Positioning Concept

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- "Tells me everything I need to know"
- "Makes me want to open the envelope"
- "Says it's better than any other card"
- "Substantive"

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The Premium Card Positioning Concept

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- Embraces a range of important emotional end benefits:
 - “Helps me Simplify my life because it’s all in one”
 - “Gives me more Flexibility because now I can do anything with just one card”
 - “Has No Limits on how, where and when you use it because there’s no pre-set and it has all these features combined so you’re not limited like with other cards”
 - “Puts me in Control because I can use one card anyway I want”

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How Would You Use This Card?

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- "I'd see how it does and if it lives up to the promise I'd use it instead of American Express"
- "I'd keep my American Express just in case, but I'd start spending more on this"
- "I'd wait 3 - 6 months to give it a chance, and if they do what they say, then I'd cut up my American Express"

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Final Words From the Consumer

- "Do it quickly - don't drag your feet"
- "Do it right - don't keep taking pieces out of it"
- "Do it big - this needs advertising and promotion"
- "Good Luck!"

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Product Definition

- Rewards
- No Pre-Set Spending Limit with the Option to Revolve
- Exemplary Service
- Acceptance Excellence

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No Pre-Set Spending/ Authorization Excellence

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Overview

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- Feature Description
- Development of Guidelines
- Proposed Feature Guidelines
- Next Steps

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Feature Description


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No Pre-Set Spending With an Option to Revolve

- Flexibility of a charge card, with the control and manageability of a credit card
- Avoid any embarrassment or delays at the point-of-sale
- Premium Cardholders will receive a no pre-set spending limit, with an option to revolve a specific amount

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Development of Guidelines

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- Consumer research
- Composite/target market authorization analysis
- Credit/risk expert advice
- Issuer input

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Proposed Feature Guidelines

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Optimal Authorizations

- Transaction based authorization structure
- Evaluation of the cardholder relationship
- Historical transaction spending and payment behaviors established by cardholder
- Difference between the credit line and the ability to transact above the credit line must be significant

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Proposed Feature Guidelines

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Optimal Authorizations

- Consumer must experience a no pre-set spending limit with the option to revolve
- Cardholders are required to pay the portion of their bill above the credit line each month
- Optimal level of approvals must be provided to achieve customer satisfaction

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Proposed Feature Guidelines

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Optimal Authorizations

- Approve at least 98.5% of all authorizations
- Decline only in those instances where substantial risk and security implications exist
- Authorization should be based on:
 - value of the cardholder's relationship
 - historical transaction spending and payment behavior

*→ obtainable
by Bank's out
well limit declines +
past due decli*

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Proposed Feature Guidelines

Optimal Authorizations

- Approve all transactions that are over credit limit and in good standing consistent with buying patterns and no fraud is suspected
- Percent approved over the credit limit should be determined by:
 - cardholder value, historical transaction spending and payment behavior

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Proposed Feature Guidelines

Optimal Authorizations

- Good Standing implies the following:
 - Cardholder is less than 25 days delinquent in paying minimum revolving balance
 - Cardholder is less than 15 days delinquent in paying total charge balances
 - Account is not negatively statused

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Proposed Feature Guidelines

Optimal Authorizations

- Flexible authorization system to allow approval threshold of at least 400% above established credit line
- Authorization flexibility and continuous credit evaluation are required (at least 2x per cycle)
- Increased manual review/intervention required
- Targeted call referral strategy required

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Proposed Feature Guidelines

Optimal Authorization: Call Referrals

- Call referrals should not be issued for transactions under \$25
- Contact with the Cardholder must be made at point-of-sale
- Issuer must be available to respond to all call referrals upon issuance

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Proposed Feature Guidelines

Optimal Authorization: Call Referrals

- Issuer must establish a stand-in process to respond to call referral messages
- Call referral standards should be applied to member service providers/processors
- Front line must have the ability to ascertain the reason for a non-approval

Proposed Feature Guidelines

Enhanced Stand-In Parameters

- Issuer must use stand-in 96.1 release enhancements
- Issuer must use MasterCard VIP standards when setting stand-in parameters

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Proposed Feature Guidelines

Miscellaneous

- Cash should be treated as a part of the credit line
- Credit Bureau reporting should not include the credit line or spending line
- Automatic payment availability must be provided
- Issuer must use a MasterCard specified BIN range for Premium Card



Next Steps

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- Address issuer questions/concerns about guidelines
- Evaluation of insurance
- Reissue Final feature guidelines

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Exemplary Service

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Exemplary Service

Objective:

To provide extraordinary, customized service which exceeds customer expectations

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Exemplary Service

Focus:

- Customer satisfaction/delight
- Individualized assistance
- Convenient access
- Flexible policies/procedures
- Empowered customer service agents

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Exemplary Service

Foundation:

- Qualitative Research: February-June 1996
- 1995 Cardholder Transaction Experience Study
- 1995 Baseline Customer Satisfaction Study
- Best Call Center Practices -- 1995 Issuing Member Call Center Benchmarking Study

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Exemplary Service

Program Components:

- 24 hour telephone customer service
- Personal concierge service
- MasterCard Global Service
- Expedited billing dispute resolution
- Privacy contract
- Airline club admission
- Security features

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Exemplary Service

24 Hour Telephone Customer Service:

A) Issuer service requirements

- 24 hour/7 day/365 day availability
- Dedicated “Premium Card” toll-free number
- VRU/live representative option
- Dedicated/empowered CSRs
- Warm transfers
- Collect number for international travelers

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Exemplary Service

24 Hour Telephone Customer Service:

B) Issuer standards

- Contactor and product satisfaction standards ^{sat @ 90%}
- Call Center standards - ^{ISSUE ASA}
- Account maintenance guidelines
- Emergency services standards

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Exemplary Service

24 Hour Telephone Customer Service:

C) Measurement

- Service will be measured through continuous contactor, non contactor and product attribute satisfaction surveys
- Call classification/root cause analysis conducted on an ongoing basis
- Preventative analysis/representative input to policy

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Exemplary Service

24 Hour Telephone Customer Service:

D) Technical Proficiency

- Intelligent call routing, ANI, DNIS, ISDN
- Central VRU for service routing
- Voice recognition
- Customer profile

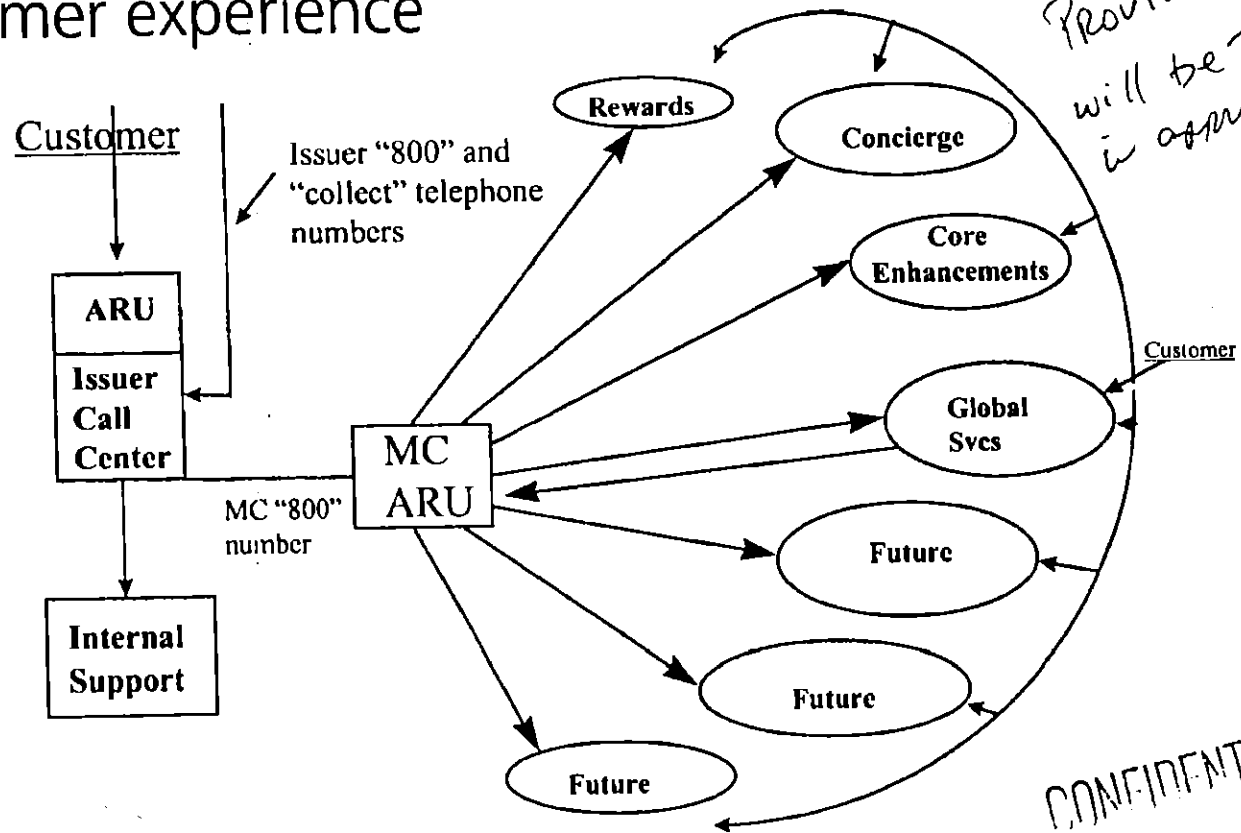
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Exemplary Service

E) Customer experience



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Exemplary Service

Personal Concierge Service:

A) Available services

- Up-to-the-minute destination information
- Event ticketing and seat selection
- Emergency services
- Dining recommendations
- Coordination of business arrangements
- Personalized shopping

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Exemplary Service

Personal Concierge Service:

B) Operational requirements

- Cardholder access via Issuer
- Designated toll-free number for specific service
- Proactive service via integrated system that includes caller profile, service history and specific item tracking
- Personal assistance

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Exemplary Service

Expedited Billing Dispute Resolution

Feature Description:

- Personalized customer service
- Empowered/knowledgeable CSRs
- Convenient dispute process via phone
- Provisional credit
- Suspended finance charges
- Merchant contact

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Exemplary Service

MasterCard Global Services

Feature Description:

- emergency assistance overseas
- every inquiry handled on first call with detailed issuer instructions in customer's preferred language
- 24 x 7
- back-up system for Premium Card issuer

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Exemplary Service

Airline Club Admission

Feature Description:

- access to over 145 airline clubs worldwide
- small per use fee
- not airline specific

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Exemplary Service

Privacy Contract

Feature Description:

- opt-out at time of solicitation
- maintain no mail file
- targeted solicitations

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Exemplary Service

Security Features

Feature Description:

- total protection from unauthorized charges
- 24 hour lost/stolen card reporting
- next day emergency card replacement
 - 24 hour domestic
 - 2 business days internationally
- active fraud monitoring

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Exemplary Service

Summary:

- 24 hour telephone customer service
- Personal concierge service
- MasterCard Global Service
- Expedited billing dispute resolution
- Privacy contract
- Airline club admission
- Security features

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*MasterCard
International*



Premium Card - Introduction Plan

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June 12, 1996

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Product Launch Objectives

- Ensure Member Success
- Ensure Product Success

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Product Launch Strategies

- Share Information as Possible
- Share Risk as Possible
- Measure Against Standards
- Retool As Necessary

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Launch Options

- Limited # Participants for First 6 Months
- Participants Roll Out as Ready (Rolling 6 Months)

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Finalize Product Structure

- Product Features
- Finalize Vendor Agreements
- Operational Standards
- Compliance

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Marketing Plan

- Advertising / Public Relations
- Name / Card Design
- Creative / Direct Mail
- Research / Measurement

*September Targeted
for launch*

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Financials

- Expenses
- Insurance
- Revenues

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Measurement

- Perceptual / Awareness
- Behavioral
 - Response & Approval Rates
 - Activation
 - Responder / Non-Responder Profiles
 - Consolidation
 - Sales Volumes
 - Revolving Balances

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Next Steps

- Complete naming/card design exercise
 - quantitative research phase
 - worldwide trademark search
- Negotiate vendor contracts for rewards program and concierge services *end of June*
- Gather insurance risk data from pilot players *end of June*
- Gain feedback from issuers on proposed product guidelines *prior to 7-1*
- Complete financial analysis *prior to 7-1*
- Present to US Board
- Convene final Strategy Council for final input

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