

Memorandum

MasterCard
International



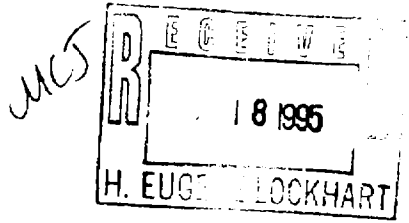
To
H. Eugene Lockhart
William I Jacobs

From
Mary C. Johnson
x55563

Date
October 18, 1995

Subject
1996 Corporate Objectives Current Draft

Copies to



done ✓
10/19/95
[Redacted]
[Handwritten signature]

I have incorporated all edits from our September 28 SMG meeting and others received thereafter into the attached document for your final review.

Please note the following changes/issues:

Weighting

We have increased the weight of objective #1 (Member Profits) from 25% to 30% and decreased the weight of #3 (Consumer Preference) from 15% to 10%. This returns the Consumer Preference objective to the same weight it held in 1995 and reflects our focus on a member push vs. a consumer pull strategy. Also, the measures under #1 are many and critical, and directly support our corporate mission statement.

change highlighting on quantitative

P-1241

Objective # 1: Increase Member Profits from Payments Business

- In the last SMG meeting it was decided we should state our gross \$ volume and card objectives in absolute terms instead of as market share versus Visa. They have been reflected that way in this document, but we are concerned about doing so.

First, Visa's performance is a better relative measure of how well we are doing than is our historical performance. For example, in 1st quarter 1995 we exceeded our \$ volume target but lost market share because Visa did even better. Would we define this as success? *THE numbers would actually.*

Second, our objectives should reflect what we consider our priorities. If we continue to track, forecast, measure and refer to market share to talk about our success, but it isn't a corporate objective, it creates a disconnect and confusion.

Third, last year we included these same absolute measures in addition to our market share measures and the Executive Committee rejected them at that time. (For the first reason stated)

We have three options:

1. Keep measure in absolute terms and track market share as an operating measure
2. Keep measure in absolute terms and add market share back in as well
3. Go back to measuring market share and track the absolute numbers as operating measures.

*Really
the numbers
back at us
this way.*

also, VISA has changed its approach every 6-8 months
We recommend number three. Until Visa begins to perform poorly relative to other competitors (e.g. cash, checks, Amex, new competitors) it provides the most accurate gauge of our success. Having both absolute terms and market share as objectives would be overkill.

- We have taken out the performance measure "Implement new product development process" and replaced it with "Successfully pilot two chip card applications." Given the number of new initiatives MasterCard currently has underway, it probably makes more sense in 1996 to focus on getting Chip Card "to sing" rather than to focus on creating "new products." The only problem with this is that piloting Chip applications will not help increase member profits in the short-term, which is the way you've phrased Objective #1. Do you want to include anything on new products? How comfortable are you that we can deliver?

*we need to deliver either
(1) a new product
or (2) a significant new feature
to our members*

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Objective # 2: Build Acceptance Excellence

- The performance measure "Increase acceptance compliance and quality acceptance versus 1995" needs to be further defined. You may recall we had a 1995 objective to define these measurements. GPI and Franchise Management are working on it, but it has not yet been completed. I expect we will have a set of workable measurements by year end.

The measure "Implement business plan for MasterCard's role in emerging remote interaction and acceptance channels" has been replaced with Develop and enter ^{new} two new categories of acceptance for MasterCard. *OR MAKE A SIGNIFICANT EXPANSION INTO AN ENTIRE CATEGORY*

Objective # 3: Increase Consumer Preference for the Brands

- We have a performance measure to "Roll out global customer service program." Are we certain enough that the pilot will be a success that we will commit now to rolling this program out in 1996? As part of the Strategy Fund portfolio review I am scheduling for the November 20th SMG meeting, we should discuss performance against objectives. *we need to be sure*

Objective #4: Improve Technology & Information-Based Capabilities and Services

- The wording of measures has been revised slightly by GTO. *the other 2*

Objective # 5: Improve Association Processes

- As per the SMG discussion, we added performance measures on MIS and Corporate Governance

Quantitative Targets

- Bob Selander has reduced the Europe live Maestro Cards from 22.0MM to 18.0MM and live Maestro terminals from 550M to 475M to adjust for previously inflated forecasts.
- MEA live Maestro Cards have been reduced from 2.6MM to 1.0MM and Cirrus Cards from 3.3MM to 1.2MM to reflect that \$1MM funding for incentive programs in South Africa will not be received from Maestro International.

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- Before year end, I hope to have an additional quantitative page that reflects the performance measures for brand awareness and acceptance quality. We would then communicate to the organization the objectives and how we intend to measure them.

Please review this latest version of the 1996 Corporate Objectives and provide your feedback to me before Monday, October 23rd. I will incorporate into your presentation for TEAM Integration on October 30, and design the presentation to the November 16 Board of Directors Meeting.

I will distribute these objectives one last time for final SMG comments after incorporating your feedback but will not wait for another SMG meeting before "booking it".

Thank you.

1996 CORPORATE OBJECTIVES



DRAFT

As of October 18, 1995

1996 PROPOSED OBJECTIVES

Proposed 1996 Corporate Objectives

	<u>Weight</u>
1. Increase Member Profits from Payments Business	25 30 %
2. Build Acceptance Excellence	25 20 %
3. Increase Consumer Preference for the Brands	10%
4. Improve Technology and Information-Based Capabilities and Services	20%
5. Improve Association Processes	20%
	<hr/>
	100%

Objective by Performance Measure

Primary Accountability

		<u>Primary Accountability</u>
25	30% Objective #1: Increase Member Profits from Payments Business	
25	20% Increase gross dollar volume by 21.5% (est. \$738.8b)	Regions
	20% Increase MasterCard-branded cards by 15.8% (est. 311.1MM)	Regions
	25% Achieve 88.6MM live Maestro cards, 149.3MM CIRRUS cards and 9.5MM MasterMoney cards	Regions, Global Debit
25	15% Improve member satisfaction rankings from 1995 levels	Regions, Corporate Quality
	10% Successfully pilot two Chip Card applications <i>(change as well as other)</i>	Chip Card Team <i>(lead me to office)</i>
15	10% Reduce worldwide fraud to 10bp of total dollar volume	Regions, Security & Risk Management

*don't we say
I was your work up
to 10 1/2 or 11*

SMG Confidential

*I would leave as-is
Phil said it was a stretch but achievable*

1996 PROPOSED OBJECTIVES

Objective by Performance Measure (cont'd)

		<u>Primary Accountability</u>
20%	Objective #2: Build Acceptance Excellence	
30%	Increase acceptance quality and compliance versus 1995	Regions, Franchise Mgmt, GPI
30%	Deliver Europe and U.S. Acceptance Excellence projects	Global Debit, GPI
20%	Achieve 900M live Maestro terminals and 273.2M MasterCard/CIRRUS ATMs	Regions, Global Debit
20%	Develop and enter two ^{three new categories} new categories of acceptance for MasterCard	Regions, GPI
10%	Objective #3: Increase Consumer Preference for the Brands	
40%	Improve brand awareness and preference to meet targets in key markets	Regions, GRA
40%	Implement regional plans for increasing consumer demand for MasterCard payments products	Regions
20%	Roll out global customer service program	Global Services

Objective by Performance Measure (cont'd)

Primary Accountability

20% Objective #4: Improve Technology and Information-Based Capabilities and Services

340%	Deliver MIP replacement, stand-in, settlement redevelopment, and initial development phase for authorization and clearing	Global Technology & Operations
20%	Establish and meet service levels for standard core systems, services and support	Global Technology & Operations
20%	Commence development of a consolidated debit platform	Global Debit, GTO
50%	Finalize core chip technical platform and industry standards	Chip Technical Group, GTO, GPI
103%	Install initial regional processing centers	GTO, GPI
106%	Roll out MasterCard Market Advisor	Global Research & Analysis

1996 PROPOSED OBJECTIVES

Objective by Performance Measure (cont'd)

		<u>Primary Accountability</u>
20%	Objective #5: Improve Association Processes	
50%	Deliver \$54.0 million pre-tax income	Finance
20%	Increase the satisfaction and effectiveness of our people through on-going investment in TEAM and employee development	SMG
15%	Define internal MIS strategy and implement first phase	Global Research and Analysis
15%	Implement corporate governance recommendations	SMG