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Preface

This is the first report from the Efma Payment Innovation Think Tank, formed in early 2014. The think tank provides a forum for senior executives from major European banks to meet and exchange information and ideas. This report covers four meetings focusing on how financial institutions can better understand and use payment transactions data.

The think tank was created to encourage the sharing of best practices and opinions in a non-competitive, confidential environment. It aims to provide members with guidance, news, views and support as they address the challenges and opportunities involved in payment transactions today.

For this report, members explored how Big Data technologies are unlocking new capabilities and creating valuable services, either for banks’ internal use or customer-oriented offerings, based on electronic payment transaction data. From raw data to packaged services, how can data be exploited?

Some of the key topics discussed include the four opportunities identified for issuing banks (Internal usage, raw data feed, cardholder services, merchant services); the latest developments in personal finance management (PFM) tools; feedback on the evolution in market reporting; and new-generation card-linked offers (CLO).

The Efma Payment Innovation Think Tank

Patrick Desmares
Secretary General
Efma

Pierre de Brabois
Senior Manager
Kurt Salmon
Executive summary

The payment environment is evolving rapidly, driving banks to adapt their offerings in line with changing requirements and to identify new sources of revenue to compensate for shortfalls in their established business models:

• **Demand**: e-commerce boom, development of omnichannel strategies by retailers.
• **Technology**: opportunities arising from smartphone, iBeacon, NFC, QR code, HCE, etc.
• **Regulation**: SEPA, PSD, etc. Following the development of alternative payment methods, the arrival of new players and especially the decline in issuers’ revenues (end of SDD–SCT interchange, cap on card interchange).
• **Competition**: multiplication of initiatives from “over the top” players that disintermediate banks in issuance (e.g. PayPal), acquisition (e.g. Global Collect) and even current account business (e.g. Mint).

Over the past decade, data has become recognized as a major asset for successful, consumer-facing industries:

• Google or Facebook deal: free consumer service in return for exploitation of consumer data by targeted ads.
• Retailers leveraging loyalty card data to customize store format, product range, ads, cross-selling.
• Some players also monetize their customer base and knowledge as an extra revenue source in addition to their core business (e.g. Telco operator SFR selling data to TomTom for road traffic data)

Against this background, banks are now exploring the commercial potential of their data, whether to drive additional revenues or simply to enhance their value proposition as a means of securing their customer base. Within the financial services ecosystem, banks have unparalleled knowledge of their customers (who they are, their plans, financial potential, spending, contact details, etc.)

Through a series of webinars with banks we explored four ways to create real value from payment data:

1. Internal usage of payment data
   a. To fine-tune and review customer segmentation including lifestyle or digital expertise information. While banks are relatively mature in this area, there are still ways to improve knowledge of spending behaviors.
   b. To detect commercial leads or churn through financial flows. Unusual flows (e.g. large amounts, frequent transfers) or specific sources (e.g. government benefits for children) or destination (competitor account) are already analyzed. However, standard spending is hardly ever analyzed.
   c. To deepen scoring tools beyond traditional credit history and revenue/charges analysis. This can be particularly useful in markets where a credit bureau does not exist.
   d. To prevent fraud by analyzing payment behaviors (e.g. amount, product type, frequency) and context (e.g. location, time, channel) for early detection of potentially fraudulent transactions. Such transactions can either be blocked or cardholders warned to take necessary action.

2. Direct selling of raw data to a data provider specialist or other businesses. Even on an anonymous basis, banks do not see this as an appropriate development as it presents a considerable risk to their image with limited revenue potential (value comes from individual customer knowledge). Additionally, some local regulatory authorities prohibit the selling of raw data.
3. **Personal Financial Management tool** is a popular way to use payment data as a provider of value to customers:

a. Many banks already use this tool and for those that don’t, it is becoming a “must have”.

b. It provides real assistance for consumers to manage their budget in a difficult economic environment.

c. It is also a way for banks to promote their digital channels and protect the customer relationship against third-party providers. However it seems difficult to generate direct revenues from this.

d. In terms of implementation, banks most often use a turnkey solution that they adapt to their needs.

e. However, there is no single answer to the issue of whether to propose aggregation from the customer’s other banks or provide reports based only on the data of the bank in question.

4. **Merchant services** appear the best way to achieve tangible additional revenues.

a. Through dedicated reports providing the merchant with a better understanding of its customer profile and spending behaviors both inside the brand’s stores and with competitors.

   i. Although some schemes (MasterCard, Amex) have already developed offerings, most banks are still at an early stage. They identify limits in terms of data quality or representativeness and fear that retailers will not appreciate their data being used to benefit their competitors.

   ii. Those that already provide such offerings have experienced some difficulty in generating direct revenues (strong competition from historical data providers), but regard this as a loyalty service for their merchant customers.

b. Through **Card-Linked Offers** that leverage payment data analytics to provide the cardholder with customized shopping deals and create an opportunity for the merchant to launch a loyalty, or acquisition, marketing campaign using the bank’s customer base (no customer data shared, cashback model)

   i. This service is largely developed in the US with BankofamericaDeals, for instance. The model is successful and has enabled large banks to reduce the cost of their loyalty programs. This model is based on an alliance.

   ii. Between hundreds of banks brought together by vendors.

   iii. This type of service is emerging slowly in Europe due to the high potential risk to the bank image and tighter data privacy regulation. The UK is leading the way with initiatives developed bank by bank. There is a limited alliance approach as most expect to capture all the value from this new offer (merchant and cardholder side). However, over the next few years, more alliance initiatives should emerge to maximize the potential audience for merchants (these should come from medium-sized banks and those that do not have strong merchant-oriented relationships).

In conclusion, payment data analytics shows strong potential for banks to increase their value proposition and for some to generate, extend or protect revenues. Many initiatives are underway and they are just the start of a long list of projects. However it is important to ignore myths about data value exploitation revenue, as it is an increasingly competitive business area in which specialists are fighting for a share of merchants’ limited marketing budget. The key question: Can banks really succeed alone, or should they work together with other banks, or with other data specialists, to maximize their potential?
支付创新：最大化支付分析的潜力

随着支付业务模式面临压力，发行者寻求新的杠杆来差异化和增加价值：数据是一种实现这一目标的方式。

个人支付业务是一个快速增长的市场

电子支付已经蓬勃发展了几十年，信用卡是主要的推动力。

这可以解释为以下几项因素的组合：

• 高级商家POS终端设备。
• 简单性对用户。
• 商户的支付保证以及简单管理。
• 增加商户在店内队列长度。

随着支付业务模式面临压力，发行者寻求新的杠杆来差异化和增加价值：数据是一种实现这一目标的方式。

使用支付工具的工具在欧盟（2000-2012）年

- 卡片
- 信贷转移
- 直接借记
- 支票

来源：欧洲中央银行，2012

这可以解释为以下几项因素的组合：

• 高级商家POS终端设备。
• 简单性对用户。
• 商户的支付保证以及简单管理。
• 增加商户在店内队列长度。
Electronic payment methods have also benefited from the growth of e-commerce in Europe (18% growth rate and an 8.1% share of the retail market in 2013)\(^1\). Even taking into account particular spending habits in particular markets such as cash delivery in Italy or the use of SDD in the Netherlands with IDEAL, card is the most popular payment method for online purchase.

As e-commerce booms, consumer-shopping behaviors are also evolving rapidly. Consumers purchase through multiple channels and seek a consistent experience throughout their consumption process. This approach impacts selling processes where payment plays a key role.

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\(^1\) Ecommerce Europe
These changes are supported by new technologies, providing merchants with new tools to attract and retain customers:

- High-speed Internet at home.
- Penetration of tablets and smartphones.
- Rise of social media (e.g. Facebook, Foursquare, Pinterest).
- iBeacon, RFID to enhance customer recognition in store and provide a one-to-one shopping experience.
- NFC in the card or for mobile payment, new HCE technology to democratize mobile payment.

An example of omnichannel shopping and the benefit for retailers:

Source: Kurt Salmon, 2013
**Issuers’ established payment business model faces significant challenges from new regulation and competition**

In the past decade, the payment business has also experienced challenges from another area. European and domestic regulations are becoming more restrictive, creating disruptions to issuers’ established business models:

**SEPA: new rules for credit transfer and direct debit**
- Harmonization of payment formats (SDD, SCT) is creating a genuine common European market, generating greater competition on global deals for large retailers and leading to lower prices.
- End of interchange practices has a big impact in some key markets such as France, Italy and Belgium.

**Card:**
- Restrictive regulation on credit is having a significant impact on the use of the credit function on cards, directly affecting personal finance providers (e.g. implementation of ‘Lagarde law’ imposing constraints on payment facilities conditions: activation of direct debit as default option, while credit option must be chosen).
- Widespread domestic regulation cutting the interchange rate in France, Belgium, Poland and Spain over the past decade.
- A forthcoming EU regulation, Payment Service Directive II, should introduce an interchange cap of 20bp for debit and 30bp for credit cards (for two years for cross-border payments then for all payments within Europe).

### Weighted average domestic interchange fee of Visa and MasterCard by country

*(consumer cards) MIF %*

<table>
<thead>
<tr>
<th>Country</th>
<th>VISA consumer debit</th>
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Source: European Union, Payment Services Directive and Interchange fees Regulation: frequently asked questions
A dynamic and competitive environment: Rise of new players introducing alternative business models (shift from transaction-based to service-driven revenues).

**Regulation is easing the entry of new players**

- Payment Institutions (PI), introduced in the first Payment Services Directive, allowed the emergence of new players into the market: “Payment institution’ means a legal entity that has been granted authorization […] to provide and execute payment services throughout the community [EU]”

- Entrance of non-bank third-party provider processors intermediating the relationship with merchants (e.g. PayPal).

**Proliferation of wallet initiatives supported by new entrants from different sectors**

- Telecommunications: Buyster was launched in September 2011 by several major French Telco operators: SFR, Bouygues Telecom and Orange, with the support of Worldline. The aim was to compete with PayPal and secure 5.2 million transactions by 2016. However, with just 40,000 payments per month for 3,000 users, the e-wallet was taken off the market in July 2014.
- Retailer: Auchan launched the Flash’n’Pay wallet. Tested in one retail location, the solution is set to be deployed in other stores.
- Pure players: with 152 million users in more than 200 countries, PayPal is by far the most popular wallet. Flashiz, a Luxembourg initiative bought by Fexco and BNP Paribas last year, allows payment with QR code technology.

**As well as traditional issuer initiatives:**

- BKM (Interbank Card Center) express wallet in Turkey and Redsys and its wallet iupay in Spain joined forces to make their wallets interoperable.
- Paylib in France: an alliance of four banks (Société Générale, BNP Paribas, La Banque Postale, Crédit Mutuel Arkea).
- Solutions based on SCT/SDD or online transfer like IDEAL in the Netherlands or Digicash in Luxembourg.

Also note solutions launched by providers such as Visa (V.Me) and MasterCard (Masterpass).

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2 European payment council
These market developments have challenged the bank business model and forced it to evolve to find new growth drivers. In this environment, data has emerged as a prime asset.
Payment innovation: Maximizing the potential of payment analytics

Data has become a key asset leveraged by all customer-facing Industries

Data has emerged as a key resource to meet internal or external needs with organizations strategically applying data at different levels.

For instance, Internet giants have based their business model and services around exploitation of users’ data:

- The Google AdWords service pushes targeted ads to the top of a results page, based on the users’ search data (words entered in SEO).
- Facebook can exploit all data from the user’s profile to push advertisements based on their likes, tastes and lifestyle.
- LinkedIn analyzes the user’s network and work experience for recruitment purposes.
- Amazon uses data to push cross-selling product opportunities and to reduce the risk of payment fraud.

Successful players in traditional businesses have also found ways to leverage data potential:

- Tesco and Walmart have leveraged their customers’ data (behavior, taste, areas of interest and potential) to create a loyalty program that targets customers and creates cross-selling opportunities while improving the customer experience and tailoring communications.
- Data is an opportunity for retailers to adapt their store strategy in key areas such as pricing, store format and product range, taking into account both location and season.

Other traditional players have found ways to monetize customer data such as SFR (French telecommunications operator). Based on their data, SFR introduced the identification of traffic jams for the GPS application TomTom.

Even pure data providers are reinventing their value proposition. Using data aggregated from several of its own sources (commercial database, RSS feeds, legal filings and social media sites) D&B launched a new offering designed to develop customer relationships and accelerate sales.

Data: a competitive edge and strategic tool for all companies

“Data is becoming seen as a strategic asset”

Leverage data as strategic engine for growth

Source: Kurt Salmon, 2014
Big Data technologies unlock the full potential of data value

While the volume of data (both structured and unstructured) available has grown, more importantly, so is the proportion of data that is relevant and useful: Between 2013 and 2020 the volume of data will be multiplied by 10 and the proportion of useful data will grow 15 times\(^3\).

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Unstructured and structured data mapping

<table>
<thead>
<tr>
<th>External</th>
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<tbody>
<tr>
<td>Mobile phone/GPS</td>
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<tr>
<td>Credit history</td>
</tr>
<tr>
<td>Travel history</td>
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<tr>
<td>Real estate records</td>
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<tr>
<td>Census data</td>
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<tr>
<th>Internal</th>
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<tr>
<td>CRM</td>
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<tr>
<td>Web profiles</td>
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<tr>
<td>Sales record</td>
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<tr>
<td>Inventory</td>
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<td>HR Records</td>
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<tr>
<td>Financials</td>
</tr>
<tr>
<td>Payment</td>
</tr>
</tbody>
</table>

| Source: Kurt Salmon 2014 |

| Social networks |
| Web feed (e.g. history) |
| Video |
| Pictures |
| Internet of things (IoT) |
| Related metadata |
| Open data |

| Customer and internal mails |
| SharePoint |
| Company forums/websites/pages |

Structured | Unstructured
--- | ---

Data type

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\(^3\) EMC Digital Universe with Research & Analysis by IDC – 2014
Several tools and trends are assisting that shift:

- Structured and unstructured data management;
- Decrease in storage and processing cost offers access to unstructured data;
- Emergence of tools dedicated to Big Data, such as Hadoop (an open source framework able to process high volumes of data);
- Visualization of data thanks to graphic tools such as DatViz, allows greater data exploitation and understanding to ease the decision-making process (e.g. Procter & Gamble created the Business Sphere meeting room, an oval room with wall screens showing results from 50 combinations of products and markets in real time to optimize the decision-making process).

Digital trends will impact the actuarial function

Source: Kurt Salmon, 2014
Many players are trying to exploit the value of their data, especially in consumer-facing industries. They are collecting direct information on consumers or users and looking to apply this knowledge to optimize their business: CRM (e.g. segmentation); service level improvement (e.g. peak hours management); offering/content (media) adaptation; promotion.

Wide choice of data from actors across all customer-facing industries

<table>
<thead>
<tr>
<th>Internet players</th>
<th>Telecoms</th>
<th>Medias</th>
<th>Health/Insurance</th>
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<tbody>
<tr>
<td>Search data</td>
<td>Geolocalisation</td>
<td>Subscriptions</td>
<td>Connected device</td>
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<tr>
<td>Conversation history</td>
<td>Contact behaviours</td>
<td>Comments to top stories</td>
<td>Health data</td>
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<tr>
<td>Comments (e.g. ‘Like’)</td>
<td>Mobile internet usage</td>
<td>Social network info</td>
<td>Claim management</td>
</tr>
<tr>
<td>Geolocalisation</td>
<td>Network</td>
<td>2nd screen business</td>
<td>ID information</td>
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<table>
<thead>
<tr>
<th>Public sector</th>
<th>Transportation</th>
<th>Retailers</th>
<th>Banks</th>
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<tbody>
<tr>
<td>Social data</td>
<td>Traffic: real time history, prediction</td>
<td>Geolocalisation</td>
<td>Household</td>
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<tr>
<td>Revenue data</td>
<td>Customer journey/behaviour</td>
<td>Customer profile</td>
<td>Financial profile</td>
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<tr>
<td>Household</td>
<td>Loyalty cards data</td>
<td>Loyalty cards data</td>
<td>Savings and credit history</td>
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<tr>
<td>Geographical spreads</td>
<td>Shopping cart history</td>
<td>Shopping cart history</td>
<td>Consumption behaviours</td>
</tr>
</tbody>
</table>

Source: Kurt Salmon 2014
The data can be so valuable that alliances between players from the same or different industries can be formed to segment the market. The aim is to create data with additional value.

Alliances between industry actors to create more value - creation of Weve

80% of UK mobile customers and related data → Anonymised data → Entertainment Retail Motors Finance Etc. → Targeted ads

“We will become a kind of Switzerland, allowing banks access to our shareholders’ customers”

Source: Kurt Salmon 2014

In this ecosystem, issuing banks are in a strong position, with unparalleled access to data in terms of volume and relevance. They have access to three key types of data: socio-demographic data, contact details and contact channel and knowledge of historic customer behavior.

Issuing banks have access to large set of data

- Socio-demographic: single view of customer
  - Age and gender
  - Marital status, children...
  - Professional situation
  - Revenue, charges
  - Customer capacity

- Contact details and channel of contact
  - Address
  - Email
  - Phone number
  - Home banking channel

- Behavioural information over time
  - Projects linked to bank
  - Preferred bands and banners
  - Preferred shopping channel
  - Frequency of purchase
  - Lifestyle
  - Relevant images

Source: Kurt Salmon 2014
While card issuers are not the only players with access to transaction data, they are the only ones receiving information from both sides: customer profile and merchant knowledge.

- Issuer: detailed knowledge of cardholder and payment behaviors across different brands and channels.
- Acquirer: detailed knowledge of merchant activity and in general all its transactions.
- POS provider: knowledge of merchant activity and in general all its transactions.
- Payment gateway: same as the POS provider but with some additional customer information such as the address.
- Scheme: different position for each country (e.g. in France, CB has access to detailed authorization data, in the UK Visa has access to most transactions, but no relationship with cardholder or merchant).

With regard to the exploitation of data, the question remains: who is the “owner” of the data? For issuers, there is no doubt that card data belongs to them as they provide the card as a facility. Nevertheless, the use of this data for external purposes requires customer opt-in.
Data valuation: Four opportunities for issuing banks

Four opportunities have been identified for issuing banks to value their data and provide businesses and individuals with value-added services:

1. **Internal usage**
   - Leverage data to optimize internal processes

2. **Raw data feed**
   - Provide third party with anonymized and aggregated data

3. **Merchant services**
   - Reports: Provide merchants with insights on their customer behaviours
   - CLO: Deploy targeted offers based on customer card usage analysis

4. **Cardholder services PFM**
   - Enable user to optimize and manage their financials

Banks already use data internally, but there are many ways to exploit it

Banks have leveraged data to improve internal processes at various levels:

1. **Behavioural offer and segmentation**
   - Beyond revenue/age/potential approach

2. **Moment of truth detection**
   - E.g. customer buy regularly in a baby orientated store > new baby > new client?

3. **Credit scoring**
   - Revenues/charges
   - Profession
   - Lifestyle/habits
   - Better segmentation

4. **Fraud management**
   - Location/time
   - Customer habits (e.g. channel)
   - =>
   - Anomalies detection

1. **Behavioral offering and segmentation**
   Banks traditionally segment their customer base either by financial situation: income, assets under management, potential, or by socio-demographic profile: age, situation (student, family). The bank offering and commercial approach are therefore also based on these criteria.

   However, this method has limitations as clients’ service needs and expectations are no longer automatically linked to their particular financial situation or profile. Consumer lifestyle, their relationship with digital technology and other criteria must now be considered.
Payment data is a coherent source of greater client knowledge. It can provide information on:

- Lifestyle: brand or shop type, balance of spending vs. revenue.
- Digital behavior: share of purchase made online.
- Proportion of digital payments vs. cash vs. check.

Some institutions already work on behavioral offerings and segmentation:

**Case study: Capital One**

**Capital One, a leading bank in the use of analytics**

The bank holding company Capital One Financial Corporation, founded in 1988 in the United States, has several activities: deposit, savings, loan and treasury management. The bank has 46 million customers in its physical and online network across America, Europe and Canada.

It is the 6th largest retail bank in the United States, and the 5th issuer of credit card in terms of purchase volume.

Its growth was mainly due to the information-based strategy implemented by the founders, Richard Fairbanks and Nigel Morris. They were the first to use customer data to tailor credit card offerings to customers, and were thus pioneers in credit card mass marketing.

Capital One relies on analytics and bases its business on data collected from its customers and its analysis, enabling the bank to better identify customer requirements. In the segmentation process, Capital One provides open data access to its relationship managers. This enables them to target customers with customized offers, with some 3000 credit card variations offered to more than 10,000 segments.

**Innovative personalized products**

Capital One has introduced an innovative offering construction process. While most banks bill their customer an average cost, Capital One bills customers based on a profitability analysis. Each offering proposed is based on the client’s situation and not solely on a potential customer group the profile may fit.

**Key criteria for offering creation:**

<table>
<thead>
<tr>
<th>Acquisition</th>
<th>Retention</th>
</tr>
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<tbody>
<tr>
<td>Segmentation</td>
<td>Re-pricing</td>
</tr>
<tr>
<td>Market channels</td>
<td>Credit lines modifications</td>
</tr>
<tr>
<td>Product</td>
<td>Transaction and intervention fee</td>
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<tr>
<td>Pricing</td>
<td>Cross-selling</td>
</tr>
<tr>
<td>Credit limits and approval</td>
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</table>
In addition to these criteria, the offer is then customized to include client’s lifestyle and status (married, student, new parent, etc.).

Capital One’s innovative approach is supported by the recent hiring of Dan Makowski, former head of design at Google, a clear sign of the company’s readiness to push innovation even further: “Capital One has been steadily building a quiet but extraordinary design thinking, strategy and execution culture on top of its already legendary data analytics capability. I’ll be […] building a money team, focused on bold, breakthrough transformations that will help people connect with their finances in meaningful and delightful ways” (Dan Makowski, personal blog, 2014)

2. Lead generation and moment of truth detection
Further analysis of payment transactions can lead to a clearer understanding of a customer’s inclination to buy specific products. In practice, cross-selling offerings are triggered by the detection of what is known as ‘moments of truth’:

• Key purchases are likely to generate a specific need for banking services in the medium to long term. Maternity expenditure can relate to a child savings account while payments in specialist shops can be linked to a home construction or renovation.
• Change in consumption patterns may require an adjustment or extension of current banking services. Frequent travel expenditure could trigger specialized insurance offers while regular reimbursements of card expenses could either be linked to short-term credit facilities (corporate expenses) or the opening of a joint account (peer-to-peer reimbursements)

“Customers might not welcome their personal data being used for customized offers.”
“Customers have welcomed initiatives in France from insurance companies who are using social media connections.”

Key customer moment of truth for lead generation

81% of UK parents set up a savings vehicle for their children
2/3 of French couples share 100% of their revenues

4 YouGov© report – Children’s savings accounts and products (2014); Scope: couples who lived 1 year together at least; INSEE report – La mise en commun des revenus dans les couples
3. Credit scoring
Credit scoring tools for segmentation are based on traditional criteria of income, guarantee type, existing credit arrangements and history of credit reimbursement. With the growth of social media, additional scoring elements have been tested for several years now. Lenders can verify if information provided by the borrower reflects details published on LinkedIn; or search the borrower’s Facebook profile for reference to potential redundancy. However, these methods are still tentative and run into still unresolved privacy issues.

As it is, payment data remains a reliable source for additional scoring criteria and consumer-spending habits can be integrated in to the scoring process, providing information on:

- Lifestyle (average amount spent, expense type, purchase frequency, etc.) can impact the credit line (increase/decrease).
- Detection of risky behavior (e.g. use of online gambling; frequency of late payments) can impact creditworthiness.

This analysis can help identify potential problem customers and those in a difficult financial situation.

“A good example of the usage of data in the context of credit is identifying fragile customers who have always reimbursed their loans but might enter into a more risky stage when they’ll stop paying”

4. Fraud scoring
The limitation of fraudulent card payments through the use of payment data has become a must-have that has led to the creation of increasingly advanced tools to combat fraud. Most banks apply these, along with a growing number of e-merchants.

- **Issuers** try to detect cases of fraudulent card use as soon as possible with the aim of blocking the card and warning clients to stop using it: withdrawals abroad; withdrawal of a large sum of money; expensive and unusual channels for online purchases; suspicious use of the card in different locations within a short time period.
- **Acquisition/acceptance** is a sophisticated tool to detect fraudulent card use through a checklist (list of criteria to identify and block fraudulent transactions) or scoring tools (grade the transaction and depending on the score: accept, block or make a further verification of the transaction)
- **Web merchants** (e.g. Amazon) have established their own scoring tools, using data from the card and also from the payment (IP address vs. card nationality). It allows them to refuse some payments and limit churn rate when using 3D secure (to complete the transaction, the customer must enter a code received by SMS in a pop-up window)

Raw data feed: a solution generating low revenues with potential risk of reputational damage

The sale of raw data is a very sensitive subject and a number of restrictive barriers exist. Legal constraints regarding the use of data are a difficult obstacle to overcome in some countries such as the Netherlands. Additionally, privacy issues concerning the exploitation of data pose a high risk to a bank’s image if it is considered intrusive by customers. Even if made anonymous, banks want to keep the full control of these strategic assets.
Additionally, anonymous and aggregated data significantly reduces its commercial value, making it of little use. The sale of raw data is a low-value option that does not represent a good opportunity for banks: the constraints are high, the opportunity to provide enhanced service is minimal and revenues are limited.

“Studies into selling raw data have revealed that not only is it a limited source of revenue, but it also brings potential for high regulatory and brand image costs”

Personal Finance Management, a must-have in the banking industry but with limited revenue potential

1. Not a new solution
The Personal Financial Management (PFM) tool is a mobile or online application that provides bank clients with a global picture of their banking transactions and enables them to actively manage their budget.

• The principles of PFM tools have been around a long time. PC software was developed to assist small businesses and individuals manage their finances. Originally, users had to upload Excel files provided by the bank or enter data manually. Digital banking then eased the process with automated uploads, but the software (e.g. MS Money) is not free and therefore appeals mainly to affluent customers with accounts in multiple financial institutions.
• Web-based PFM aggregator tools like Mint.com disrupted this market. Not only was it free, it was user-friendly with a well-designed interface, delivered automated uploads and offered advanced functions.
• Banks quickly identified the risks PFM pure players posed in the market in using their banking information. Additionally, banks always seek new services to assist their customers and differentiate their offering. As a result, many banks launched their own PFM solutions, first in the US and now progressively in Europe. By contrast with early PFM PC software, this service is mainly free and can also target mass retail customers seeking to control their budgets in a difficult economic environment (critical when such customers have consumer loans, revolving credit and credit cards).

Evolution of PFM tools

![PFM tools evolution diagram]

<table>
<thead>
<tr>
<th>Budget management PC software</th>
<th>Web-based PFM tool enabling aggregation</th>
<th>Progressive integration of PFM tools by banks in US and in Europe</th>
<th>Coming regulation to favours Third Party Provider</th>
</tr>
</thead>
</table>

Source: Kurt Salmon 2014
2. What services are offered?
A PFM solution can vary in levels of sophistication according to the bank’s profile and market considerations;

Global view of financial information: static and ongoing real time picture
• Outgoings automatically categorized (manually for some spending such as by check)
• Savings, credit by duration

Proactive picture of future outgoings
• Credit reimbursement dates
• Pending direct debits
• Regular payments identified

Analysis of financial data
• Comparison of individual financial behavior with peer profiles
• Comparison of individual financial position with savings objectives

Decision-oriented functions
• Preparing a project – budget objectives
• Find potential savings opportunities
• Proactive bank advice: alternative provider, new spending breakdown

PFM tool can be fully integrated with other daily banking services such as:
• Bill payment
• Budget alert
• Digital wallet
• Loyalty program
• Automated transfer to savings account

3. Single bank data or multi-bank aggregation?
The key question is whether to provide PFM services with single bank data or to extend the scope of the offering to competitors’ financial information through account aggregation:

• Bank of America and Rabobank have chosen aggregation, a key factor in the success of the pure players in the market. Aggregation is also a requirement for mass affluent customers who often do business with a wide range of banks and institutions. However, this position is complicated in Europe with banks fighting third-party PFM providers (e.g. Mint). Banks are demanding stronger regulation, as these players extract value from confidential data that is regarded as “bank property”. The forthcoming PSD II project initially wanted to regulate this activity, but it seems that legislators have decided to postpone this discussion.
• Many European banks initially launched a purely internal-data based PFM tool. For many, it was the first time their customers had heard of PFM. Internal PFM solutions provide the customer with an adequate service that encourages them to use the digital banking channel and to favor this bank as their main institution.

“A good PFM tool fully integrated with all bank services increase customer loyalty, encourages the use of daily banking services and can even drive customers to increased credit card use as they can easily monitor their balance.”
4. Which tool?
Most of the technical solutions and platforms used by banks are white label products from external partners.

PFM tool providers are often directly linked to their home market as products and customer behaviors vary significantly across Europe.
- Linxo was selected by Fortuneo and Boursorama, French online banks
- Figlo was selected by Rabobank, ABN Amro and ING in the Netherlands

Another possible solution is the implementation of a platform developed in-house. Banks heading in this direction will have a clear differentiator from most of their competitors.

5. What about revenue?
As pure players provide this PFM service for free and most banks offer it as part of a fully integrated digital banking service, it is hard to identify direct revenues.

However, PFM tool can be a hook service to drive the customer to other, chargeable digital services such as regular bill payments or e-safe solutions.

For banks it is also a way to increase digital channel usage and thus reduce service costs. The Fortuneo case study demonstrates that there are alternative ways to drive revenues through customer data base exploitation.

Against this backdrop, a PFM tool is becoming a must-have service that all banks will progressively adopt.
Case study: Fortuneo ‘Budget’

Fortuneo, one of France’s leading online banks
Subsidiary of French bank Credit Mutuel Arkea and launched in 2000, Fortuneo is an online bank with more than 260,000 clients, offering a range of products and services for individuals: bank account, stock market investment, life insurance, savings and auto insurance.

One of the first innovative tools from banks

Launched in 2012, Fortuneo’s Budget was one of the online banking products (with others such as Boursorama) that triggered the entrance of traditional banks into the PFM tool market.

Traditional bank PFM models are limited to their own activities. However with 43% of households using multiple banks (Axicom 2013 study), the online bank model is different as it acts as an aggregator. Fortuneo’s solution centralizes all transactions across the multiple bank spectrum. It offers a single entry point for users to monitor their budget globally.

The bank has white-labeled the French start-up Linxo, a PFM specialist. Both companies are already linked since Credit Mutuel Arkea is a mutual shareholder.

The service is not restricted to Fortuneo clients but is available to all for free.

Security is a key characteristic as all data is stored in France on Credit Mutuel servers, for a maximum of three years.

Users can import their banking and financial data (account number, credit card number, account balance, account-linked transactions) from more than one 100 French banks in three different ways. Only gross and non-enriched data is downloaded, not direct bank statements.

Budget is ahead of the game with its merchant-funded offering proposition. This allows merchants to target consumers specifically buying their own or similar products, and offer them reductions, coupons or preferential offers. Merchants have access to a tool enabling them either to acquire new clients, or to gain or increase loyalty from existing ones.

Offers are based on the study of users’ payment data and analysis of their buying behaviors and habits. The service is based on user

continued...
opt-in to approve data analysis and to accept promotional offers in their personal space.

Users can therefore choose whether to register only for the PFM service or for both PFM and merchant-funded offers.

**A growth opportunity for Fortuneo**
The launch of Budget and the decision to provide a solution that is free and open to all users is based on several assumptions and opportunities for growth:

- As first mover, Fortuneo is seen as an innovative bank offering state-of-the-art digital services.
- Fortuneo’s increased visibility in banking and financial services brings the opportunity to attract new clients.
- It provides a complementary service meeting clients’ needs (security, data based in France, ease of use) to reassure clients and increase loyalty.
- Access to prospects’ banking information and increase cross-selling.

### Case study: Rabobank PFM Tool

**Rabobank at a glance**
Rabobank is a network of 131 independent and cooperative local banks in the Netherlands. It holds a leading position with second or third place in the market, depending on whether savings volume or the number of customers (7.5 million) is measured.

In 2011 Rabobank decided to enhance its home banking with a personal financial tool
The main goal of the introduction of a PFM tool was to provide Rabobank’s clients with additional digital services and increase the attractiveness of its home banking website.
This approach is central in the Dutch market as online banking services are used by nearly 80% of the population (vs. a 50% average in Europe). It was essential for Rabobank to develop this solution as key competitors had started to launch their own initiatives (ING, ABN AMRO).

The solution
Rabobank opted for integration of the FIGLO solution, a Netherlands based start-up. FIGLO was selected as partner in the project due to its small size and flexibility. The aim was to bring results in a short period of time. FIGLO was a positive driver and the implementation and development took approximately 18 months.

The PFM tool functionalities
Extra Inzicht (Extra Insight) is offered free to customers as part of the core banking offer. It is based on a widget interface fully integrated in the client’s existing home banking pages. There is no need to open another tab or page, and it can be fully customized by the client. The tool requires opt-in from the customer, who accepts analytics on his payment data.

The key functions include: widget bar interaction; income and expenses overview; project preparation with savings objectives; budget tracking; spending comparison with peers; control and overview.

Most users customize the service directly after activation, with only 10% customizing the home page after the first configuration.

Date and content is based on Rabobank customer information, but the tool also allows external data from other banks to be imported. Rabobank required an open database solution to allow integration capability with other banking systems.

Possible evolution: digital safe, predictive insight.

A successful start for Rabobank service
Rabobank has exceeded its initial goal of reaching 10% of its client base (approximately 750,000 clients) and 866,463 users. The most frequently used service is income and expenses overview, followed by project preparation with savings objectives and with the budget tracking tool coming in first.

continued...
Merchant-oriented offerings: banks’ next business frontier

1. Reports
Analytics can bring a deep understanding of customer behavior as well as strategic insight into business trends. Many institutions have grasped the opportunities and the potential their data can offer merchants.

Use of Extra Inzicht May 2014 (number of clicks)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Clicks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Widget bar interaction</td>
<td>17,992</td>
</tr>
<tr>
<td>Income &amp; expenses overview</td>
<td>206,149</td>
</tr>
<tr>
<td>Project preparation with savings objectives</td>
<td>40,426</td>
</tr>
<tr>
<td>Budget tracking</td>
<td>30,293</td>
</tr>
<tr>
<td>Spending comparison with peers</td>
<td>19,755</td>
</tr>
<tr>
<td>Control &amp; overview</td>
<td>8,163</td>
</tr>
</tbody>
</table>

PFM tool does not drive direct revenues to Rabobank, as it is totally free. But the Dutch bank’s objective in the long term is different: “It is about adding value to our customers. In the long run it is a lead generator for customer advice as Financial Planning, for example”.

Clients expect their bank to provide them with insight and information on their account, while they will turn to their branch when deeper advice is needed.

Information received by Kurt Salmon from Franck Leersen, Manager Europayments Credit Transfer at Rabobank
Banks can provide valuable indicators to answer some key retailer business issues:

### Retailers’ key business issues

<table>
<thead>
<tr>
<th>Retailers’ key stakes</th>
<th>Inputs from payment/cardholders data</th>
</tr>
</thead>
</table>
| 1 Maximise store location value | • Complementary data to national statistical data (highly socio-demographic orientated > potential study verification (growth strategy, site closing, acquisitions, remodelling...) and best CAPEX ROI  
• Value exploitation of customer catchment area based on transactions and not on buying power per inhabitant |
| 2 Drive traffic and increase transformation | • Get to know consumption habits of client non-cardholders, non-clients and other cardholders from the ecosystem  
• Maximise commercial operations ROI by concentrating benefits on high potential clients (targeted offers to competitors’ large clients that are non-clients, etc.) and on peak/off-peak hours |
| 3 Better understand the positioning in the market | • Know cart and brand mixing (on EUR 100 spend per year in shoes, how much is spent in my store, how much in competitors stores, on which channel)  
• Identify competitor brands as well as complementary brands (e.g. Yves Rocher and Nature Découvertes) |
| 4 Adapt offering and stocks to local market characteristics | • Adapt service and product offer to the local consumption reality (range level, range extension, local products, niche products)  
• Propose offers on all channels adapted to client consumption profile |

Source: Kurt Salmon, 2014

Issuers are well positioned in the market to create useful marketing reports:
• Payment data provides complementary information (see above) with other pure data providers. Issuers’ data is richer than that of other payment players.
Reports can provide a variety of tools such as customized dashboards on commercial performance (position versus competitors in specific segments); analysis of customer activity (peak hours, preferred products) and other tools.

Some providers are particularly active in the market:

- **American Express** has partnered with Experian to leverage its data and create geomarketing reports. The Business Insights service is available worldwide and provides merchants with identification of competitors on a map and the average number of Amex transaction and average payment amount versus competitors.

- **Barclays** marketing reports can include data on merchants (sales trends, sales per hour, number of unique buyers, evolution of behaviors, average customer profile) as well as data on the merchant ecosystem (comparison with other stores of the same brand; with the Internet; direct competitors; brand universe) – *based on Barclays’ general terms and conditions*

- **MasterCard** with MasterCard Advisors service (case study below)
Case study: MasterCard Advisors

MasterCard at a glance
MasterCard is a multinational financial institution responsible for processing payments between cardholder, issuing bank and merchant acquiring bank. The payment scheme has unparalleled access to payment information from a strong customer database, with transactional data from 1.8 billion cards issued by 22,000 banks and accepted by 34 million merchants.

MasterCard Advisors, a new growth driver for MasterCard
MasterCard has leveraged its assets with the Advisors service. Diversifying its revenue stream and reinforcing relationships with issuers and merchants, MasterCard Advisors offers merchants consulting, information and implementation skills based on their payment data analysis capabilities.

The service is targeting stores with more than $50 million annual turnover, offering them a 360° view of their customer process, but also providing small businesses with market vision reports.

Market vision reports
One of the information services offered by MC Advisors includes access to market reports for merchants. The tool provides merchants with market intelligence on market competitors and sales to support decision-making and strategic developments.

The solution is based on three types of KPI to support the analysis: local market trends, competitive market trends, customer intelligence and insights.

The solution focuses on:

- Market Share and Share Drivers
- Market size trend
- Market share trend

- Average purchase size
- Purchase frequency
- Customer trend

- Customer share of wallet
- Feeder zip code
- Shopper demographics

Pricing is based on a fixed price of $500 for 12 monthly reports per location, with a 10% discount for each additional location and an additional discount for more than 10 locations. The reports are downloadable in pdf format.
2. Card-Linked Offers

What are CLOs?
Card issuers have been providing cardholders with loyalty solutions for a long time as a way to position their card as the user’s preferred solution and increase usage. These programs were typically points-based solutions funded by the card issuer through card interchange revenues.

In the past decade, interchange regulations have dramatically reduced issuers’ revenues and thus challenged this long-standing model. These developments began in the US (Durbin amendment) and have spread to Europe.

Accordingly, some alternative models based on merchant-funded offers have become increasingly attractive.

- Sometimes combined with loyalty points (cost shared between the issuer and the merchant).
- Increasingly 100% funded by merchants.

An efficient way to implement merchant-funded offers is to implement a direct cashback onto the customer card account:

- The customer is informed of a merchant deal with specific conditions (discount, deadline, minimum spend).
- The customer pays at the point of sale or online (the merchant is not necessary informed).
- Several days later, the customer is refunded through cashback.

Although very attractive for customers, there are two issues to resolve:

- Proposing attractive offers that are aligned with customer interests (e.g. no need for discount on diapers if you don’t have children, or fast food offers if you enjoy gourmet restaurants).
- Obtaining a high discount rate from merchants who do not want to lower their margins when the benefit is shared by all customers, whatever their potential or profile.

That is why card issuers have progressively tried to customize their programs to meet customer expectations and profiles:

- With offers adapted to different card levels: classic, gold, and platinum, differentiating the offers in line with customer spending levels.
- With co-branded or thematic (golf, music, cinema) cards offering tailor-made programs including cashback and specific services (booking, information, etc.).
In 2010, dynamic CLO changed the game. Thanks to daily analysis of individual payment data, issuers can take their loyalty program to a new level with highly targeted offers (no more clustering, but customer-by-customer profiling). These offers are based on cardholders’ information in relation to their purchasing behaviors and customer profile (age, revenue, address, etc.).

Now merchants can provide higher benefits as they target clients with much greater precision:

- Customers interested in their products: often buy in similar stores.
- Customers who formerly bought regularly in their store but have reduced their spending.
- Customers buying in the store area even if they live in other areas.

These new generation CLOs were successfully launched in the US by most financial institutions and are progressively emerging in Europe:

- Lloyds bank deploying AMIA/Cardlytics solution.
- Barclays deploying its own solution.
- ING announcement that it will implement a pilot project in 2014.

The main difference between the US and UK is data privacy regulation:

- In the US, these programs are opt-out based. By default the customer belongs to the program.
- In Europe, an opt-in is required from the customer.
How should CLOs be implemented?
Financial institutions can implement CLO initiatives either internally or externally.

Four areas need to be addressed:

• How and who manages the cardholder relationship including opt-in issuers?
• What technical and analytical solutions should be implemented fully internal or outsourced?
• How to engage merchants banks’ sales force and external loyalty specialist?
• Is my customer base large enough to attract merchants stand-alone solution or network/alliance with other issuers?

This will depend on the bank’s assets and objectives:

• Market share with cardholders and merchants (card acquisition or SME banking).
• Big data and analytics capabilities (systems and people).
• Appropriate sales force and merchant contacts to engage merchants.

A single bank with its own customer base has only a limited impact, whereas the ability to provide access to a broader base is much more attractive and profitable for merchants. It therefore seems difficult for banks with limited market share to launch advanced CLO solution on their own. In this situation, partnership with an expert seems unavoidable.

Key success factors for a CLO program:

1. Access a substantial client database (opt-in must be confirmed by the issuer).
2. Compliance with regulation on data privacy and ownership.
3. Ability to recruit merchants and drive the network.

CLO solution: models existing or under implementation

Source: Kurt Salmon 2014
Card-linked marketing enters Europe with Aimia and Cardlytics partnership with Lloyds

In September 2013, Aimia and Cardlytics brought the Card-Linked Marketing model to Europe, working with its launch partner, Lloyds Banking Group (LBG) in the UK. LBG is the largest bank in the UK with 22 million current account customers, more than 11 million of whom bank online. The group has £200 billion in retail savings deposits from more than 21 million customers and is the largest mortgage provider in the UK.

LBG launched a Cardlytics-powered program across all three of its retail brands - Lloyds Bank, Halifax and Bank of Scotland - under the “Everyday Offers” and “Cashback Extras” brands. The Cardlytics platform allows customers to receive cashback offers based on where they actually spend their money (as identified by their debit and credit card purchase history).

With this opt-in service, the customer receives their offer within online banking or mobile banking. To redeem offers, the customer simply needs to activate the chosen offer online or on her cellphone from the home page. The cashback will automatically be applied when paying with a Lloyds, Halifax or Bank of Scotland credit or debit card and credited to her account at the end of the following month.

Aimia and Cardlytics have secured participation from more than 100 merchants in the UK, including big brands such as Morrisons, Waitrose, Argos, New Look, Starbucks and Hertz, as well as more regional and local brands. No action is required on the merchant side such as integration on the point of sale system, and the bank applies the cashback after the payment. Targeted cashback offers range from 5% to 20% (possible because of the targeted nature of the offer), compared with generic offers in the market of 3% to 5%. Typically merchants see returns in excess of £4 for every £1 spent.

In February 2014 the UK’s Marketing Week magazine reported that the Lloyds Bank’s program had “helped it post a net gain of 144,000 new accounts from September to December 2013.”

First application of Cardlytics model in Europe

This deal marked the entrance of the Cardlytics-powered card-linked marketing model into the European market via Aimia, the Canadian-headquartered loyalty management company that has a long-term strategic alliance with Cardlytics and is an equity shareholder. Cardlytics technology facilitates the monetization of payment data for financial institutions.

This solution has consumer privacy and data security at its core. No customer personal information leaves the bank; only aggregated results of the campaigns are sent back to Cardlytics/Aimia and therefore transmitted to retailers. Bank and customer privacy is assured. To run campaigns, the targeting rules are sent to the bank, which

Case study: Cardlytics/Lloyds

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continued...
in turn sends the offers to its customers via the offer placement system. This activity is all conducted behind the firewall of the bank.

The solution is marked by its strong analytics capabilities and retail marketing DNA. It creates a marketing business dedicated to banking platforms enabling the tailoring of commercial approaches and offerings.

In the US, Cardlytics now works with more than 400 banks, and this “network model” has been important in gaining traction with retailers for which scale is crucial when considering market channels. Aimia and Cardlytics will be replicating this network approach in the UK while working with banking partners to ensure they differentiate through distinct branding, customer experience and functionality.

The Lloyds “Everyday Offer” customer process

- **Customer targeted based on spend history**
- **Customer served offer in home online or mobile banking**
- **Customer activates the offer**
- **Customer spends with the merchant during the campaign**
- **Cashback paid to customer (direct from bank each month)**

*continued...*
1. Relevant offers are sent to the customer in their home banking statement

2. They are also placed in a central “offers hub” available on the customer’s online banking (web and mobile) where they can be activated

3. Cashback earned is paid directly into the customer’s account

Information received by Kurt Salmon from Thierry Afrigan, AIMIA/Cardlytics, General Manager France
Fivory, the latest in a long line of disruptive wallet initiatives

Fivory is the wallet initiative of Crédit Mutuel CIC and follows the launch of wallets by nearly all French banks, including Crédit Agricole with Kwixo, BPCE with SMoney and BNP Paribas/Société Générale and La Banque Postale with Paylib. As it was launched after the other wallets, Crédit Mutuel CIC planned to learn from the relative limitations of existing solutions.

Like its competitors, Fivory is a wallet enabling customers to pay securely online. But with Fivory, customers can also pay in-store using NFC technology, QR code or by keying in their mobile phone number. That’s Fivory’s first comparative advantage: it is technology-agnostic and allows payment online or in-store.

However, the key differentiator of the Fivory proposition is that it focuses on shopping services more than payment. It wants to help merchants create closer and richer relationships with their clients while providing customers with valuable information and offers from their preferred local stores. “Fivory is not a wallet, it is a multichannel, connected shopping app” (Fivory CEO C. Dolique).

Positioning based on connected shopping

With this in mind, one of the keys to success for Crédit Mutuel is to access end-consumers’ data by onboarding physical merchants likely to share the same clients, to create a local ecosystem.

The main argument put forward to convince merchants to enroll in Fivory is to benefit from a set of value-added services enabling them to create and implement loyalty programs and other customized offers, especially based on geolocation. Data is at the heart of this value proposition as it is used to design and offer these services.
Value proposition for merchants

<table>
<thead>
<tr>
<th>Services without data</th>
<th>Services leveraging data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presentation of activity and products on the app</td>
<td>Geolocation</td>
</tr>
<tr>
<td>New products and best deals</td>
<td>Customized offer based on socio-demographic data shared by users (date of birth, age, gender, etc.)</td>
</tr>
<tr>
<td>General information: opening hours, phone number, etc.</td>
<td>Targeted loyalty programs (purchasing behaviours)</td>
</tr>
</tbody>
</table>

Data’s virtuous circle

Services leveraging data are the main reason for merchants to join the Fivory social network, as Alain Lefeuvre from the Financial Department of Yves Rocher notes: “Fivory facilitates the local relationship with our clients, as for example we can offer additional time slots at the last minute if we find we have more rooms available than initially projected.”

Once a new merchant joins the social network, it becomes an asset for Fivory as it enables the collection of more data, in turn helping to make the solution more attractive for other merchants. The collection of new data allows merchants to reach new clients within the ecosystem, but also to target them more precisely as they get to know them better.

Use and protection of personal data

The data belongs to merchants, and Fivory only receives generic data to help merchants in sales promotion and development.

From the private and personal data section of the website, the following type of data are collected by the solution:
- **Generic and identity data:** name, age, city, address, etc.
- **Payment data:** amount, brand, date, location, etc.
- **Loyalty and sales promotion data:** usage of coupons and loyalty program privileges.
- **E-money account data.**
- **Behavioral and geolocation data.**
Case study: Plebicom

Banque Casino partnering with Plebicom, a French CLO player

Banque Casino is the bank of the French retailer Casino. The bank began activities in 2001 with the distribution of credit cards for the Casino hypermarket chain, and today offers a broad range of banking and insurance products (card, loans, insurance). The network has 20 branches and has extended its offering to Casino and Cdiscount supermarkets. The Casino Group retailer and the bank Credit Mutuel CIC have been equal shareholders since 2011.

Plebicom is a major CLO actor in France. The company specializes in merchant-funded offers and provides a wide range of online service (cashback, coupons, discount, deals, etc.) to players from all industries (financial, retail, Telco, etc.). Individuals subscribe to Plebicom services online, and then consult cashback offers to subscribe. Clients can either enroll for each offer or opt in automatically for their payment method and receive offers according to their behaviors.

For the client, the process is entirely secure as data is made anonymous thanks to a token solution.

Plebicom helped launch a major retailer’s bank loyalty program

Banque Casino wanted to run a CLO program in order to replace its expensive loyalty program. The former program was financed by the bank itself, whereas the new program is financed by the merchants taking part in the loyalty program (alliance).

This new program, called cmesremisescasino.com, is a cashback program. The platform brings together 500 of the most popular French e-merchants offering cashback to customers using their Casino Card.

Cashback starts from 2% and can reach 30%, depending on the merchants and the specific negotiated offers.

It is Casino Bank’s first step toward its big data strategy as well as toward the monetization of its cardholders’ opt-in, in order to track card transactions. Plebicom will operate the service aspect.

The next step on the website will be to add in-store cashback offers negotiated by Plebicom with big retailers as well as small merchants. Through its various cashback offers and retailer network, Plebicom offers banks rapid implementation.

According to the bank’s calculations, an average cardholder using the loyalty program will more than cover their card fees and receive around EUR 200 in cashback a year.

Targeted offers will be published first on the portal but also through a mobile channel. In addition, the cmesremisescasino program will get exposure through mobile banking.

Information received by Kurt Salmon from Marco Quezada, Head of eBusiness at Plebicom
Conclusion

The exploitation of data has led to the development of new levels of expertise and new services in a range of different sectors, but financial institutions are different from most other businesses in this respect because the richness of payment data in terms of volume and relevance puts banks in a unique position.

To find new growth drivers and deal with a challenging environment, banks have used this unique asset to create various tools: internal usage, raw data, and the creation of individual and merchant offerings. However, against a backdrop of extremely high privacy and regulatory constraints, the expectations of individuals and businesses in terms of services are becoming increasingly demanding, and not all these solutions are at the same stage of development.

- Card-linked offerings and PFM are already mature.
- B2B Big Data services have not yet been considered.
- Raw data monetization has not taken off (e.g. Vodafone contract not renewed).
- Internal data could be leveraged through wallets by merchants, Telcos, banks.

The mature solutions are slowly becoming must-have services for banks to protect their position in the market. However, for institutions looking to launch such services, the question will be to decide which organizational model to implement. Should they work with a specialized partner able to contribute expertise, or leverage internal assets and create dedicated resources? In that case, will banks be able to do it alone in an area where increasing numbers of data analytics specialists are already competing and most banks are creating alliances?

Data is packaged differently depending on the target usage

Source: Kurt Salmon 2014
Payment innovation: Maximizing the potential of payment analytics

About us

Efma

As a global not-for-profit organization, Efma brings together more than 3,300 retail financial services companies from over 130 countries. With a membership base consisting of almost a third of all large retail banks worldwide, Efma has proven to be a valuable resource for the global industry, offering members exclusive access to a multitude of resources, databases, studies, articles, news feeds and publications. Efma also provides numerous networking opportunities through working groups, online communities and international meetings.

For more information: www.efma.com

Kurt Salmon

Kurt Salmon is a global management consulting firm dedicated to building the market leaders of tomorrow. More than just partnering with our clients, we ally with them, integrating ourselves seamlessly into their organizations in order to develop innovative, customized solutions for their 21st-century business issues.

Succeeding in today’s increasingly complex, consumer-driven environment is an enormous challenge. But companies need to look beyond today; they need to position themselves for continued success in the even more uncertain future. That’s where Kurt Salmon comes in.

We call it delivering “success for what’s next.” The results are transformative.

For more information: www.kurtsalmon.com

About the author:
Pierre de Brabois is a senior consultant at Kurt Salmon specialized in retail banking and payment. In more than 13 years, he has assisted many leading banks and payment players to define their positioning in the market and develop from A to Z new value propositions. His background gives him a deep understanding of Marketing / Distribution subjects, operational excellence but also accounting, risk or ALM functions.

He moderates a cross sector think-tank within Kurt Salmon to detect the best practices, latest innovation and last trends in the Consumer Good, Retail, Telecommunication or Automotive industries.
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For more information, please contact: www.kurtsalmon.com

Pierre de Brabois
Senior Manager
Pierre.debrabois@kurtsalmon.com
+ 33 1 55 24 31 66
+ 33 6 20 69 11 80

For press and marketing inquiries, please contact:

Daniel Verschaere
Communication Manager
daniel.verschaere@kurtsalmon.com
+ 33 1 55 24 33 72

Patrick Desmares
Efma Secretary General
patrick@efma.com
+33 1 47 42 69 82

Karine Coutinho
Head of Content Management
karine@efma.com
+33 1 47 42 69 82
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