



Card Acceptance and Recurring Payments

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Adrienne Chambers, VP

Carol Watson, VP

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Discussion Topics

- Payment Trends
- Customer Attitudes & Behavior
- Key Considerations
- MasterCard Resources/Tools

A woman with a long braid is sitting on a bed, looking at a laptop on a stand. The scene is dimly lit with a blue tint. The laptop screen shows a website with a table of data.

Payment Trends



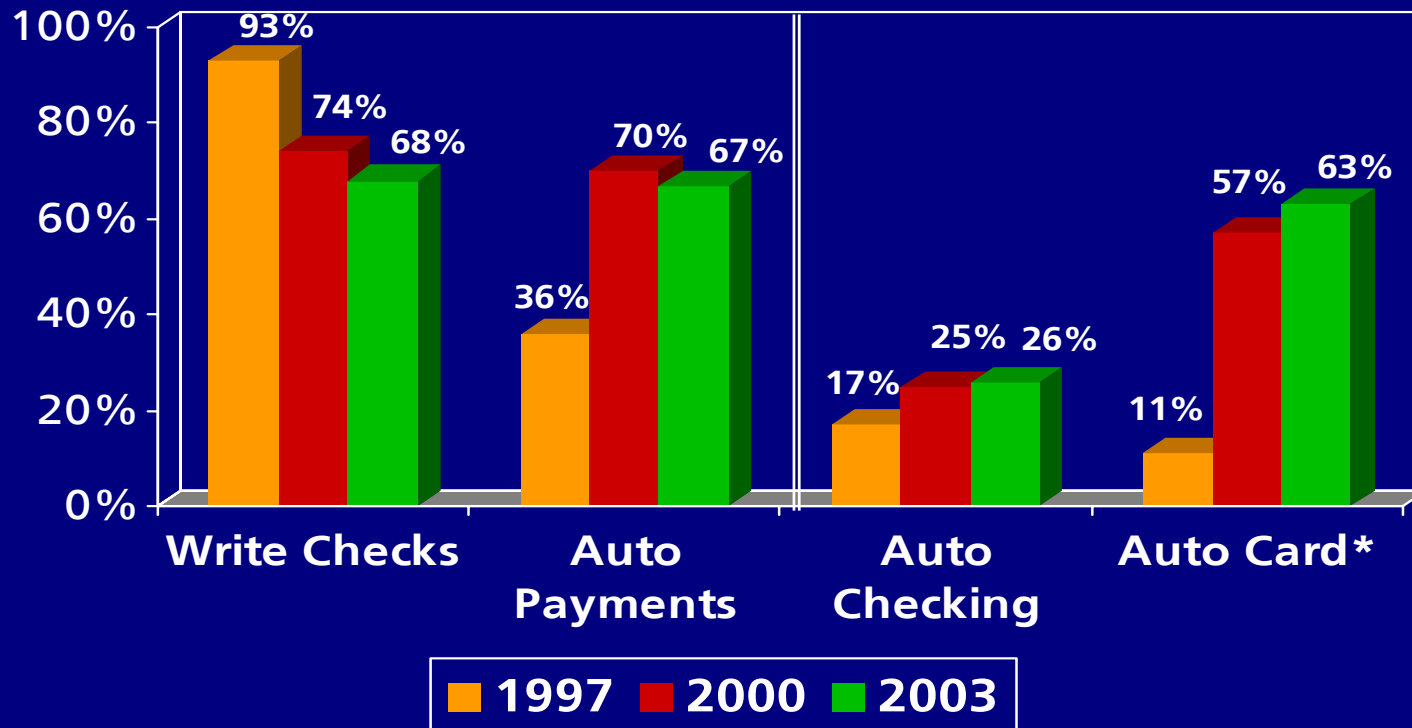
What are Recurring Payments?

- Recurring Payments (RP): Cardholder pre-authorizes a service provider to bill against a specific account at pre-determined periods (monthly, quarterly, balance replenishment, etc.) The bill amounts may be the same or fluctuate.
- Payment methods: Credit card, debit card, charge card, private label, and ACH against a checking account or other payment accounts
 - All consumers have recurring bills of some type



Recurring Payments Overview

How Consumers Pay Recurring Bills



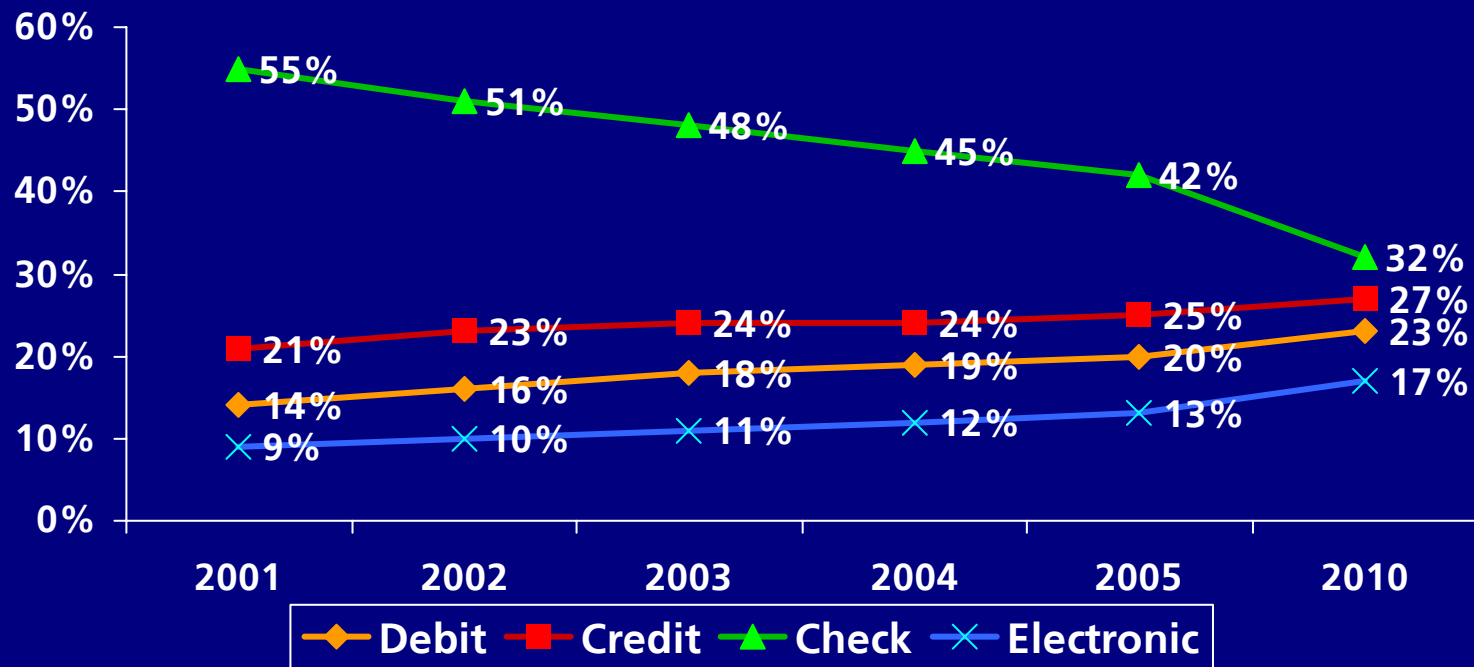
Source: 1997, 2000 & 2003 MasterCard Research
 *2002 and 2003 Auto Card includes both debit and credit cards.



Evolving Payment Trends

Payment Options will Continue to Evolve

Total Retail Non Cash Payments



Source: Federal Reserve & Purchase Street Research
Electronic Transactions that occur through automated clearing house vs. credit, check or debit
For all USA retail non cash payments

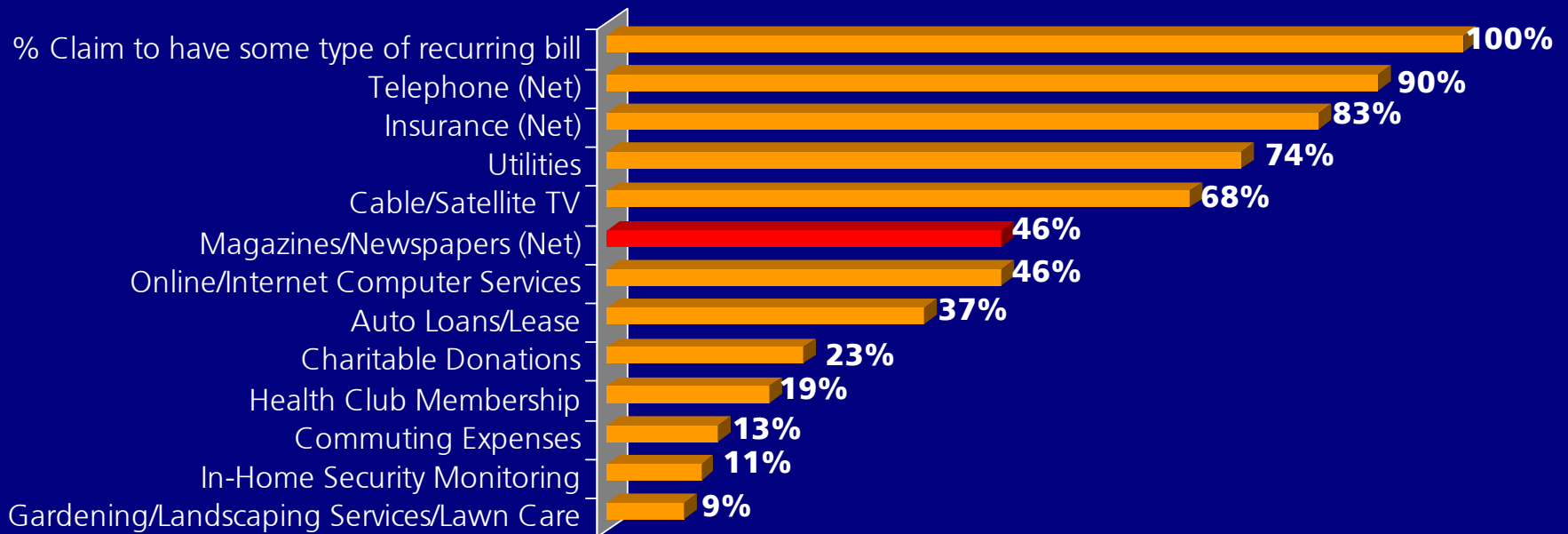


Consumer Attitudes & Behavior



Types Of Recurring Bills

Virtually Every Consumer Has a Recurring Bill



Q. Whether automatically paid or not, which of these types of bills do you currently have on a regular basis...?

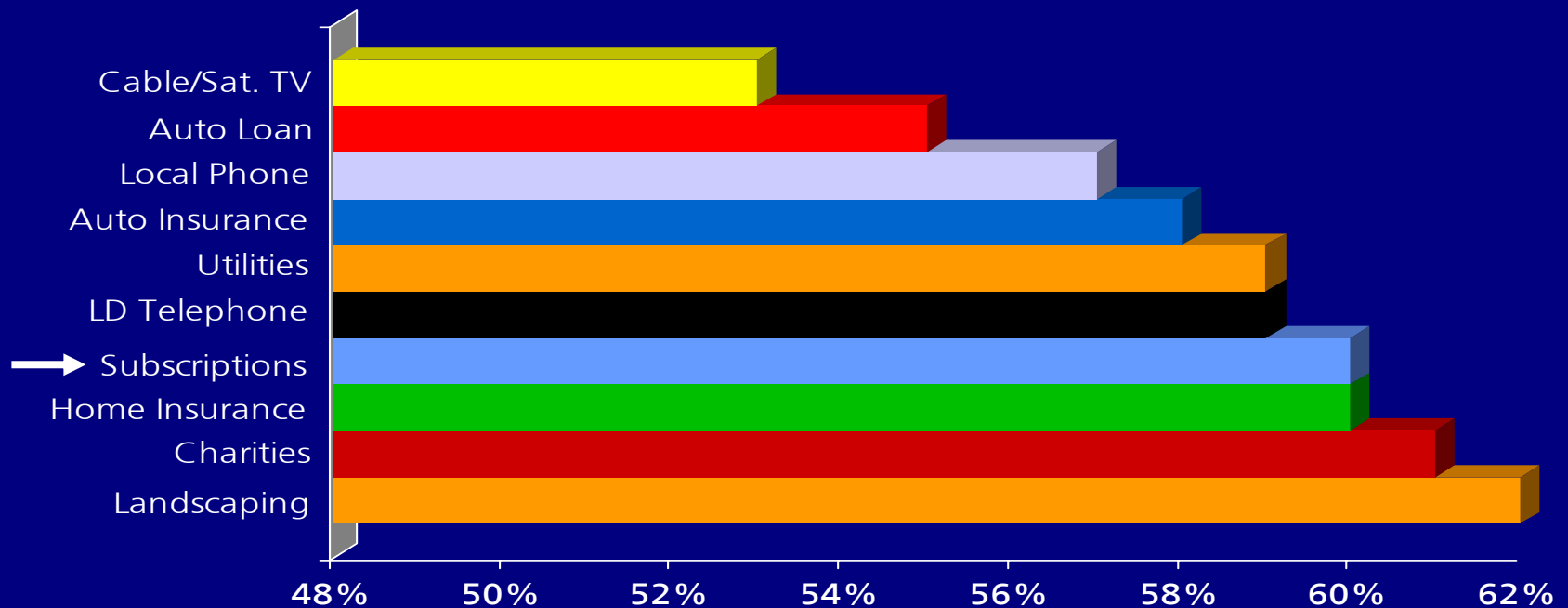
Source: April 2003 MasterCard Research



Recurring Bill Payment - By Type

Check Writing Continues to be the Dominant Method for Paying Subscriptions

% Bill Payers who Write Checks

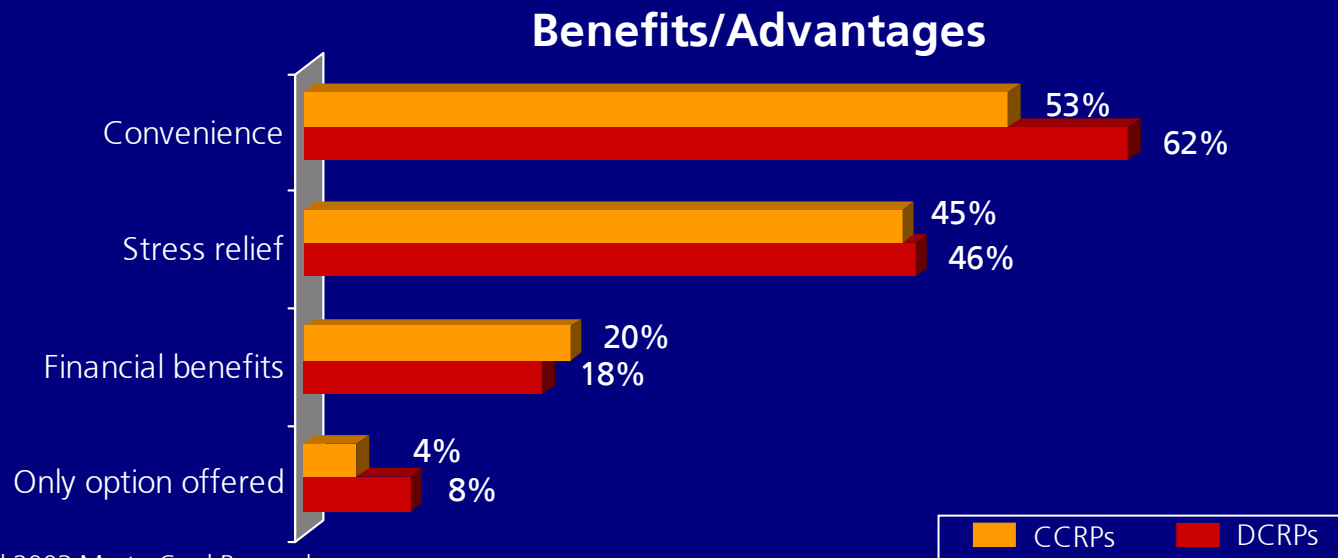


Source: April 2003 MasterCard Research



Consumer Benefits

- Automatic recurring payments provide a very relevant set of benefits, with convenience being the primary driver.
 - *Convenience* ... easy, quick, saves time, no checks
 - *Stress Relief* ... know bills are paid, no thinking, no worrying.
 - *Financial Benefits* ... no postage/late fees, rewards (on CCRP)



Source: April 2003 MasterCard Research



Recurring Payments Opportunity

- Consumers indicate that there is an opportunity for further growth in automatic bill paying using their credit or debit cards.
 - More than two-in-five credit card owners (42%) would consider adopting or using additional Credit Card Recurring Payments
 - Almost half of debit/check card owners (48%) would consider adopting or using additional Debit Card Recurring Payments

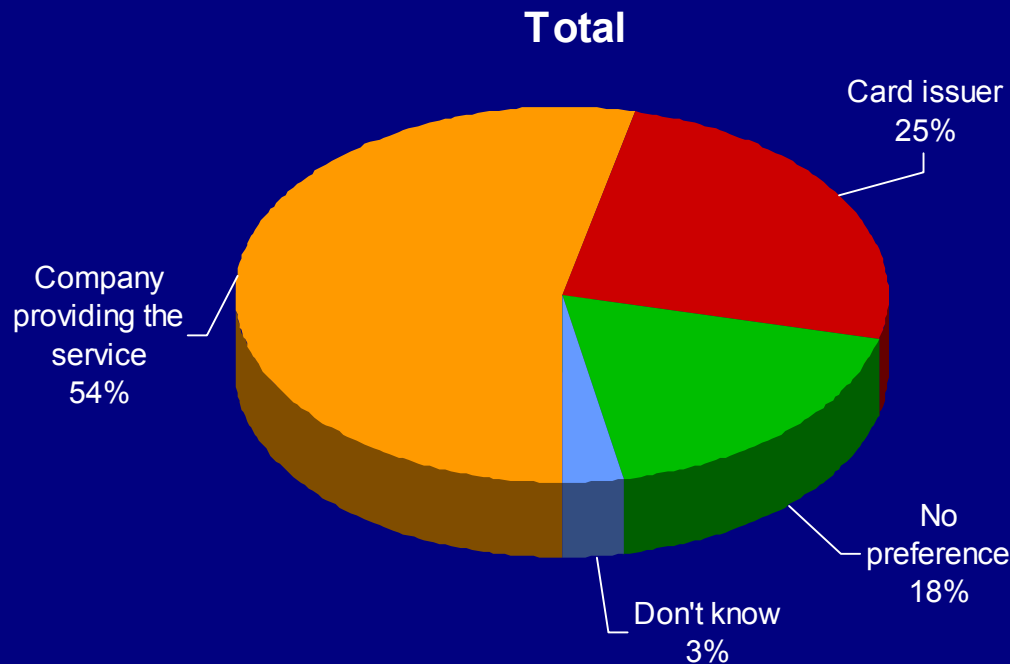
Source: April 2003 MasterCard Research



Recurring Payments Opportunity

Incentives To
Drive RP Usage

- The majority of card owners feel that if incentives are offered to encourage RPs, the incentive should be offered by the Merchant, rather than the card issuer.



Source: April 2003 MasterCard Research



Challenges – Consumer Adoption

Non-users have Very Specific Concerns as it Relates to RPs

- Habit/preference for controlling payments on their own
- Accuracy/variability of charges
- Not wanting to incur high interest charges (for CCRPs)

These attitudes are generally consistent across industries, though concerns about the accuracy of charges and variability of the bill amounts are somewhat more prevalent for telephone and utilities

Source: April 2003 MasterCard Research



Challenges – Consumer Adoption

Awareness and Education will Broaden Consumer Acceptance of RPs

- Many consumers, especially non-RP users have a real lack of knowledge about how RPs work
- Initial efforts to broaden use of RPs come from a variety of sources:
 - For CCRPs advertising/promotion (card brands) and efforts from card issuers are most prevalent
 - For DCRPs they come from banks than any other source, but merchant efforts appear to be particularly effective in spurring DCRPs



Challenges – Consumer Adoption

Issues that also need to be kept in mind when marketing Recurring Payments include:

- The bills consumers think are most appropriate are bills of a consistent amount, as opposed to those which vary in amount
- Smaller recurring bills (<\$100) are stronger candidates than larger bills. However, this may dissipate as consumers acclimate themselves; many current users feel larger bills (>\$100) are appropriate for RPs
- Itemized paper statements from merchants will go a long way to enhance general RP receptivity



Attitudes Toward Recurring Payments

- Lack of interest in CC/DCRPs revolves around several issues:
 - Habits/preferences for handling/controlling payments on their own.
 - Accuracy concerns and variability of charges, resulting in notable proportions who are concerned about paying before seeing their bills (more for Telephone and Utilities -- possibly due to greater variability of charges).
 - Not wanting to incur high interest charges (for CCRPs).



Key Considerations



Key Considerations

Building Profitable Relationships

- Use every opportunity to increase awareness and get the word out
 - Brand your automatic bill payment program
 - Use multiple communication channels
- Make sure customers understand what they are agreeing to:
 - Amount to be charged, when it will be charged
- Provide confirmation of payment
 - Send an e-mail when the payment is made



Key Considerations

Building Profitable Relationships

- Help customers remember to keep their MasterCard account information current
 - E-mail/mail a reminder notice prior to payment date or expiration date
- Handle discontinuation requests promptly
- Keep personal and card information secure
- Work with your Merchant bank for ways to minimize disruptions from account changes (ie., Merchant Advice codes, Automatic Billing Updater)



MasterCard Resources

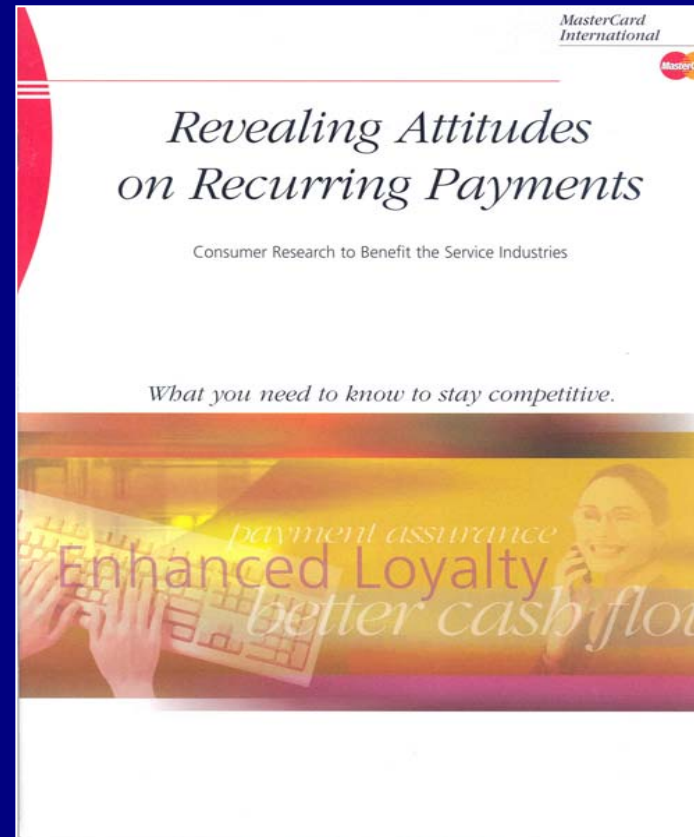


Information Resources

Revealing Attitudes

Consumer Research on Recurring Payments

*A summary of key findings
from MasterCard
quantitative research*



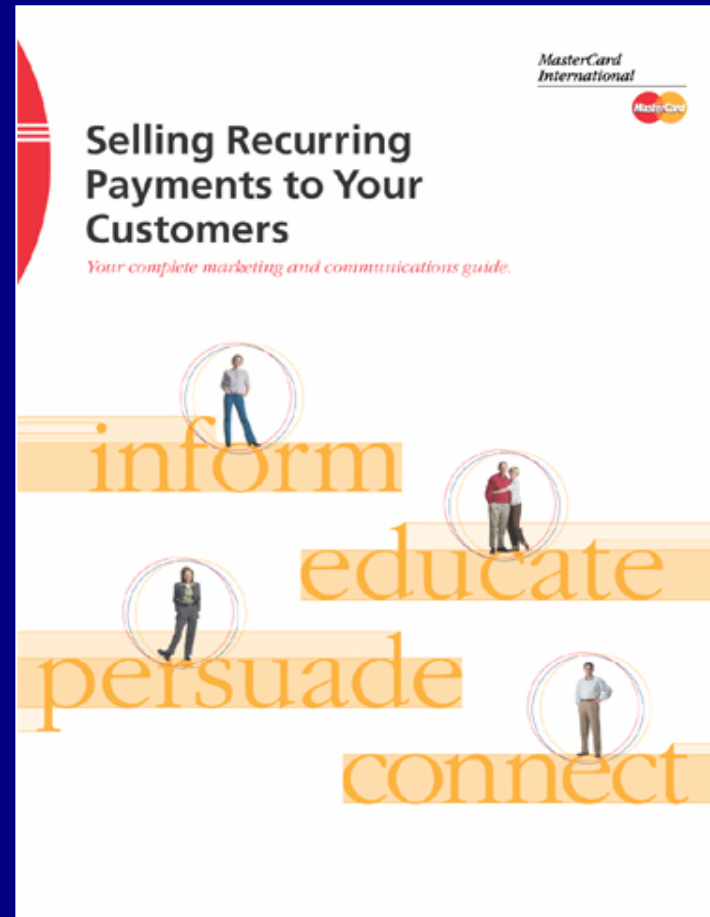


Marketing Tools

Selling Recurring Payments to Your Customers

Marketing Best Practices

A complete communications guide designed to successfully implement and grow recurring payments.





Raising Consumer Awareness

mastercard.com Automatic Bill Payment Page

- Directory of service Providers
 - Educational
 - Q&A's
 - Email contact
- Merchant participation is free!

Automatic Bill Payment | MasterCard® - Microsoft Internet Explorer provided by MasterCard International

File Edit View Favorites Tools Help

Address <http://www.mastercard.com/chsweb/automaticbillpayment/index.jsp>

MasterCard *there are some things money can't buy. for everything else there's MasterCard.* [About Us](#) | [Contact Us](#)
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▼ Automatic Bill Payment
 ▶ [Directory of Merchants](#)
 ▶ [Frequently Asked Questions](#)

Quick Search
 Find a participating merchant
 Select a Category [v]
 Go

Automatic Bill Payment
 Learn how to pay your bills automatically with MasterCard!

Take time to relax, and leave the bill paying to us.
 Paying your recurring monthly bills has never been easier. With MasterCard's Automatic Bill Payment, you can pre-authorize participating merchants to automatically charge your MasterCard card on a regular basis.

MasterCard's Automatic Bill Payment helps you

- eliminate check-writing hassles
- avoid late-payment fees
- save postage costs and time
- earn interest, because your money remains in the bank until payments are due

Save Time and Money
 Pay Bills Automatically with your MasterCard.
 ▶ [How it works](#)

Setting up the service
 Many types of merchants and service providers participate in MasterCard's Automatic Bill Payment - from insurance companies to home security providers. Before setting up the service, you'll first need to determine if your service provider or merchant accepts MasterCard as a form of Automatic Bill Payment. If they do, simply contact the merchant to set up the service.

MasterCard Makes it Easy
 With a MasterCard card, you can automatically pay bills and track payments on one monthly statement. Let us help you find a card that's right for you.
 Find a Card ▶

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Raising Consumer Awareness

Service Provider Contact List

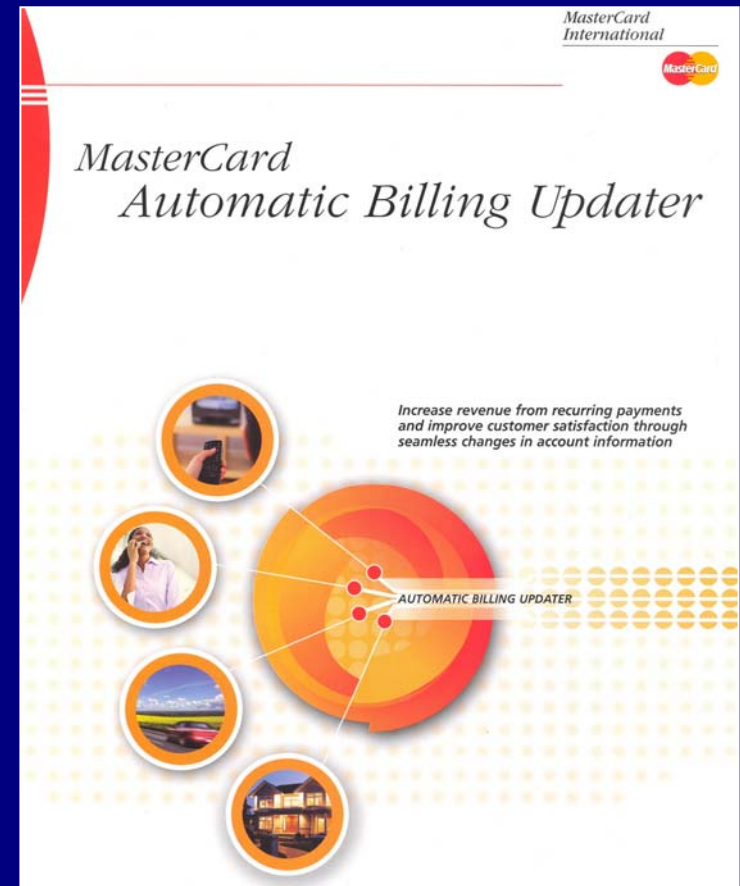
- Opportunity for Issuers and Merchants to develop joint marketing initiatives to promote RP
- Issuers may leverage MasterCard turnkey materials for customization or create their own customized materials
- Issuers must contact a merchant for permission before using their name, logo, 800#, or url in any communication



Operational Tools

Automatic Billing Updater

- A MasterCard tool that facilitates account information updates for recurring payment transactions



MasterCard
International

