

Financial Institutions Rewards – Consumer Insights

Key Insights

1. Credit Card Rewards Programs Most Popular with Consumers

76% of consumers indicated they were members of credit card rewards programs compared to 27% who are members in debit card rewards programs.

2. Consumers Experience Frustration with Rewards Offered

One-third or more of consumers surveyed indicated some level of frustration with the actual rewards being offering in rewards programs offered to them.

3. “Key Components of Rewards” Identified as Characteristic of a Unique Program

16% of consumers mentioned credit card rewards programs as having unique characteristics including offering a variety of rewards and valuable rewards.

4. Ability to Select Rewards Rated an Important Feature by Consumers

“Ability to select rewards” was rated by 13% of consumers as the most important feature in an FI rewards program. “Ease of Using Rewards” was also selected by 13% of consumers as the most important feature.

5. Cash Back Most Preferred Reward for Credit and Debit Rewards Programs

56% of credit card rewards program members and 55% of debit card rewards program members indicated they are currently receiving “cash back” rewards.

About this study

First Data conducted the Consumer Loyalty Study with over 1,000 U.S. consumers in July 2008. The study focuses on rewards programs with Financial Institutions (FIs), the travel section and the retail sector. This CI Market Brief focuses on consumer insights regarding rewards for the FI sector. Sample size completing the survey for specific reward programs is as follows: Credit Card (n=200); Debit Card (n=122).

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Key Insight #1: Credit Card Rewards Program Most Popular with Consumers

A large majority of consumers surveyed (76%) belong to a credit card rewards program with the average number of memberships being 2.1 per consumer. Consumers who belong to credit card rewards programs are very active members with 89% of members indicating they have used the program at least once since signing up. Only 27% of consumers surveyed belong to a debit card rewards program with an average number of memberships being 1.1 (tied to the consumer's DDA account). This difference is primarily due to the fact that credit card rewards programs have been around longer and credit cards are very competitive, (not necessarily tied to a consumer's primary bank), unlike debit cards. Rewards programs for debit cards are a relatively new idea and consumers don't necessarily expect to earn rewards for using their debit card. Only 11% of consumers belong to "Other Banking" rewards programs such as those tied to their savings account.

FI Rewards Program Membership

Industry Type	% of People Who Belong to Rewards Program	% "Active" Memberships* (Among Total Memberships)	Average # of Memberships (Per Participant)
Credit Card	76%	89%	2.1
Debit Card	27%	85%	1.1
Other Banking	11%	91%	1.3

*Note: For the purpose of this study, "active" membership is defined as follows: having used the rewards program at least once since signing up for it.

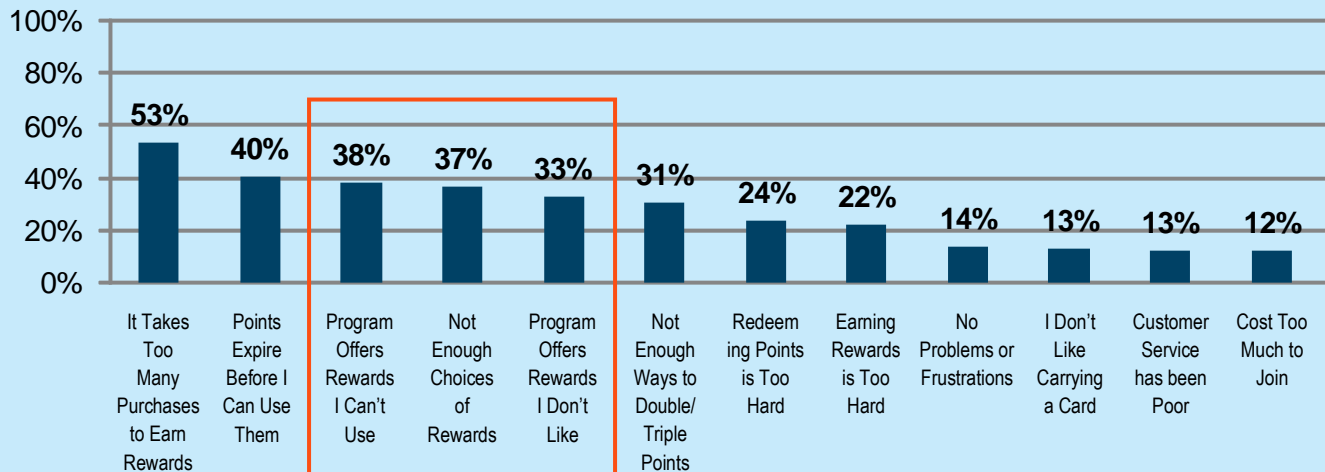
Date: July, 2008

N = 1,000

Key Insight #2: Consumers Experience Frustration with Rewards Offered

In addition to the frustrations consumers have with earning and using rewards, they also experience frustration with the actual rewards themselves. Specifically, 38% of consumers indicated that the programs “offer rewards they can’t use”, while 37% believe that they “don’t have enough choices” when it comes to selecting the rewards offered. One-third of consumers indicated that the rewards programs they belong to “offer rewards they don’t like”.

% Indicating Problem with Rewards Program



Date: July, 2008

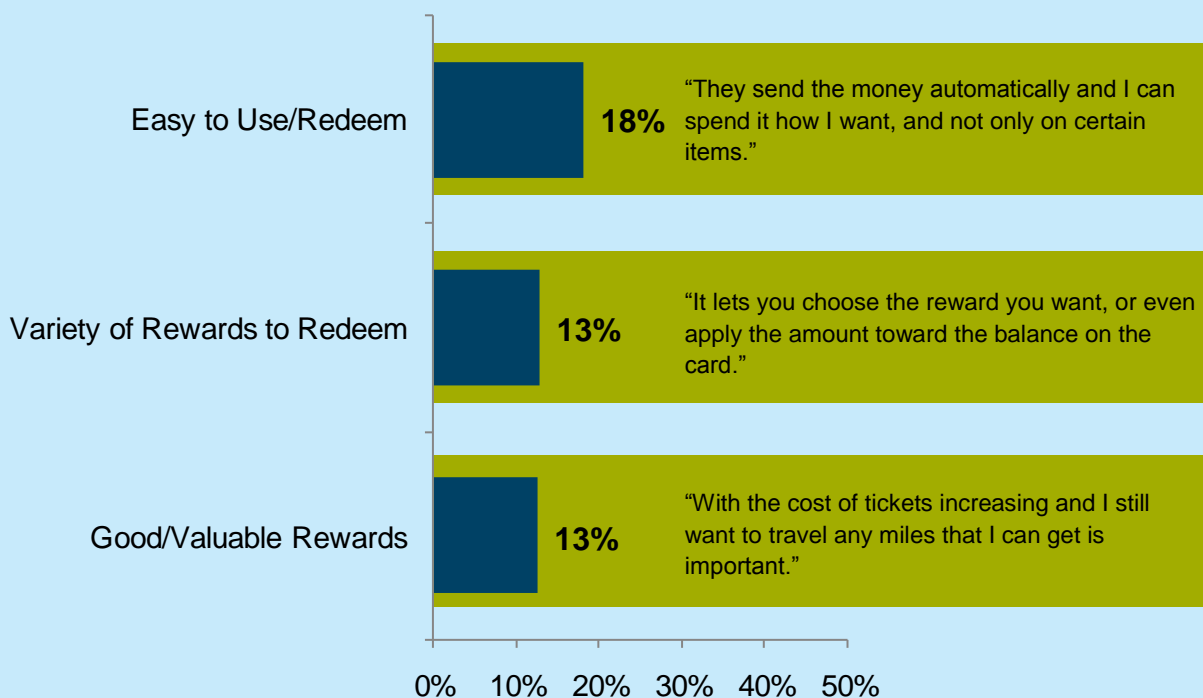
N = 1,069



Key Insight #3: “Key Components of Rewards” Identified as Characteristics of a Unique Program

Credit card rewards programs were identified by 16% of consumers as being most unique compared to other types of rewards programs. The most compelling characteristics of a unique rewards program involve the actual rewards and redemption including: “Easy to use/Redeem”; “Variety of Rewards to Redeem”; and “Good/Valuable Rewards”.

Characteristics of a Unique Program



Date: July, 2008

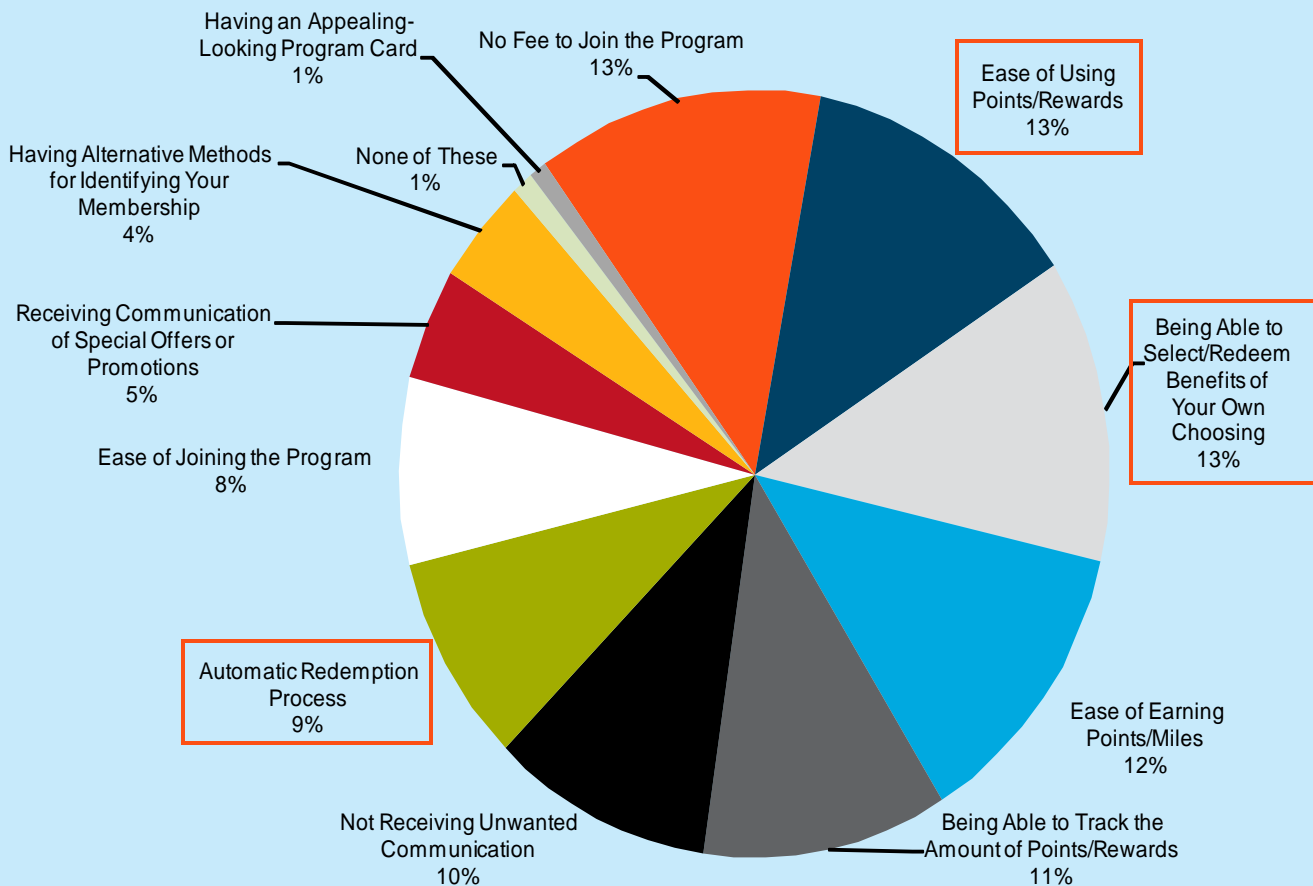
N = 1,069



Key Insight #4: Ability to Select Rewards Rated an Important Program Feature

When asked to identify the features of an FI rewards program that are most important, 13% of consumers each selected “Ease of Using Points/Rewards” and “Being able to Select/Redeem Benefits of their own Choosing”. Another 9% of consumers indicated that the most important feature of a rewards program is an “Automatic Redemption Process”. These features are all available through First Data’s Loyalty Fulfillment Solution.

Importance of FI Rewards Program Features



Date: July, 2008

N = 500

Key Insight #5: Cash Back Most Preferred Reward for both Credit and Debit Rewards Programs

“Cash back” was identified as the most preferred reward by consumers for both credit card and debit card reward programs. More than half of the consumers who are members of credit (56%) and debit (55%) card rewards programs indicated that they were currently receiving this type of rewards. “Points or miles redeemable for merchandise or upgrades” was rated by both credit and debit card rewards members as their second most preferred reward.

Credit Card Rewards Program

Preferred Rewards (in Order from Most to Least Preferred)	Percent Receiving Rewards
1.) Cash Back	56%
2.) Points or Miles Redeemable for Merchandise or Upgrades	47%
3.) Prepaid/Gift Cards	30%
4.) Free Merchandise or Upgrades	27%
5.) Money Added to a Prepaid/Gift Card	8%
5.) Discounted Prices for Merchandise or Upgrades	17%
7.) Discounts for Rebates on Gas	13%
8.) Discounts at Point of Sale	0%
9.) Special Members-Only Benefits	14%
9.) Coupons for Discounts on Specific Items	14%
11.) Coupons for Discounts on Total Purchase	10%

Date: July, 2008

N = 200

Debit Card Rewards Program

Preferred Rewards (in Order from Most to Least Preferred)	Percent Receiving Rewards
1.) Cash Back	55%
2.) Points or Miles Redeemable for Merchandise or Upgrades	43%
3.) Free Merchandise or Upgrades	24%
4.) Prepaid/Gift Cards	22%
5.) Discounts at Point of Sale	0%
5.) Money Added to a Prepaid/Gift Card	11%
7.) Discounted Prices for Merchandise or Upgrades	16%
8.) Discounts or Rebates on Gas	6%
8.) Coupons for Discounts on Total Purchase	7%
8.) Special Members-Only Benefits	9%
8.) Coupons for Discounts on Specific Items	17%

Date: July, 2008

N = 122

