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Phil Wall,
Chief Financial Officer

Well, 2008 is gone but not forgotten. All reports for the holiday shopping season describe a bleak spending climate driven by a weak economy and weather conditions that kept shoppers indoors. U.S. Commerce Department figures show retail sales dropped almost three percent sequentially December over November.

The economic forecast for the first half of 2009 is not much better, so for most of our customers, it's time to retrench. Refocus on what's made you successful—manage costs, take steps to retain and attract customers and prevent fraud. By coupling these basic business concepts, making the most of today's advanced payment tools and incorporating the industry's best practices, we hope to help you better weather the storm.

This month, we provide some suggestions for coping with the current economic climate. There's a full article on the subject, a new white paper outlining how you can minimize payment costs and an analysis of the 2008 First Data Consumer Loyalty Study.

While none of this information will offset the lost revenues from 2008's holiday spending season, these ideas and strategies can help you remain competitive in what is expected to be a tough 2009.

Consumer Spending Trends and How to Cope in the New Year

It's not news to you, and as Phil Wall noted above, holiday spending in 2008 was a low point in the year, and experts and analysts are saying that the forecast for 2009 isn't any better.

Forecasts predict fewer dollars will be spent in 2009. So how do you get your share of what will be spent? First Data has some ideas to help you get through—and be prepared to hit the ground running when the economic climate turns around. [Read more about identifying strategies that will work for you.](#)

Drive Customer Loyalty and Lower Costs through Customer Incentives and Payments

The conundrum: How to provide customer convenience and choice while still controlling costs. Innovations in technology now allow merchants to achieve both goals with one program by enticing customers through loyalty programs to use lower cost-per-transaction payment types.

Merchants can save money on payment processing fees by using new or existing merchant loyalty programs linked to customers' preferred payment types to steer loyal customers toward DDA-based payments, via a method known as decoupled debit, which are then processed as low cost Automated Clearing House (ACH) payments.

First Data Related Events

- **February 5-8, 2009**
National Grocers Association
Annual Convention & Supermarket
Synergy Showcase
[read more](#)
- **April 5-8, 2009**
NACHA Payments Conference
[read more](#)
- **May 6-8, 2009**
Food Marketing Institute –
Marketechnics
[read more](#)
- **May 16-19, 2009**
The National Restaurant
Association Show
[read more](#)
- **May 18-20, 2009**
NACStech
[read more](#)

Innovations in Payments and Decoupled Debit Reshape the Power of Merchant Loyalty Programs from First Data explains how this new “payment + loyalty” approach to decoupled debit shifts the value proposition to the merchant by saving on payment processing fees. And it’s done by leveraging already valuable reward programs that, according to the research and advisory firm Aite Group, “shape the behaviors of a whopping 38 percent of the U.S. population” (March 2008). Also see the article in *PaymentsSource* regarding First Data’s recent agreement to provide First Data’s decoupled debit product, **CONNECTPAYSM** to Shell Oil Products US.

Mobile Accounts Management—More than Just Mobile Banking

There is much talk about retail banking on mobile devices, but mobile banking is only an initial movement toward the full-fledged account management needed to support mobile commerce.

Clearly, the first step toward mobile commerce is enabling some or all banking functions through the mobile phone, because this is how consumers will ultimately manage the balances of purchasing instruments built into their mobile devices. In the same way people manage the cash and cards they carry in their physical wallets today, consumers need to be able to manage the purchasing instruments and rewards programs in their “electronic wallets.” This is mobile account management.

In the fourth installment of his mobile commerce series, *Mobile Account Management: The Mobile Commerce Enabler*, Barry McCarthy, President of Mobile Commerce Solutions, describes how mobile banking fits into the future of mobile accounts management, as well as discusses the missing pieces needed to help build tomorrow’s mobile account management infrastructure.

You can find the earlier papers in Barry’s mobile commerce series in the First Data [white paper library](#), including: *The Risks and Opportunities in a Mobile Commerce Economy*, *Mobile Payment: The Linchpin of Mobile Commerce Economy* and *Going Direct with Mobile Marketing*.

Consumer Insights on Loyalty Programs: A Detailed Look at Key Market Segments

In previous issues of the First Data® VantagePoint™ news, we included market briefs for some loyalty-specific results of the 2008 First Data Consumer Loyalty study. Focusing on specific market segments, interesting and potentially lucrative details for merchants continue to come to light.

For example, half of coffee shops and nearly half of quick service restaurants still use punch cards, and both of these groups have low customer program memberships (16 percent and 6 percent, respectively) when compared to other merchant segments. Calling all coffee shops and quick service restaurants: Opportunity abounds! Consider building or enhancing a customer loyalty rewards program to help increase customer lifetime value and drive incremental sales from repeat customers.

As for grocery and specialty retail stores, the exact opposite from Coffee Shops and QSR is true. Both have considerably higher membership rates (62 percent and 51 percent respectively) with extremely high numbers of active members (89 percent and 91 percent).

The market briefs on the results of the study for each of these market segments are now available: [Coffee Shops](#), [QSR](#), [Specialty Retail](#) and [Grocery](#).

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Critical Legislation Passed

On December 18, 2008, federal regulators adopted rules that will change the face of the credit-issuing industry. The new regulatory rules limit when credit-issuing companies can raise interest rates, identify statement mailing time frames, dictate payment allocation methods, modify disclosure requirements and eliminate two-cycle average daily balances (ADB) for interest calculations, among other changes.

The regulatory documents are very extensive. First Data drafted [Tables of Contents](#) for the documents to help make our internal analysis more organized and efficient. These may help guide you through your review of the regulations, too, although we have to make the usual legal caveat: Not all sections or subsections may be included and we make no claims of completeness or accuracy.

First Data is aware of the implications of these regulations to your business and will finalize a plan to support your needs before the rules go into effect in July 2010. Right now, we're assessing how the regulations will impact our systems, and we will communicate the details of our plan to you as soon as it's completed. Watch for future communications throughout 2009 on this important topic.

McDonald's[®] USA Presents Award

In an announcement released on January 12, 2009, First Data was awarded U.S. Technology Supplier of the Year by McDonald's[®] USA. The award is presented to the company that makes the most significant impact on McDonald's USA systems with regards to innovation, quality, partnership and customer satisfaction, and value. [Click to read the entire press release.](#)

Market Leadership in Korea

Based on the number of transactions processed by First Data in Korea in October 2008, the company is now the number one Value-Added Network (VAN) business in the country. Throughout Korea, First Data offers the full range of credit card payment services to consumers, merchants and financial institutions, including value-added network services and cash receipt services. First Data is also the exclusive VAN-related services provider to the Korean government's e-voucher business.

