

# The evolution of consumer expectations and payments

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# Card Services

**30 years** building loyalty through branded credit programs

**145 brands deliver \$17.5B in total A/R**

- After-tax ROE > 30%

**Driver of partner sales;** credit sales over 35% penetration with brand partners

**43M active cardmembers**



# 4 key takeaways

- The shift in consumer behavior is real
- Driving purposeful innovations, meeting nextgen consumer demands
- Our value is unique and significant
- We operate in a large, high-growth market



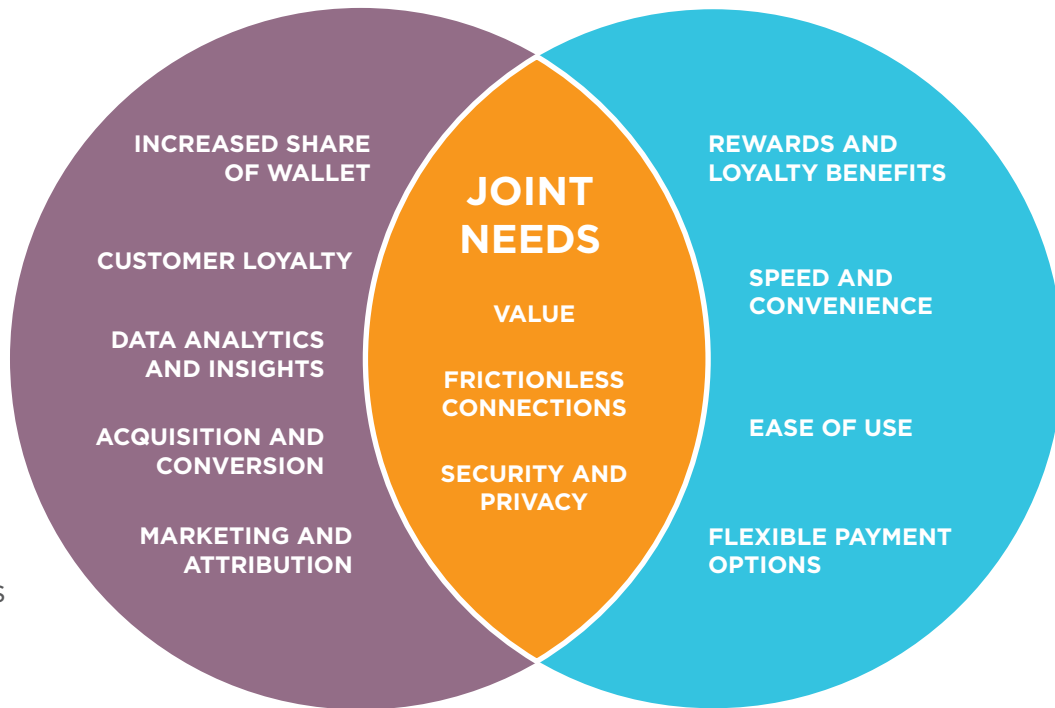
# Expectations are rising

Retailers and consumers want more from the relationship

## RETAILER NEEDS

“Help me **KNOW** her, not **OF** her”

- Retailers are looking to **narrow strategic partners** to answer consumer demands



## CONSUMER NEEDS

“Show me you **KNOW** me”

- Consumers want **personalized engagement** and better experiences

# Next-gen shopping is here NOW

Millennials and Gen Z want value

VALUE

CONVENIENCE

EXPERIENCE



Over 60% say **bonus/rewards**  
**are important to them**

# Next-gen shopping is here NOW

Millennials and Gen Z want convenience

VALUE

**CONVENIENCE**

EXPERIENCE



More than 70% of Millennials  
**shop online and on their phone**  
**for convenience**

# Next-gen shopping is here NOW

Millennials and Gen Z want experiences

VALUE

CONVENIENCE

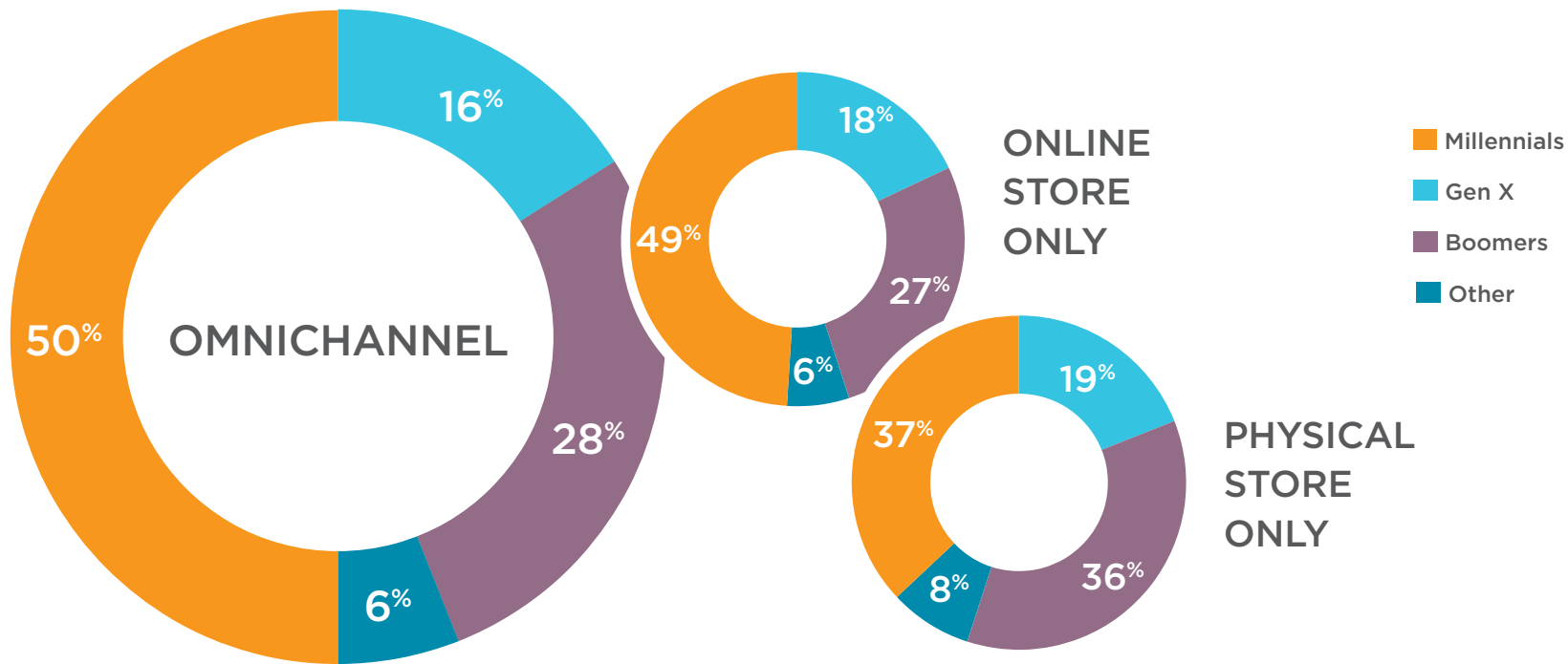
EXPERIENCE



By 2030, they will spend **\$2.2 trillion** on experiential activities; approximately 1/3 of spend

# The customer is the channel

Millennials shop in store and online, and expect a consistent experience in both





# Most consumers are driven by value

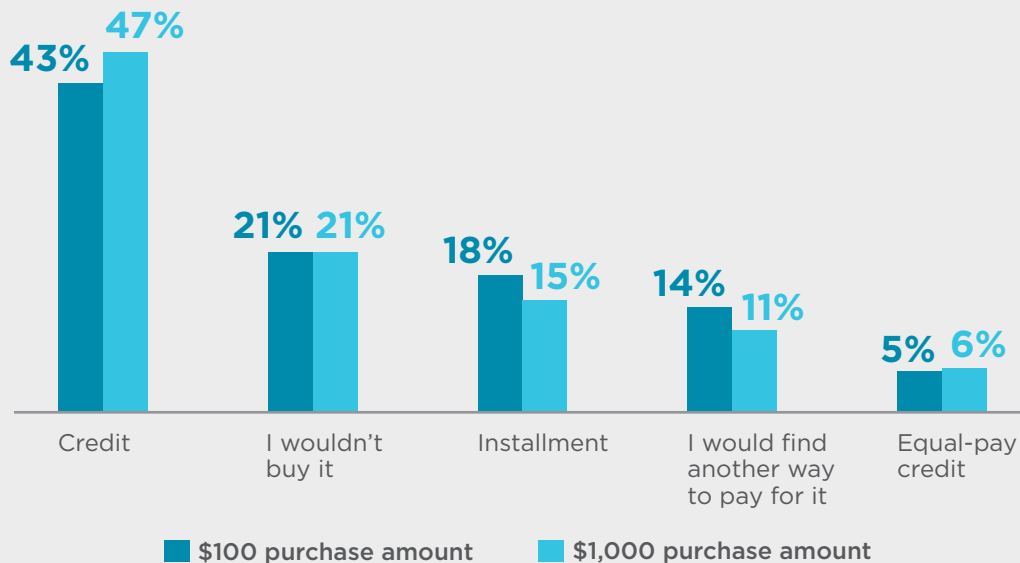
## Openness to change a payment method varies



# Credit is still the primary payment method

Younger consumers are willing to consider new payment methods

We asked: “Imagine you wanted to buy something at your favorite store, but either can’t or don’t want to pay for it up front. Which of the following would you choose?”



# We distinguish ourselves in the market

Data-driven expertise and insights fulfill our brand promise:  
Know more. Sell more.®



## Deliberately different and measurably superior approach

- 1.5x increase in applications, sales, and tender share from converted programs
- 40-50% of credit sales incremental to the retail partner



## Transforming data through technology to boldly reimagine what's possible

- 200 bps increase in new customers
- 10-20% lift in overall spend



## Obsessively focused on the customer

- Our Care Centers are in the top 5% of all U.S. call centers in the credit card industry
- 14th consecutive center of excellence certification from Benchmark Portal
- Award-winning innovations and capabilities that deliver meaningful moments and personalized experiences

# We are leading the shift

Guiding our brand partners in navigating change and improving experience, store layout, and personalized services



KNOW THE CUSTOMER  
INTIMATELY



REMOVE FRICTION



ANTICIPATE AND  
INFLUENCE HER  
NEXT PURCHASE



ADAPT TO CHANGING  
EXPECTATIONS

# We know the customer intimately

Single customer view: better data means deeper insights



RECOGNITION  
AND REACH



INDIVIDUALIZED  
PROFILES



DECISIONING  
AND DELIVERY



MEASUREMENT  
AND INSIGHTS

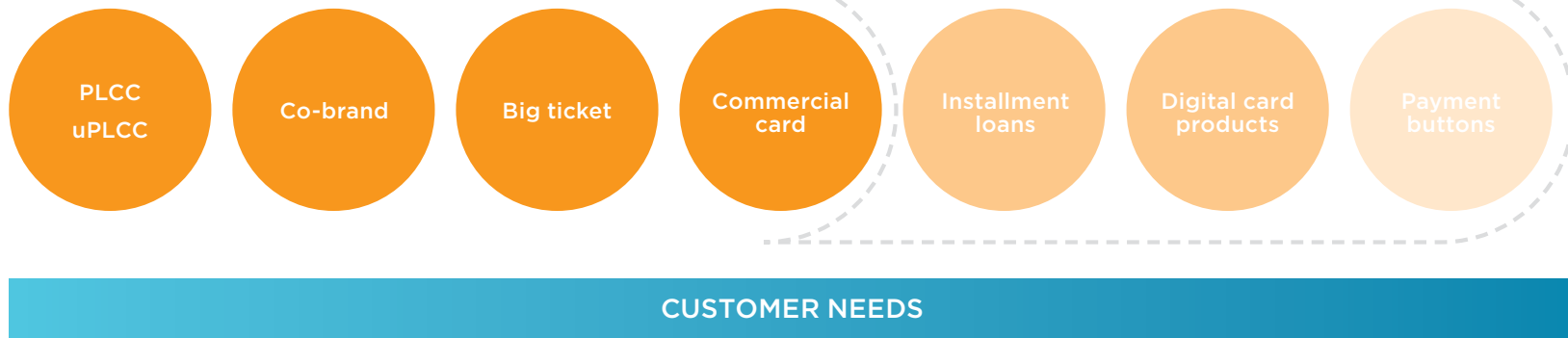
We deliver differentiated value for brands, resulting in **new customers** and **incremental sales** through deep **consumer insights** and **analytics** no one else can offer

# We anticipated changing expectations

Holistic payment products and capabilities to serve the modern customer

Core payment products:

Next generation + emerging payment opportunities

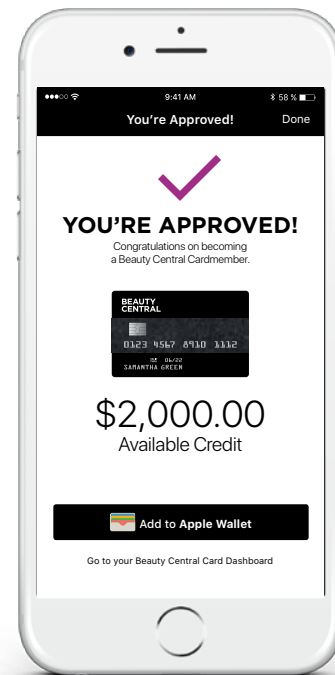


# Delivering capabilities that enhance the consumer experience

While driving retailer value

## Frictionless Mobile Credit<sup>SM</sup>

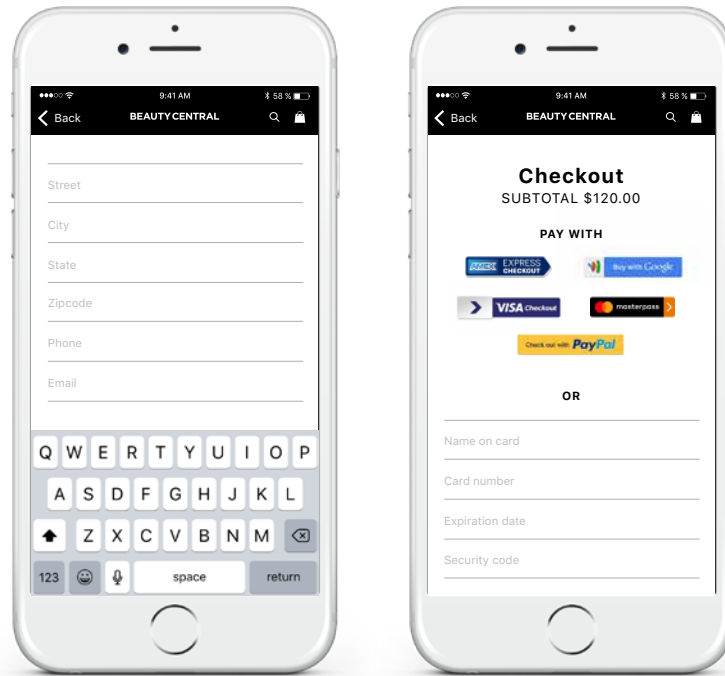
- Patents issued and pending
- Reduces abandonment by 95%
- Increases first spend by 30%



# Delivering capabilities that enhance the consumer experience

While driving retailer value

- 77% of online orders are abandoned
- 80% of abandonment is due to payments friction

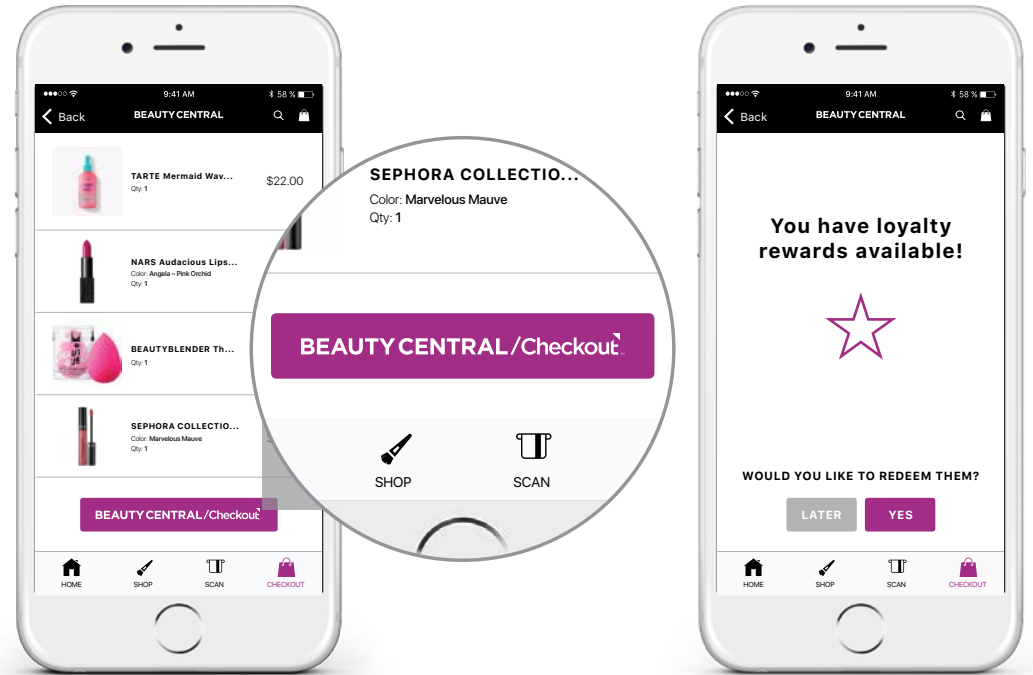




# Delivering capabilities that enhance the consumer experience

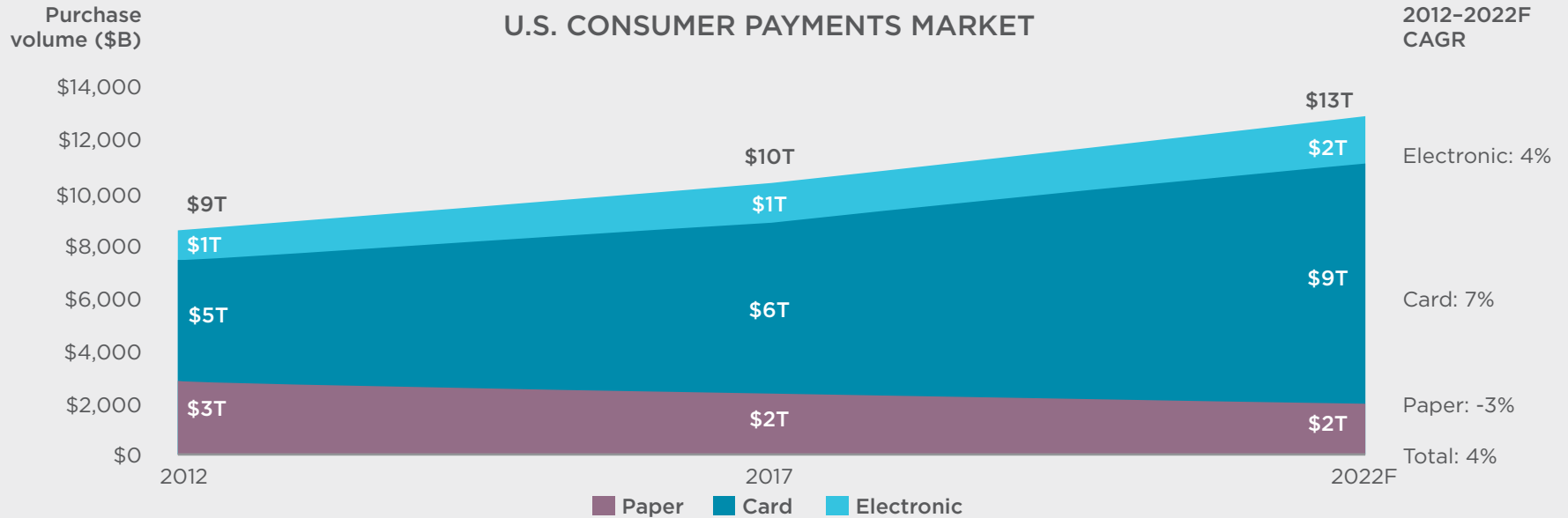
While driving retailer value

- Customers spend 2.5x more
- Provides access to rewards



# Our market continues to thrive

## Payment market is \$10 trillion and growing



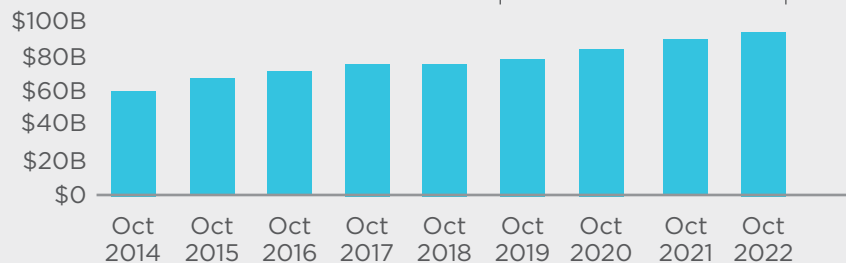
Sources: The Federal Reserve, Nilson, and internal analysis

# Robust card growth will continue

Continued growth in existing and new partners will deliver future strength

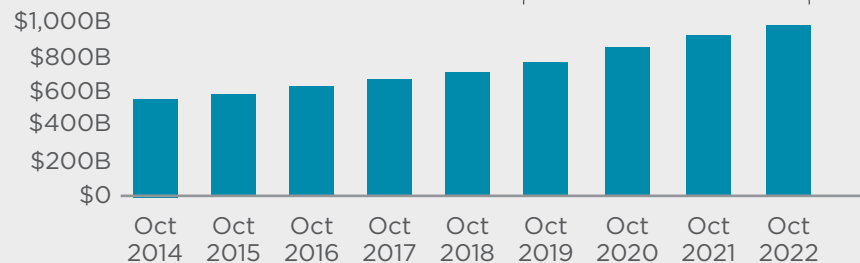
## PRIVATE LABEL OUTSTANDING BALANCES

6%+ CAGR



## BANK CARD OUTSTANDING BALANCES

8%+ CAGR



Source: Moody's

# Our opportunity is significant

\$2.7 trillion

retail market\*

\$1.2 trillion

addressable market

\$245B

total retail sandbox

\$75B

credit sales

\$35B

steady state A/R

PATH TO  
**\$50B**

We have repositioned our portfolio for healthy, long term, sustainable growth

- Lead industry in growth (mid-teens)
- Lead industry in ROE (2-3x industry)

We have a proven and differentiated model, that drives our ability to grow brand portfolios' profitability

- 35+% tender share with brand partners

\*NRF 2018 Market Spend