

2016 Annual Card-Linking Industry Survey

The CardLinx Association

www.cardlinx.org

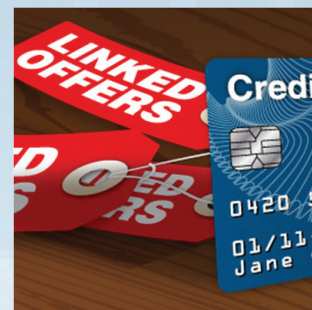
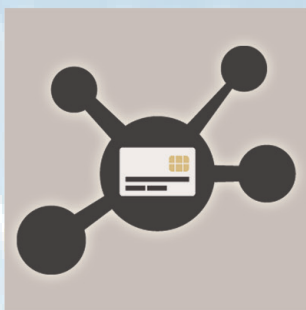
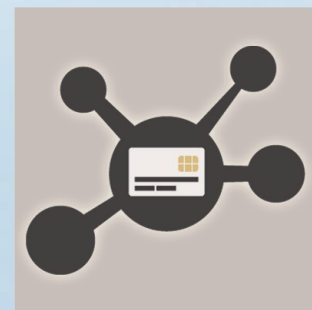
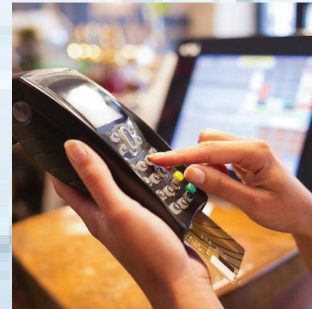
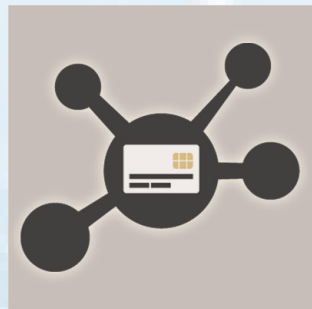


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Department Killer App

Executive Summary

Every year the pace of card-linking adoption continues to grow. Card-linking enables consumers to link their existing credit or debit cards to digital coupons, loyalty programs or mobile wallets. When consumers pay with their registered card or mobile wallet, the discount or loyalty benefit is automatically applied without the consumer having to use a paper coupon, QR code, digital coupon or promotion code.

While there has been significant interest in card-linking for several years, in the last 12 months, the adoption of card-linking has surged. The 2016 Annual Card-linking Industry Survey measures the extent of that growth by surveying the leading payment card issuers, merchants, payment processors and networks, digital publishers and retailers utilizing card-linking. The CardLinX Association member companies include Affinity Solutions, American Express, Bank of America, Bankrate, Cardlytics, Discover, Edo Interactive, Excentus, Facebook, First Data, FIS, Linkable Networks, MasterCard, Microsoft, Quotient, Rakuten, Samsung, Under Armour, Vantiv, Whole Foods, among others.

Card-linking is not growing in isolation. Rather it is growing in the larger context of e-commerce and retail sales innovation. While e-commerce accounts for only 7.5% of all US retail sales according to recent US Census Bureau reports, its exceptional growth is getting notice from investors and industries outside of retail. Between the fourth quarter of 2014 to the fourth quarter of 2015, e-commerce posted explosive growth at almost 15% while retail sales grew by only 1.3%. Yet despite e-commerce growth, card-linking still accounts for less than 90% of total retail sales. Card-linking is a technology that targets that 90% of retail sales while leveraging the internet, mobile phones and big data.

Three Key Survey Findings

1. Card-Linking Is Growing Much Faster Than E-commerce

Card-linking has a network effect and it is accelerating. This year over 50% of survey respondents noted that card-linked transactions have grown by at least 50% in the last 12 months. This compares to last year's survey when the majority of respondents reported growth of at least 10%.

Merchants and brands are pouring money into more personalized and experiential marketing and social media campaigns for card-linked offers, which attracts more consumers to card-linking. As more consumers seek out card-linked offers, payments and fin-tech companies plus traditional financial institutions are developing new innovative platforms to widen the card-linking pipeline to even more consumers.

2. Card-Linking Is a \$10 Billion Market Annually

Card-linking has become the most dynamic aspect of the \$1 trillion offline-to-online industry. Over 50% of survey respondents say that card-linking has the potential to grow to a \$10 billion revenue industry.

3. Restaurants Are the Top Merchant Category for Card-Linking

While restaurants remain the top merchant category, card-linking is gaining traction for other industries like department stores, travel, grocery and philanthropy by offering more card-linking rewards and loyalty programs to gain a foothold in this growth sector.

Prevalence of Card-Linked Offers

The network effect is evident in this chart. The percentage of companies that have used card-linking offers and loyalty rewards is 70% in this year's survey. Data compiled by CardLinX member company Bankrate suggests that over 51% of consumers in the United States have used a card-linked offer in the last 12 months.

As card-linking becomes a standard tool in the CMO's marketing strategy toolkit, more and more companies are exploring card-linking as a way to close the loop between marketing and advertising campaigns and the point-of-sale.

Has your company used card-linked offers or loyalty marketing campaigns in the last 12 months?

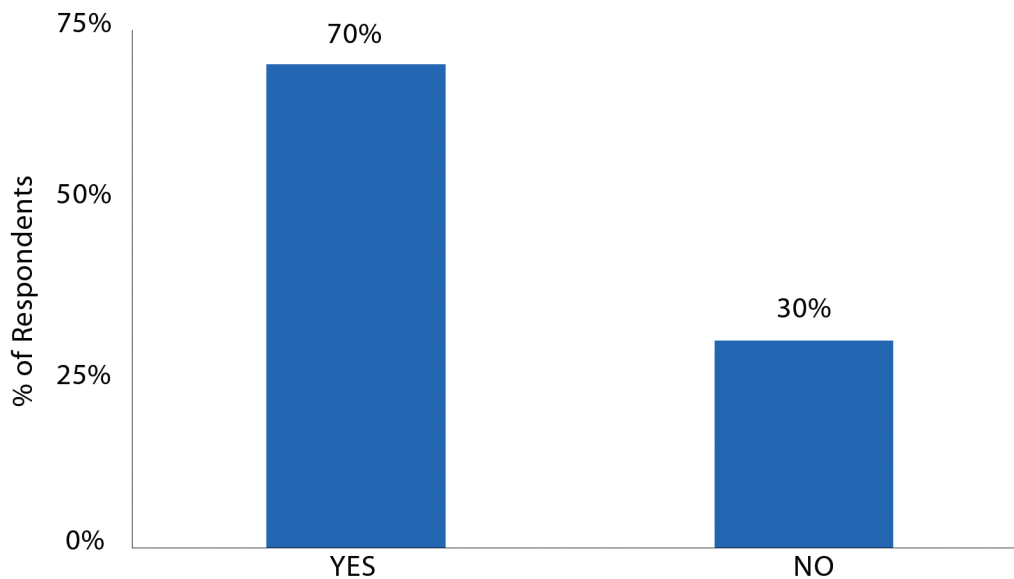


Chart 1

Card-Linking Repeat Usage

The case for card-linking in the Online-to-Offline, “O2O”, industry is visible in this chart. With over 96% of survey respondents reporting that companies will continue to use card-linked marketing campaigns or loyalty programs in 2016. The results of this question consistently receive feedback of over 95% every year since the inception of this survey. Companies that implement card-linking programs almost universally continue to use them due to their superior marketing capabilities.

Will companies continue to use card-linked marketing or loyalty campaigns in the next 12 months?

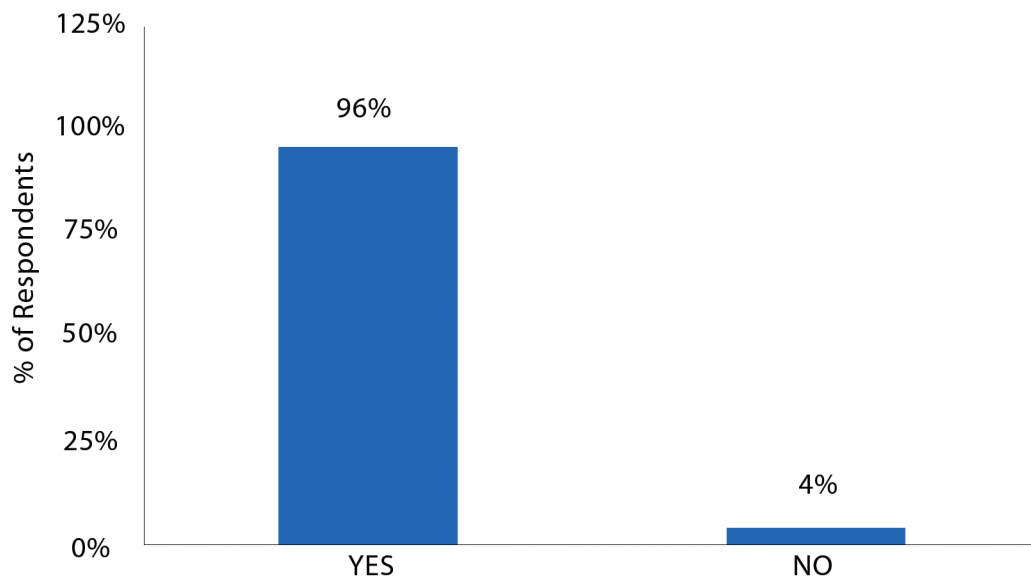


Chart 2

Card-Linking Experiences Rapid Growth

The velocity and volume of card-linked offer usage continued to increase in 2015. The majority of respondents 54% reported that card-linked transactions grew by over 50% in the last year. 77% of respondents noted that card-linked transactions have grown by at least 30% in comparison to last year's survey when 62% of respondents reported growth of at least 10%.

How much have card-linked offers and card-linked loyalty transactions grown in the last 12 months?

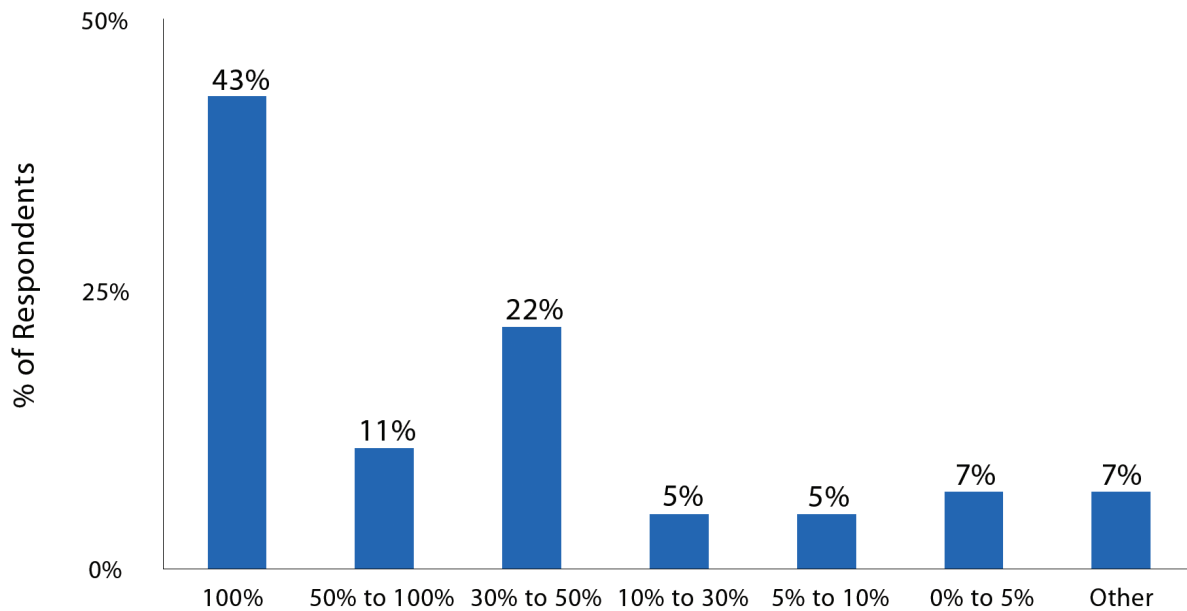


Chart 3

A \$10 Billion Dollar Market

As more people use their smart phones, tablets, and phablets to access the internet, advertisers are following suit. Many analysts estimate the global advertising spend in 2016 to approach approximately \$330 billion with digital media representing a third of that spend and mobile ad spending overtaking desktop spend in 2018. This shift to digital marketing and particularly mobile ad spend is an opportunity for card-linking with 64% of survey respondents predicting that \$10–\$50 billion of the digital advertising spend could be focused on card-linking marketing in the near future.

What estimate of the total size of US advertising dollars could be targeted by card-linked marketing?

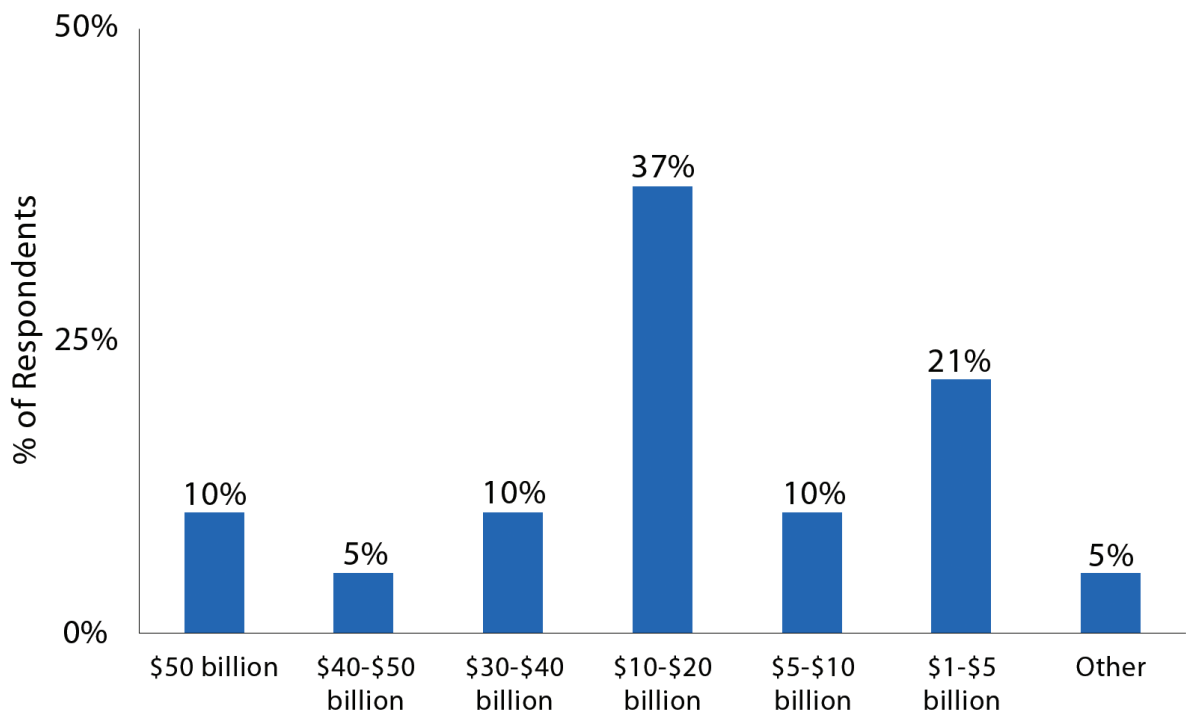


Chart 4

Show Me The Money Back

The increasing allure of card-linking is its ability to create and reward loyal customers. However this year, 64% of survey respondents report that consumers prefer some version of a cash back. This finding is in line with last year's results at 70%.

However, new forms of non-cash back rewards are gaining popularity. The 6% point shift towards other non-cash back rewards indicates the rise of loyalty programs using card-linked offers to expand branding and advertising campaigns. Examples of new reward types include services such as philanthropic contributions.

What type of reward do consumers prefer for card-linking?

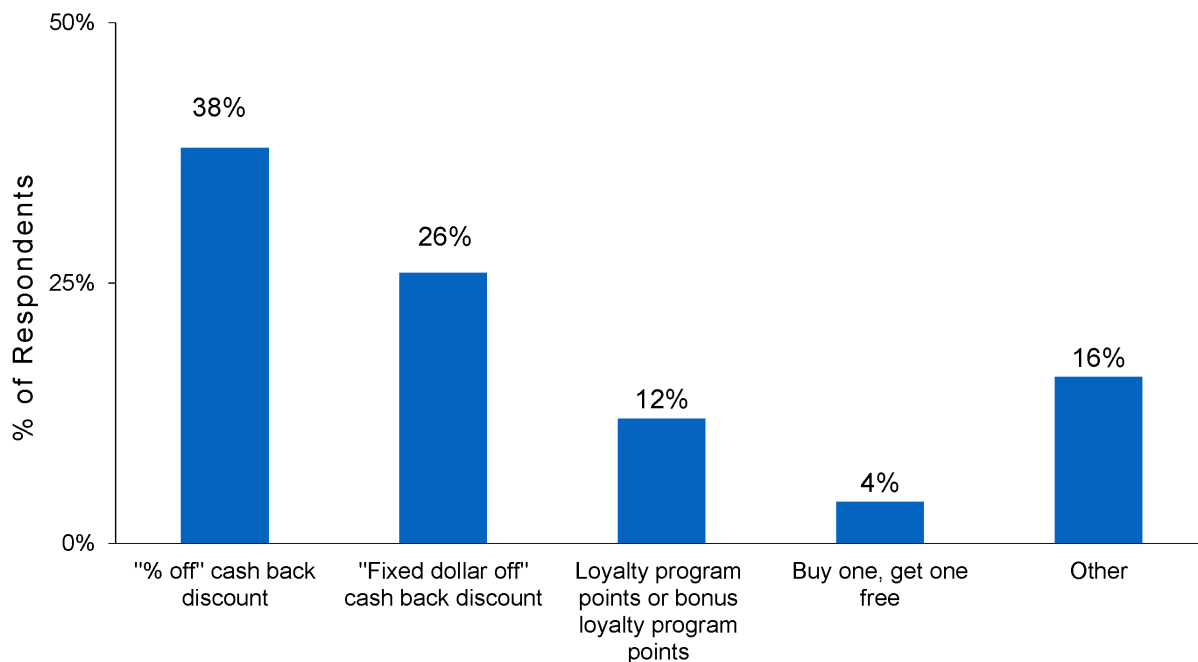


Chart 5

Restaurants Continue to Lead

Restaurants remain the leading merchant category for card-linking programs. 42% of survey respondents reported that the best merchant category for card-linked offers are restaurants. But as the card-linking industry is growing and new standards are established, other industries are also entering the space. Other industries that are exploring and creating card-linking programs include department stores, clothing/apparel companies and travel (hotel, airline, rental cars). Large brands are creating their own loyalty programs with card-linking components so future survey results might include technology and social entrepreneurship companies.

Which merchant category is the best fit for card-linking?

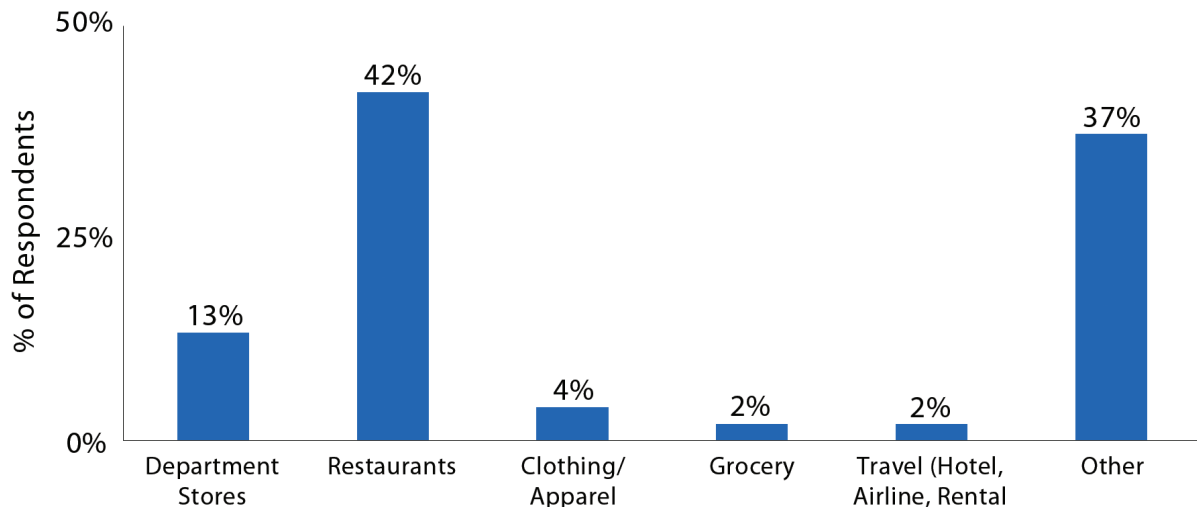


Chart 6

Merchants View Card-Linking as a Marketing Department Killer App

Merchants view card-linking as a marketing discipline rather than a loyalty or e-commerce task. Over 70% of survey respondents say that the marketing department owns card-linking. Loyalty and E-commerce departments come in at 10% and 4% respectively. As card-linking programs become more integral, diversified and sophisticated in the future, we might see a shift towards the development of more loyalty departments to maximize card-linking's full potential.

Which department at the merchant/advertiser is responsible for card-linking?

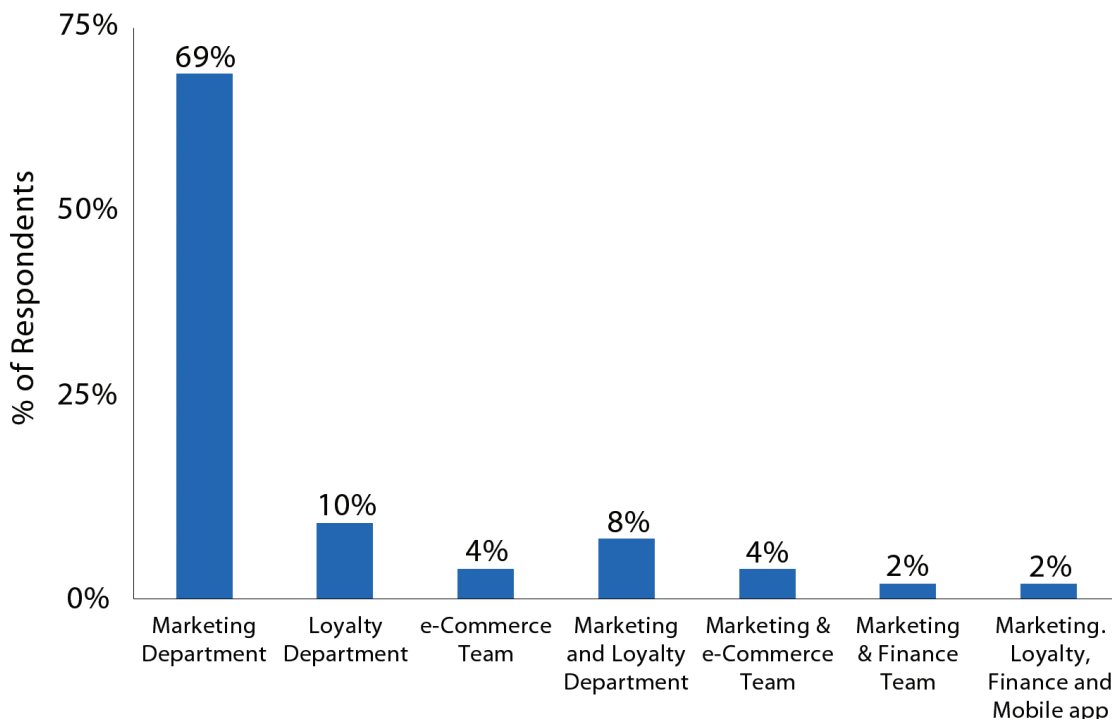


Chart 7

About The CardLinX Association

The mission of the non-profit CardLinX Association is to establish increased interoperability, eliminate friction and promote the growth of the card-linking industry. On behalf of its members, the Association develops and institutes common standards and industry services to minimize and eliminate friction in the sourcing, serving, publishing, redeeming, and cross syndicating of card-linked offers and loyalty programs. For more information visit www.cardlinx.org.