

MasterCard  
International



# In Europe

MASTERCARD EUROPE - ISSUE 2 - MARCH 2004



EXPANDING CARD MARKETS

## Editorial

Debit is in the spotlight in this edition of In Europe. With the Debit Conference in Lisbon in April, the launch of a new tool to help Maestro® cardholders shop on the Internet, and an interview with the Head of Debit Card Services for the Royal Bank of Scotland Group, there is a real debit buzz in the air.

The European Union will soon be welcoming ten new members, so in this issue we also take a look at the new countries and their payment profiles. In the news locally is the launch of the new MasterCard® SideCard™ in Spain – the first roll-out in Europe of this innovative new programme – plus the mouth-watering results of a Spanish Priceless promotion.

In this edition you also get your chance to tell us what you like best about In Europe and what else you would like to see included. Everyone responding to our questionnaire will be entered into a prize draw. Prizes include a lovely leather travelling bag, ten stylish city bags and ten UEFA EURO 2004™ T-shirts! So do not delay. Just fax back the tear-off sheet to +32 2 352 57 32.

We are always pleased to receive your feedback, so if you have any comments about In Europe please send them to Sue Davies at [sue\\_davies@mastercard.com](mailto:sue_davies@mastercard.com)

## First MasterCard® SideCard™ in Europe Launches in Spain

Uno-e, the online bank of the BBVA Group, is causing a stir in Spain with their new Maxi & Mini Card Programme. It consists of a combined Gold Debit MasterCard Card with a Gold MasterCard® SideCard™ (which is 30% smaller than the standard card).

The SideCard's modern design and eye-catching styling is set to become a 'must-have' for Europe's young and techno-savvy consumers. But the card is much more than just a visual innovation. In addition to providing access to a worldwide acceptance network, it offers features more commonly found in a Premium credit card: the Maxi & Mini cards come with such benefits as travel insurance of € 310,000, discounts on selected hotel rates and, most importantly, a 1% discount on all purchases.

Payment cards are a highly competitive business in the sophisticated Spanish card payments market. Today there are 55 million cards in circulation, 65% of which are debit cards. For this reason, it is particularly important for banks to offer exciting and innovative products. The unusual design was one of the main reasons that Uno-e Bank decided to launch this programme.

Victoria Montero, Uno-e Marketing Director, and Ypo Kranenburg, Uno-e Payment System Director, are confident about the success of the product launch. "As well as expecting greater revenues through more purchases and increased customer loyalty, we believe that Uno-e will be able to attract more customers thanks to this novel card programme," says Ypo Kranenburg.

Caroline Martinez, Premium Programmes Product Manager, says, "Young consumers are always on the look out for ways to stand out from the crowd. This dynamic new programme has a great appeal for people wanting to make confident lifestyle statements. MasterCard's innovation and creativity makes our cards the preferred way to pay." ▶▶

**Don't forget to complete our Readership Survey on page 9 and enter a Prize Draw!**



## Ian Stewart from the Royal Bank of Scotland Talks Debit ...

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Ian Stewart is Head of Debit Card Services for the Royal Bank of Scotland Group – the largest single MasterCard® Debit Card issuing bank in Europe via the Maestro® brand – and Chairman of S2 (formerly Switch Card Services). His practical experience of both issuing and acquiring, and his successful record at RBS give him an exceptional insight into the elements involved in building a thriving debit proposition. Given these credentials, it is no surprise that he represents the UK on MasterCard's Global Debit Advisory Board and on the Debit Working Group in Europe.

A summary of the issues Ian Stewart has worked on during his fourteen years in the Royal Bank of Scotland's cards business reads like a list of milestones and key themes in the payment industry. Among his many responsibilities and achievements, he has set up an acquiring operation, built an affinity and co-branding programme, planned chip/PIN migration, introduced e-commerce programmes and managed counter-fraud.

Since Ian Stewart became Head of Debit Card Services at RBS in 1996, the group has achieved a good pedigree of innovation and success. It now has a combined group insurance of close to 14 million active debit cards, and its 'firsts' include the introduction of full ATM reciprocity, while NatWest was the first bank in the UK to issue the Solo Card. However, according to Ian Stewart, his most significant achievement is establishing a profitable business model for managing RBS's debit card portfolio that has helped build a very customer-oriented debit business.



"It is not in anyone's interest for banks to lose money from debit card issuance – it needs to be profitable for the card industry to thrive, and thereby ensure that customers benefit from a competitive marketplace and high levels of service," he adds.

As well as campaigning for a profit driven focus, Ian Stewart is also a champion for debit generally, and sees huge potential in the market. While the UK debit market is mature in some respects – some 85% of UK adults have a debit card – there is still scope for growth. "For example, it is estimated that 74% of spontaneous purchases are still made using cash," he observes.

Ian Stewart is clear on where the main opportunities for increasing debit card usage lie, namely e-commerce, overseas usage (boosted by the migration of UK debit cards from Switch to Maestro) and the greater use of debit cards for low-value transactions. In addition, he foresees the potential benefit and increased usage for debit cards that MasterCard SecureCode can deliver in the e-commerce environment.

A common element in all of these areas is the desire to encourage debit usage in the youth segment, and, as the father of teenage children, Ian Stewart is well-placed to understand this market.

Looking further ahead, over five to ten years, he identifies person-to-person payments as an important opportunity for banks and card schemes, and points out that the Royal Bank of Scotland has already taken part in the pilot of MasterCard's MoneySend™ P2P funds transfer service. He also foresees microchip based technology facilitating the emergence of 'self payment' devices as fairly standard in the volume retail sector, the development of 'proximity' based debit payments particularly in the low-value sector, and the creation of the long-heralded combined debit card with credit application.

It is clear from Ian Stewart's enthusiasm that 35 years in retail banking have done nothing to dull his appetite for innovation and challenges. "What I enjoy in my job is leadership and the scale of the debit operation at RBS. I believe debit cards have a great future, and I am proud and excited to be involved in building that future." ►►

# New EU Countries, New Opportunities



Jsou věci, které si za peníze nekoupíte.  Na všechno ostatní je tady MasterCard.

First there were six, then nine, then ten, then twelve, and fifteen. And as of 1 May, the EU will have twenty-five members. The ten new entrants are scattered thousands of miles apart, from the Baltic states of Estonia, Latvia and Lithuania in the north to Cyprus in the south-east. Their populations range from Malta with fewer than 400,000 inhabitants to Poland with around 40 million. As far as their MasterCard operations are concerned, joining the EU will not result in any changes for the new EU members.

The financial and banking sectors and card markets of the new entrants are diverse. Although there is one significant similarity: apart from Malta and Cyprus they all have Maestro as their domestic debit scheme, demonstrating the importance of Europe's leading debit brand. As popular tourist destinations, Malta and Cyprus already have well-developed acceptance networks, and on the issuing side are also well-developed and mature card markets.

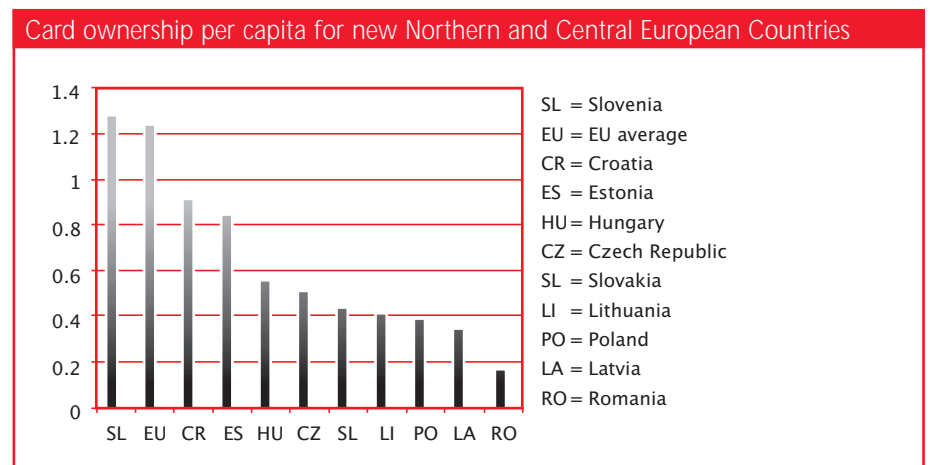
More recently the Baltic states have seen steady growth in the issuance and

acceptance of MasterCard brands. The growing popularity of cities like Tallinn (Estonia) and Riga (Latvia) as tourist destinations is also boosting acceptance figures in these countries.

For more spectacular examples of growth, one can turn to the countries of Central Eastern Europe (CEE) – the Czech Republic, Hungary, Poland, Slovakia and Slovenia (and Croatia too, though it is not one of the current crop of EU entrants). Take card numbers, for example. In 1991 the total number of cards issued (all brands) in the region (including Russia, Ukraine and Croatia) was less than 200,000; in 2002 this figure was close to 50 million.

Although the rate of growth will slow over the next decade as the markets mature, there is still vast untapped potential, and predicted growth rates are higher than in Western Europe. With a population of 40 million, Poland has the largest number of cards in the region, but in terms of card ownership per capita, it has less than half the EU average. Hungary, Czech Republic, Slovakia, Lithuania and Latvia are also way below the EU average, with only Estonia coming close to the average, and just one country – Slovenia – exceeding it (see chart).

However, although these new EU members are behind Western Europe in terms of statistics like cards in issue, in other respects



they are well-advanced. "The youth of the card market in Eastern Europe means these markets carry no baggage. So, in some areas, they can be right at the forefront of developments in the payment business. For example, Slovakia was one of the first countries in the world to go live with MasterCard EMV chip acquiring and issuing," observes Tony Fekete, who heads up the Eastern Countries for MasterCard Europe.

### Pay Later

One market segment that has seen a sharp increase in the past two years is Pay Later, with growth of 75% in the CEE region. MasterCard issuance is already well-developed in the Czech Republic and Hungary, and there is strong growth in Poland and Slovakia. As a result, there were almost three million MasterCard Pay Later Cards in the CEE region at June 2003. "Banks have recently begun to put MasterCard credit products at the forefront of their strategies. They are issuing them to consumers who really do want to use them on a regular basis to buy goods and services, so transaction numbers are highly encouraging," says Tony Fekete.

### Card Usage

The youth of the card markets in the new EU entrants (except Cyprus and Malta) is generally reflected in card usage patterns. The average number of transactions per card in Central Eastern Europe is about half the European average, with Slovenian cardholders making the highest number of transactions.

One reason for the lower level of card usage is that many cardholders in the region initially saw their payment cards merely as a way of transforming salaries paid into a bank account into cash. Thus, while the average number of transactions

in CEE is about half the European average, transaction values are about two-thirds the European average. As consumers begin to use their payment cards more at POS and less for making large cash withdrawals, it is likely that the number of transactions per card in the new EU countries will rise, but the average value of these transactions may fall.

"In the coming years several factors will boost card usage in Hungary, the Czech Republic, Poland and Slovakia – as we have already seen happen in Slovenia. The first of these is a change in shopping habits. The spread of shopping centres, supermarkets and hypermarkets will see consumers move away from smaller shops, and this will boost the use of cards, rather than cash, at POS," explains Tony Fekete.

"Equally, at the macroeconomic level, household incomes and household consumption are likely to rise at a higher rate than the EU average over the next few years. There will be a further growth in the demand for consumer durables, leisure-time services and brown goods such as electrical equipment and computers, and this trend is likely to boost the use of cards with MasterCard credit and debit brands."

### Changing Bank Culture

Research in Europe and beyond shows that a variety of factors can influence bank card penetration, including:

- confidence in the banking sector;
- demographic and sociological patterns, such as the share of the young in the population, the level of urban versus agricultural population and levels of education;
- experience of Western consumption patterns through exposure to foreign tourists and business travellers.

Thus, for example, Slovenia's popularity as a tourist destination has accelerated the growth of the card market there, while countries like Poland, with a large agricultural and non-urban population, are less developed. "Overall, those countries that are closest to Western Europe in terms of economy, geography and culture have the greatest likelihood of coming closest to the Western European average for card issuance – we have already seen that with Slovenia," comments Tony Fekete.

Of course, the other powerful lever for increasing card penetration, acceptance and usage in the newer markets of Europe is the work of payment systems and their members. MasterCard Europe's approach to developing the card markets in the new EU members is to work on the ground to meet the needs of local markets and members, using its long standing network of local offices, combined with initiatives like MasterCard Advisors. At the same time, MasterCard Europe is continually working to ensure that its product range contains all the elements appropriate to these markets. For example, MasterCard Electronic, its entry-level credit programme, has now been rolled out in every Eastern European country.

"The economic changes which have occurred in the CEE region during the last ten years, combined with the excellent efforts of our members, have delivered phenomenal growth in the card markets here. EU membership will help to deliver further growth," concludes Tony Fekete. "For all of us who work in the payments business in the ten new EU member states this is a hugely exciting time." ►►

## Maestro's Hole in One

### Is It a CD-ROM?

### Or Is It the Key to Shopping on the Internet?

Actually, it is both. Thanks to an ingenious idea from the MasterCard Europe e-Commerce team, Maestro and MasterCard cardholders will soon be able to access the details they need to help them shop securely on the Internet.

Although it is not widely known by members of the public, a PAN (Personal Account Number) is required to purchase goods online with their Maestro Card. This is the cardholder's individual card number, allocated to their Maestro Card, but it is not displayed on the card in all countries. It is only readable from the magnetic stripe.

The Maestro e-Commerce Card will help to overcome this problem. When the card is inserted in the CD drive of a computer, it displays the account number on the screen (the number has been encoded onto the CD). The number, and other personal information, can then be easily copied and pasted by the cardholder into a merchant's site to perform their online transaction.

Following the easy-to-follow steps provided on-screen by the CD, the cardholder can register their card, create their SecureCode, track any purchases they have made on the Internet and also link directly into merchant websites offering special promotions for Maestro cardholders. Not only can Issuers use the card for their co-branding programmes, it also offers an excellent customer acquisition and retention tool.

To be rolled out officially at the MasterCard Europe Debit Conference in Lisbon on 1 and 2 April, it is hoped that members will appreciate the flexibility of the tool, which can be customized with any application, design and name required by the member bank.

"We believe banks can only benefit from our application," said Bert Fierens, SecureCode Product Manager of MasterCard Europe's e-Commerce team. "It is a pocket-sized solution with huge potential, which in parallel with our SecureCode programme can help banks to unlock the huge Internet debit opportunity." ▶▶



For further information on the  
Maestro e-Commerce Card,  
please contact  
[bert\\_fierens@mastercard.com](mailto:bert_fierens@mastercard.com)

## MasterCard SecureCode™ Flies High with British Airways

British Airways is the first global airline to offer MasterCard® SecureCode™ across multiple regions, with a roll-out to 23 country sites, including the key markets of the United Kingdom and the United States. With more and more consumers taking advantage of the convenience of purchasing tickets via the Internet, this signifies an important move from the airline industry in protecting consumers when they shop online.



"MasterCard SecureCode is a powerful solution for addressing British Airways' global Internet security concerns and extends to them a very important payment guarantee," said Stephen Orfei, Senior Vice-President, e-Commerce Center of Excellence, MasterCard International. "Additionally, with the online shopping channel secured, British Airways can focus on what they do best, providing premier service to their global customer base. The business case for MasterCard SecureCode could not be more compelling."

MasterCard SecureCode overcomes two of the most pressing issues in e-commerce today: cardholder concerns about the safety of online shopping, and Internet merchants' need for an enhanced payment guarantee. MasterCard SecureCode works for both MasterCard credit and Maestro debit transactions. More than 9,000 merchants and 2,500 banks worldwide are now participating in the programme.

“The sheer volume of tickets now processed by the Internet means that we are constantly striving to have the best security possible,” said Simon Parks-Smith, Head of e-Commerce at British Airways. “We want to keep our customers using the web and encourage e-commerce newcomers to book with us in this way. MasterCard SecureCode is a natural way to achieve that goal.”

For cardholders, MasterCard SecureCode delivers enhanced protection against the risk of credit or debit account numbers being used by fraudsters in cyberspace. Online bookings made on the British Airways’ site will be secured by the cardholder’s personal MasterCard SecureCode. This is the key to using a

## MasterCard® SecureCode™

MasterCard Card on the Internet and an important extra step that gives cardholders the confidence that their account is protected, while the card issuer and British Airways are assured about the identity of the person completing the transaction.

MasterCard is working alongside British Airways to fully implement MasterCard SecureCode with support from Streamline International, which offers multi-currency credit card acquisition services, and CyberSource, a global leader in digital commerce services. ▶▶

**Don't forget to complete our Readership Survey on page 9 and enter a Prize Draw!**

## MoneySend

### MasterCard MoneySend™ – the Fast and Easy Way to Send Money Abroad!

Kids backpacking around the globe? Friends or family living abroad? Then you will know how expensive and complicated it can be to send money to another country. MasterCard has come up with a way of making life much easier for MasterCard and Maestro cardholders, who now have the possibility of sending and receiving money via their payment cards.

The first cross-border transaction between British and Italian issuers took place in January and was authorized and cleared on MasterCard’s transaction processing network. The transactions between MasterCard NatWest Cards, and MasterCard SanPaolo and BPM Cards were processed through the MoneySend service and customised for the card processing service of the Royal Bank of Scotland (RBS) Group, and through the MoneySend service customized for CartaSi.

The beauty of the system lies in its simplicity. Using their mobile phone or the website of their bank, the cardholder just enters their password, specifies how much money to send, which card to debit and who is the recipient. The

receiver of the money can be identified as simply an e-mail address, a mobile phone or the MasterCard or Maestro PAN. The MasterCard MoneySend platform translates the recipient’s e-mail or mobile phone number into an associated PAN and then routes the transaction over the MasterCard network. The recipient then receives an e-mail or SMS message notifying them that the money has arrived. This takes less than a minute. Not only is the service fast, it is also secure. Cardholders can make the transactions with the peace of mind that goes with knowing that the transfer goes securely through their bank, without their card details being revealed to any other party.

With over a billion cardholders worldwide, the potential for this service is enormous. MoneySend is now being piloted by the RBS Group in the UK, CartaSi in Italy, Bank Card Company in Belgium and Spron in Iceland. The increasingly international lifestyle of European citizens – money remittance is currently growing at a rate of 5 billion euro per annum – means demand is growing for this service. But it does not stop at Europe’s borders. Cardholders whose banks are providing this service can send money anywhere to any other MasterCard or Maestro cardholder. ▶▶



## A Priceless Meal Creates Priceless Memories

The Christmas season may be over, but the special memories stay with us. The moment that seems to capture the essence of this period is the family dinner. It may vary from country to country, but one way or another, we all sit down – before, after or while exchanging presents with our loved ones – and break some dietary rules with a holiday feast.

Priceless is the best way to describe these special moments, and what better



way to make it a very special occasion than by enjoying, in your own home, a meal prepared in your very own kitchen, by one of the best chefs in the country.

MasterCard and Santander Central Hispano made this dream come true for a Spanish family and their friends (22 people altogether) last Christmas. Martin Berasategui, one of the most prestigious chefs in Spain (and in Europe) and his team prepared an unforgettable meal. Nothing was spared for this feast: six courses including lobster salad, sirloin of beef with wine sauce, a number of different pates, seafood and, to accompany the meal, a wonderful range of Spanish wines and cavas.

The Priceless campaign has helped Santander Central Hispano to meet very important business objectives across a diverse card portfolio. The 'Chef Promotion' was developed to address specific needs for each card programme: increased POS usage for debit, activation for Platinum and more frequent usage for Standard. This single umbrella promotion reached almost one million customers and was achieved in barely four weeks of intense teamwork.

The winning family probably gained some extra weight; Santander Central Hispano beat their targets – and a truly Priceless moment will be remembered for a long time to come. ▶▶

## Hungarian Entrepreneur of the Year

In October last year the MasterCard Hungarian Representative Office became one of the main sponsors of the 'Entrepreneur of the Year', Ernst & Young's annual business award programme. Recognised globally, regional, national and global award programmes in over 100 cities and 35 countries celebrate entrepreneurs who are building and leading successful, growing and dynamic businesses. The national winner for Hungary, Mr Sándor Csányi, CEO of OTP Bank, was honoured at an award ceremony held on 1 February 2004.

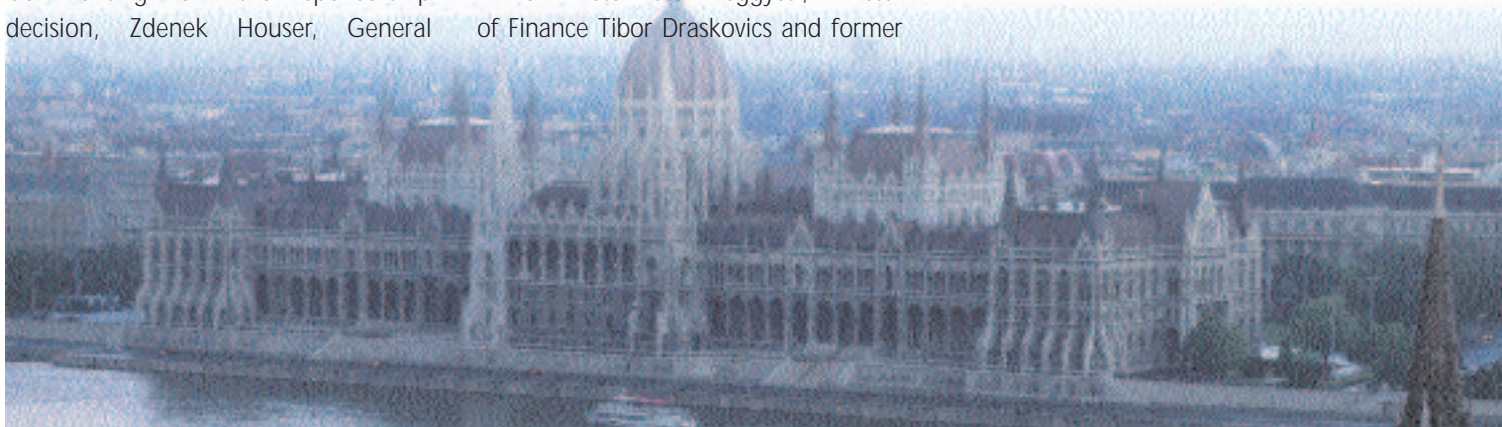
Commenting on the sponsorship decision, Zdenek Houser, General

Manager for Hungary and Croatia, said, "We believe that outstanding achievements should be publicly recognised, so that their good work is brought to the attention of their customers, partners and competitors. The 'Entrepreneur of the Year' award is in harmony with our philosophy and key values of quality, reliability and achievement."

Top local member partners were the guests of the MasterCard Hungarian Representative Office at the award ceremony and gala dinner on 1 February 2004, which included such dignitaries as Prime Minister Péter Medgyesi, Minister of Finance Tibor Draskovics and former

Finance Minister Csaba László. At the ceremony Mr Houser presented 'The Innovator' category award to László Szentkúti, Managing Director of Epcos Ltd, an electronic component manufacturing company.

Sándor Csányi, CEO of the Hungarian market leader OTP Bank, was named 'Entrepreneur of the Year'. "We are especially proud that Sándor Csányi's achievements have been recognised as a success story well beyond the payment industry," said Zdenek Houser. ▶▶



# In Europe Feedback Questionnaire

## Help Us Improve In Europe for You and Win a Great Prize!

It is now over a year since MasterCard Europe launched In Europe. As well as providing you with new services and products, we want to make sure we keep up with your needs as readers. In Europe is designed to keep you up-to-date with what MasterCard is doing in Europe as well as addressing the latest developments in the payments business. To help us respond to your requirements, we would be pleased if you would complete the questionnaire below. Please fax this page back to Sue Davies at +32 2 352 5732. Please return it by 26 May.

Everyone who returns the questionnaire will be entered into a prize draw. Complete the questionnaire and you might win a beautiful leather bag, a stylish city bag, or, especially for the football fans, a highly desirable UEFA EURO 2004™ T-shirt.

### How do you receive your copy of *In Europe*?

- In a direct mailing
- With European Card Review

### When you receive it, do you read it?

- Always
- Sometimes
- This is the first time

### On a scale of 1-5 with 5 being extremely useful, how useful do you find the following types of articles? (please circle)

	extremely useful	very useful	somewhat useful	not useful
<input type="radio"/> Articles introducing new products/services	5	4	3	2 1
<input type="radio"/> Interviews	5	4	3	2 1
<input type="radio"/> Features	5	4	3	2 1

### Are there subjects you would like to see covered in future issues?

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### Do you have any other comments?

.....  
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## Your Details

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Country: .....



# MasterCard Europe Supports Hewlett-Packard Business Vision Award

MasterCard Europe is sponsoring the European Hewlett-Packard Business Vision Award 2004. The competition is supported by a high-profile judging panel which includes HP, MasterCard Europe and BusinessWeek, the world's largest global business magazine. The HP Business Vision Award 2004 offers innovative small businesses in France, Germany and Great Britain the opportunity to win a top prize worth over m 8,000 (£5,500), including a small business product package from HP and MasterCard.

"Small companies are the economic powerhouse of Europe, which is why MasterCard has committed itself to developing and providing payment solutions tailored to their needs," said Tuuli Perkio, Associate Vice-President, Corporate Payment Solutions, MasterCard Europe.

"Almost nine out of ten enterprises in the EU employ less than ten persons. These microcompanies account for over 20% of the total turnover in the region and employ close to 30% of all those employed in the business economy. The microcompanies act as a catalyst for the creation of jobs and economic wealth in Europe. We are delighted that we can sponsor an award that will give the most entrepreneurial the chance not only to showcase their own brand of innovation, but also to benefit from the recognition that this award will bring."

In addition to receiving a range of small business IT products and services from HP and MasterCard, the overall European winner will have their profile published in



BusinessWeek as well as the chance to network with some of Europe's most influential business people at the BusinessWeek European Leadership Forum in December 2004. Competition entrants can download entry forms from the official competition website at

[www.hp.com/eur/businessvision](http://www.hp.com/eur/businessvision) from 12 February 2004. The deadline for entries is 16 May 2004. The winner will be announced on 15 July 2004.

"Innovation is an essential ingredient of all business success. HP is a company that prides itself on its inventiveness and entrepreneurial roots," stated Pau Virgili, Consumer Marketing Director Imaging and Printing Group Europe, Middle East and Africa (EMEA) Hewlett-Packard Company. "The HP Business Vision Award 2004 has been established in recognition of this as well as in honour of the huge contribution made by small businesses to the broader economic environment. HP wants entrepreneurs to be able to concentrate on their business, not the technology powering it. Because of this, it offers small businesses the tools to be more flexible, powerful and productive, now and as they grow." ►►

Mastercard Academy Courses	Location	Dates
ATM & POS Risk Management	Waterloo	April 1
The Business of Fraud Detection	Waterloo	April 2
Smart Card Security Evaluation	Waterloo	April 2
Revolving Credit: A Profitable Card Option	Budapest	April 20-21
Activation Strategy	Budapest	April 22
Regulatory & Legislative Aspects of Payment Systems	Budapest	April 22-23
Advanced Chip Workshop	Budapest	April 20-21
Authorisation Operations for Members	Budapest	April 20-21
Authorisation Workshop	Budapest	April 22-23
MasterCard Chargeback Seminar	Budapest	April 20-21
Debit: ATM & Maestro Chargeback Seminar	Budapest	April 22

**Register early to obtain the early-bird rate!**  
 Please contact the Academy to receive full details and Curriculum 2004:  
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