

MasterCard  
International



# In Europe

MASTERCARD EUROPE - ISSUE 4 - AUGUST/SEPTEMBER 2004



SPOTLIGHT ON PREDICTING THE FUTURE |

## Editorial

This month MasterCard BEAM is in the spotlight. This new service from MasterCard Advisors helps improve members' bottom line by the use of an exceptionally accurate forecasting and prediction service. We also explore what makes a relationship work, and what makes MasterCard and ABN AMRO such a good fit.

The football season is now over for a few months. The success of the UEFA EURO 2004™ and the passion and excitement it generated was outstanding. A round-up of this fantastic sporting event is included, with more business outcomes to be reported in the next edition – which will be just before the 2005 football season kicks off!

Many thanks go out to everyone who participated in our Readership Survey. Polo-shirts and bags are on their way to the winners. Congratulations!

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)

## MasterCard Recognises Co-Branding Success

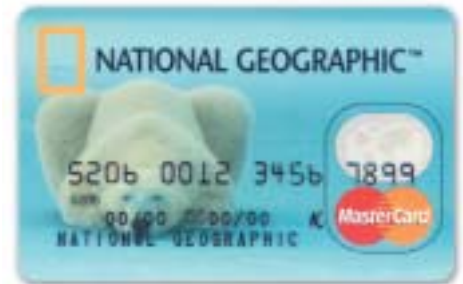
What makes co-branded and affinity cards successful? Last year MasterCard affinity and co-branded cards in Europe grew by 20%, reaching almost 11 million cards.

In recognition MasterCard is launching an exciting new awards programme and is inviting issuers and co-branding partners to submit nominations in three categories:

1. Best programme launch
2. Best usage/expansion programme
3. Long term achievement award

A special panel of independent judges will review the nominations and select the winners based on their demonstration of excellence and innovation in co-branding. The winners will receive a crystal award to be presented at the fifth MasterCard Europe Co-Branding Conference in Athens on 23-24

September. The co-branding partner from each winning category will be invited to present their programme at the Asia Pacific Co-Branding Conference in late 2004 or the North American Conference in spring 2005.



Nomination forms and more details can be obtained from the conference website:

[http://programs.regweb.com/mastercard/co-branding\\_athens2004](http://programs.regweb.com/mastercard/co-branding_athens2004) (password = athens) ▶▶

## EGG Bank Launches its First MasterCard

EGG Bank PLC, the highly successful Internet-only bank in the UK, has launched its first MasterCard. EGG was founded five years ago and today has over 2.5 million customers.

The EGG Blue Card is a standard MasterCard card which offers up to 10% Cash Back with specific online retailers! EGG says this is the most significant product launch they have undertaken since the initial card launch in September 1999. The EGG cards will all be Chip & PIN-enabled to combat fraud and have other benefits such as 0.5% cash back on all purchases as well as no annual fee.

EGG intends to issue 300,000 MasterCard cards in two years and it is expected that some competitors' cards will move to the MasterCard portfolio.

Thomas Judén, Account Manager for EGG, says: "We are very pleased to have reached this important strategic relationship between EGG and MasterCard Europe. EGG has been very successful in the credit card market in an already competitive arena with its innovative products and marketing campaigns. Their aggressive plans for the future will definitely be of great value for the MasterCard brand and we are glad to be in partnership with EGG." ▶▶

# ABN AMRO and MasterCard – Partnering for Success

What makes a partnership? *In Europe* talks with Wery Hegge, Vice President, Corporate Centre Payments & Cards at ABN AMRO, and Gary Flood, Executive Vice President, Global Key Accounts at MasterCard, to find out what makes it work for them.

*In Europe:* ABN AMRO and MasterCard have formalised their partnership to support each other's business. How did this come about?

*Wery Hegge:* We were looking for a partner that would help us fulfil our objectives. We wanted to work with a company with a big enough global reach to satisfy the needs of our business around the globe, and we think with MasterCard that we have found that. ABN AMRO is active in more than 60 countries and territories, with over 3,000 branches worldwide. We operate through three strategic business units: Wholesale Clients, Consumer & Commercial Clients, and Private Clients & Asset Management, each responsible for a particular client segment, so you can see that our needs are very diverse and far reaching.

*Gary Flood:* ABN AMRO is one of the few truly global banks. It has a business presence on every continent with the Netherlands, the US and Brazil as home markets.

*In Europe:* What were the main challenges in getting the partnership of the ground?

*Wery Hegge:* We wanted a model that was flexible enough to serve the interests of mature and new growth markets. New growth markets require more help when launching their card programmes, for example, while more mature ones are looking for such things as support on how



Gary Flood

Wery Hegge

to improve their profitability. Their interests are different, so it is important to partner with a company without a 'one size fits all' mentality, which I think is what we found with MasterCard.

*Gary Flood:* For us the challenge was making a proposition that would meet ABN AMRO's needs. One of the most attractive things about our partnership, I think, is that it allows us to move the business along and to concentrate on the bigger picture. If we were working on a per-country basis or a per-card programme basis, we would not be in such a good position to help the bank develop its long term interests. We would also be spending more time going over the same ground with different parts of the company. The added value we give to the bank is that we can now concentrate on the big picture, something that is difficult to do if you constantly have to work on changing portfolios.

*In Europe:* What are the pluses so far?

*Wery Hegge:* At the moment we have about 15 card payments business operations that are rather scattered around the globe. One of the things we want to do is to think about how we can grow and organise our card business globally. We want to generate value by moving away from the 'silo' approach, and see how we

can develop synergies in our 15 card payment markets and how we can most effectively expand.

*Gary Flood:* What we are working on with ABN AMRO is very much based on MasterCard's global/local policy. We provide a global resource that can be delivered and tailored to local needs, regardless of where in the world these need arise.

*Wery Hegge:* Our partnership is built on more than just a paper contract, yes, we have 40-50 pages drawn up by lawyers and signed, but what is really important is the trust that has been developed between the participants. Business deals are as much about a meeting of minds and individuals as contracts.

*Gary Flood:* One of the important things we wanted to try and work into our contract was that it is not about 'us and them', but about our relationship. One of the difficulties we presented the lawyers with was how to formalise the magic ingredient – our relationship!

*In Europe:* Are there any business achievements that have already come to fruition as a result of the ABN AMRO and MasterCard partnership?

*Gary Flood:* Although we only signed the partnership agreement in 2004, we have been working in the spirit of the agreement for a little over a year. An early result was the launch of the Prepaid KLM Card and the UAE Smart Traveller Programme. But as well as product roll-outs, other benefits have been the expertise that we have brought in everything from market data to product development. It is a great relationship, and one that I am sure will work well for the years to come. ►►

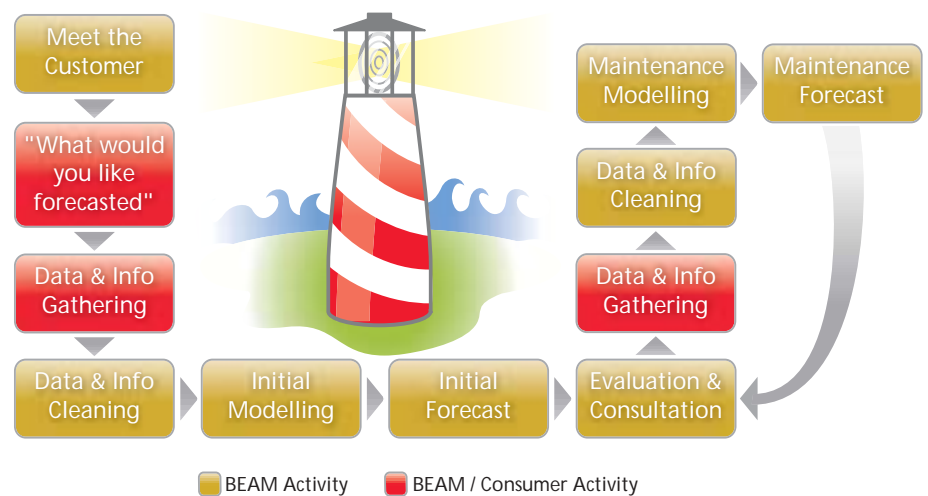
# BEAM Puts the Spotlight on Predicting the Future

Most major companies put considerable time, energy and resources into identifying what events, big or small, global or local, might have an impact on their business. MasterCard Advisors is now rolling out a new service, MasterCard BEAM, which offers a degree of accuracy unprecedented in traditional forecasting techniques.

MasterCard BEAM (Business Engineered Applied Mathematics) is a new service that combines the latest techniques in applied mathematics with MasterCard's knowledge of the payments industry to produce a unique tailored forecasting service of exceptional accuracy. It is available only to MasterCard members and can be used at member, country, multi-country or even multi-regional level, enabling members to use the expertise of European universities and MasterCard Advisors to help the efficiency of their businesses all over the world. BEAM is currently being rolled out in Europe, with other regions to follow. It benefits from a growing list of eminent ambassadors drawn from academia, including Prof Michael Pidcock from Oxford in the UK, Prof Ulrich Parlitz from Gottingen in Germany and Prof Gilbert Strang from the Massachusetts Institute of Technology in the US.

MasterCard BEAM can be used to forecast virtually any business activity in a member organisation, such as: card transactions and authorisations, settlement values, bad debt, chargebacks, call referrals, fraud trends. It can even be applied to other business processes, including call centres, logistics or marketing processes.

The new service quantifies business processes by representing them in mathematical structures. Instead of



using a standardised mathematical forecasting model, it optimises weighted combinations of different applied mathematical models to ensure the highest forecasting accuracy.

Members receive the resulting business intelligence in an easy-to-read format which can enhance their understanding of the business process in question and help them, for example, to predict and improve the performance or profitability of that process.

## Results

Forecasting means better planning and enables companies to react appropriately to situations that are likely to create an upsurge or downturn in their business.

MasterCard members already using the service have been extremely impressed by the results. Prof Michael Pidcock, Oxford, a BEAM ambassador, says: "The BEAM process incorporates the latest scientific modelling of financial time series in a most efficient and reliable fashion. Our experience over the last two years proves a consistent reduction of prediction errors by more than 50% for a wide range of applications. The BEAM process ensures a new dimension of forecasting

quality, which is not available with conventional methods."

## What Members Get

Far from being an off-the-shelf software package, MasterCard BEAM will be sold to members as a complete tailored service. Several components or phases make up this service, including an initial consultation, data analysis, results analysis and a member presentation, followed by recurring analysis. An initial model and forecast of the member's business process can be delivered within ten working days. After this initial implementation, monthly maintenance ensures forecast and model stability, and an overall decrease in forecasting error.

## How Does BEAM Work?

Rather than relying on one particular forecasting technique, BEAM compares and combines different model approaches. This approach has been proven to greatly improve forecasting performance. MasterCard BEAM's partnership with leading European universities ensures that this important and unique service will continue to help members' businesses benefit from pioneering forecasting techniques.

A number of techniques are used:

- Correlation analysis and leading indicator forecasting (based on the numerical relations between financial industry processes elements which are derived from past data). This method addresses the serial correlations and allows for measuring and testing significance of indicator variables or processes.
- Pattern recognition (standard and complex methods, including statistics,

wavelet decomposition and analysis, nonlinear dynamics and neural networks, non-stationary modelling).

- After disaster scenarios (each type of disaster will produce a different type of effect on the financial services). Knowing the past helps knowing the future and how an organisation's financial processes recover from these disasters can be of great added value when disasters happen in the future.
- Process simulation (advanced simulation techniques which look at all kinds of

process scenarios depending on different variables). Process simulation greatly improves the ability to decide on, for example, which marketing tools to apply and also time the use of these to maximise their effects.

"We are convinced that with accurate forecasts using MasterCard BEAM our members will gain significant financial benefit as a result of this revolutionary service," says Carolyn Sweeney, who heads up the BEAM team. ▶▶

## Cool Platinum for Germany

With GEV up a staggering 54% on last year and 53% growth in cards across Europe, Platinum is experiencing explosive growth. Capitalising on this success, Germany has launched its first Platinum Card! German consumers told MasterCard they wanted a more sophisticated financial management tool that reflected their needs and MasterCard delivered.

Aimed at those who want more from their card as well as higher recognition and prestige, MasterCard Platinum platform provides the opportunity for a number of exciting value-added benefits that banks can promote to differentiate their card programmes and entice customers. As well as features such as premium travel assistance and insurance, the programme can also include card document registration, road assistance and MasterCard's Concierge Service. Cardholders also have access to the MasterCard Premium Collection – complete with offers specially developed for the German market. These include discounts at Robbe and Berking Silverware, Kempinski hotels, American Airlines, Ebookers, Sony Style and access to golf discounts around the world. Primarily aimed at young, dynamic and unconventional people aged between 30 and 40, the card offers affordable

exclusivity and is of particular appeal to those who enjoy travelling.

Rolled out earlier this year in a high-profile launch with Dr Thomas Renner, the Chief Executive Officer of Sparda Banks, Felix Magath, the trainer of VfB Stuttgart – who was also the lucky recipient of the first card – and MasterCard Europe President Peter Hoch, the launch generated considerable media and consumer interest.

Commenting on the launch, Dr Thomas Renner, CEO of Sparda Banks, said: "We are the first bank in Germany to roll out the MasterCard Platinum card and are

convinced that this will be an invaluable proposition for many of our customers. It enables us to offer the value-added benefits that our customers want to complement their lifestyles."

"MasterCard is delighted to bring this exceptional Platinum Card programme to German members. Consumers told us that they would like the recognition and associated benefits that a Platinum programme brings. And we are very pleased to have Sparda Banks as our first issuer in Germany," says Caroline Martinez, Premium Programmes Product Manager for MasterCard Europe. ▶▶



from left till right: Manfred Stevermann (Board member, Sparda Bank West), Thomas Renner (CEO, Sparda Bank Baden Württemberg), Stefan Schindler (Board member, Sparda Bank Nürnberg), Felix Magath (coach of VfB stuttgart), Dr. Peter Hoch, President MasterCard Europe

## Is this the Long Goodbye for the Zip-Zap?

MasterCard issuers now have the option of issuing unembossed cards. Developed in response to demand, this easy to implement programme provides a flexible solution that gives issuers increased control. MasterCard is offering a number of special options enabling banks to tailor the cards to meet the needs of their local markets or particular market segments.

The benefit to cardholders is that they will access MasterCard's brand and extensive global acceptance network, while at the same time the risk for the issuer can be reduced. This means banks will be able to issue cards to groups like students or young workers who are just beginning their careers, with reduced risk. It is also very suitable as a vehicle for private label conversions, domestic card conversions, and co-branding deals.

One of the features of the unembossed platform is the option of including an extended service code (x2x) on the magnetic stripe. When a terminal reads a card with this code it receives a message from the card telling it to go online for authorisation, thus providing additional security for the bank.

Even in places where merchants still use 'zip-zap' machines, they can still accept unembossed cards by completing the details themselves – unless they are identified as 'for electronic use only'. The unembossed MasterCard can be used as a vehicle for pay later, prepaid and even in some circumstances pay now cards. For both issuers and acquirers this new card programme is extremely easy to implement as there are no separate or additional licensing requirements; for

merchants it will generate incremental transactions as many of these customers have not had a MasterCard card previously. This will also help merchants reduce the cost of processing cash and cheques and help increase their customer base. And for cardholders it offers a fully functional MasterCard, giving access to a large global acceptance network as well as Internet and Mail Order/Telephone Order access. A winning proposition all round. ▶▶



## Carta Viva Libero, the New MasterCard Credit Card on the Web

A credit card launched in Italy carries a unique combination of features that could prove really attractive to consumers. The card is a co-branded programme between consumer credit company Linea Spa and Italian Online, owner of Libero, the largest portal in Italy. Not surprisingly then, some of the features on the card – which is called the CartaViva Libero – are related to the Internet.



The first of these is called 'Best Price' and means that cardholders are reimbursed the difference between the price of items bought paying with the card and a lower price available on Internet or at other merchants. Secondly, cardholders can check their transactions and balance, and request cash advances online. Other features include consumers being able to use the card as a charge card or a revolving product, selecting

the payment option month by month, rather than having to specify when they first take out the card. The card also carries enhanced insurance cover and a points programme, where points earned by card use can be redeemed against a wide choice of goods.

Linea Spa is owned by Banco Popolare di Verona e Novara, Banca Popolare di Vicenza and LaSer Galeries Lafayette. The card is available at [www.cartalibero.it](http://www.cartalibero.it) and it is free for the first year: cardholders are not charged for activation, usage at petrol stations or statement delivery. ▶▶

## New Solution for Polish Business

MasterCard's Polish regional office has become the first in Eastern Europe to offer the MasterCard Working in Europe programme for small and medium enterprises (SMEs). This is the first time Polish businesses have had the opportunity to benefit from such a service.

MasterCard has presented the programme to all Polish members that issue MasterCard Business Card, and reaction has been positive. 'We've had very good feedback from the market about the launch. Small and medium enterprises are obviously an area of great potential for banks and the economy as a whole, but until now, banks in Poland have not been able to offer them much in terms of products designed specifically for their needs,' explains Wieslaw Federowicz, MasterCard local manager for Poland "The Working in Europe programme will enable banks to improve their portfolio and acquire new clients from this segment."

The Polish version of Working in Europe features a package of Business Exclusives, a range of offers and discounts from carefully selected local partners. These include: office supplies (Biurowo Plus) and electronic/computer equipment (HP Polska), GSM services (Polska Telefonia Cyfrowa – ERA GSM), legal services (eKancelaria), courier services (Masterlink Express) and T&E services (Orbis Group Hotels). "In designing this package of offers, we aimed to help Polish SMEs save money, as well as giving them all the benefits of MasterCard Business Card," adds Wieslaw Federowicz. ▶▶

ACADEMY @ MASTERCARD.COM YOUR PARTNER FOR THE TRAINING YOU NEED	LOCATION	DATES
Advanced Chip Workshop	Edinburgh	14-15 Sept
MasterCard UK Domestic Chargeback Seminar	Edinburgh	14-15 Sept
Profitable Card Management	Edinburgh	15-17 Sept
Debit: ATM & Maestro Chargeback Seminar	Edinburgh	16 Sept
Chip Chargeback Workshop	Edinburgh	17 Sept
MasterCard e-Commerce Chargeback Seminar	Zurich	28 Sept
Corporate Payment Solutions	Zurich	28-29 Sept
MasterCard Advanced Chargeback Seminar	Zurich	29-30 Sept
Security & Key Management for Chip Card	Zurich	29-30 Sept
Fraud & Risk Management	Zurich	30 Sept-1 Oct
Licensing Best Practices	Zurich	1 Oct
Smart Card Security Evaluation	Zurich	1 Oct
Credit Scoring: Manage Risk & Increase Profitability	Oslo	5-6 Oct
Clearing & Settlement Services for Members	Oslo	5-6 Oct
MasterCard Advanced Chargeback Seminar	Oslo	6-7 Oct
Managing your Debit Portfolio	Oslo	7-8 Oct
IPM Workshop	Oslo	7-8 Oct
Introduction to MasterCard Europe	Waterloo	13-15 Oct
Revolving Credit: A Profitable Card Option	Barcelona	19-20 Oct
Regulatory & Legislative Aspects of Payment Systems	Barcelona	19-20 Oct
MasterCard Chargeback Seminar	Barcelona	19-20 Oct
The Business of Fraud Detection	Barcelona	20 Oct
Activation Strategy	Barcelona	21 Oct
Fraud & Risk Management Graduate	Barcelona	21-22 Oct

Register early to obtain the earlybird rate!

Please contact the Academy to receive full details and Curriculum 2004:  
Tel. + 32 2 352 58 10 Fax + 32 2 352 53 54 - e-mail: academy@mastercard.com

## Affinity and Co-Branding Conference

23-24 September -

Vouliagmeni, Athens.

This venue for this year's conference is the superb Astir Palace Vouliagmeni, 25 km from the centre of Athens. The hotel is set in a pine-dotted promontory and combines, natural beauty and excellent facilities. Keynote speakers have been drawn from across the payment card industry, bringing a variety of perspectives and opinions. ▶▶



To register online go to  
[https://programs.regweb.com/mastercard/cobranding\\_athens2004](https://programs.regweb.com/mastercard/cobranding_athens2004) ▶▶

## UEFA EURO 2004 - the Exceptional Results

As the fans and teams descended on Portugal for the most exciting sporting event of 2004, the buzz on the streets and much awaited whistle for kick-off signalled the success of the tournament. The spirit of the game with two sides uniting in defeat and victory resulted in a magnificent UEFA EURO 2004™ that lived up to everyone's expectations.

TV audience figures for the tournament are exceptional. The opening match featuring the home team against surprise contender Greece saw a viewing share of 83% in Portugal, while the match between France and England saw a peak of 20.8 million in the UK.

The first quarter final between Portugal and England shown on the BBC in the UK saw an average audience of 20.7 million (73.7% audience) peaking at 24.8 million (85.4% audience). In Portugal, the match was viewed on RTP by 3.6 million people, which means 83.4% of the population was watching TV!



MasterCard boosted its perimeter board exposure on TV thanks to a perfect design combined with ideal locations. MasterCard exposure increased as an average by 20% compared to EURO 2000™ - a phenomenal result.

The run-up to the eagerly anticipated UEFA EURO 2004™ saw the number of MasterCard Card payment transactions in Portugal double on a daily basis during the start of the tournament. Thousands of banks used this sponsorship property to increase their business while ten

thousand guests were hosted in Portugal courtesy of MasterCard.

As experts recognised that MasterCard sponsorship of the UEFA EURO 2004™ was more successful than our competitors, the surprises on the pitch continued with premier teams such as Germany, England and France seeing their dreams of lifting the coveted trophy die. In the end only one nation could claim the cup and after a thrilling final against Portugal the Greek team were crowned champions of European football. ▶▶

## Experience the Romance of Travel with Orient-Express

MasterCard Premium cardholders can now experience the glamour of the Orient-Express with the help of MasterCard. With the MasterCard Premium Collection, Premium cardholders can now visit Venice, Budapest or Vienna on the Orient-Express with a guest travelling at half price. This is considered to be one of the greatest train journeys of the world, and has featured in many classic films and books.

If you are looking for something further afield, why not travel on the Eastern & Oriental Express's Thai Explorer itinerary from Bangkok with visits to Ayutthaya, Chiang Mai, Lampang and the River Kwai. Alternatively, discover the beauty of ancient Burma on a seven-day cruise onboard the 'Road to Mandalay'.

Orient-Express also offers day and weekend excursions throughout the UK – the perfect way to celebrate a special occasion.

Any trip, anywhere in the world, booked with Orient-Express Trains & Cruises using the MasterCard Premium offer entitles the cardholder to a 10% discount. ▶▶



This publication contains forward-looking information. Although MasterCard believes that its expectations are based on reasonable assumptions, it can give no assurance that its objectives will be achieved. MasterCard disclaims any obligations to publicly update or revise any forward-looking information.