Sovereign Bank – Already one of the largest banking institutions in the Northeastern U.S., Sovereign is now part of Santander Group. Serving 80 million customers in 40 countries, Santander was named "Best Bank in the World" in 2008 by Euromoney Magazine.

Affinity Solutions – The leading provider of partner-based rewards programs for leading financial institutions, retailers, and publishers, Affinity – through partnerships with over 400 banks and multiple card processors – analyzes spending patterns of over 70 million credit and debit cardholders (over five billion transactions a year) to deliver the right offer to the right customer at the right time.
Eduardo Tobon  
Managing Director  
Cards and Payments Division USA  
Sovereign Bank / Banco Santander

Oversees a $20 billion payments business providing debit and credit card solutions, and merchant acquiring for individuals, businesses, and corporate clients. Previously, Tobon was the Director of Sovereign Bank’s Strategic Alliances and International Cash Management Group. Under his leadership, Sovereign developed multiple strategic alliances and a portfolio of more than 60,000 clients that included domestic and international companies.

Jonathan Silver  
President & CEO  
Affinity Solutions

An alumnus of McKinsey & Company, Jonathan has successfully launched several new businesses in the affinity marketing space and a consultancy providing outsourced sales and marketing functions. Jonathan launched Affinity Solutions in 1998, and pioneered merchant-funded rewards for credit and debit card issuers, growing the company to be the largest in the industry, with more clients than all others in the space combined.
• **Durbin Amendment to Wall Street Reform & Consumer Protection Act**
  • Pending approval; could reduce debit card interchange fees by up to 80%
  • Recent signs of potential delay and/or modification of rules
  • *Impact*: some issuers have limited or suspended traditional bank-funded programs, focusing on merchant-funded and enterprise programs, threatened to add fees

• **Reg E requirements**
  • Customers must opt-in to NSF service
  • *Impact*: up to 30% of a bank’s non-interest revenue (NIR)

• **Card Act 2009**
  • Prepared for implementation of rules re CIT’s (changes in terms) during 2010, card issuers raised interest rates, cancelled accounts, trimmed card limits
  • *Impact*: new card products have additional fees & variable rate structures

• **Banking ‘crisis’ of 2008**
  • 200 banks have ‘failed’ since 2008, only 11 banks failed from 2003-2008
  • 700 more ‘at risk’ of failure

• **Conclusion**: as debit issuers’ revenue sources experience downward pressure, banks must be innovative and find cost effective ways to drive strategy
New Marketplace Entrants

- Competition from daily deal providers compete for consumers’ attention.
  
  ![livingsocial](source)  ![groupon](source)
  
- New loyalty models emerging that integrate location-based mobile and social channels
  
  ![foursquare](source)  ![americanexpress](source)
  
- Threat of mobile payments from new players, e.g., Google
  
  ![google](source)  ![paypal](source)

Change Consumer Expectations

- Approx 150MM US consumers prefer digital channels
  
- Consumers looking for experiences that show up when and where they want
  
- ‘Social’ networks more valued at the point of purchase intent
  
- Nielsen projects US Smartphone penetration to be 50%+ by 12/11
  
- Pay-with-points/merchant ‘coalitions’

Opportunity to leverage innovation to shift consumer attitudes about banking
“Banks that are proactively experimenting with new product and pricing options in the market will be ahead of the curve because checking accounts … with a debit card attached are clearly under siege. Increased competition and challenges to bring in a better return on investment are pushing the market to change.”

~ Alex Johnson

Author: Under Durbin, Will DDA Bite the Dust? How to Keep DDA Profitable in a Changing Regulatory Environment, and regular contributor to the banking blog [http://www.bankinnovation.net/profile/Alex.Johnson](http://www.bankinnovation.net/profile/Alex.Johnson)

Innovation drives significant value in other industries.
Session Discussion Topics: Creatively Engaging the Consumer

• First GPS mobile app on debit loyalty, delivering merchant rewards to mobile devices on demand

• Innovation in debit conversion: personalized url’s for 1.5MM cardholders

• How sweepstakes can be used to drive consumer engagement

• Segmentation that matters – bundled value propositions based on cardholders’ interests and lifestyles

• First social networking applications for debit loyalty, “following the customer around” via Facebook, Twitter and other applications

• Merchant “Deals of the Day” – how to “surprise and delight” cardholders with personalized offers every day of the week
Merchant-Funded Rewards: Most Robust Execution in Market

14 in-store national offers including ExxonMobil, Pizza Hut, Office Depot, Taco Bell, Duane Reade, Borders, Lowe’s Home Improvement

800+ local/regional merchants located in the bank footprint

300 national online merchants

Source: Company websites, Feb 2011
Sovereign Cash Rewards mobile app from Affinity – first mobile app in the space – lets cardholders know merchant offers near them.

Quick answers on where to save on food, shopping – and how to get there.
Available now on the three primary mobile platforms.

And incorporating an ATM finder
Card Activation & Customer Engagement

**Activate** and use your new card and automatically enter to win 2 Audi TT Coupes…

**Earn** cash back when you use an ExxonMobil Speedpass linked to your NEW Sovereign Debit Card
Engaging the Consumer: Innovation in Debit Conversion

Keeping the Customer Informed
Individual microsites addressed personal questions from customers, related to debit conversion

Your New Sovereign Card is on its way!

Your New Sovereign Card has arrived!
Engaging the Consumer: Sweepstakes
Engaging the Consumer: Sweepstakes

Cardholders will visit the **sweepstakes landing page** and view previous winners, prizes and learn about new sweepstakes - all designed to promote card usage.
Innovation Tailored to Different Customer Segments

- Merchant offers tailored to different segments
- Mobile attracting broader audience
- Social attracting younger segments
- Debit conversion tailors messages by stage of customer lifecycle

<table>
<thead>
<tr>
<th>Segment</th>
<th>House &amp; Home</th>
<th>Shopping</th>
<th>Lifestyle</th>
<th>Dining &amp; Entertainment</th>
<th>Interests</th>
<th>Work/Travel</th>
<th>Life Stages</th>
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<tr>
<td>Do-it-yourself Homeowners</td>
<td>Fashion Forward Women</td>
<td>Fitness/Health Buffs</td>
<td>Restaurant Aficionados</td>
<td>Technophiles</td>
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<tr>
<td>Home Decorating Enthusiasts</td>
<td>Price Conscious Fashionable Women</td>
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<tr>
<td>Hobbyists</td>
<td>Fashionable Men</td>
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<td>Households with Teens / Tweens</td>
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<tr>
<td>Gardeners</td>
<td>Affluent Spenders</td>
<td>Green &amp; Organic Living</td>
<td>Casual Diners</td>
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<td>New Movers</td>
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<td>Cooking Enthusiasts</td>
<td>Avid Readers</td>
<td>Young Professionals</td>
<td>Retirees</td>
<td></td>
</tr>
</tbody>
</table>
Utilizing the ‘tips’ function within Foursquare, Sony cardholders will ‘check in’ with a merchant participating in a loyalty program.
Recruiting Merchants for Higher-Value Offers

Affinity Portal

Want - High Value – Relevant – Unique Offers for their customers

Rewards Programs

Want new customers with repeat purchase behavior

Retailers

Web based tool for retailers to create targeted promotions

The right deal to the right person at the right time

Ad-Alytics
THE SMITHS

Young family focused on balancing work and family life

- Banking/budgeting an important aspect of their finances
- Offers must be targeted and relevant

Utilizing multiple channels to deliver timely and relevant offers to the right customer

Quarterly Newsletter

Targeted quarterly newsletter containing relevant offers based on lifestyle and ‘Affinities’

Rewards Website

Bank website provides interface to check rewards balance, see latest offers from relevant retailers and pay bills online

Other Channels

- Direct Mail
- In-Branch
- Mobile
- Customer initiated
- Account statement/inserts
- POS
Why Innovation in Debit Rewards?

Key Business Objectives

- More enhanced value prop for cardholders, driving ...
  - Purchase volume
  - Customer retention
  - Deposit aggregation
  - Cross-sell
  - New revenue streams from merchant offers
- ... while supporting/re-inforcing the brand as an innovator
Summary, Closing Comments & Questions

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About Affinity Solutions

- Relationship marketing/strategic agency helping clients build loyalty through customized rewards programs
  - Client verticals include financial institutions, retailers, manufacturers, and publishers
  - Core competency in providing partner-funded rewards programs
  - Enterprise programs reward across channels, product categories and segments

- Pioneered merchant-funded rewards

- Over 400 clients
  - 4 of the top 10 banks
  - Partnerships with over 15,000 retailers
  - Selected by Visa to design and manage their rewards programs

- Over 70 million marketable universe

- Multi-tenant rewards architecture – umbrella program with ability to vary programs based on location/region, product category, etc.