

Propensity Models

Behavioral Scoring Adds Precision to Targeted Marketing

Even compelling marketing communications—if sent to the wrong cardholders—can fall on deaf ears. That’s why, as card issuers seek to maximize profit from usage, loyalty, and retention initiatives, identifying the right cardholders becomes a top priority. And it’s by understanding and developing segmentation strategies based on cardholder behavior that issuers can determine who those “right” cardholders are.

Knowing How Your Customers Behave is the Key to Successful Targeting

Effective targeting requires an accurate assessment of cardholder spending patterns and what those patterns might say about future cardholder behavior. Are they likely to stop using a card? Use it more often? Use *PayPass*™? Shop at high-end merchants? Use their card to pay bills?



MasterCard Advisors has created a suite of propensity models designed to help you answer those questions, and others, about your cardholders. Through extensive analysis of cardholder behavior across thousands of variables, we can find common consumer propensities. From these patterns, MasterCard Advisors has developed models that identify specific card usage and spending behaviors.

Advisors’ Propensity Models can serve both as a targeting tool to build lists for outreach and as a diagnostic tool that helps you understand what type of campaign or offer may be best received by your customers. When we apply our propensity models to your portfolio, we gauge each cardholder’s individual prior spending patterns and provide a score based on the cardholder’s likelihood to

exhibit specific behaviors that drive your business. These scores can enable you to target the most receptive cardholders and can help to improve the response rates and profitability of your marketing programs.

Deeper Analysis Means More Effective Segmentation

Cardholder behavior is an excellent indicator of revenue opportunities. However, targeting by this method can require large allocations of resources and expertise.

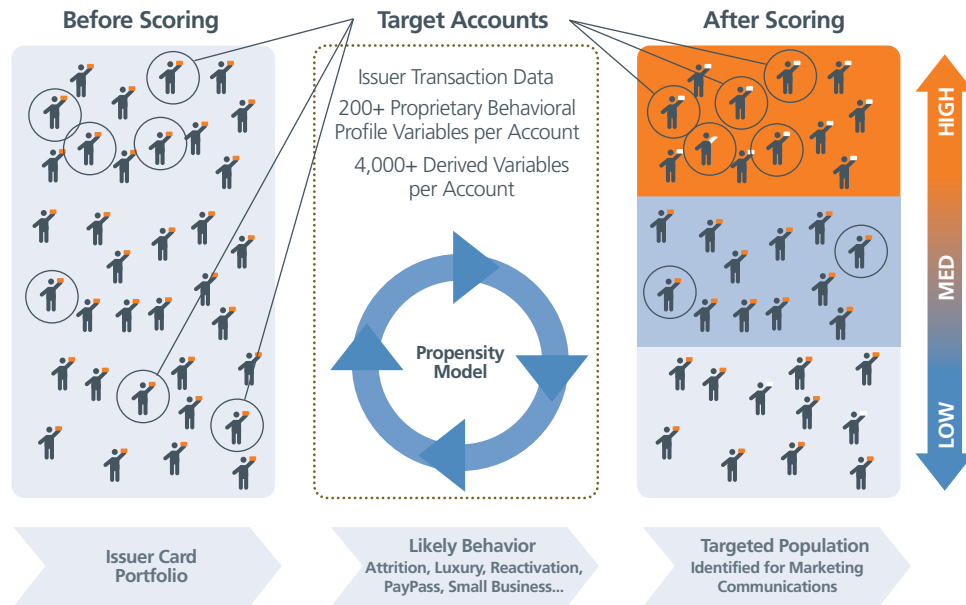
Recent improvements in data management and modeling techniques have enabled the economical deployment of analytics based purely on cardholder behavior. MasterCard has made a significant investment in optimizing behavioral data for analytics and modeling—including cleansed and aggregated merchant data, robust model development, and testing. In fact, MasterCard Advisors has developed more than 4,000 derived variables per account, resulting in relevant, real-world capabilities that can help you strengthen your portfolio performance.

Actionable Scores that Can Fuel Better Marketing ROI

By applying Advisors propensity models to your portfolio, you can cost-effectively add a powerful dimension to your promotional strategies.

How Propensity Models Work

Advisors Propensity Models use patterns of spending behavior to identify accounts that represent opportunities for issuers.



When you request a specific model, each account in the designated MasterCard portfolio is given a score from high to low, indicating its likelihood to engage in that particular behavior. Simply specify the portfolio you want scored. No additional data is necessary.

Once the portfolios are scored, we securely deliver a file of your accounts in a format compatible with standard campaign management or other database software. In addition to the scored account list, we can provide you with descriptions of the models and guidance on interpreting the scores.

Choosing the Model for Your Business Needs

Our models can be applied to consumer credit, consumer debit, or commercial portfolios, and you can apply multiple models to a single portfolio. Custom models can also be built to meet your unique requirements.

Propensity Model	Description ¹
Spend Attrition	Acts as an early warning system to identify likely “silent attriters”—cardholders who are likely to stop using their card in the near future.
Bill Pay	Estimates likely incremental spending in key service categories, including segments such as telecommunications, insurance, and utilities.
Category and Merchant Spending	Estimates the likely spending level for any given cardholder in 100 major merchant categories.
Category Expansion	Estimates the likelihood of first-time spending in 100 major merchant categories.
Early Months on Book (EMOB)	Estimates the likely future overall card activity level for new accounts (active for six months or less).
Luxury Spend	Estimates likely spending level for each active MasterCard account at an exclusive group of 100+ luxury-oriented merchant brands.
Overall Card Usage	Examines mature accounts (active for more than six months) to estimate likely future overall card activity level.
PayPass	Identifies both short-term and longer-term opportunity for <i>PayPass</i> usage through an activation model and a usage model.
Reactivation	Gauges the likelihood that a recently inactive account will return to an active state without an offer of special incentives.
Recurring Payments	Identifies accounts that are most likely to begin making recurring payments transactions in the near future.
Small Business	Identifies consumer cardholder accounts whose spending patterns most strongly resemble those of known small business cards.

Our propensity models can help you identify opportunities and diagnose issues at any point in the customer lifecycle. Depending on your current business issues and objectives, there are Advisors propensity models that can help you reach your goal. Most models provide primary benefits in service of a single objective, but can also offer relevant insights in additional areas.

	Customer Lifecycle			
	Optimization			Retention
	Usage Expansion	Build Loyalty	Cross-Sell ²	Retain
Bill Pay	✓	✓		✓
Category Expansion	✓	✓		
Overall Card Usage	✓	✓	✓	
Luxury Goods	✓	✓	✓	
Recurring Payments	✓	✓		✓
Early Months on Book	✓	✓	✓	
PayPass	✓	✓	✓	✓
Category Spend	✓	✓	✓	
Small Business			✓	
Spend Attrition				✓
Reactivation				✓

✓ Primary Application ✓ Secondary Application

¹ Model scores indicate the likelihood of cardholder behavior based on past behavior, but actual cardholder behavior may vary.

² Scores are to be used for target marketing purposes, and not for making credit decisions.



Optimize Your Marketing Campaigns

Armed with the propensity scores for one or more behaviors, you can target the ideal cardholders with specific marketing communications. Advisors can also help you overlay additional internal metrics (such as account profitability) to further refine segments. We can even implement marketing programs on your behalf to help you achieve your goals.

MasterCard Advisors has developed additional Information and Analytics services designed to complement our propensity models and help you improve marketing ROI:

- **Purchase Clusters.** Behavior-based consumer segmentation enhanced with demographics, lifestyle, and attitudinal information to help you craft messages with greater insight.
- **Card Usage Segments.** Segmentation framework that identifies cardholder accounts as Primary or Secondary, Seasonal or Compartmental, providing a structured view of likely wallet position and other types of cardholder engagement.
- **Campaign Management.** Web-based interactive application developed to increase marketing productivity and profitability of campaigns by tracking transaction behavior before, during, and after a campaign.

About MasterCard Advisors

MasterCard Advisors, LLC, the professional services arm of MasterCard Worldwide, provides payments consulting, services, information, and analytics to financial institutions and their merchant partners worldwide. With customized solutions that address complex challenges throughout the payments lifecycle, MasterCard Advisors helps clients maximize the value of their payments businesses. For actionable insights that drive tangible impact and financial gain, contact MasterCard Advisors at www.mastercardadvisors.com.

For More Information

To learn which propensity models are right for your business, contact your MasterCard representative, visit www.mastercardadvisors.com, or email propensitymodels@mastercard.com.