

2020 Digital Commerce and CLO Annual Industry Study

The CardLinX Association
www.cardlinx.org



Table of Contents

EXECUTIVE SUMMARY	3
Practical, near-term technologies are key	3
In demand: A robust consumer experience	3
Cross-industry collaboration drives industry growth	3
KEY FINDINGS	4
1. Card-linking Gains Significant Share of Advertising Budgets	4
2. Price-sensitive Consumers Prefer Cash-Back Offers	4
3. Card-linking is 2nd Most Preferred Marketing Channel for 2nd Year Running	4
4. The Most Promising Tech: Card-linking in Mobile Wallets	4
5. E-commerce CLO Climbs to Top 3 Merchant Category	4
DETAILED SURVEY FINDINGS	5
1. Card-linking Gains Significant Share of Advertising Budgets	5
2. Price-sensitive Consumers Prefer Cash-Back Offers	5
3. Card-linking Is 2nd Most Preferred Marketing Channel for 2nd Year Running	6
4. The Most Promising Tech: Card-linking in Mobile Wallets	6
5. E-commerce CLO Climbs to Top 3 Merchant Category	7
6. It's Official: Card-linking Is Mainstream	7
7. Untapped CLO Opportunity Abroad Abounds	8
8. CLO Embraced by More Merchants and Banks Worldwide	8
9. Advertising Spend Reveals Increasing Importance of CLO	9
10. Billions in Revenue Driven by Card-linking	9
APPENDIX	10

Executive Summary

Each year The CardLinx Association, the global trade organization for digital commerce and card-linking, conducts a definitive study of the industry.

In 2020, our research team polled members from the fastest-growing card-linking markets, including the US, China, Japan, Germany, France, the UK, Australia and South Korea among others.

Respondents ranging from small organizations to large enterprises as varied as Microsoft, Samsung, Rakuten, Mastercard, Discover, UBS, FIS, AEON Hilton and Harvey Nichols shared their experiences and perceptions—and uncovered key trends.

The 2020 digital commerce and CLO survey results shed light on forces driving the card-tech, fin-tech and ad-tech industry, including:

Practical, near-term technologies are key

Card-linking is gaining ground by leveraging near-term technologies like mobile wallets. Card-linked offers embedded into mobile wallets are beating out more futuristic solutions (e.g., cashier-less shopping and biometric payments) and making a difference in our industry. Nearly half of study participants (48.5%) view mobile wallet technology as having the most potential for O2O card-link programs.

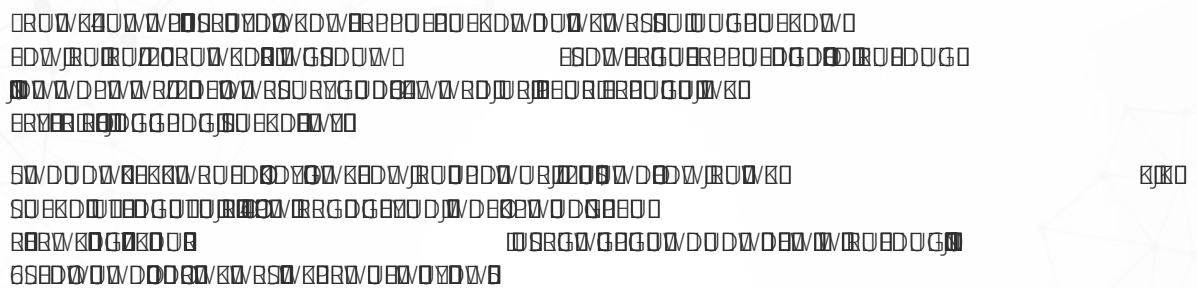
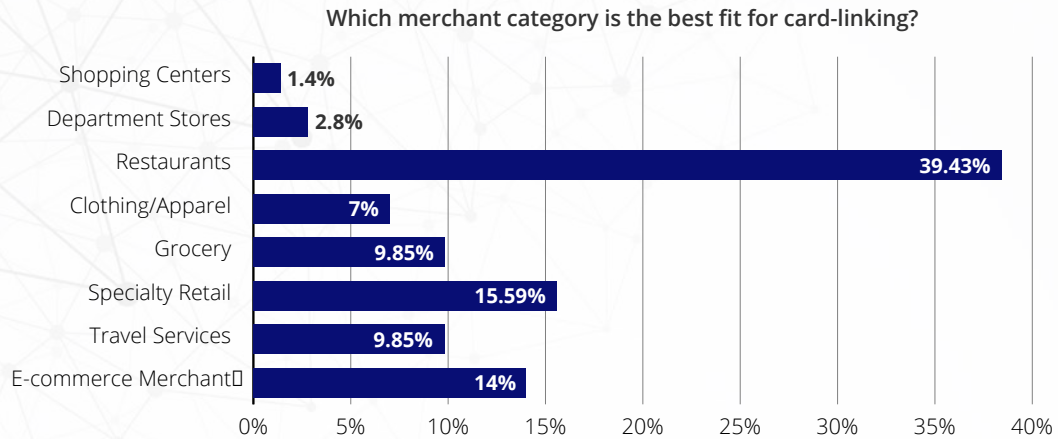
In demand: A robust consumer experience

Consumers want savings, convenience, personalization and hassle-free experiences that assure privacy. Ensuring that end users understand how card-linked programs can meet their needs is boosting the performance of CLO as a digital marketing channel, and resulting in allocation of a greater share of the marketing budget to CLO activities.

Cross-industry collaboration drives industry growth

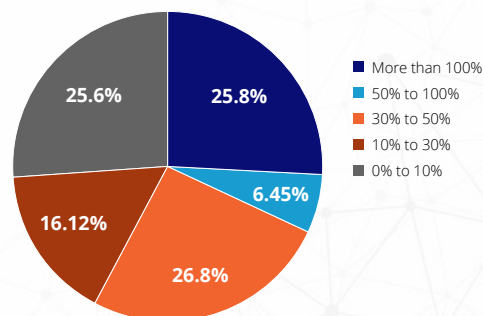
As digital commerce becomes mainstream, in part driven by recent world events, card-linking programs are expanding. Respondents report continued interest and investment, higher levels of merchant participation, and the pursuit of new markets (i.e. cross-border) and offer types. It takes all parties in the card-linking arena—from banks to technology companies, from card issuers to payment processors, from merchants to consumers—working together to grow an industry that benefits all.

5. E-commerce CLO Climbs to Top 3 Merchant Category



6. It's Official: Card-linking Is Mainstream

What is the growth rate of your card-linking program?



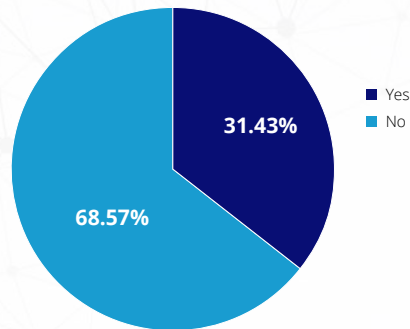
A large group of respondents to The CardLinX Association's annual survey—one-quarter of the total—report their card-linking programs grew by more than 100% in the last 12 months. The 2020 study shows 25.8% experienced triple-digit card-linking growth.

Just over 44% of respondents indicated growth of more than 100% in 2019, and 62% reported 100%+ growth in 2018.

High levels of early- to mid-stage expansion in card-linking are giving way to more moderate, but steady climbs: Approximately one-quarter of respondents report 30% to 50% growth rates in 2020, a pattern reflecting a continued mature state of the industry, with increasing business benefits (more revenue) and consumer benefits (less payment friction), as first reported in last year's CardLinX survey report.

7. Untapped CLO Opportunity Abroad Abounds

Does your company participate in cross-border offers?

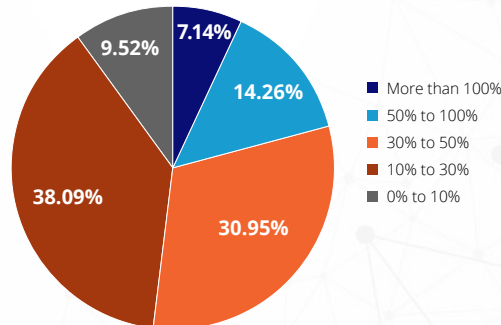


Just one-third of those responding to the 2020 survey participate in cross-border offers—and the percentage is consistent with results from the previous year. The key takeaway? Banks and card issuers not venturing beyond their borders may be missing out: Consumers spend more when they travel, and studies show they're more likely to redeem card-linked offers when they're on the road.

As the economy recovers in the wake of Covid-19, cross-border loyalty programs linked to payment cards represent untapped opportunity for card issuers, banks, retailers, technology providers, advertisers and others in the card-linking space.

8. CLO Embraced by More Merchants and Banks Worldwide

What is the growth rate of merchants adopting card-linking in your country?



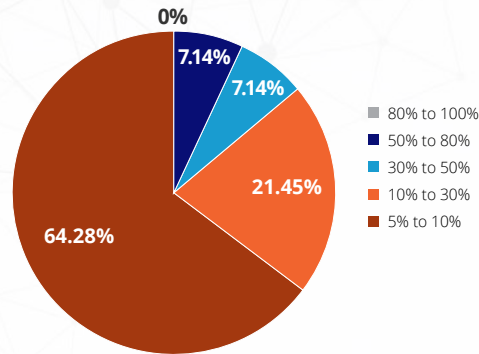
More merchants are adopting card-linking across the globe. Almost a quarter of survey respondents (21.4%) report annual growth rates of greater than 50% in the 2020 survey—up from 12.5% in 2019.

About two thirds of respondents (69%) indicate merchants are using card-linked offers as part of their standard business practice at rates ranging from 10% to 50%. In 2019 the percentage in this category was 62.5%

The key takeaways? Merchants are moving up the ranks, with fewer in the “0% to 10%” category and more in the “50% to 100%” and “more than 100%” categories than ever before. In addition, approximately 90% are increasingly realizing advantages of customer acquisition (and ongoing consumer loyalty) made possible through innovative use of savings and incentives linked to an increasing number of bank payment cards.

9. Advertising Spend Reveals Increasing Importance of CLO

What percentage of merchant advertising budget is going toward card-linking?

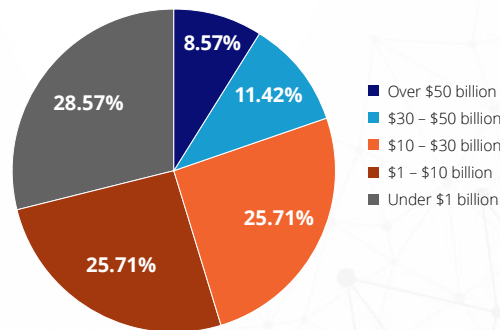


In 2020, the percentage of respondents spending greater than 50% of their advertising dollars on card-linked-related activities grew to 7.1%. That's up from 4.4% of respondents who reported spending more than half of their budget promoting CLO in 2019.

Just over 85% of marketers are designating between 5% to 30% of their budgets to promoting the savings, loyalty points and other incentives of card-linking. Last year, 68.9% of marketers were allocating CLO budgets at that level.

10. Billions in Revenue Driven by Card-linking

How much revenue is being generated in CLO in your domestic market (country)?



Card-linking is translating into a significant revenue source for retailers worldwide. Almost three-quarters of respondents (71.3%) report retail sales of \$1 billion+ thanks to compelling card-linked offers in their respective countries.

Close to one-fifth (19.9%) respond that retail sales where they live and work are more than \$30 billion as the result of card-linking. In excess of 70% of respondents estimate greater than of \$1 billion in revenue is generated via card-linked offer programs in their respective countries.

More than 16% of those surveyed report that in excess of \$50 billion in revenue is generated through card-linked offers each year.

Appendix

The CardLinx Association is a multi-industry trade association focused on promoting digital commerce, O2O and card-linking worldwide. On behalf of its members, the association fosters cross-industry collaboration, develops industry services, hosts executive-level experiences and develops and disseminates data and best practices to minimize purchasing friction.

Founding members include Microsoft, Mastercard, Discover and Bank of America. Other members include Hilton, Total Wine, 24s-LVMH, Samsung, Rakuten, Transunion, FIS, RBC and UBS. Membership is open to financial institutions/banks/card issuers, publishers, advertisers, retailers/merchants, merchant acquirers, payments companies, payment networks, digital advertising platforms and fin-tech organizations, including card-linking/online-to-offline technology companies.

Interested in information about The CardLinx Association? Please visit: www.CardLinx.org.

CardLinx Association members serve or represent more than 6 million merchants, have issued close to 2 billion payment cards, and meet the needs of consumers with over than 200 million card-enabled accounts and more than 700 million active daily users.

Business acceleration is a key benefit of CardLinx membership. The 2020 survey respondents rank The CardLinx Association's current and prospective services in order of importance:

1. Partnership opportunities
2. Central access to multiple sources of consumer transaction data
3. Networking opportunities
4. Merchant introductions
5. Industry data and studies
6. Refund tracking for card-linking transactions
7. Centralized registry of enrolled offers
8. Industry news
9. Marketing/PR support
10. Industry podcasts

CLO pioneers, and those new to card-linking, recommend The CardLinx Association. The recent industry survey indicates 95% of respondents recommend CardLinx to industry peers.