



Opinion paper

Premiumization

Delivering what your customers value



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Identify and deliver what's special to the customer and success will follow

1

When customers are truly engaged with your brand and the products and services that you offer, they become extremely valuable assets for your business. By establishing a strong rapport with your customers they are much more likely to:

- **Buy more** from you than your competitors
- **Remain loyal** as you understand their needs, and
- **Be an advocate** for your business

2

Achieving the deep level of engagement that you want with each of your customers can only come from continually identifying and delivering what really matters to them.

If you can deliver what's special to the customer, they will recognize it, value it and pay for it.

Premiumization allows you to do this. By identifying what's important to your customer, you can provide them with a product that is personalized and delivered at the right time. Enriched personalization is the new principle of premiumization; get this right and your customer will view your product as superior to comparable products on the market.

Premiumization definition: The action or process of attempting to make a brand or product appeal to consumers by personalizing it to meet their needs, and emphasizing its superior quality or exclusivity.

Of course, what one customer perceives as a premium product, another may not. For example, an innovative way to pay might tick the box for one customer, while, for another, the color of their plastic is what's valued. Premiumization is all about recognizing what's important to the customer, and with the advent of new Artificial Intelligence technologies, this is now much easier to do. To create the customer intimacy with your brand that you would like to see, you need to tailor your offering; a one-size-fits-all approach will simply not work.

3

Engaging customers through providing what's important for them will deliver customer relationships that are:



Deeper:

Through earning the right to provide more of their financial needs, thereby gaining a greater share of their financial wallet.



Stronger:

Through driving an affinity and closeness to your brand that the customer appreciates and does not want to break.



More Profitable:

Through providing the services that they value, customers are more likely to pay a premium and remain with you longer.

Rules for success in the world of Premiumization

The consumer is the prize and if you don't deliver what they are looking for then someone else will. Introducing a framework around the following four principles as you introduce, or expand, your premium strategy and offering into your business, will increase your chances of success.

1. Be Truly Customer Driven



Your business should put your customers' needs and requirements before anything and everything, else. Try to see things through the customer's eyes and ensure that your entire organization is geared up to play their part in delivering the best service for your customers.

Customer first should not just be a strategy, but sit at the heart of your business's culture.

2. Understand Your Customer's Priorities



Your customers like to be understood and want you to use the data and knowledge you have at your fingertips to deliver what they want. If you hold your customer's main financial relationship, then the level of insight you have on that customer gives you a significant edge over your competitors. Make sure you use it.

Analyzing and understanding your customer's behavior is critical if you are to succeed. If you don't anticipate their needs and priorities, then they will take their business elsewhere.

3. Personalize Your Offering



Translate your knowledge of the customer into propositions that are authentic and aligned to their values. Intelligent interrogation of your customers' transactional data should allow you to surprise and delight them through the relevancy of your offering.

Tailored digital solutions across many industries have raised consumers' expectations and today they demand solutions that fit their every need. They look for the ability to co-create and customize their product as their needs evolve.

4. Deliver Excellent Experiences Every Time



We live in an era where creating sustainable competitive differentiation is hard to achieve. Consistently delivering a market leading customer experience can provide you with a long-lasting advantage that's hard to replicate.

Customer experience is an area where the whole needs to be greater than the sum of its parts, with all touchpoints aligned and moving to the same beat. A tailored product, combined with consistently excellent service, is a winning combination.

Visa has the products and services that your best customers want

Premiumization is arguably the most significant trend happening in the global market, driven by the ever-increasing number of middle-class consumers. And it's no longer just a developed market phenomenon, but significantly influenced by aspiring consumers from emerging and underdeveloped markets.

As a customer's wealth increases, their financial needs become more diverse and complex, dictating the need for more tailored and differentiated solutions. If you can truly resolve a particular consumer issue or need, then your chances of success, and ability to justify a price premium, are greatly enhanced.

More affluent customers look for many things from their bank, but the ability for them to transmit money sits at the very core of their requirements. Visa recognizes this and continually endeavors to provide better products and services to these newly emerging prosperous customers.

Our premium cards offer a range of features and benefits that can be selected and tailored to how the customer lives their life, helping to drive deeper engagement and greater usage.

And our suite of premium offers has delivered impressive growth in the last five years. Premium cards accounted for 70% of total Visa spend in 2018, having increased from 29% in 2014.



Visa's Premium Offers

Choose from:

- Lifestyle Services
- Travel Benefits
- Exclusive Offers and Rewards
- Fraud and Purchase Protections
- Innovative Digital Ways to Pay



Through our Premium Consulting Solutions we can help you get the most from the Visa Premium card range:

- Our Premium Spend and Benefits Insights Solution allows you to harness the power of your customers' payment data. Through working in partnership, we can identify the needs of your most valuable customers and ensure your proposition fully delivers what they are looking for.
- Our Premium Product Optimizer Solution is an easy to use web-based analytical tool that compares your performance with market norms and identifies customers who warrant a product upgrade. Our predictive behavior based models allow you to drive customer engagement and lift your portfolio revenues.

How Visa Consulting & Analytics can help you build effective premiumization strategies

Through harnessing our global insight and knowledge, we can help you to develop your premiumization approach within your market. From acquiring the customers you want, to delivering the services and experiences that your customers are looking for, we can support you all the way.

Acquiring Quality Customers

You will find that the affluent and aspiring middle-class customers that you want to attract will be exactly the same as those coveted by your competitors. To be successful in today's world, you need to be able to harness all the data and digital capabilities available to you.

Putting the right product into the right hands at the very start of your relationship with your new customer lays the foundations for a long and fruitful relationship.

Visa can help you do just that. Through the effective use of a variety of data sources, you can be confident that you are targeting the right customers and optimizing your acquisition efforts, through both

digital and physical channels. Our proprietary network framework not only helps you to acquire new customers, but also ensures that they start using your services straight away.

We can help you to:

- **Interrogate the raft of transactional and customer data that you hold and convert it to intelligence.** This can be particularly useful when targeting new quality credit card customers from your existing liability book.
- **Connect to the "best in class" digital audience,** thereby further sharpening your acquisition and usage programs.
- **Utilize digital marketing best practices** to target customers new to your organization with near- pinpoint accuracy.



Tailoring Customer Value Propositions

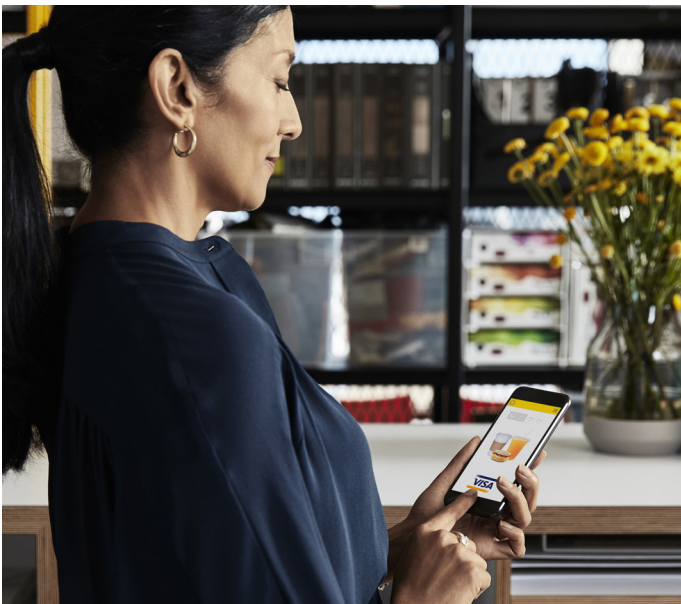
Targeting the right customers is just the starting point, because if you don't look at their needs and continuously refresh your value proposition so it is right for them, then your marketing efforts will be ineffective.

Visa has a set of digital capabilities (Visa Digital Benefits Platform) that enables cardholder choice in terms of benefits and services - allowing customization of CVP's at individual levels.

Through advanced data analysis we can create micro-segments and personas to characterize customers in terms of what they have done in the past and their aspirations for the future, allowing you to target them with a winning proposition.

For example, your Budget Breaker (credit hungry) segment, will have very different needs to your Shop Till You Drop (regular transactors) segment.

This approach will ensure that you are investing in services that deliver what your target customers need, as well as allowing you to differentiate your offering and stand out from the competition.



Example of Customer Segmentation Profiling

Young Lifestyle

Primary spends through Digital channels on food delivery apps, online shopping and leisure.

More skewed towards Millennials.

Everyday Spender

Primary spends in Everyday Spend Category like Supermarkets, Bill Payments, Fuel & Healthcare.

More skewed towards mid-aged, mid-income customers.

Shop Till You Drop

Primary spends in Fashion and Accessories, Luxury Goods and Home Furnishings.

More skewed towards mid-aged, high income customers.

Budget Breaker

Primary spends in Entertainment, Restaurants and Transport.

Customers who don't want to wait and pay later.

SOS-er

Primary spends in Home Furnishings, Travel and Automobiles.

Emergency borrowers for unplanned purchases.

Heavy Cash Users

Primary usage in Cash and Exchange Houses; Very low POS usage.

Love for cash and dominant cash culture.

Optimizing Your Card Upgrade Strategy

In many parts of the world, the type of product the customer holds is important as it's a proxy for affluence and lifestyle. This is certainly the case for many markets in Central and Eastern Europe, Middle East and Africa (CEMEA), with 57% of respondents to a survey in Africa and the Middle East agreeing with the statement that "Buying premium products makes me feel good" versus 35% in Europe and 52% globally.¹

A better plastic is more engaging and stays top of wallet, reflected in the fact that in 2018 17% of Visa cards accounted for 70% of total Visa spend. Therefore, it's vital that each of your customers has the right card for them.

Customer cards are typically upgraded based on their historical spend volume, assuming that there is no scope for them to spend more. But many of these customers may not feel valued and therefore

their card may not currently be the one they use regularly. This is poor practice, as customers who are ideal for a premium product are overlooked.

At Visa, our machine learning models help clients identify cards to be upgraded based on attitudinal, behavioral, risk and lifestyle factors, as opposed to focusing simply on historical spend volume.

This approach more accurately assesses the future potential of the customer. In fact, typically around 50% of cards recommended for an upgrade to a higher color product don't appear to have the necessary spend volume, based simply on visible lifestyle.

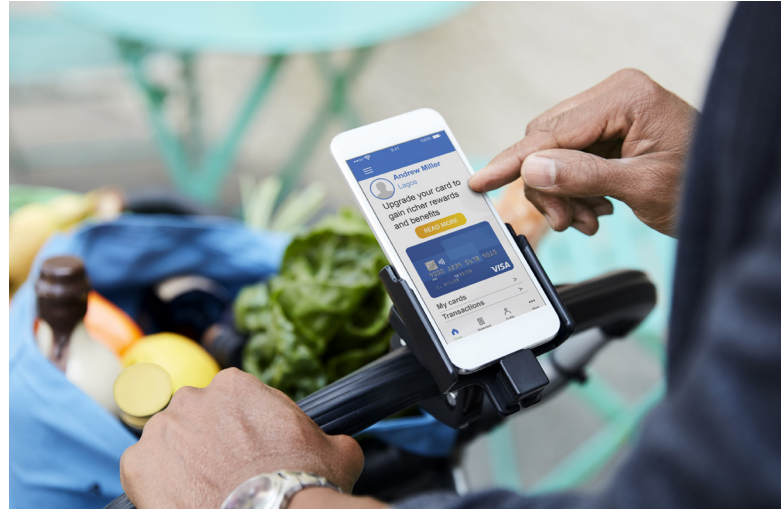


¹ Source: Nielsen Research: "Moving on up: Premium products are in high demand around the world", Dec. 2016. Data sourced from The Nielsen Global Premiumization Survey, Q1 2016.

Customizing the Customer Experience

Customers value, and increasingly expect, a personalized experience. They like to be understood, remembered and valued every time they interact with you. And when they do, they expect you to understand what their aspirations, interests and needs are.

We at Visa have developed predictive and prescriptive models that demonstrate to customers that you understand them. For example, we can accurately identify where there is demand for say cross-border or eCommerce spend, and help you drive usage in these areas.



Having mastered the art and science of creating personalized solutions, we can help you:

1

Harness the power of the data you hold

To know what is relevant to the customer you need to observe their behavior through data. The deeper you dig, the more you find.

2

Optimize the use of Artificial Intelligence

These technologies allow you to fully understand the context of a situation and, therefore, inform recommendations.

3

Personalize in real-time

Customers expect things now, not later, and we can help you to deliver immediate tailored messaging and offers.

4

Utilize our APIs

To help improve digital experiences and expedite time to market.

Being able to provide this "one-to-one" consumer experience can create a unique, deep and long-lasting relationship.

Truly tailored propositions deliver long-lasting profitable relationships

Customers are increasingly finding they have greater choice when deciding who to trust with their finances and their expectations continue to rise as technological developments drive what is possible.

To be successful and rise above the competition, you need to demonstrate that you clearly understand what the customer wants and can personalize your offer to deliver exactly what they are looking for. Premiumization allows you to do this, ensuring that your offer is seen as superior to that of others, thereby, exceeding your customer's expectations every time.

Visa is the partner best placed to help you deliver sustainable success through the premiumization of your offer to delight your best customers. We have the knowledge, capabilities and experience to drive your business forward, from optimizing the customer data you hold, to sourcing the products and services that work for every one of your customers. Partner with Visa and let us help your business to thrive.

About Visa Consulting & Analytics

We are a global team of hundreds of payments consultants, data scientists and economists across six continents.

- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics and machine learning with exclusive access to insights from VisaNet, the largest payment network in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.



For more information, please contact your Visa Account Executive or email Visa Consulting & Analytics at VCA@Visa.com. You can visit us at [Visa.com](https://www.visa.com) or on <https://www.youtube.com/watch?v=t5NNnOY78Ls>

Visa Consulting & Analytics is a global team of industry experts in strategy, marketing, operations, risk and economics consulting, with decades of experience in the payments industry. Using analytics from the payment network with the most purchase transactions worldwide, our team of subject matter experts can provide you with proven strategies and data-driven insights that support your business objectives.

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