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How Mastercard Is Targeting Millennials

CFO Martina Hund-Mejean says that after the financial crisis, young adults focused mainly on debit cards. That's starting to change.



MARTINA HUND-MEJEAN | 'Everybody thought millennials are interested only in debit. They're actually growing into the credit-card space.' PHOTO: KIT KITTLE

By *Maria LaMagna*

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Mastercard has set its sights on millennials.

Martina Hund-Mejean, Mastercard Inc.'s chief financial officer, says the company is positioning itself to take advantage of a shift toward greater use of credit cards by millennials as they become more confident about managing credit and debt.

The number of credit cards held by millennials in the U.S. amounted to an average of just over two per person in 2016, up 52% from 2010, according to Experian PLC, with an average balance per person of \$3,542, up 32% from 2010. Grabbing as big a slice as possible of that growing market would help Mastercard compete with Visa Inc. in the overall credit-card market, where Visa captured 53% of purchases in the U.S. in the first half of this year, compared with 22% for Mastercard, according to the Nilson Report, a trade publication.

In an interview with The Wall Street Journal, Ms. Hund-Mejean discussed Mastercard's efforts to attract the next generation of credit-card users around the world. Edited excerpts follow.

From insight to product

WSJ: *What are some of the consumer insights you've learned recently about millennial behavior?*

MS. HUND-MEJEAN: During and after the financial crisis, millennials were seeing how tough it actually was for their parents to be paying back the credit they got extended by providers and by banks. A lot of the millennials started using only debit-card kind of products because they thought they knew they could be doing their household budgeting in a better way without falling into the trap their parents fell into.

Well, lo and behold, as the millennials are maturing over the last two, three, four years, we're starting to see a changed behavior. They're starting to feel much more comfortable

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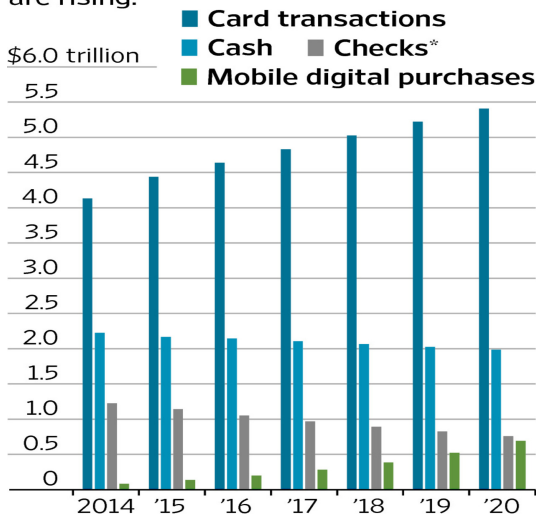
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Everybody thought millennials are interested only in debit. They're actually growing into the credit-card space.

WSJ: *How is Mastercard using that information in its business?*

Payment Paradigms

The volume of selected types of consumer payments in the U.S. As cash and checks decline, mobile payments are rising.



Note: Figures for 2017–20 are projections

* Includes money orders and travelers checks as well as personal checks.

Source: Euromonitor International
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MS. HUND-MEJEAN: We know from research that millennials want to have more discipline when it comes to money management and want more control over spending. They also love to travel, see the world and have a memorable experience; they would probably enjoy travel-related rewards. They are concerned about digital security, and a good user experience is what they are looking for.

So, based on these insights, we enhanced our World Elite credit-card platform in the U.S. Instead of a ready-made, one-size-fits-all rewards program, our benefits optimizer provides cardholders a single online touchpoint for rewards management. People can track and manage multiple Mastercard accounts. From

there they have the flexibility to access and activate their benefits, even selecting new ones. Pay With Rewards, a mobile app where consumers can set up when and where to redeem points automatically at the time of transaction, was developed from research that showed us that millennials want instant digital-redemption options.

Ease and safety

WSJ: *Are millennials particularly interested in mobile and seamless ways to pay?*

MS. HUND-MEJEAN: Digital and physical are moving together, it's completely converging. When you think about consumers, what they really like to do, they don't care if they're in a store or on a website, they want to pay the same way. Millennials and even centennials [those born after millennials] are no different in this respect. Where they're different from my generation is that they have been born into this technology-driven world. They have a mobile way of life.

So, in a mobile-first life, they expect to engage, interact and transact with friends,

family, brands and even their money digitally. And they want to do so in simple and safe ways. That's where technologies like biometrics are coming into play. Some of our internal research has found that nearly 60% of millennials in the U.S. would like to be able to make payments by scanning their smartphone.

WSJ: *Mobile payments have grown significantly, but usage is still relatively small. Mastercard has invested in various ways of making payments, including wearables that can be used for payments and an app that works with smart refrigerators to pay for the items they order. Why do that now?*

MS. HUND-MEJEAN: You need to think of this as a marathon, not a sprint. Plastic cards have been around for 50 years. People know how to use them, and merchants know how to accept them. So, that acceptance grows faster and easier.

For mobile payments, we're building on what we've learned. But think of it almost as the chicken and the egg. Merchants begin to accept mobile payments when there's enough pull from consumers for that. Consumers also tend to pick up mobile payments when there's enough acceptance for them. And then eventually the whole thing is picking up steam.

WSJ: *As millennials have grown up, they've also seen many examples of data breaches and incidents of fraud online. It wasn't that long ago that companies including Mastercard began to require a switch from traditional credit cards that have a magnetic stripe to Europay-Mastercard-Visa, or EMV cards, which have added security features including a chip. Despite those upgrades, we still see cases of fraud. How is Mastercard moving forward to secure transactions?*

MS. HUND-MEJEAN: In terms of EMV, which is only a small subchapter of fraud, everywhere EMV is rolled out, fraud has declined in a very significant way, even in the U.S.

Where the fraud has increased for the U.S. is online. And that is because EMV is only in the physical space.

But chip-card technology is serving as a base for securing the online world as well, [by enabling the creation of] a unique code for every purchase. If that code appears more than once, the transaction would be red-flagged as fraudulent.

WSJ: *To keep online payments secure, you've also invested in tokenization, which allows consumers to make payments without vendors having the ability to store cardholders' account information. Instead, the vendors receive a unique series of numbers—a "token"—that is used to validate the customer's identity. Is tokenization enough when it comes to preventing online fraud?*

MS. HUND-MEJEAN: Tokens are creating a safer way to send data electronically, and our work in biometrics—what some people refer to as selfie pay—is helping to drive greater verification of the cardholder's identity.

If you were to think about fraud traditionally, think of a balloon. You could squeeze or reduce the air in one part, and it would flow to another part. That's what you've seen as new technologies are introduced in-store or online. What we're working on now is to not just move that air, or fraud, around, but to reduce and eliminate it through a multilayered strategy. And our security development over the years and recent acquisitions speak to that.

WSJ: *What are some of those acquisitions? What else are you doing to reduce fraud?*

MS. HUND-MEJEAN: We're heavily investing to make sure we get to the next areas of where we can keep you safe. Some of the areas are biometrics. Now you're using your thumbprint. Mastercard did selfie pay, which is facial recognition, which gets a lot more points in terms of recognizing you than a thumbprint. That might be the safer thing.

Currently, people identify themselves online with passwords and security questions, but these are neither secure, because they're easily stolen or socially engineered, nor easy to

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use, because they are often forgotten, there are too many of them. Mastercard Identity Check Mobile eliminates the need for cardholders to recall passwords, dramatically speeding up the digital checkout experience while also improving security. Instead, the cardholder can verify their identity by using the fingerprint scanner on their smartphone or via facial-recognition

technology by taking a selfie photo.

Just recently [in March], one of my favorites, we bought a company called NuData. They recognize you depending on how you hold your iPhone and what you actually do in terms of typing in your password, at which speed you're typing in your password, and what else you're doing on the phone. So there's a lot of data and a lot of artificial intelligence behind it that NuData uses.

No end for cash

WSJ: *Visa recently offered \$10,000 each to as many as 50 restaurants and food vendors who were willing to stop accepting cash. What do you think about efforts to go cashless?*

MS. HUND-MEJEAN: I believe for decades we'll still be having cash. We probably will always have cash.

Even though one of our vision statements is "a world beyond cash," there will always be cash in countries for certain things. People will feel more comfortable with cash. I come from Germany. You will not get rid of cash in Germany. The grandmother will want to give a bill to her 10-year-old grandson and not have the parents know about it.

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