

# Revolutionize your corporate incentive solution with modern technology and back office solutions

Corporate incentive programs are a tried and true method of attracting shoppers and converting them into buyers and repeat customers. But not all programs are created equal. The most successful programs are designed and executed in perfect alignment with customer wants and needs. This ideal state is hard to achieve, however, and the majority of incentives and rewards programs fall short of this goal. They attract attention but fail to deliver satisfaction or loyalty and ultimately result in a negative ROI.

Modern card issuing platforms like Marqeta support high-performing corporate incentives and rewards programs by enabling flexible programs that can endlessly conform to changing consumer tastes and preferences.

## A better way to manage breakage

Traditional programs, which typically offer loyalty points, miles, or cash, often by way of a redeemable payment card, have been characterized by low engagement rates. Customers make an initial purchase in order to receive an incentive or reward, but they never claim the offer. That unused value goes by the industry term of “breakage.” It has, at times, been reported to be as high as 85% in travel and as low as 5% for cash-back programs.

When breakage can be reabsorbed by the company offering the incentive or reward, the damage is limited to the cost of a less-than-effective program.

However, when breakage is awarded to a third-party program provider, the hit to the operating margin can become significant.

Modern card issuing platforms enable customers to avoid the costs of unretained breakage by funding card transactions as they occur. Just-in-time (JIT) funding does not require the accounts associated with modern incentive cards to carry a balance. Instead, it allows funds to be transferred from a funding source in real time as each transaction is authorized.

\* Disclaimer: Unclaimed property laws can apply to certain JIT-funded card programs. Please consult an attorney if you have questions about your program.



## Drive traffic by offering compelling choices

Modern incentive programs not only allow for flexible funding, they also engage customers with tiered rewards. Where there was once only the basic option of loading a prepaid card with a specific dollar amount (\$25, \$50, etc.), JIT funding alters the traditional ledger model. With JIT, you can specify that amount per merchant. For example, a card could make \$50 available to be used at any merchant, while a higher amount could be spent at a specific merchant (the card program sponsor or a retail partner).

Incentives can be customized to build loyalty with a brand and its ecosystem of partners. For example, a tire company could offer a \$70 rebate via a prepaid card that increases to \$100 when it is spent at the brand itself or an affiliated provider. The reward amount can also increase depending on when or where the reward is used.

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## Lower program cost

Depending on the size of an incentive program, the capital advantage from using JIT funding can be considerable. Rather than tying up the money needed to fund an entire program upfront, organizations only fund transactions as they occur. This means more capital is available during the promotional period. And, at the end of the period, JIT saves the extra step of sweeping unused funds off the card.

Building an incentive program on a modern card issuing platform provides an additional financial opportunity in terms of a new revenue stream. Because the cost of electronic payments is shared by the ecosystem, brands that distribute open-loop incentive cards receive a portion of the interchange fees paid by merchants when they accept payments made with the cards. Similarly, when customers use the cards to purchase goods or services from the brand itself, those transaction costs are offset.

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## The open API advantage

Card programs that are built on top of open API platforms are free from many of the constraints that limited the effectiveness of incentives and rewards programs in the past. Program owners or administrators not only have a choice of funding models and the ability to customize their programs as they see fit, they also have assurance that their programs will be compatible with the latest payment solutions and comply with ever-changing regulatory requirements.

During 2020, the most successful incentives and rewards programs transitioned easily from offering physical cards in a regular wallet to tokenized cards in a digital wallet as consumers cut back on cash and swipe and dip cards in favor of contactless payments. At the same time, a looming network rule change that required additional verification around card not present transactions was easily addressed from a technical standpoint via open APIs.

Open APIs also provide visibility into transactions as they happen. One example of this in practice is Marqeta's Webhooks feature. Technically web callbacks, these can be set to provide real-time notifications of card events, including authorization and chargeback requests, to allow for granular program monitoring.

# Successful use of incentives across industries

As incentives and rewards programs transition from traditional to modern card issuing platforms, companies in every industry are taking advantage of new customizable programs that put valuable transaction data to use.



## TV and internet

Companies that offer subscriptions to TV and internet connectivity try to tempt consumers with offers that will prompt them to sign up for extended contracts. Coupling discounts with cash rewards can persuade consumers to make a switch from their current provider. In addition to growing their customer base, the brand behind the incentives will learn about customer habits and preferences from their spending.



## Telecommunications\*

The high lifetime value of telecommunication customers justifies generous rewards. Offers such as a traditional \$200 prepaid card for adding a second line can drive positive changes in behavior, but also create an additional need for liability management. Rather than use the card right away, some customers will save the funds for future purchases, raising accounting questions around revenue recognition for the unspent funds. However, by issuing a card through a modern card issuing and processing platform with JIT funding, organizations can avoid prefunding the card. Instead, they can fund transactions as they occur in real time based on the rules they define and the ledger they keep.



## Travel

Perhaps no industry is as closely identified with loyalty and rewards programs as the travel industry. According to Accenture, 40% of consumers participate in at least one airline program, and 46% participate in a hotel program. A modern corporate incentive program offers the opportunity to deepen those relationships. For example, when a customer is stranded in an airport by flight changes caused by severe weather, an airline can push a virtual incentive card to the traveler's digital wallet with funds that can be spent on local lodging, transportation, and food. JIT funding ensures any breakage is retained, while dynamic controls minimize any chance the card will be misused.



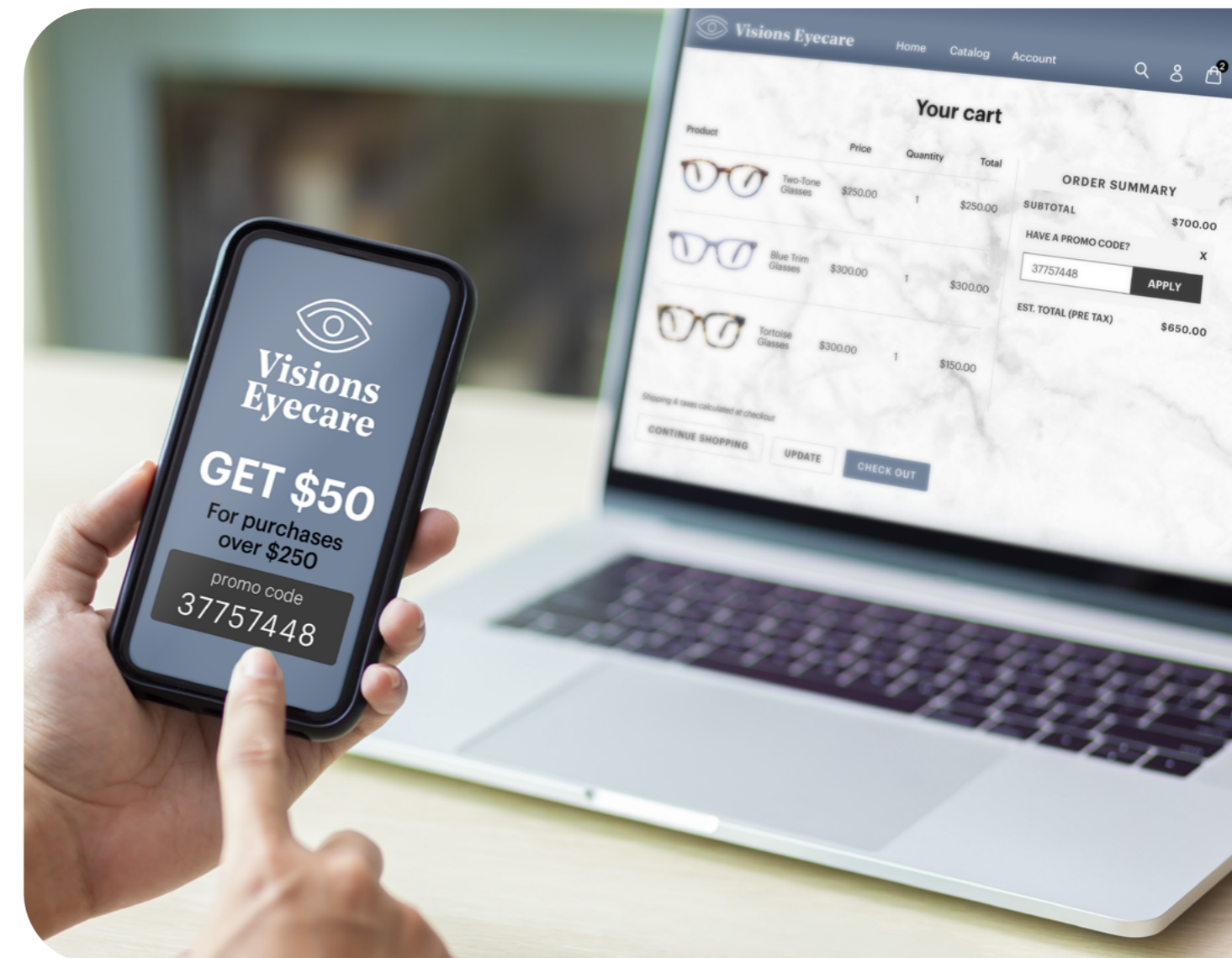
## Electronics and appliances

Once common, cash-back rebates were phased out more than a decade ago due to high levels of breakage. "It was the number one consumer conflict we were having," an executive at OfficeMax told the *New York Times* in 2006. Customers hated the effort and inconvenience that redeeming a rebate required. With modern card issuing and JIT funding, manufacturers and retailers can give consumers the cash reward they want, while minimizing costs and liability. Issuing an incentive card directly to a digital wallet enhances ease of use and also sends a message about a brand's ability to embrace new technology quickly.

# Top of wallet and top of mind

As digital wallets increasingly replace faithful bifolds, trifolds, and money clips, brands are seeing the screen space as an advertising opportunity. Modern incentives and rewards cards are now not only provisioned in the blink of an eye, they persist in an easily accessible location until they are spent. Whenever customers swipe through their payment options, the digital cards are there to remind them of the brands that value their patronage.

Thus, the message of modern incentives programs is hard to miss. What was once a transactional offer — buy our product and get \$50 — is now a confirmation of trust, a reminder of a brand's generosity, and a statement: "we are here for you" that is backed up by readily spendable digital cash.



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## Final thoughts

Running a successful corporate incentives program requires flexibility. You need to understand your customers and what motivates them. And when their preferences change, you need to be able to adapt. That's the power of building your program on a modern card issuing platform that allows you to retain breakage, create tiered incentives, provision cards to digital wallets, take advantage of technological advances, and respond appropriately to an ever-evolving regulatory landscape.

### About Marqeta

Marqeta brings speed and efficiency to card issuing and payment processing with the world's first open API platform. Businesses have been limited by slow legacy platforms that did not allow for flexible new program set up and fraud mitigation. Marqeta's platform allows customers to instantly issue cards with much-needed flexibility, control, and scale. Our modern platform was built from the ground up, and our APIs power innovative payment experiences for many of the apps and services you enjoy daily. Highly configurable, secure, and reliable, Marqeta's platform helps B2B and B2B2C companies compete in a constantly changing digital world.

Today Marqeta has 400+ employees and operates globally in the U.S., U.K., E.U., Canada, and the Asia-Pacific region. We have extensive partnerships with multiple banks and card networks, including Visa, Mastercard, and Discover. Our customizable solutions are used by innovators in areas such as expense and supplier management, digital banking, lending, e-commerce, on-demand services, and disbursements and incentives.