



# Priceless

**An Interview with Robert W. Selander, President and Chief Executive Officer, MasterCard International, Purchase, New York**



Robert W. Selander

**EDITORS' NOTE** Prior to assuming his present post in April 1997, Selander served as president of the corporation's Europe, Middle East/Africa, and Canada regional operations. Before joining MasterCard in 1994, he enjoyed a 20-year tenure with Citicorp/Citibank, eventually ascending to director of global retail strategy. Selander holds a bachelor's degree from Cornell University and a master's degree from Harvard University.

**COMPANY BRIEF** A global payments company with more than 25,000-member financial institutions worldwide, MasterCard International manages a full range of payment programs and services, including MasterCard credit and debit cards, Maestro on-line debit cards, Cirrus ATM cash access, and other related programs. MasterCard cards are accepted by more than 29 million merchants around the world. Based in Purchase, New York, it is the principal operating subsidiary of MasterCard Incorporated, a private SEC-registered share company employing approximately 4,000 people in more than 45 offices worldwide.

**MasterCard's "Priceless" advertising campaign has made a huge impression on the public's awareness of the brand. How was the campaign conceived and developed?**

The campaign got its roots in 1997, at a time when MasterCard had several different tag lines in various parts of the world. We wanted to come up with something for the United States, because we just weren't getting the bang for our advertising buck. So we conducted some research to develop a new positioning for the U.S. market and other major payments markets around the world.

We soon found that we had an opportunity to occupy a niche that was previously vacant in the payments industry. As we came out of the '80s and '90s, there was an emerging sense among consumers that they wanted to improve their quality of life with purchases, instead of just keeping up with the Joneses. So, by buying a 50-inch TV, you'd be able to enjoy a quality evening at home with your family – you could all do something together. The tag line grew out of that idea, which is that MasterCard is the best way to pay for the things that matter.

Today, the "Priceless" campaign is seen in 90 markets around the world and in 45 languages, so the campaign has really hit a sweet spot worldwide. It resonates with consumers because it presents fun and meaningful ways to go out and spend money. It's hitting on all cylinders, and it's unique in being a truly global campaign – common to all our markets around the world. Of course, we change the text and voiceovers to reflect the language of each specific market, and it has been a success across the board. Furthermore, according to our research, the advertising continues to improve. We're now airing 15-second spots in the United States, versus our original 30-second spots. Interestingly, our awareness and likeability quotients for the shorter ads are as high as for the longer ads, which clearly shows that they've become part of the public consciousness. People immediately jump to look at the new ad MasterCard's popping on them.

**Has your business prospered despite the economic downturn?**

We've enjoyed double-digit, year-over-year, gross-dollar-volume growth rates for the past 14 quarters or so, and we've consistently grown faster than the

economies we operate in. One of the benefits we have is that our primary competition is cash and checks, and not many people actively market those products. On top of that, we're picking up market share.

**Which geographical markets present the best growth opportunities going forward?**

There are opportunities for the payments industry everywhere around the world. Varying by country, only 20 to 40 percent of total consumer payments are done electronically or with cards; that leaves 60 to 80 percent up for grabs if we are successful in providing a compelling reason to pay with MasterCard. Our U.S. growth rates have been just slightly better than they've been globally. So we've been up on volume, both in the number of cards issued and in purchases on those cards, but I think we still have significant growth opportunities in the United States. Globally, it's a concentrated market because only about 15 countries represent about 85 to 90 percent of consumer payments.

**Do you work directly with cardholders?**

Our customers are financial institutions, the people who issue our cards to the cardholder. They design the cards and make the decisions regarding fees, rates, rewards, and so forth. We also work with the financial institutions, who deal with retailers acquiring the transactions in the first place. We work with all these institutions to help them to differentiate their products, and in a broad-based way, try to ensure a better experience for the merchant and the cardholder by investing in technology that makes transactions easier. For instance, if you have a MasterCard card issued by a New York bank, we make sure that card will work when you make a purchase in Paris. We've made major investments in our infrastructure and technology to ensure that that transaction is processed quickly and effectively, that the appropriate transfer of funds occurs to reimburse the merchant, and obviously that the issuing bank and account here are appropriately charged. Additionally, the positioning and marketing of our product also helps our issuers and acquir-

ers build their business. If our product awareness is more prominent, everyone's business performs better, and that enhances how MasterCard performs. We support that idea with our sponsorship and promotional programs in various markets around the world.

**You recently merged with Europay, a long-time strategic partner. What prompted the merger, and have you been happy with the results?**

We worked with Europay's predecessor organization, EuroCard, for the better part of 30 years. They were our representative, doing business on our behalf in Europe and Eastern Europe. Both companies recognized the trends toward globalization and consolidation in the payments industry. Our customers were getting bigger in size, but fewer in number, as the merger waves swept the financial institutions. And as banks or financial institutions secured their domestic marketplace through mergers, they began to look overseas for additional expansion and growth opportunities. So we responded to the globalization and the consolidation by merging, realizing we'd be much more capable of addressing those market needs together, given our long relationship and cross-shareholding.

We finalized the transaction on June 28, 2002, and thus far, I'd say we're doing well, and we've delivered on some significant synergies that we'd committed to for our board. We have a new management structure and a series of centers of excellence dedicated to capitalizing on both organizations' various strengths and leveraging those strengths globally. Finally, and most importantly, we've expanded on our resources for dealing with our customers, so today we have a customer-focused and customer-segmented organizational structure.

**MasterCard recently transformed itself from a membership association to a private-share company. What benefits do you expect to see from that conversion? Will you ever become a publicly traded firm?**

Well, there were two immediate motivations to convert from a private corporation to a private-stock corporation. First, we're owned by those we do business with, the financial institutions. By giving them the tangible shares, we have opportunity to create a cycle whereby the more business they do with MasterCard, the more valuable their investment becomes. It's a lot more compelling to do business with us because of that equity interest. Furthermore, because Europay was a private-stock corporation already, those shares facilitated this transaction.

Second, the shares will give us more flexibility in the future to make acquisitions or give financial institutions with whom we want to work an equity incentive to do so. We also have the ability to sell shares to raise capital, but we have no current plans to go public. We're very comfortable from a

capital standpoint, so we don't have any plans at present for a public offering.

**Can you explain the rationale behind the implementation of your new three-point strategy?**

In 1997, when we were still a geographically structured and focused company, we approached the board with an idea to restructure the company so we would operate differently. Up until that time, we hadn't been customer centric, and with the globalization and consolida-

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tion that was taking place, different needs were emerging for different customers. We realized it was important to cater to those individual needs and help our customers deliver on their specific payment strategies, which vary from one customer to another. That realization was the basis for our three-point strategy of focus, strengthen, and then differentiate.

First, we decided to focus on key customers and key markets, because that's where the action is. In order to be a global payments player, you have to be reasonably successful in the key markets as well as with the key players, the 50 customers who represent more than 70 percent of the business. It's an increasingly concentrated industry. The "strengthen" part of the strategy refers to the minimum attributes you need in order to be a credible global payments player. Outstanding acceptance is crucial, and no card is more universally accepted than MasterCard. Also necessary is the implementation of technology that ensures transactions are authorized, settled, and cleared efficiently and in a timely manner. You also need a recognizable and credible brand. People see our logo, and they know their cards will work at the store or ATM. Finally, differentiation comes into play, and we've worked on furthering our differentiation in the way we deal with our customers on an individual basis.

**How have you motivated your employees to come on board with this strategy?**

First of all, we communicated with the staff and made sure the strategy's benefits were transparent. We reorganized the company around customer relations, so we now have a business unit called Cus-

tomers Group, which was a real wake-up call for our staff. We carved out a series of very large customers and put dedicated teams in place to manage them wherever they were operating. Second, the staff recognized that we were doing these things because we believed it would work, the success of this plan motivated them, and we believe this enthusiasm will continue.

**Will the public's confidence in corporate integrity ever rebound from the effects of events such as the Enron debacle?**

There has been a bit of a feeding frenzy on a few companies and a few executives. It's disappointing to many of us in business, and certainly to me, to see a hyper-focus on a few bad apples. The fact is, 99.99 percent of the business community continues to do a good job serving customers, shareholders, and employees day after day. But let's face it, many of the CEOs who have publicly fallen had been in the limelight, so what goes around seems to come around. Over time, this feeding frenzy will ease up, and going forward there will be less press coverage because most companies are extremely transparent. Current business initiatives will restore public confidence in companies and the people who run them. Of course, down the road a few years, we'll still remember this time in corporate history, but I think this too shall pass.

**What would your top executives say of your leadership style?**

I think they'd probably mention my four key words: teamwork, people, process, and profit. At the end of the day, it's important that we manage this company to increase productivity and profits, both for ourselves and for our customers. Clearly, the thing that's going to differentiate this company over time is having the right people in the right jobs. There's no doubt in my mind that people can do a much better job working as a team than they can as individual contributors. I try to get everyone moving in the same direction so that they can recognize the moments when they may need to give up their individual priorities to support what's more important for the team.

**In such a fast-paced industry, can you ever escape your job?**

Absolutely. I use a couple of techniques: I turn off my cell phone when I travel, unless I'm waiting for a specific call, and I get away on the weekends, which cleanses my soul.

**Are you optimistic for the future of the payments industry?**

There's an incredible amount of general optimism for the future of our industry. The industry as a whole is growing, and in an economy where many industries are struggling for growth, we're delighted to be in a market segment that has that opportunity. And, obviously, MasterCard looks forward to taking more than our fair share of that. ●