

WACHOVIA

F/Visa

**INTERNAL
CORRESPONDENCE**

TO: Beverly B. Wells

FROM: Charles M. Hegarty

Charlie

SUBJECT: VISA Proposal for Funding Wachovia Bank Card Services Direct Mail

DATE: June 27, 1997

As we have discussed, Visa has been concerned about a shift in direct mail solicitation volume from Visa to MasterCard since the beginning of 1996. For specific information about the shift in volume, please see the attached document labeled Mail Share Problem which was presented at the most recent Visa Board meeting.

Visa represents this shift has been caused by MasterCard providing financial inducements to major issuers. George (our Visa Account Exec) allowed me to review 13 documented cases of MasterCard offers to issuers. This information was also shared with the Board, however, George was not at liberty to leave a copy with me. The inducements ranged from \$2.00 to \$5.00 per account for mail solicitations to be MasterCard rather than Visa branded. The most extreme example was a West Coast bank approached Visa asking them to match or surpass MasterCard's offer to provide \$44MM in direct mail support. George said Visa declined to support this proposal. There has apparently been other offers involving portfolio acquisitions of up to \$6.50 per account if the acquiring institution would convert the acquired accounts from Visa to MasterCard.

The Visa Board authorized \$25MM to be used to "buy" mail share from select issuers. Wachovia was not originally included in the select group, however, Visa approached us a few weeks ago about this program. Upon hearing of these programs, we approached MasterCard and were told emphatically that MasterCard is not subsidizing direct mail by issuers.

P-0869

**GOVERNMENT
DEPOSITION
EXHIBIT
118**

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WBC 12158

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SUBJECT TO PROTECTIVE ORDER**

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During 1996, approximately 60% of our direct mail was Visa branded with a comparable split planned for 1997. Because we alternate brand within our different campaigns, our plans called for the latter part of the year to be more heavily MasterCard branded.

Visa, as outlined in the attached proposal, is prepared to provide financial and other support if we agree to Visa brand all our direct mail from August through the end of the year. We project the direct mail quantity (excluding BMG which is already a Visa only product) in this period to be 15.4MM. The most significant financial aspect of the Visa proposal is their offer to pay \$3.50 per Visa card (not account) issued from these 15MM solicitations. The ultimate compensation will be based on the number of cards issued, however, it should easily exceed \$1MM. I can discuss the nuances of the total proposal with you at your convenience.

Personally, I think both Visa and MasterCard's actions are inappropriate (and absurd). Clearly, our competitors are not adverse to receiving this support and, consequently, we have been at a competitive disadvantage. Most of these recipients are already mailing at much higher volumes than ourselves. If we reject this support, it will obviously migrate to these issuers.

We will be moving forward with producing our August solicitations within the next week. Let's discuss at your convenience.

/sp

Attachment

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Mail Share Problem

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MasterCard Situational Analysis - End of 1995

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Situation

- Declining Market Share
- Loss of Most Co-Branding Decisions in 1994 and 1995
- Low and Declining Consumer Perception
- Ineffective Advertising
- Chosen as Brand on Only 21-30% of New Card Solicitations Between 10/94 and 12 /95

Prognosis

- Continued Downward Spiral on Market Share
- Insufficient Funding In Future to Run Systems, Advertising, New Initiatives

Need

NEED TO
"STOP THE
BLEEDING"
ON
MARKET SHARE

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MasterCard Plan to Stem Market Share Erosion

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Objective

Increase MasterCard
Market Share

Strategy

Convince Members
to Select MasterCard
as Brand on at Least
Half of All
Solicitations

Tactic

Offer Major
Financial Incentives
to Fastest Growing
Members and
Other Large Issuers

- Verified 13 cases
- 2 to 10 per ~~(10)~~ card
- one issuer's package worth \$4M

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Mallshard June 97

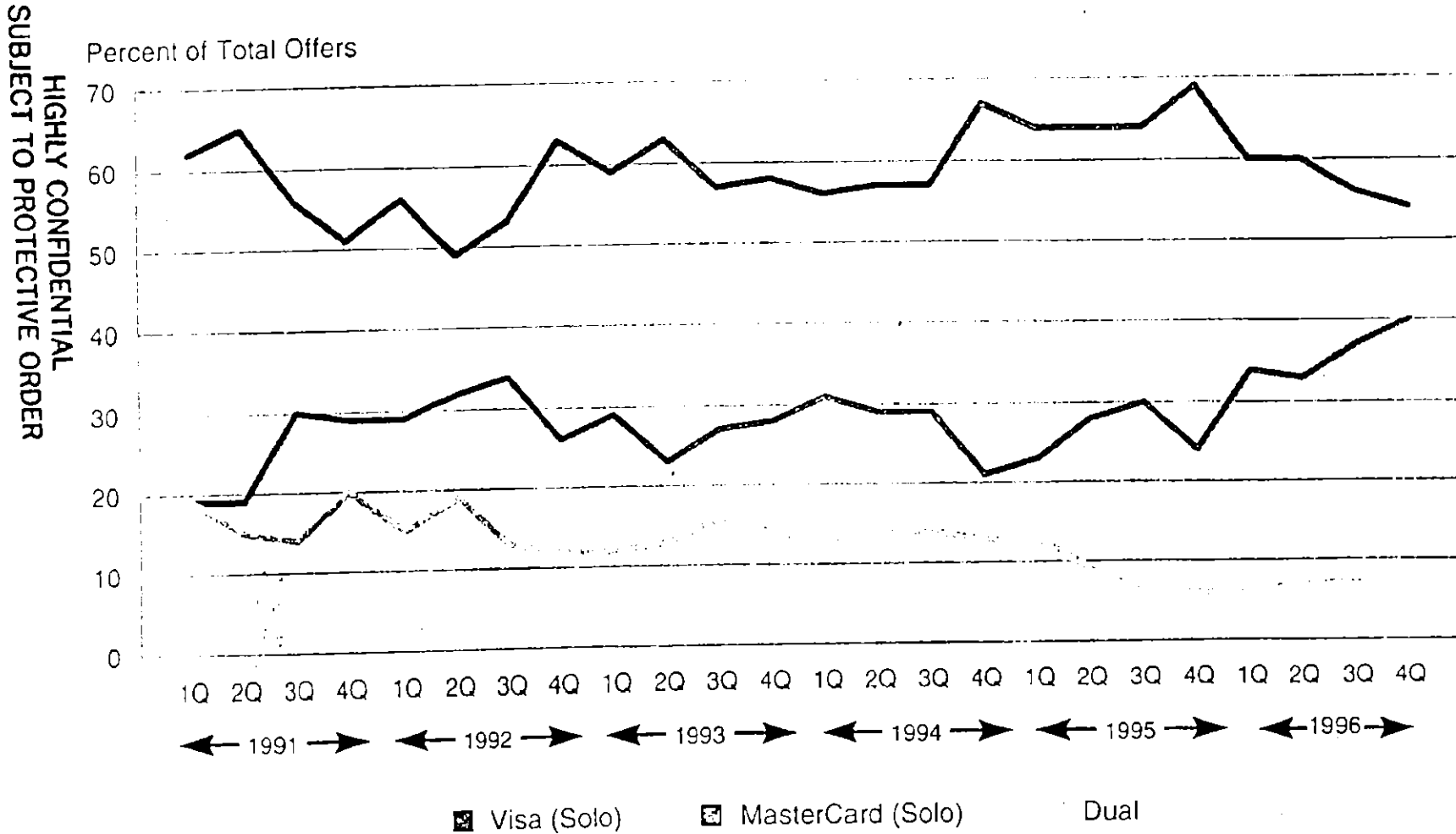
Mail Share Analysis

Brand Share of Offers
(% of all solicitations)

	<u>Visa</u> <u>Share</u>	<u>Change</u> <u>vs. YAG</u>	<u>MC</u> <u>Share</u>	<u>Change</u> <u>vs YAG</u>
Q1 - 95	64	+8	23	-8
Q2 - 95	64	+7	28	-1
Q3 - 95	64	+7	30	+1
Q4 - 95	69	+2	24	+3
Q1 - 96	60	-4	34	+11
Q2 - 96	60	-4	33	+5
Q3 - 96	56	-8	37	+7
Q4 - 96	54	-15	40	+16
Q1 - 97	46	-14	45	+11

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Brand Share of Total Bankcard Offers



Source: Mail Monitor

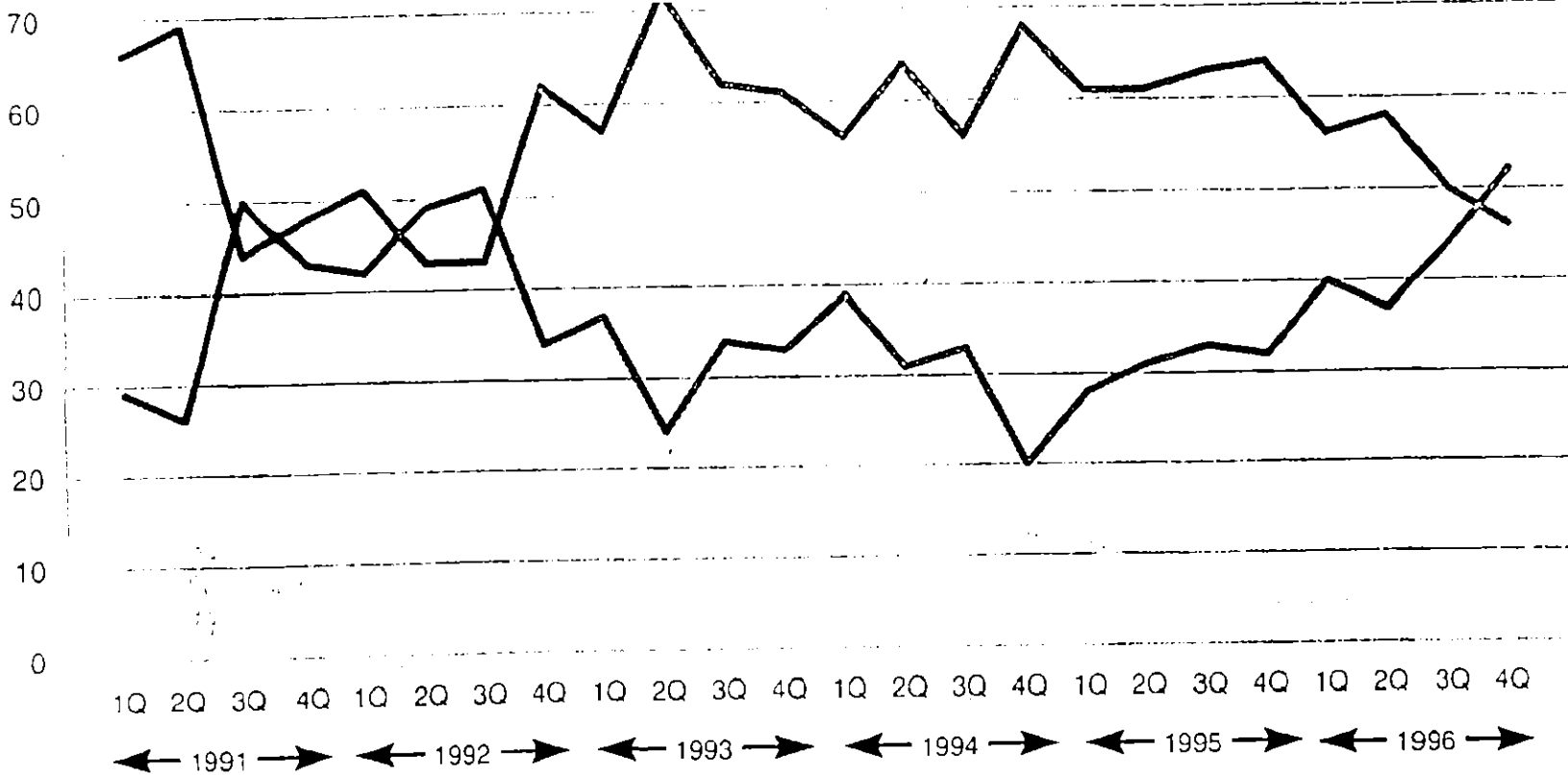
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Mailshare June 97

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Top Ten Issuers Offers

Percent of Total Offers



■ Visa (Solo)

■ MasterCard (Solo)

Dual

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Source: Mail Monitor

Mailshare June 97

• Board authorized ^H 25MM to move share

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X - sell

- Evaluate direct mail initiatives for the remaining part of '97 and throughout '98. Continue to develop test mailings to improve response and obtain critical information to enhance direct mail efforts. Consulting Services will also be available to support activation and retention efforts.
- Support branch related initiatives through the use of the Visa in-branch cross sales program. Jointly evaluate with Wachovia the possibility of piloting the '98 branch cross sales program.
- Support the development of new products such as an equivalent program to First Wave, student, and platinum products. Provide market research and resources that are currently available within Visa to aid in this effort. Additional opportunities and support to be reviewed on a program by program basis.
- Support direct mail initiatives for the remaining part of '97 in an effort to gain exclusive Visa mailings for the remainder of the year. This will be accomplished by providing marketing support of \$3.50 per card issued. The projected value of this support totals \$1,140,839.

Marketing support is based on the following mail projections: 15,400,000 pieces to be mailed from August to December; response rate of 1.5%, approximately 1.4 cards per account; and a total of 325,954 cards to be issued. Visa Classic, Visa Gold, and Visa Platinum are eligible for this support. Co-branding, Commercial, and Visa check card products are not included in this marketing support proposal.

Mail and account/card statistics would be tracked by Visa to determine final amounts for marketing support.

- Evaluate direct mail plans in the fall to determine the effectiveness of Visa's support and to jointly develop a direct mail strategy for '98.

WBC 12167