

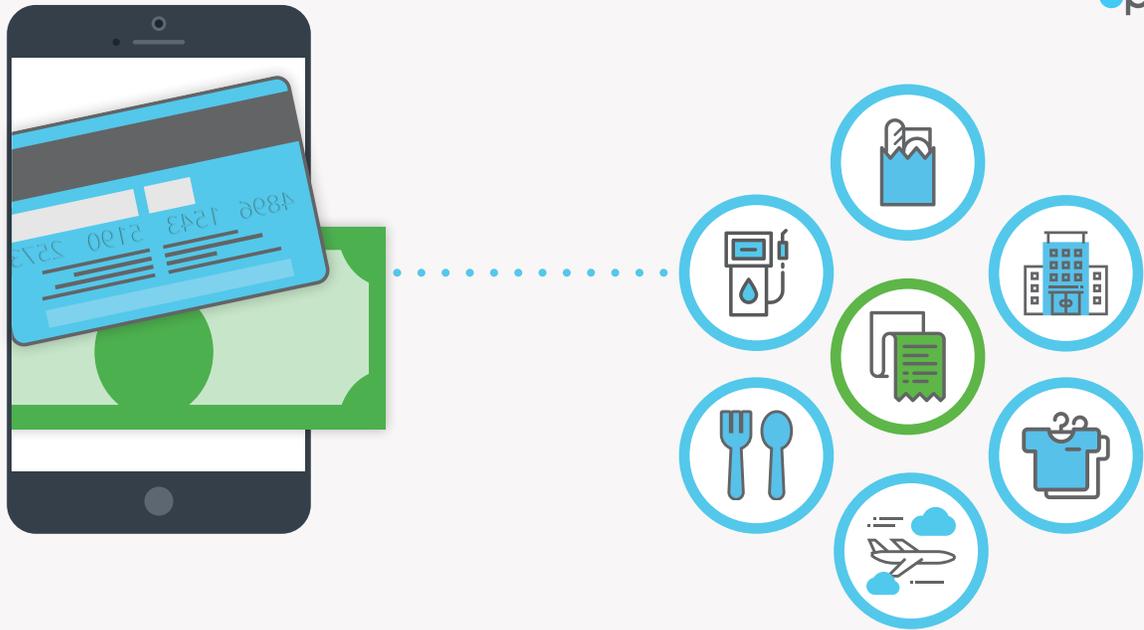


The State of Mobile Wallet Loyalty and Engagement in 2016



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Introduction

Consumers are increasingly turning to their mobile devices to complete transactions, but many need an extra push or incentive to turn mobile wallet use into a habit. In fact, **almost all (94.4%) consumers would use a mobile wallet more frequently** if they could earn and/or redeem loyalty points and miles with every transaction.

The State of Mobile Wallet Loyalty and Engagement in 2016 gets inside U.S. consumers' heads to uncover pain points with mobile wallets. It also offers insights into ways loyalty programs, developers and merchants can leverage mobile wallets to drive engagement with their brands. For this study, Points surveyed 1,500 U.S. consumers who are members of at least one loyalty program to get a better understanding of what the average consumer wants from their mobile wallet, and which features will help encourage continued use and engagement.



Loyalty and Commerce Are Intertwined

Over the years, loyalty has gradually become an important part of consumers' everyday lives. It's no longer an add-on, but an expectation.

Consumers value the flexibility of collecting loyalty points, miles, rewards and experiences everywhere they go. This is evident based on the percentage of consumers who have rewards-earning credit cards and use their mobile devices to track and collect points and miles.

Rewards-earning credit cards can be used for just about any purchase - from everyday items like groceries and gas to bigger buys such as booking a flight or hotel stay. And by making these transactions via mobile wallets, where debit and credit cards are stored, consumers have the ability to increase their earning potential.



Type(s) of Rewards-Earning Credit Cards Consumers Use:



52%
Financial services credit card such as Chase Sapphire Preferred®, Premier Rewards Gold Card from American Express



35%
Airline credit card such as Citi® / AAdvantage® Platinum Select® MasterCard®, American Express / Gold Delta SkyMiles®, Chase / United MileagePlus® Explorer Card etc.



33%
Travel rewards credit card such as Barclaycard Arrival™ World MasterCard®, Capital One® Venture® Rewards Credit Card



29%
Hotel credit card such as IHG® Rewards Visa, American Express / Starwood Preferred Guest®



11%
Other

Mobile has become an important channel for loyalty programs to interact and engage with their members. In fact, **nearly 3 in 5 consumers use their smartphone** to display loyalty cards.

How Consumers Engage with Brands via Mobile Devices



Mobile Wallets Are Gaining Traction

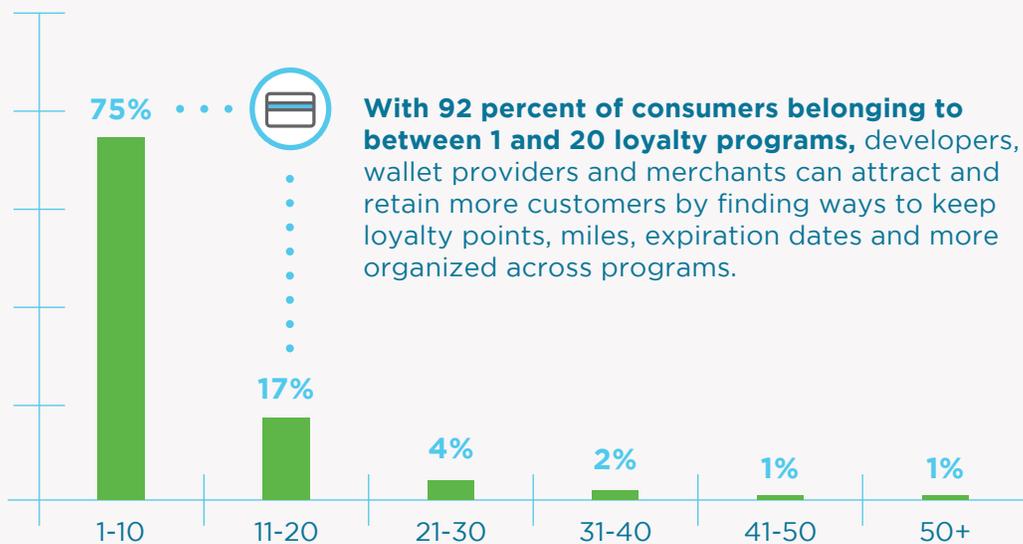
While mobile wallets have been the focus of much buzz in recent years, they have seen slow adoption to date. But now, mobile wallets may have (finally) arrived, with **more than 3 in 5 consumers (63.8%) saying they've used a mobile wallet in the past year.**

Now more than ever before, app developers, merchants and loyalty program providers need to understand how consumers are using mobile wallets, what they're looking for and how to offer the right features. With mobile wallets, developers and providers should keep consumers' demand for loyalty top-of-mind, as it will lead to increased engagement and help mobile wallets stay around for the long run. Developers and wallet providers will also benefit from addressing consumers' concerns, including security and ease of use.

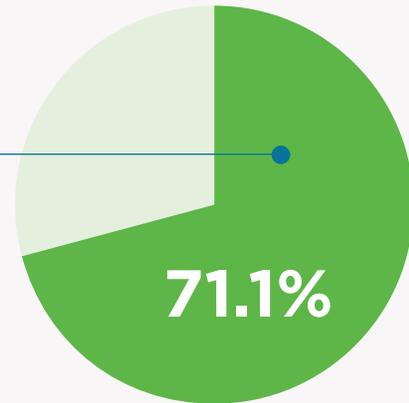
More than 3 in 5 consumers **(63.8%)** saying they've used a mobile wallet in the past year.



Average Number of Loyalty Programs Per Consumer:



While most consumers (71.1%) completed between one and 25 mobile transactions in the past 12 months, a handful of others have not made any at all.



Why are some consumers still hesitant to make mobile transactions?



Top Reasons Some Consumers Haven't Made a Mobile Transaction in the Past Year:

- 47%**
Are concerned about security/privacy
- 45%**
Say that credit, debit card and/or cash are enough
- 21%**
Are not interested in mobile wallets
- 20%**
Say it's too complicated
- 12%**
Mobile payments are not offered where they shop
- 5%**
Other

Mobile Wallet Improvements Consumers Would Like to See:

- 62%**
Stronger security
- 58%**
More loyalty programs in mobile wallets
- 49%**
More relevant coupons/deals from retailers
- 40%**
Improved ease of use



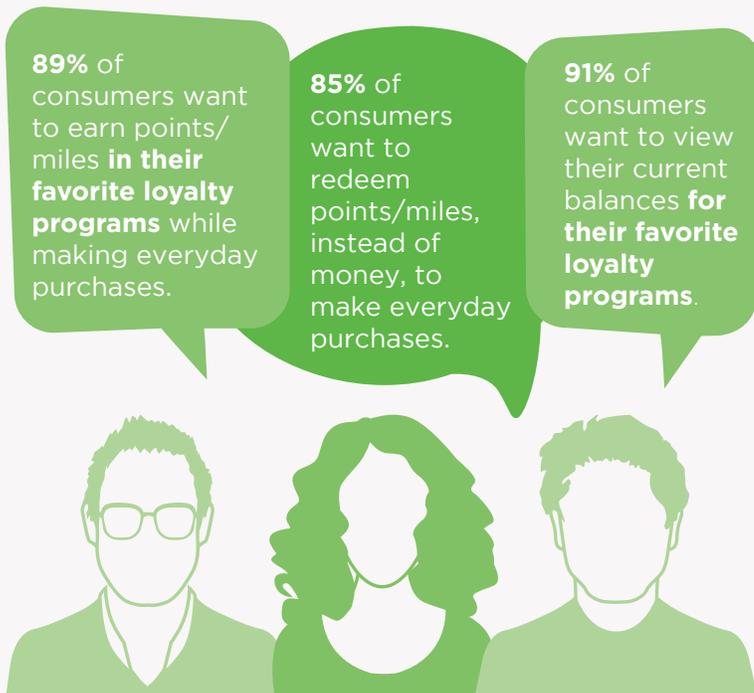
63%
of consumers would like to see more stores accepting mobile wallets

Building Loyalty Into Mobile Wallets

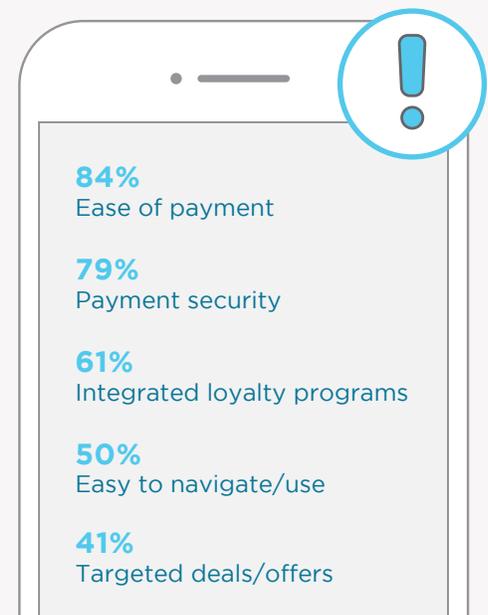
Mobile wallets have moved beyond the “early adopter” phase and are starting to be used more widely and frequently by everyday consumers. A key way to encourage continued adoption and long-term use is to build loyalty into mobile wallets.

Consumers have made their desire for loyalty in mobile wallets loud and clear — 94.4 percent of consumers surveyed would use a mobile wallet more frequently if they could earn or redeem points and miles with every purchase. **Also, almost all (89.6%) are likely or extremely likely to shop with a retailer that allows them to earn points and miles in their favorite loyalty programs.**

It’s Important/Extremely Important That a Mobile Wallet Allows Me To...



Most Important Purchasing Features Consumers are Looking for in a Mobile Wallet:



Building Loyalty Into Mobile Wallets cont'd

As the data shows, loyalty is a key feature consumers want from mobile wallets. And when it comes to the loyalty features of mobile wallets, consumers value convenience. **Almost all respondents (86%) would like to access loyalty programs via smartphones** and more than 3 in 5 consumers (60.4%) prefer to access all loyalty programs through one app, rather than thumbing through several apps. Also, in keeping all loyalty programs organized in one place, **almost all respondents (94.3%) are interested in a mobile wallet that allows them to exchange points/miles between loyalty programs** to grow balances.



Looking at the different loyalty features consumers want in their mobile wallets, one trend is clear. Consumers want mobile loyalty wallets to be a one-stop-shop. Instead of logging into a separate app or waiting to receive a monthly statement to view balances, exchange points and redeem rewards, consumers want these features at their fingertips and accessible in one place. This means **now is the time for loyalty programs to be more flexible with their currencies by increasing their ubiquity to make them readily available in mobile wallets.**

How Loyalty Drives Engagement

Just as loyalty is central to overall mobile wallet adoption, adding loyalty also leads to improved engagement rates. In fact, **76.4 percent of survey respondents indicated they're more engaged with loyalty brands** when given more opportunities to earn and redeem points. Additionally, **85.1 percent of respondents want to engage with loyalty programs** at the places where they shop most frequently.

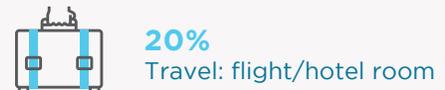
Today's consumers want more ways to earn and redeem their points and miles. The more ways consumers can earn rewards, especially through everyday purchases like filling up their gas tank or getting groceries, the more likely they are to engage with a loyalty program.

Where are consumers most interested in earning and redeeming loyalty Rewards?

Consumers want to earn their loyalty rewards at:



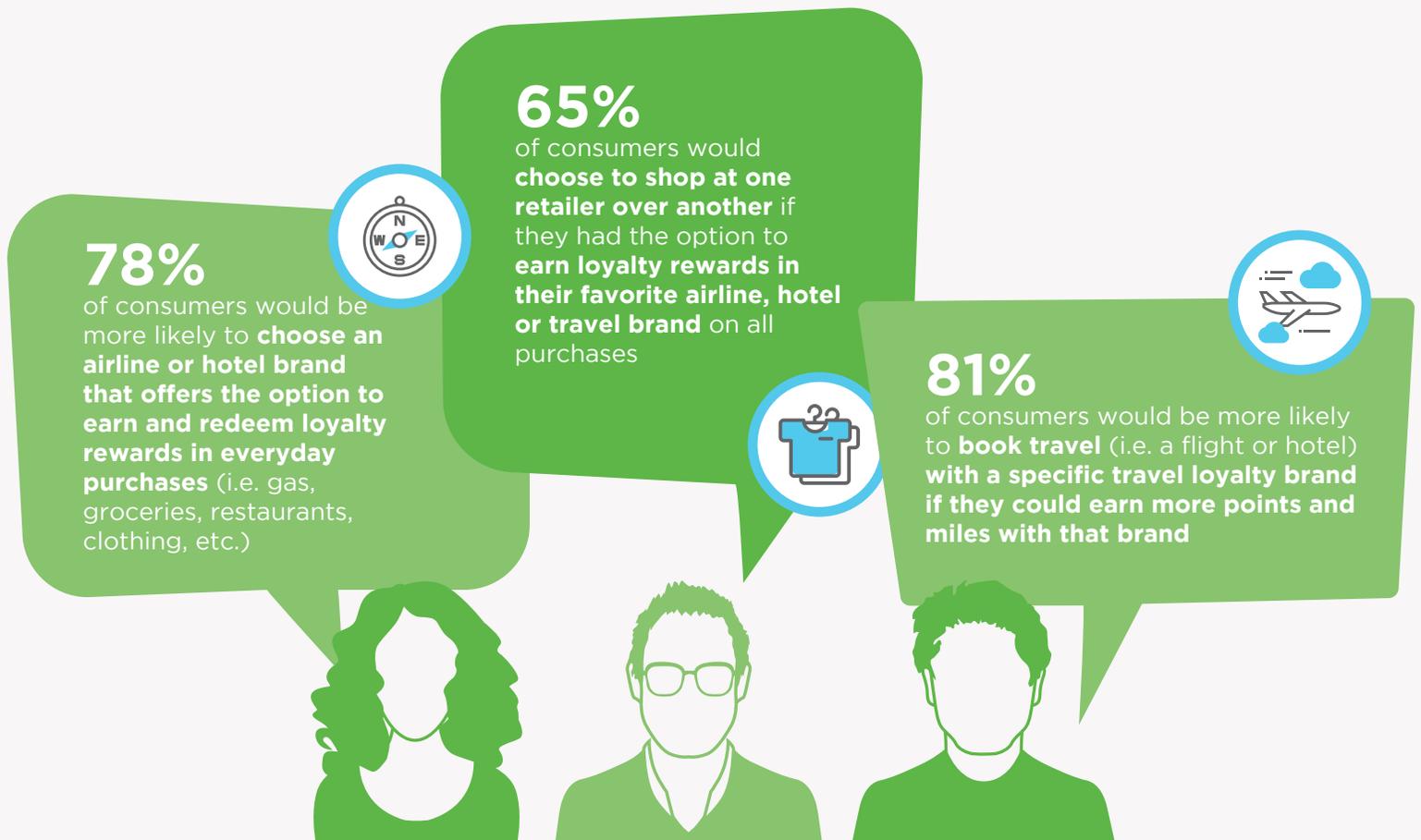
Consumers want to redeem their loyalty rewards at:



How Loyalty Drives Engagement cont'd

Across the board, consumers are much more likely to engage with brands that offer as many options and as much flexibility as possible when it comes to loyalty than brands that do not.

For loyalty programs looking to increase engagement, in many ways it can be as simple as adding plentiful — and flexible — options for their loyalty program members to earn and redeem points and miles.



Mobile Wallet Keys to Success

After years of slow adoption, consumers are now more willing to give mobile wallets a try. Based on data from this study, following are several key ingredients to continued mobile wallet adoption.

Engagement

- ✔ Almost all consumers want a loyalty feature in their mobile wallets, so brands should give consumers every opportunity possible to earn, redeem and exchanges points and miles
- ✔ Mobile wallet developers and providers should also make adding loyalty features to their products a priority
- ✔ To encourage continued engagement, **loyalty programs should be more flexible with their currencies** and make them available in mobile wallets
- ✔ Using loyalty points and miles, **consumers can get one step closer to booking their next big vacation or purchasing the 3D TV** they've had in their shopping cart for ages

Brands should give consumers every opportunity possible to earn, redeem and exchanges points and miles

Almost half (48.9%) of consumers would like to see more relevant deals or offers from merchants via mobile wallets

Personalization

- ✔ When paired with loyalty program data, **mobile wallets can be used as a highly effective marketing channel**, enabling brands to share more targeted offers with consumers.
- ✔ Personalized offers can ultimately increase consumer spending and enhance loyalty

Consumers increasingly demand easy and convenient payment methods

Convenience

- ✔ Now is an ideal time for mobile wallet developers and merchants to emphasize the convenience of mobile wallets, following the inconvenience and backlash the recent Europay-MasterCard-Visa (EMV) rollout has seen. In many cases, the new chip cards are making in-store transactions more time consuming and complicated, **making the simple tap of a mobile wallet a more convenient alternative**
- ✔ Brands should also seek every opportunity to integrate their loyalty programs with a loyalty platform since consumers value the convenience of accessing all loyalty programs and associated balances and rewards in one place

Conclusion: Future of Mobile Wallets

If the past decade is any indication, consumers are becoming increasingly interested in taking full advantage of their loyalty programs. By adding loyalty capabilities to mobile wallets, developers can help spur mobile wallet adoption and merchants and loyalty programs across industries (retail, hotel, airline and more) can encourage continued engagement while building long-lasting customer relationships.

For more information on how to manage and organize all loyalty programs in one place, contact: BusinessDevelopment@Points.com.

About the Study

The State of Mobile Wallet Loyalty and Engagement in 2016 is a survey of 1,500 U.S. consumers distributed by Points with the goal of understanding how loyalty impacts mobile wallet adoption and engagement. Respondents were over the age of 18, familiar with mobile wallets and a member of at least one loyalty program. With this study, developers, wallet providers and merchants can better grasp how to set leverage mobile wallets and loyalty programs for continued success. The report was developed and distributed in spring/summer 2016.

About Points

Points, publicly traded as Points International Ltd. (TSX:PTS)(Nasdaq:PCOM), provides loyalty eCommerce and technology solutions to the world's top brands to power innovative services that drive increased loyalty program revenue and member engagement. With a growing network of over 50 global loyalty programs integrated into its unique Loyalty Commerce Platform, Points offers three core private or co-branded services: its Buy Gift and Transfer service retails loyalty points and miles directly to consumers; its Points Loyalty Wallet service offers any developer transactional access to dozens of loyalty programs and their hundreds of millions of members via a package of APIs; and its Points Travel service helps loyalty programs increase program revenue from hotel bookings, and provides more opportunities for members to earn and redeem loyalty rewards more quickly. Points is headquartered in Toronto with offices in San Francisco and London.

For more information on Points, please visit www.Points.com, follow us on Twitter ([@PointsLoyalty](https://twitter.com/PointsLoyalty)) or read the [Points company blog](#).