

Mastercard – case study essay



In May 1998, Meltem Tekeli, MasterCard's Vice President for Global Promotions and Sponsorships, had already begun discussions with senior MasterCard staff on the renewal of MasterCard's 1999-2002 World Cup and World Championship Soccer (WCS) sponsorship. When the results of the 1995-1998 WCS Sponsorship came in, it was clear that they had far exceeded those achieved in the previous rounds of their sponsorship of soccer. As one of twelve worldwide sponsors, MasterCard executives knew that their global payments franchise sponsorship of this event was a resounding success.

With a cumulative audience of approximately 37 billion in 200 countries and territories watching the matches of the World Cup '98, MasterCard officials knew their advertising campaign had reached an unprecedented amount of people. With soccer being the number one sport in 10 of MasterCard's top 17 markets, the World Cup commanded the largest audience of any event in the world. At the time, MasterCard acceptance locations had grown to 16.2 million in over 220 countries and territories. They organized their operations into six regions: Asia/Pacific, Canada, Europe, Latin America, Middle East/Africa, and the United States.

Each region aimed for self-funding, with the United States region being the largest and contributing funds to the other regions to ensure global acceptance. As they expanded their product range and global experience, MasterCard's worldwide image became ever important. From a marketing perspective, it was necessary to choose their global sponsorships wisely and reach as many consumers as possible. The WCS sponsorship had the dual benefit of promoting MasterCard's global importance while also providing a

means through which to connect interest in the event to the specific promotional efforts of local MasterCard members.

A number of issues had come up which threatened the renewal of their contract. First, MasterCard officials were informed that they would have to pay twice as much as it had for the 1995-1998 sponsorship. They also had removed some events from the package that had previously been included. In the United States, which was the largest market for MasterCard, executives were already questioning the value of continuing this sponsorship, since soccer was not the most popular sport in this region and they had just recently launched the successful "Priceless" advertising campaign in this and other markets.

On top of that, MasterCard executives were informed that if they did not accept renewal of the contract, its largest competitor, Visa, was ready to step in and take over the sponsorship. MasterCard now needed to decide if renewal of this sponsorship was in their best interest. Problem Identification While striving to make a timely decision about whether or not to be the sponsor for the World Cup, MasterCard had to do several things, including analyzing the situation and weighing all of the pros and cons of spending the largely inflated amount of money that the World Cup was asking for their sponsorship.

There are several key areas that they had to consider before making their final decision. First, there was a significant price increase for the sponsorship rights, and they would not have any negotiating power. MasterCard's largest competitor, Visa, was waiting on the sidelines ready to accept the

sponsorship if MasterCard declines the World Cup offer. Secondly, MasterCard was in the process of restructuring its business in a number of areas, which largely included their marketing budget. Another concern is that MasterCard had just spent a large amount of budget dollars on their new global marketing campaign, "Priceless".

Both the "Priceless" advertising campaign and the sponsorship of the World Cup are global campaigns. The final concern is that MasterCard derived more than half of its revenue from the U. S. Region. This region is the one major market in the world where soccer is not the most popular sport. The executives from this region were concerned about the amount of money being spent on advertising for the World Cup, especially in light of the price increase for renewal. These main areas of concern needed to be researched and analyzed before MasterCard could make a sound marketing decision.

Internal and External Factors Industry Analysis In the late 1990's, credit cards were becoming a main entity of consumers. Credit card transactions were exceeding \$16 trillion dollars a year. MasterCard, Visa, American Express, Japan Credit Bureau, and Discover were the main credit cards used globally. The United States market was becoming saturated, leading to intense competition and market segmentation.

Credit card companies, such as MasterCard, were increasing their global outreach because of the saturation in the U. S. In order to stay ahead globally, credit card companies needed to be diligent with their strategies.

Competitive Analysis Visa and MasterCard are direct adversaries of each other. Both Visa and MasterCard target the same demographic and promote

the same product. They are both also used worldwide with millions of ATM's accepting both Visa and MasterCard. One main difference between the two is that Visa is a for-profit company owned by bank members, and MasterCard is operated as a nonstock, not-for-profit association.

In the mid-1980's, Discover card entered the market and became new competition for Visa and MasterCard. They changed the dynamics by adding no annual fees, rebating customers 1% of their purchase, and added frequent flier mileages. Competition was becoming more intense and credit card companies needed to find new ways to attract customers.

Strengths One of MasterCard's major strengths was the success they gained from their sponsorship of the 1998 World Cup. By 1998, MasterCard had 364.6 million cards in circulation worldwide, a gross dollar volume of \$651. billion dollars, and was accepted in 220 countries and territories. In the late 1990's, MasterCard successfully released a new campaign, "Priceless", with the slogan "there are some things in life that money can't buy, for everything else, there's MasterCard". This campaign received outstanding results in 26 countries. In 1999, MasterCard decided to realign their marketing strategy because of the changing market. They decided to put their logo on the back of cards to attract major member banks. Within the industry, this was seen as a bold move.

Citibank, which partnered with Visa, moved all of its credit card business to MasterCard because of the realignment strategy, which Visa refused to follow. MasterCard gained \$100 million in dues from Citibank. MasterCard also worked with government authorities to track and decrease credit card

fraud, which is a major strength for them. MasterCard teamed up with soccer legend, Pele, and made him their World Cup spokesperson. A major benefit for having Pele is the association consumers have between MasterCard and Pele every time they see his ad.

Pele made 120 appearances in three years, and MasterCard received 1 billion media impressions worldwide. MasterCard was very diligent when it came to their marketing strategies, which paid off for the company in many ways. Weaknesses One of MasterCard's weaknesses is that more than half of their revenue comes from the United States. Soccer is not a popular sport in the U. S. , so by sponsoring the World Cup, they are not reaching their largest consumer base. Another weakness is MasterCard's reliance on their member banks to issue their cards and convince customers to use it regularly.

Because MasterCard is a not-for-profit company, they rely on their individual members to promote their own cards. MasterCard also had trouble measuring the investment returns from sponsorships. MasterCard will have to be mindful of their weakness when they are making the decision about the World Cup sponsorship. Opportunities A great opportunity for MasterCard was the World Cup sponsorship. By the 1980's, the World Cup was the largest sporting event in the world. Soccer was not popular in the US, but it was popular with the rest of the world.

MasterCard would like to move from a US credit card company to an international payment system; advertising with the World Cup would lead them in this direction. Sponsorship of sporting events have many advantages

for companies. They have strong emotional appeal, competitive nature, and consumers watching the event are from all demographics. Another opportunity was for members to reach a global audience; they would not have reached this audience without MasterCard's sponsorship. MasterCard had the opportunity to increase their brand image worldwide. Threats There are threats MasterCard has to address.

If MasterCard was not willing to renew their sponsorship for the 1999-2002 World Cup, Visa was standing by, willing to sign without any price negotiations. The price of the sponsorship was twice as much as the cost was for the 1995-1998 deal. Also, competition was becoming more widespread. MasterCard had to stay on top of their marketing to stay one step ahead. Analyzing the Information Many sponsors viewed the World Cup as a good media buy primarily because of the brand exposure embedded in the telecasts of the games. On average, a perimeter sign was on-screen for 7.5 minutes of a 90-minute soccer match.

The large audiences and extended exposure made this an attractive buy when compared with conventional advertising spots, even after discounting the World Cup exposures as having less impact than full-screen advertisements. One of MasterCard's major objectives of being an "Official Sponsor" was to leverage its investments beyond brand exposure to providing a platform for a more integrated global marketing program. As Official Sponsor, MasterCard negotiated both exclusivity in the payment services category, and pass-through provisions that allowed members to be included in WCS promotions at no additional charge.

Sponsorship rights secured the ability to use official marks in marketing campaigns, to promote member products as “official cards” of events, first option to purchase TV commercial time during event broadcasts to advertise MasterCard brands and products, and the ability to purchase tickets and exclusive travel packages. For MasterCard members, pass-through rights meant that they could include the official World Cup name, imagery, and music in a variety of promotions for their cardholders and merchant customers.

Sponsorship gave members access to a powerful global asset they could not afford and allowed them to invest their resources in marketing leverage rather than sponsorship fees. World Cup '98 was broadcast to a cumulative audience of over 37 billion in 200 countries, up from 32.1 billion viewers in 188 countries in 1994. MasterCard brand perimeter signage exposure on these television broadcasts averaged 11 minutes, 54 seconds over 64 matches in 1998, compared to 8 minutes, 16 seconds per game over 52 matches in 1994.

To equal the number of World Cup '98 exposures delivered by perimeter signage, MasterCard claimed it would have had to spend \$91 million on media advertising, almost double the \$49.3 million estimate for the World Cup '94 and several times the cost of the rights fees paid for World Cup '98. Throughout the 1995-1998 sponsorship, MasterCard-branded signage was broadcast for a total of 44 continuous hours in 353 matches and to nearly 200 markets around the world. Brand exposure was spread out over four years, providing a continuous platform to build business and brand.

Between 1995 and 1998, 356 members from 71 countries made use of the MasterCard sponsorship, investing more than \$80 million behind the MasterCard brand. This amount was four times greater than MasterCard's investment in sponsorship fees, and nearly doubles the industry rule-of-thumb for effective sponsorship leverage. The cost of MasterCard's turnkey marketing materials was estimated at under \$2 million. Participation by non-U. S. members nearly doubled compared to 1994. MasterCard's entire \$1.6 million supply of World Cup premiums were purchased by members in 59 countries in all 6 regions.

Members from 23 countries ordered turnkey packages to send 1,300 of their special customers to World Cup '98. With a 100% increase in member participation outside the United States, World Cup '98 also prompted a 200% increase in member spending to promote the MasterCard brand versus World Cup '94. More important, a post-event survey revealed member satisfaction that exceeded all expectations based on World Cup '94 results - 90% of members surveyed rated the sponsorship valuable to their marketing efforts, having a positive impact on brand building awareness, and enhancing MasterCard's image as a global brand.