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## Merchant-Funded Rewards Programs

*Rewards 2.0: Turning a money pit into a profit center*

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**Abstract:** In this report, we look at new models for debit and credit card rewards programs. The old model, where banks paid airlines and merchants dearly for goods and services to give to customers, has been turned on its head.

Customers still get valuable rewards, predominately in cash, an ever popular incentive. But in the new model, merchants pick up the tab for the cash-back and in some cases will even provide the financial institution issuer with a share of the resulting revenues. In an era of declining fees and interchange, it's a much needed change in the business model.

But an even bigger change is playing out in the user interface. In the past, to qualify for merchant-funded offers, users typically had to navigate to a rewards portal to do their shopping. And it all had to be done online.

In the new model, where Cardlytics has taken an early lead, merchant offers are integrated directly into the end-user's online banking and card statement. After registering, the cardholder can earn the cash reward by shopping on- or off-line.

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**Companies Mentioned:** Access Development, Affinity Solutions, American Express, Bank of America, BillShrink, Cardlytics, Cartera Commerce, Chase Bank, Clovr Media, DBG Loyalty, Discover Card, First Community Bank, FNBO, Geico, Regions Bank, RewardsNow, Service Credit Union, Sovereign Bank (Santander), U.S. Bank, Vesdia, Wells Fargo, Zions Bank

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