

Executive Interview Series

A Supplement to the First Annapolis Navigator

A Conversation with Bart Schaller, EVP and Chief Marketing Officer, Synchrony Financial

We recently had the opportunity to connect with Bart Schaller, EVP and Chief Marketing Officer of Synchrony Financial. In this Q&A we discuss Synchrony's strategy, its approach to developments in the digital and loyalty space, and its view of industry growth.

Bart Schaller is focused on innovation and growth for Synchrony Financial and for Synchrony partners. Bart is committed to driving new growth strategies, including developing new products, channels and value propositions for both business-to-business and business-to-consumer segments. His commitment was established over 25 years of working directly with major retailers on strategies to increase sales and expand customer relationships. He has developed and launched many new card and business programs, successfully repositioned value propositions, and integrated programs with retailers' core market strategies.



Synchrony Financial (NYSE: SYF) is one of the nation's premier consumer financial services companies, with a strong focus on analytics, loyalty and technology innovation. The company's roots in consumer finance trace back to 1932, and today Synchrony is the largest provider of private label credit cards in the United States based on purchase volume and receivables. Synchrony also offers co-branded credit cards, proprietary Dual Card credit cards and FDIC-insured savings products through Synchrony Bank. To learn more, visit www.synchronyfinancial.com.

1. At the most fundamental level, how is Synchrony helping its clients given the challenges in the retail environment?

As our President & CEO, Margaret Keane, always says, "We have to get out of bed every day obsessed with growing sales for our partners." We leverage our partner engagement model, and our data analytics and technology expertise to deliver programs that enhance customer engagement and loyalty and help drive sales for our partners. We have cross-functional teams, including more than 1,000 full-time-employees, co-located with our partners to ensure goal alignment; and we offer more than just financing. We also provide a full suite of digital, loyalty and analytics capabilities. In today's retail environment, it can be hard for some of our partners to make the investments necessary to develop these capabilities in-house and that is why our scale and partner-centric model is key.

For most of our programs and platforms, we have a proprietary closed-loop network that provides significant savings for our partners by

eliminating interchange fees. It also enables valuable data capture, with SKU-level data on more than 70% of the transactions on our network.

That rich data combined with our deep integration at the point-of-sale (POS) and on retailers' websites and mobile apps, allows us to leverage marketing and data analytics to help our retail partners know their customers better and deliver personalized offers and experiences across all channels.

2. Can you provide some color on the moves you have made in the mobile and loyalty space given the industry-wide focus on digital and rewards?

We continue to invest in innovative digital solutions to enhance the customer experience, for wherever a customer chooses to shop – in-store, online or via a mobile device – with responsive design for a seamless experience. But it is not just about the technology. It is crucial to deliver compelling value propositions and targeted offers that drive customer engagement, which is where our experience and data analytics expertise come into play to help drive growth for our partners.

We continue to expand our digital capabilities, evidenced by a 26% increase in our year-over-year online and mobile sales, far outpacing U.S. growth trends. In 2016, digital channels accounted for over one third of applications for Synchrony Financial products.

With mobile retail apps growing in popularity, (they now account for 54% of the time spent on digital retail), we continue to pioneer mobile engagement. We launched native mobile apps for both our CareCredit and Car Care networks in 2015, and last October we announced our mobile application solution, Synchrony Plug-in or SyPi, a native plug-in credit feature for a retailer's mobile app. SyPi allows cardholders to shop, access rewards, manage and pay their accounts within a fully secure environment all within a retailer's mobile app, leading to improved customer engagement and increased loyalty. In the few months since launch, with only a handful of clients live, we have seen significant growth, including more than 3 million cardholder visits, and more than \$50 million in account payments to date.

In addition to enabling native solutions for our partners within their branded mobile apps, we continue to work with Apple Pay, Samsung Pay and Android Pay. We remain mobile wallet agnostic, focused on preserving the value and benefits our cards offer for whichever mobile wallet our retailers and their customers choose to use.

We look forward to engaging and innovating with our partners and their customers as mobile commerce continues to evolve.

3. How does Synchrony use its specialization relative to larger full-service banks to its advantage and to the benefit of its partners?

We believe that our partner-centric engagement model and relentless focus on customer experience set us apart from other large consumer

finance organizations. We attract partners who value our experience and partnership, including our long history of improving our partners' sales, and their customers' loyalty and retention. We believe that we differentiate ourselves through our capabilities in marketing analytics and technology, digital and mobile innovation, and underwriting and lifecycle management.

4. How are you responding to the changing face of retail and retail credit given the pace of innovation, the move to digital, changing consumer behaviors, FinTech entrants, etc.?

The pace of technology change is a challenge for retailers of all sizes, and is especially tough for retailers with large brick and mortar footprints or for smaller merchants without a large IT team or budget. Our partnership approach and experience working with merchants of all sizes means we can leverage our technology innovation to help address partners' needs. One tool we use is our rapid one-day prototyping session, or Bolt Session™, where we harness our Innovation Station teams to develop technology solutions to solve a particular partner need.

Partnership is key to staying competitive and we view FinTech firms and technology startups as potential partners as well. Last year we sponsored FinTech accelerator programs in NYC and Charlotte – the two biggest banking communities in the U.S., and we just recently joined the Plug and Play platform in Sunnyvale, CA. These relationships help us identify strategic partnerships that add value for our retail partners and their customers.

Strategic investments provide another route to partnership. Several years ago, we made an early investment in LoopPay, which became part of Samsung Pay, and more recently we invested in flexReceipts, a provider of enriched digital receipts, data analytics and customer engagement solutions. We also made an investment in and developed a strategic partnership with mobile developer GPSopper, delivering solutions (such as SyPi) that empower retailers to drive customer engagement and loyalty by bridging the online and in-store experience with the use of mobile technologies.

You also asked about changing consumer behaviors, and our research finds that consumers prefer to spend more on experiences (rather than goods), a trend often attributed to Millennials, but consistent across all generations as well as income groups. We know that the key to offering experiences that will resonate with customers is to leverage data to know your customers, to stay true to your company's brand, and to make the shopping experience a true "experience."

5. What is your appetite and outlook for growth? How are you approaching card partnerships outside of the core retail segment?

We have enjoyed strong growth over the past few years, adding dozens of new partners and brands, including BP, Marvel, Athleta, The Google Store, Guitar Center and Cathay Pacific. We welcome growth through portfolio acquisitions, both start-up programs and existing portfolios. With the growth of online retail brands, our successful track record with start-up programs (e.g., PayPal, Walmart, Sam's Club) is increasingly important. We invest in establishing successful relationships, which develop into long-term partnerships, including 23 years with Sam's Club, 17 years with both Walmart and JCPenney, 18 years with GAP, and 37 years with Lowe's.

As Synchrony Financial separated from GE Capital, we have expanded our strike zone beyond retail to include select partners who appreciate our experience and scale and recognize the value our credit programs offer to help drive revenue as well as customer engagement and brand loyalty. This is evidenced by our recent partnerships with well-respected brands in the travel, leisure and entertainment sectors.

We are open to program acquisitions as well if the deal has an appropriate risk-reward profile. In February we acquired the Citi Health Card portfolio, adding more than 14,500 providers and 110,000 consumer accounts to the growing CareCredit network of 200,000+ healthcare providers and health-focused retail locations across the U.S.

Looking forward, we continue to position the business for long-term growth, with a diverse funding profile that includes direct deposits of almost \$38 billion (up from \$11 billion three years ago) from our fast-growing online bank.

Our deep partner integration is driving growth that outpaces the industry by a factor of two to three times. While overall U.S. credit card receivables have experienced compound annual growth of three percent, Synchrony Financial loan receivables have enjoyed nine percent compound annual growth. The majority of this growth is organic, driven by targeted marketing programs, digital capabilities, and value propositions to increase penetration with our long-standing retail partners.

We still wake up every day focused on growing sales for our partners and are excited by the possibilities that lie ahead.



Founded in 1991, First Annapolis is a specialized advisory firm focused on electronic payments. Our market coverage is international in scope with a primary focus on North America, Latin America, and Europe. In total, we have over 80 professionals across our practice areas giving us one of the largest and strongest advisory teams focused exclusively on electronic payments.

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