

Retailer Cards in Europe:

Co-Branded, Loyalty and Private Label Programs

Report Prospectus

June 2010

Expertise in financial services

Prospectus contents

	Page
What is the research?	3
What is the rationale?	4-6
What methodology has been used?	7
How do retailers surveyed break down?	8
Which specific retailing groups have been researched	9
What is the report structure?	10
What are the key features of the research?	11
How can the research be used?	12
How can the PartnerBASE be used?	13
Who can use the research?	14
What are some of the key findings?	15-18
What is the cost and format?	19
How can the research be purchased?	20

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What is the research?

Retailer Cards in Europe: Co-Branded, Loyalty and Private Label Programs is a report, based on a survey of 3,175 prominent retail brands in 32 countries, about the provision of payment cards and loyalty programs by major retailers across Europe. Retailer participation in coalition loyalty schemes is also considered. Countries covered are Austria, Belgium, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, UK, and Ukraine.

In total, the research identifies over 800 retailer payment cards, 1,100 proprietary retailer loyalty programs and 50 coalition loyalty schemes, thereby providing a definitive analysis of retailer co-branded, loyalty and private label programs in Europe that goes far beyond the scope of previous published research. Moreover, the PartnerBASE™ database that accompanies the report details each of the many initiatives for retailer credit, deferred debit, debit and rechargeable pre-paid cards traced by Finaccord, specifying the operating models used by retailers, the payment networks to which the cards are affiliated and the identity of the ultimate card issuers in each case.

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What is the rationale?

A number of factors, some of which are specific to co-branded and private label or store cards and some to retailing, provide the rationale for the development of this report. With reference to co-branded and private label or store cards, in particular, the following assertions can be made:

- the credit, deferred debit and pre-paid card markets of many countries are continuing to grow and retailers can take advantage of this through co-branded or store card programs;
- the experience of card issuers is that the profitability of successful co-branded card schemes, including retailer programs, usually exceeds that of standard credit cards;
- indeed, in terms of the outright number of schemes worldwide and, probably, as measured by the pure number of cards issued, retailing is the most important co-branding arena for card issuers;
- once private label store cards have built up a substantial customer base, these can be converted into general purpose, international payment cards;
- the customer information gathered from co-branded or store cards can be used to cross-sell banking, insurance and other services;

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What is the rationale? (continued)

In addition, proprietary and coalition loyalty schemes that amass a significant number of members can eventually be converted into cards with a payment function, thereby providing justification for their inclusion in this publication. Indeed, coalition loyalty programs can be particularly important in terms of the number of members that they accumulate and the number of active programs in Europe is continuing to increase each year. These encompass a variety of initiatives including bank-owned schemes, online programs and propositions oriented primarily to travel rewards.

Furthermore, dynamics in the retailing market itself also give rise to increasing rationale both for co-branded and private label or store card programs and a comprehensive pan-European study on the subject. Key developments in the retailing sector include:

- increasing usage of payment cards, generally, as a payment mechanism in preference to cash, cheques and other traditional alternatives, thereby encouraging retailers to develop their own cards in order to capture a share of the payments market;
- retailer consolidation in both more and less developed markets which helps to produce national champions with the branding, muscle and general profile needed to succeed in the payment card sector in these countries;

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What is the rationale? (continued)

- retailer growth in the less developed markets as an increasing proportion of consumers allocate their expenditure to formal retailing concepts as opposed to informal street markets and the like;
- a mature environment for retailing in the more developed markets which signifies that retailers need to investigate new means of achieving revenue growth which can include financial services, in general, and co-branded or store cards, in particular;
- increasing internationalization which potentially paves the way for cross-border alliances between retailers and mainstream card issuers as epitomized, for example, by the link between Carrefour and BNP Paribas Personal Finance.

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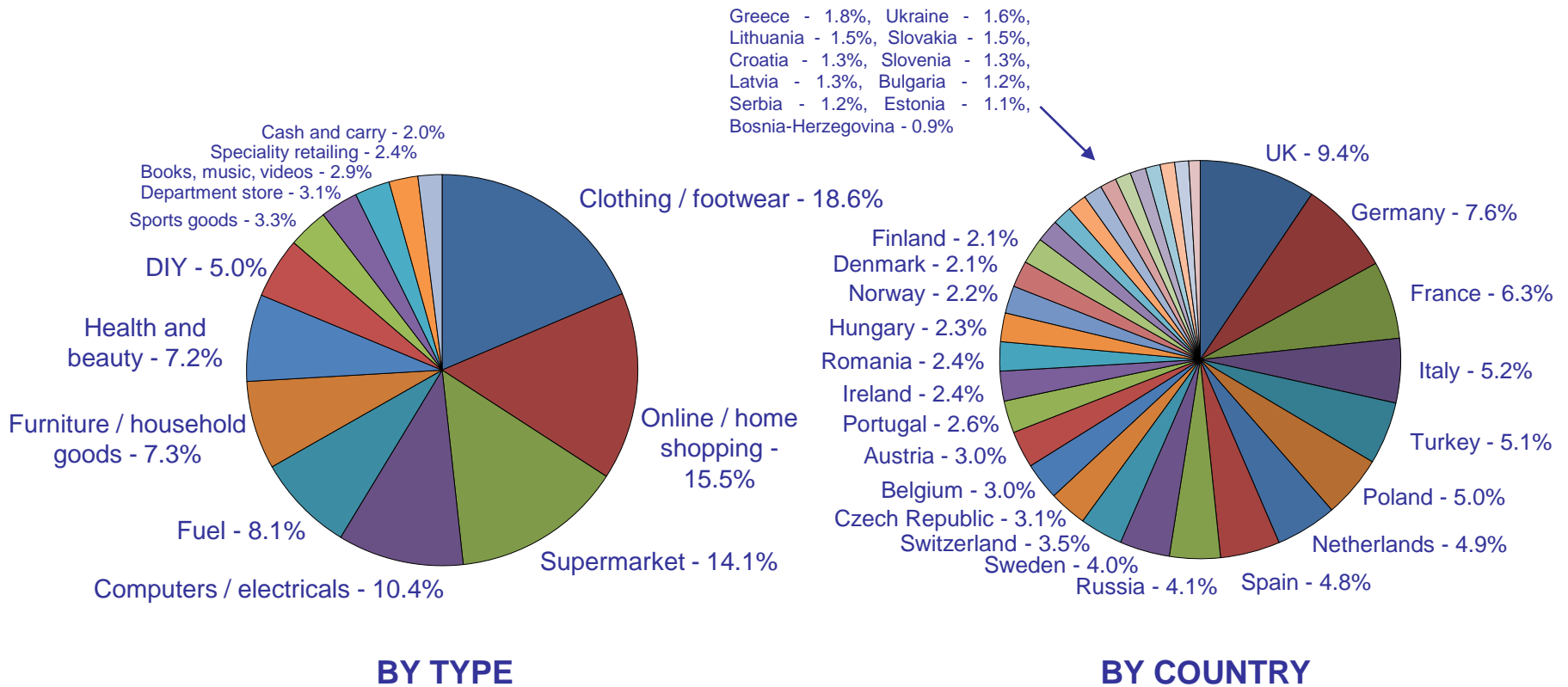
What methodology has been used?

The main research input into this study is Finaccord's on-going investigation of the involvement in financial services, in general, and payment cards and loyalty schemes, in particular, of 3,175 major retailing brands across 32 countries in Europe. In the specific context of this report, the aim of the investigation is to gather top level data concerning the development of co-branded, loyalty and private label card programs by the organisations in question, the operating models that they use and the card issuers with which they work in this context.

Naturally, given that there are literally millions of smaller retailers in total in the territories reviewed, the majority with just a single outlet, Finaccord has sought to focus on the very largest entities that are likely to be of most strategic interest to organisations involved in the payment card and loyalty scheme sectors and wider financial services markets. Indeed, the 3,175 major retailers break down by category and by country as illustrated in the graphic overleaf.

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How do retailers surveyed break down?



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Which specific retailing groups have been researched?

Among the major retailing groups included in the research are:

3 Suisses	Carrefour	Expert International	Lukoil	Schlecker
Agorà Network	Casino	ExxonMobil	Mango	Schwarz Group
Ahold	CBA	Fressnapf	Marks & Spencer	Sedmoi Continent
Aldi	Celesio	Game Group	Maus Frères	Shop Direct Group
Alliance Boots	Colruyt	Gazprom	Mercator	SOK
Amazon	Conforama	Groupe Galeries Lafayette	Metro Group	Spar (Austria)
Arcadia	Coop Norden	Grupo Inditex	Migros	Staples
AS Watson	Cortefiel	GUM	Modelo Continente	Statoil
ASDA	Dansk Supermarked	Harald Nyborg	MOL	Stockmann
Auchan	Decathlon	Home Retail Group	Morrisons	Svyaznoy
AVIA International	Delhaize Group	House of Fraser	OMV	Système U
Axel Johnson	dm-drogeriemarkt	ICA	OTTO	Tchibo
Baltika Group	DSG International	IKANO	PKN Orlen	Tengelmann
Baugur	E. Leclerc	IKI	PPR	Tesco
Bauhaus	EDEKA	Kesa Electricals	Praktiker	Total
Baumax	El Corte Inglés	Kesko	Rautakesko	Toys R Us
Bertelsmann	El Dorado	Kingfisher	Reitan	Varner Gruppen
Bestseller	ENI	Leroy Merlin	Resurs Group	Vivarte
BP	Eroski	Les Mousquetaires (ITM)	REWE	VP Market
C&A	Euretco	Louis Delhaize	Royal Dutch Shell	X5

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What is the report structure?

0. Executive Summary: providing a concise evaluation of the principal findings of the report.

1. Introduction: offering rationale, description of methodology and other related notes.

2. European Overview: comprising a pan-European overview of the activity of major retail brands in co-branded and private label payment cards, proprietary loyalty programs and coalition loyalty schemes. In addition to a comparative analysis of operating models used by retailers in the area of payment cards, this section also analyses the extent to which retailer cards are affiliated to American Express, Diners Club, MasterCard, Visa and other international payment brands in each country and provides a comprehensive listing of retailers operating through captive or joint venture card issuing arms. Consumer research data illustrating the importance of retailers as distributors of credit and pre-paid cards in Germany and the UK is also included in this section.

3. Austria: an in-depth analysis of the market for retailer co-branded, loyalty and private label cards in Austria. Key partnerships between major Austrian retail chains and card issuers are identified and commented upon for both co-branded and private label cards while detailed commentary is also provided for both proprietary retailer loyalty programs and coalition loyalty schemes.

4 - 34: chapters for all other countries are structured along similar lines to that for Austria.

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What are the key features of the research?

Key features of this report include:

- definitive coverage of the involvement in co-branded, loyalty and private label card schemes of 3,175 major retail brands in 32 countries across Europe;
- focus on over 800 schemes for retailer credit, deferred debit, debit and pre-paid cards: which card issuers and networks are strong in which countries and with which retailers do they collaborate?
- comprehensive listing of retailers using captive or joint venture card issuing divisions or subsidiaries for their co-branded or store card schemes;
- identification of over 1,000 proprietary retailer loyalty programs including the split by country according to whether they run in parallel to a payment card or remain unaccompanied by such a card;
- identification of over 50 coalition loyalty schemes with which major retail chains have affiliated including AIRMILES, Bonus Card, Deutschland Card, Maximiles, Multipont, Nectar, PAYBACK, Pika, Plussakortti, Supercard, Trumf and Webmiles.

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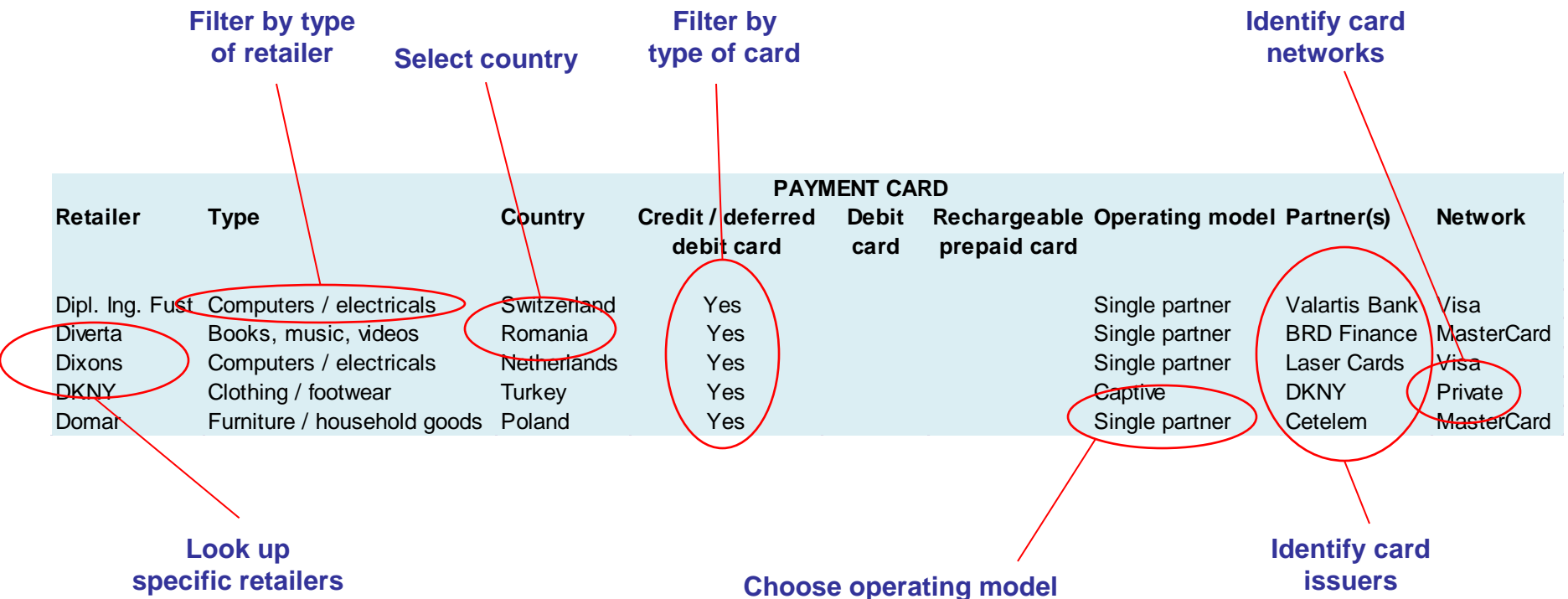
How can the research be used?

You may be able to use this report and the PartnerBASE™ that accompanies it in one or more of the following ways:

- gain rapid access to a unique pan-European source of intelligence covering virtually all significant retail brands across an extremely wide range of geographies;
- monitor the activity of key national and international competitors in the retailer payment card sector including the many European subsidiaries of Barclays, BNP Paribas, Citibank, Crédit Agricole, Deutsche Bank, GE Capital, HSBC, IKANO, Santander and Société Générale;
- evaluate the potential for acquiring the existing cardholder portfolios of retail groups by purchasing equity stakes in captive card issuing entities;
- understand the potential in each country for converting existing proprietary retailer loyalty cards into fully-fledged payment cards;
- learn more about the growing number of coalition loyalty programs across Europe including the payment cards that have been launched as a result of their popularity.

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How can the PartnerBASE be used?



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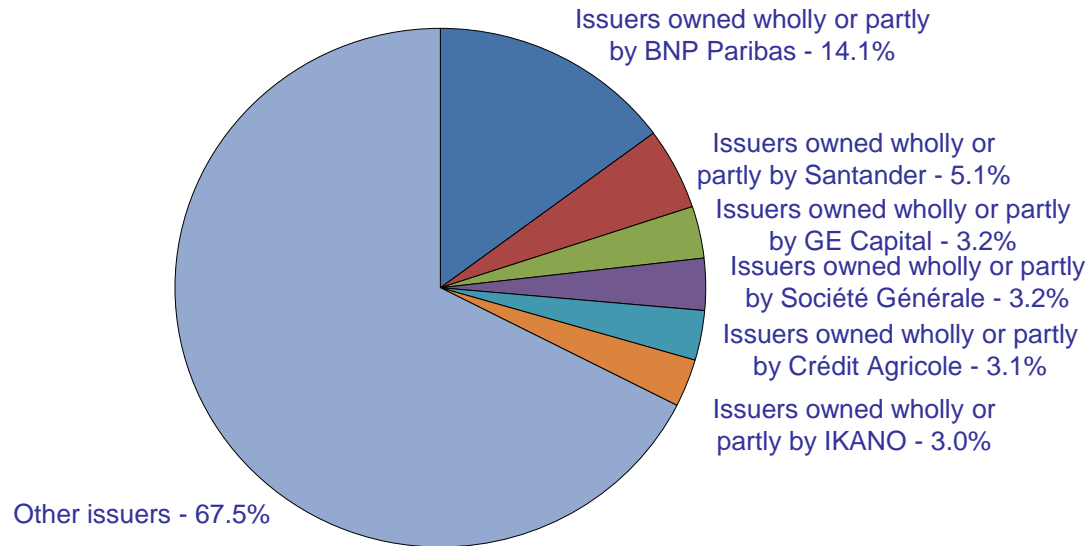
Who can use the research?

1. *Payment card companies*: this study is an up-to-date and comprehensive source of information about co-branded and private label / store cards in 32 countries and represents an indispensable guide to over 800 retail brands that operate payment card programs;
2. *Banks and insurance companies*: retailer payment card schemes can form an effective basis either for developing broader retailer banking and consumer finance operations or for marketing a range of insurance products to large and well-defined groups of consumers;
3. *Retailers*: co-branded and private label / store card programs represent an important activity for numerous retail brands in Europe but what types of card do they offer and with which partner organisations do they collaborate in this field?
4. *Loyalty management companies*: the research offers a thorough guide to over 1,100 proprietary retailer loyalty schemes and over 50 coalition loyalty programs in Europe;
5. *Management consultancies*: are you either assisting a retailer with the development of its payment card scheme or advising a card issuer with respect to partnership opportunities with major retail brands? This research will help you to evaluate the options in retailer co-branded, loyalty and private label programs, saving time and effort on researching the subject yourself.

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What are some of the key findings?

1. Six card issuing groups combined operate on an exclusive basis almost one third of retailer co-branded and private label card schemes in Europe

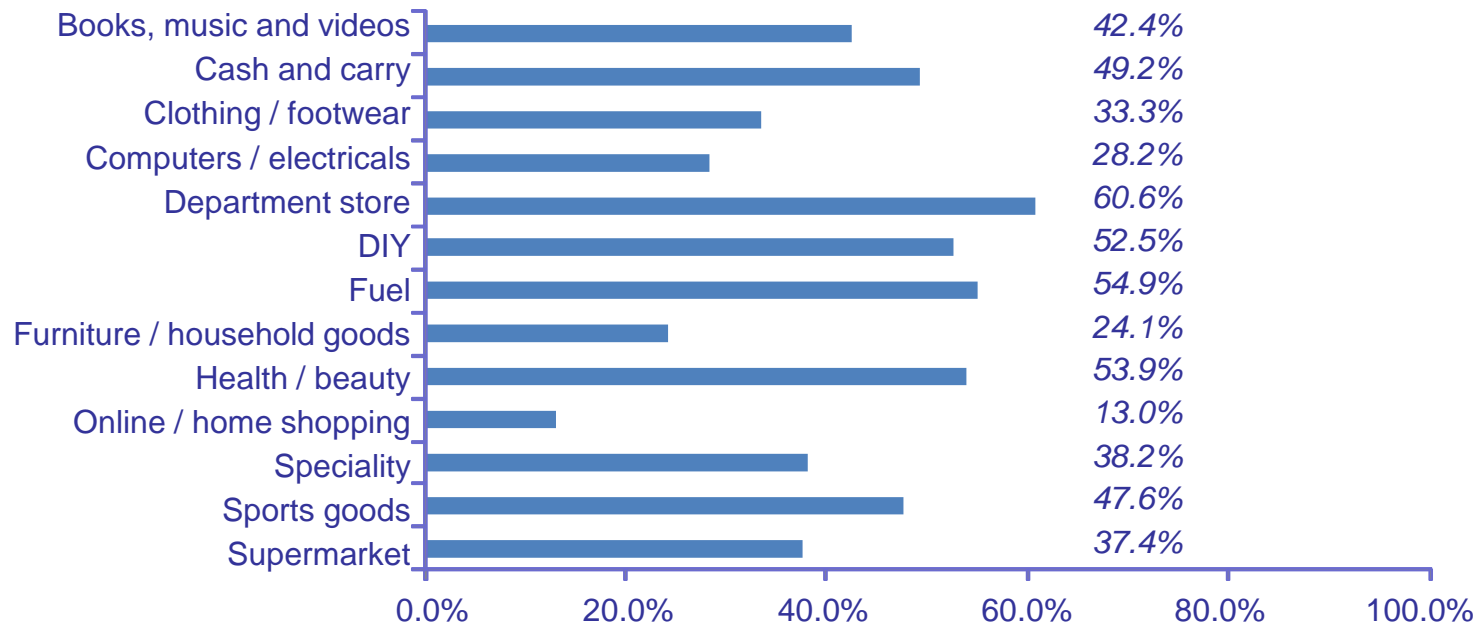


Source: Finaccord PartnerBASE for Retailer Financial Services

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What are some of the key findings? (cont.)

2. Proprietary retailer loyalty programs achieve the highest pan-European penetration among department stores, fuel retailers and health / beauty chains

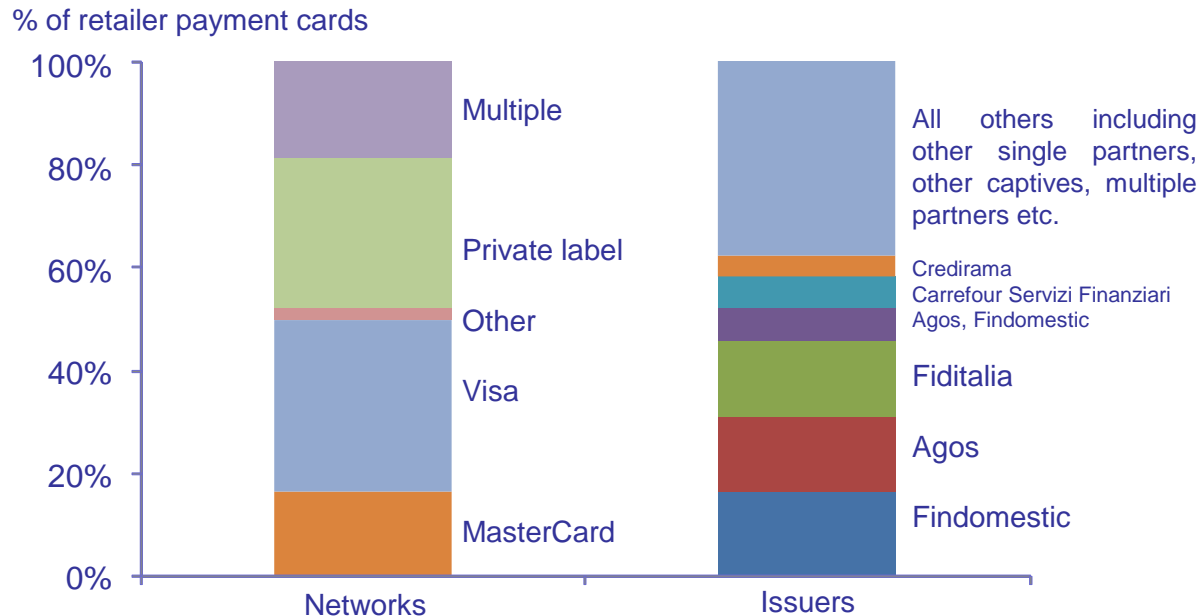


Source: Finaccord PartnerBASE for Retailer Financial Services

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What are some of the key findings? (cont.)

3. Findomestic, Agos and Fiditalia are collectively responsible for around a half of retailer co-branded and private label card schemes in Italy



Source: Finaccord PartnerBASE for Retailer Financial Services

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What are some of the key findings? (cont.)

4. Key findings from the executive summary include:

- with respect to the penetration of co-branded and store cards by category of retailer, Finaccord's research shows that across Europe as a whole, cards achieve the highest penetration among fuel retailers (75.9%), department stores (51.5%) and retail chains specializing in computers and electrical products (37.0%);
- 8.7% of the retailers with co-branded or private label / store card schemes promote cards that are linked to more than one network - this can occur either by means of the fact that they offer two separate cards or, in a few cases, because a single card carries more than one marque;
- the largest competitor in the European market for retailer payment cards is BNP Paribas when measured by the number of exclusive relationships possessed by this group's wholly-owned and joint venture issuers - collectively, these account for 14.1% of the retailer payment card initiatives identified;
- as far as the existence of coalition loyalty programs are concerned, the survey ascertained that across all 32 countries in Europe, 466 retailers were found to take part in such schemes, equivalent to a penetration rate of 14.5%.

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What is the cost and format?

Retailer Cards in Europe: Co-Branded, Loyalty and Private Label Programs is available as a standard *Adobe Acrobat* PDF document and / or hard copy. The *PartnerBASE™* that accompanies it at no further charge is in *Microsoft Excel* format. Costs for this research set and selected other comparable, international titles are as follows:

REPORT	COST *	FORMAT
Retailer Cards in Europe: Co-Branded, Loyalty and Private Label Programs	£1,995	c. 300 pages
Global Retailer Insurance: Affinity Schemes in Supermarkets and Other Stores	£2,495	c. 210 pages
Global Retailer Cards: Co-Branded, Loyalty and Private Label Programs	£3,995	c. 550 pages
Retailer Financial Services in Asia Pacific and the Middle East	£2,495	c. 280 pages
Retailer Financial Services in Eastern and South-Eastern Europe	£1,495	c. 170 pages
Retailer Financial Services in Northern and Central Europe	£1,495	c. 240 pages
Retailer Financial Services in North and Latin America	£1,995	c. 225 pages
Retailer Financial Services in Southern and Western Europe	£1,495	c. 170 pages

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How can the research be purchased?

Simple. Just go to the relevant area of the Finaccord web site available at http://www.finaccord.com/order_global_rfsr.htm and fill in the online order form, clearly indicating:

- report required
- type of corporate user licence, if required *
- billing name
- address and e-mail address
- purchase order number, if applicable

Please allow up to one working day for the delivery of electronic copy by e-mail.

* For the **corporate user licence** please choose one of the following options:

1. One office, one country: no supplement over and above basic cost of reports ordered
2. Multiple offices, one country: additional 20% over and above basic cost of reports ordered
3. Multiple offices, two to ten countries: additional 50% over and above basic cost of reports ordered
4. Global (unlimited offices in unlimited countries): additional 100% over and above basic cost of reports ordered

VAT at the prevailing rate will be added to the price of any corporate user licence acquired by UK-based buyers.

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