

PRESS RELEASE

Tuesday 20th July 2010

Global Retailer Cards: Co-Branded, Loyalty and Private Label Programs

Brazil wins the World Cup... for retailer payment cards, at least

Introduction

The information contained in the following press release is drawn from Finaccord's recently completed market research study and interactive database titled *Global Retailer Cards: Co-Branded, Loyalty and Private Label Programs*.

Based on a survey of 6,280 prominent retail brands in 65 countries, this report is about the provision of payment cards and loyalty programs by major retailers around the world. Retailer participation in coalition loyalty schemes is also considered.

Countries covered are Argentina, Australia, Austria, Bahrain, Belgium, Bosnia-Herzegovina, Brazil, Bulgaria, Canada, Chile, China, Colombia, Costa Rica, Croatia, Czech Republic, Denmark, Ecuador, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Italy, Japan, Kuwait, Latvia, Lithuania, Malaysia, Mexico, Netherlands, New Zealand, Norway, Oman, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UK, Ukraine, United Arab Emirates, Uruguay, USA, and Vietnam.

In total, the research identifies 1,945 retailer payment cards, over 2,500 proprietary retailer loyalty programs and over 100 coalition loyalty schemes, thereby providing a definitive, worldwide analysis of retailer co-branded, loyalty and private label programs. 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.

Major retailer brands in the Americas are among the most active in launching payment cards

Among the 6,280 major retail brands covered by the research, 1,945 were found to offer their own payment card, thereby producing a global penetration rate of 31.0%. The graphic on the following page presents the penetration rate recorded for the top 15 and bottom 15 countries in terms of the penetration rate for payment cards among major retailers in each territory.

This shows that as many as 76.5% of the retailers surveyed in Brazil have launched a payment card of their own, followed by 70.3% in Canada and 57.9% in Peru with Portugal, in fourth place with an equivalent data point of 56.6%, the most developed European market by this measure.

In fact, it can be seen that retailer payment cards are relatively widespread across the Americas as a whole given that countries in either North or Latin America make up eight of those in the top 15 with European countries only featuring twice. In addition to Portugal, only Spain appears in this ranking with a penetration rate of 42.5%.

At the other end of the scale, the lowest corresponding figures were recorded for Kuwait and Qatar, in which no retailer payment cards were identified whatsoever, followed by Bahrain (1.9%) and Saudi Arabia (2.3%). Indeed, retailer payment cards are thin on the ground in the Middle East generally although retailer loyalty cards with no payment function are more in evidence.

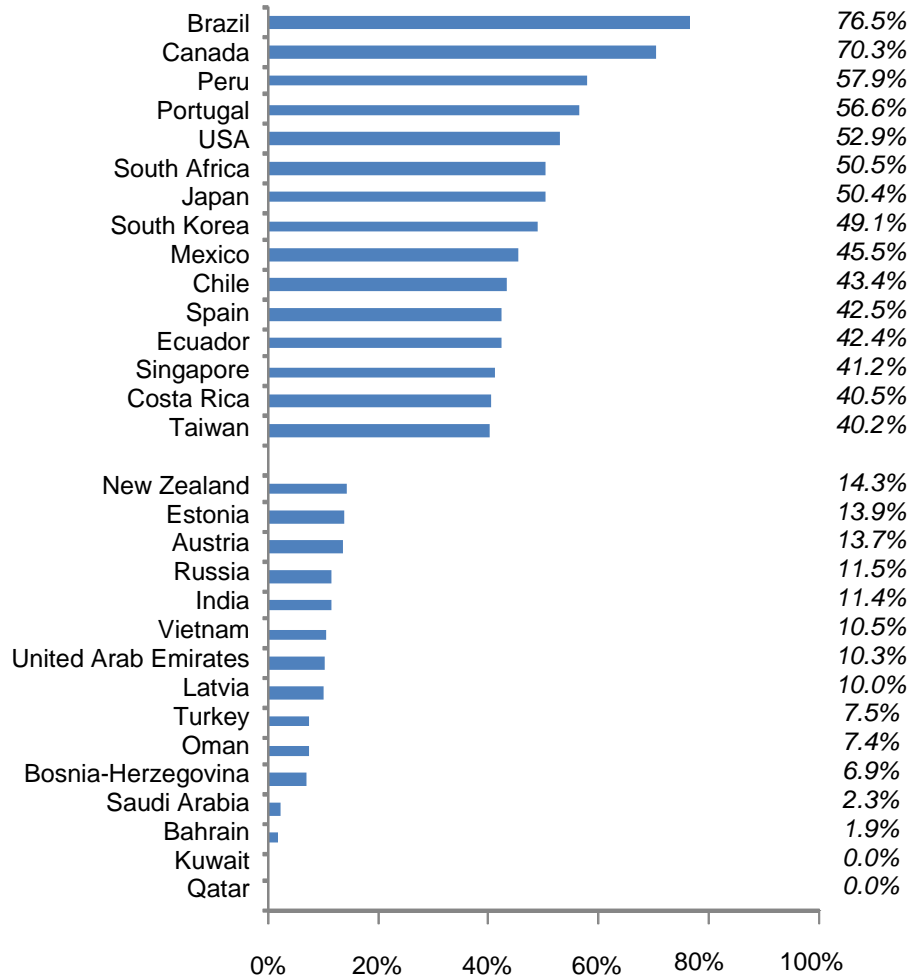
Significant potential exists to develop retailer payment cards in India, Russia and Vietnam

Otherwise, the countries in which comparatively few major retailers have introduced their own co-branded or store cards are generally those in which the payment card market as a whole is under-developed. In this category would fall India, Russia and Vietnam, all of which offer significant future potential, although Turkey is a slightly different case.

Indeed, in Turkey, bank-owned coalition loyalty programs, around which payment cards have been developed and to which major retailers normally affiliate themselves, are almost ubiquitous, and it is this factor which means that for most Turkish retailers, there is insufficient rationale for developing their own payment cards.

Overall, while there are some caveats associated with these data points, such as the number and type of retailers covered in each country, the figures do, generally, provide a good indication of the enthusiasm of retailers across the various countries covered for introducing their own payment cards.

% of major retailers worldwide offering payment cards split by country, 2009 / 2010



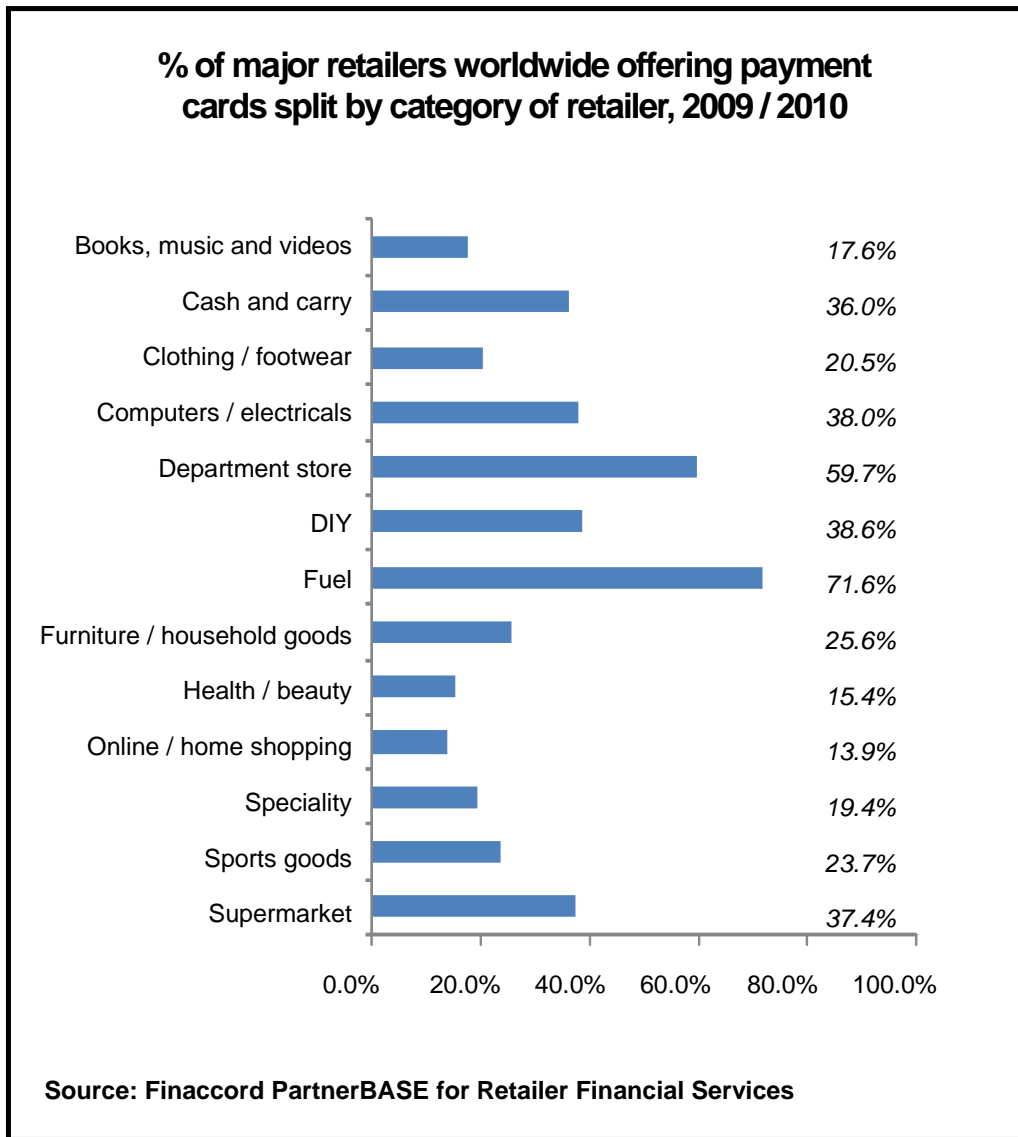
% penetration of payment cards among major retailers
(top 15 and bottom 15 from 65 countries researched)

Source: Finaccord PartnerBASE for Retailer Financial Services

Fuel retailers and department stores are most likely to have launched payment cards

With respect to the penetration of co-branded and store cards by category of retailer, Finaccord's research, summarized in the following graphic, shows that worldwide, cards achieve the highest penetration among fuel retailers (71.6%) and department stores (59.7%). In contrast, the sectors in which retailer payment cards are least likely to have been launched are online / home shopping (13.9%), health / beauty (15.4%), and books, music and videos chains (17.6%).

However, the high rate of penetration among fuel retailers is mainly the result of the provision by this category of fuel cards intended principally for business customers rather than consumer-oriented, co-branded cards. In fact, at the time of the research, among the 444 fuel retailing brands investigated, 196 were running a traditional fuel card only, 60 were offering only a co-branded, consumer-oriented card, 62 had introduced both types of card and 126 had not developed either type of card.



Commented Alan Leach, Director of Finaccord:

“Co-branding and partnership strategy is a key subject for issuers of payment cards worldwide. In fact, major retailers constitute the most important partner category measured in terms of the number of cards that they can potentially issue and, in many cases, in terms of profitability. However, across the full universe of 1,945 retailer payment cards identified, including debit cards and rechargeable pre-paid cards as well as credit and other pay later cards, it is intriguing to note that over 40% exist only in a private label format. In addition, a significant number continue to be issued either by the retailers themselves or by captive banks owned by those retailers. This signifies that there may be significant potential for conventional card issuers, including banks, to acquire the existing cardholder portfolios of retail groups by purchasing equity stakes in their captive card issuing operations.”

Global Retailer Cards: Co-Branded, Loyalty and Private Label Programs was published in June 2010 and is available from Finaccord at a cost of £3,995.

About Finaccord

Finaccord is a market research, publishing and consulting company specialising in financial services. It provides its clients with insight into and information about major issues in financial services in the UK, Europe and further afield, with a particular focus on marketing and distribution topics such as affinity marketing, bancassurance and strategic alliances. It bases its published information, research projects and consultancy assignments on robust data and knowledge rather than supposition and theory. By virtue of its international network of consultants, it is able to deliver information quickly and accurately across a range of countries worldwide.

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