

# **Global Retailer Cards: Co-Branded, Loyalty and Private Label Programs, 2008**

**Report Prospectus**

*April 2008*

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## What is the research?

*Global Retailer Cards: Co-Branded, Loyalty and Private Label Programs* is a report, based on a survey of 4,370 prominent retail brands in 60 countries, about the provision of payment and loyalty cards by major retailers worldwide.

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

In total, the research identifies over 1,170 retailer payment cards and 1,575 loyalty card programs, thereby providing a definitive analysis of retailer co-branded, loyalty and private label programs worldwide 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 co-branded and private label or store 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 card markets of many countries are growing rapidly 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)

- consumer finance markets are also undergoing robust expansion in parts of the world, thereby providing a greater incentive for retailers to organise co-branded or store card programs;

- in certain regions, most notably Latin America, there has been a tendency among mainstream banking institutions to exclude or ignore large swathes of lower and middle income consumers, thereby creating an opportunity for major retailers to take advantage of their regular contact with such consumers to develop their own banking services, including payment cards.

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 worldwide 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 internationalisation which potentially paves the way for cross-border alliances between retailers and mainstream card issuers as epitomised, for example, by the link between Carrefour and BNP Paribas Personal Finance.

In addition, it is also the case that loyalty card schemes that amass a significant number of cardholders can eventually be converted into cards with a payment function, thereby providing justification for their inclusion in this publication.

## What methodology has been used?

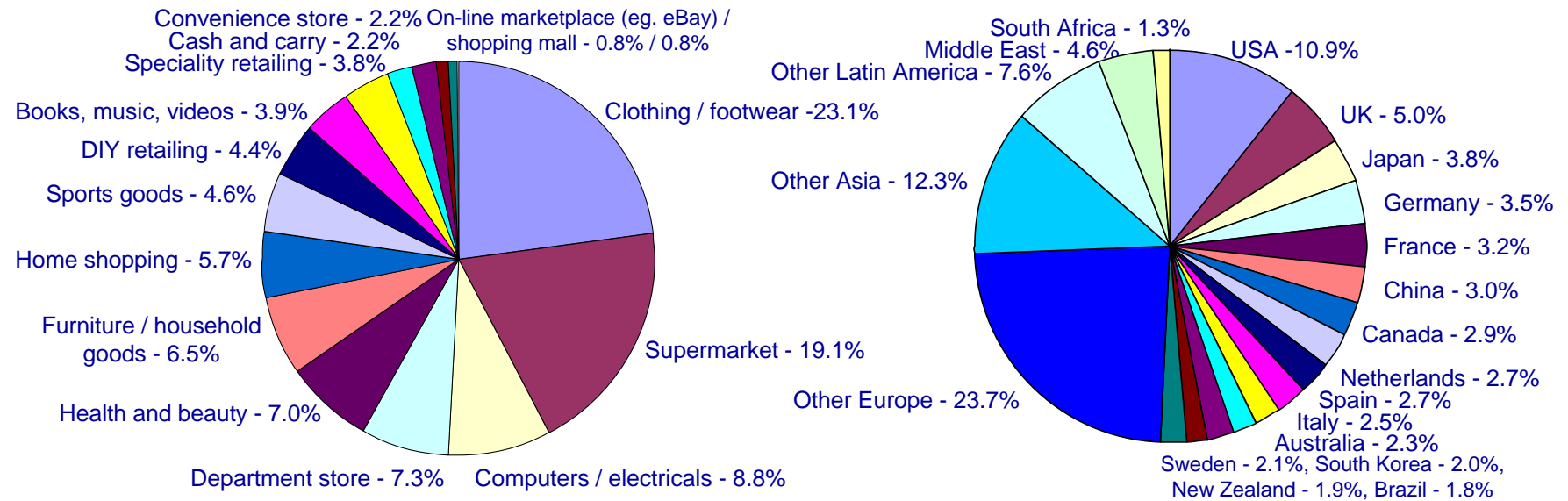
The main research input into this study is Finaccord's on-going investigation of the involvement in financial services, in general, and payment and loyalty cards, in particular, of 4,370 major retailing brands across 60 countries worldwide. In the specific context of this report, the aim of the investigation 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 and loyalty card sectors and wider financial services markets. Indeed, the 4,370 major retailers break down by country or region and by category as illustrated in the graphic overleaf.

In addition, Finaccord has also identified and investigated multi-brand and multi-partner loyalty schemes including AIR MILES in Canada, OK Card in China, Maximiles in France, Happy Digits and PAYBACK in Germany, Bonus Link and Greeting World in Malaysia, Fly Buys in New Zealand, SM Advantage in the Philippines, Genting World in Singapore, E.LAND, GS Retail, OK Cashbag, and Shinsegae among others in South Korea, Happy Go in Taiwan and Jaspal in Thailand.

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## How do retailers surveyed break down?



The organisations covered by the survey extend to 4,370 major retailers in 60 countries.

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## Which specific retailing groups have been researched?

Among the major retailing groups included in the research are:

Abercrombie & Fitch	CBA	Esprit	Kesko	REWE
Aeon	Cencosud	Euronics International	Kroger	Rustan Group
Ahold	Central Retail	Expert International	Leroy Merlin	Safeway
Al Safear	Chedraui	Falabella	Les Mousquetaires (ITM)	Schwarz Group
Aldi	China Resources Enterprise	Foodstuffs	Loblaw	Sears
Alliance Boots	Coles Group	Fressnapf	Lotte Shopping	Sedmoi Continent
Alshaya	Costco	Gap	Mango	Seven & I
Amazon	Dairy Farm International	Groupe Galeries Lafayette	Marks & Spencer	SM Group
Arcadia	Déathlon	Grupo Deib Otoch	Melaleuca	Soriana
AS Watson	Delhaize Group	Grupo Elektra	Metro	Supermercados La Favorita
Auchan	Diesel	Grupo Inditex	Mitra Adiperkasa	Supermercados Peruanos
Avon	dm-drogeriemarkt	GS Retail	Modelo Continente	SuperValu
Bauhaus	Douglas Holding	H&M Hennes & Mauritz	Office Depot	Tata Retail
Baumax	DSG International	Home Retail Group	Olímpica	Tchibo
Benetton	E.Land Group	Hornbach	OTTO	Tengelmann
Bertelsmann	eBay	Hudson's Bay Company	Pantaloon Retail	Tesco
Brilliance Group	Edcon	IKEA	Parkson	Toys 'R' Us
C&A	EDEKA	Intersport International Corporation	Pick n Pay	Uny
Carrefour	El Corte Inglés	Isetan	PPR	Wal-Mart
Casino	ElectronicPartner	KarstadtQuelle	Reitan	Woolworths (Australia)

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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. *Global Overview*: comprising a global overview of the activity of major retailers in both co-branded and private label cards, and loyalty cards without a payment function. In addition to a comparative analysis of operating models used by retailers in this sphere, this section also analyses the extent to which retailer payment cards are affiliated to American Express, JCB, 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.

3. *Argentina*: an in-depth analysis of the market for retailer co-branded, loyalty and private label cards in Argentina with separate consideration given to initiatives in co-branded / store cards and loyalty cards. Key partnerships between retailers and card issuers are identified and commented upon for both co-branded and private label cards while retailers offering loyalty cards are segmented between those with parallel co-branded / store card programs and those with no corresponding scheme.

4 - 57: *chapters for all other countries are structured along similar lines to that for Argentina.*

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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 4,370 major retail brands in 60 countries worldwide;
- investigation of over 1,170 schemes for co-branded or store cards: which card issuers and networks are strong in which countries and with which retailers do they collaborate?
- identification of 1,575 retailer loyalty card programs including the split by country according to whether they run in parallel to a payment card or remain unaccompanied by such a card;
- comprehensive listing of retailers using captive or joint venture card issuing divisions or subsidiaries for their co-branded or store card schemes;
- description and analysis of important retailer payment card initiatives such as those of David Jones and American Express in Australia, Stockmann and Nordea in Finland, eBay and Commerzbank in Germany, Chedraui and Banco Fácil in Mexico, and The Mall Group and Citigroup in Thailand.

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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 global 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 international subsidiaries of Aeon Credit Service, Barclaycard, BNP Paribas, Citigroup, Crédit Agricole, GE Capital, Grupo Santander, HSBC, IKANO and UniCredit;
- understand the potential in each country for converting existing retailer loyalty cards, including multi-partner loyalty schemes, into fully-fledged payment cards;
- evaluate the potential for acquiring the existing cardholder portfolios of retail groups by purchasing equity stakes in captive card issuing entities;
- appreciate in greater depth the strategic thinking of both major retailers and card issuers when it comes to launching and developing co-branded and private label card schemes.

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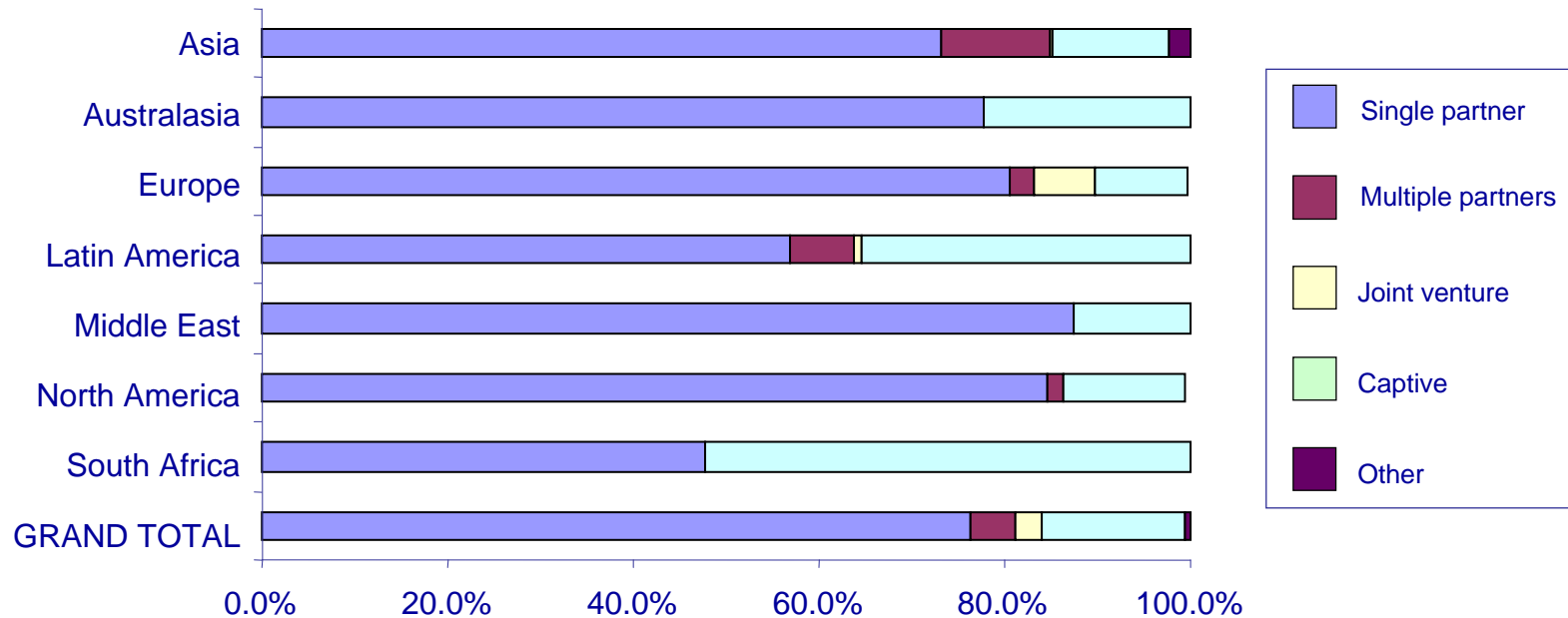
## Who can use the research?

1. *Credit card companies*: this study is an up-to-date and comprehensive source of information about co-branded and store cards in 60 countries and represents an indispensable guide to over 1,170 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 card programs represent an important activity for numerous retail brands around the world 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 1,575 loyalty cards without a payment function around the world as well as profiling major multi-partner loyalty schemes in a number of countries.
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. Captive card issuers owned by the retailers themselves are in evidence across each of the broad geographies covered by the research

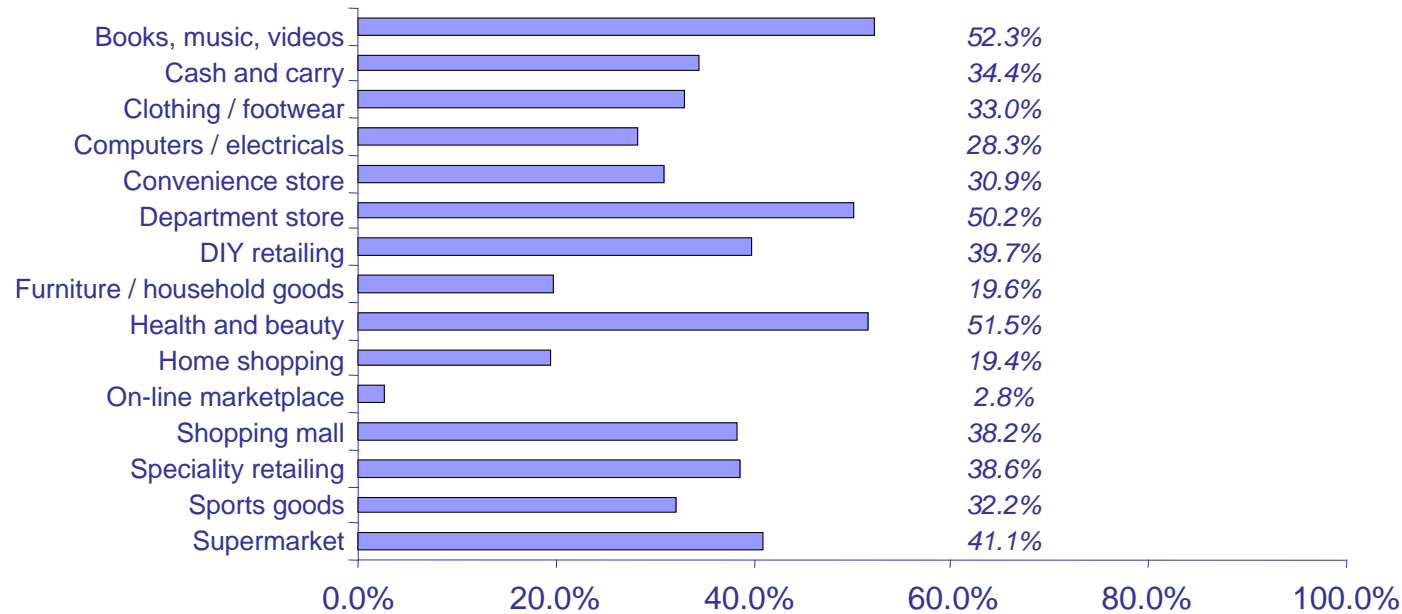


Source: Finaccord Global Retailer Financial Services surveys

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

**2. Loyalty cards achieve the highest worldwide penetration among retailers of books, music and videos, health and beauty retailers, department stores and supermarkets**

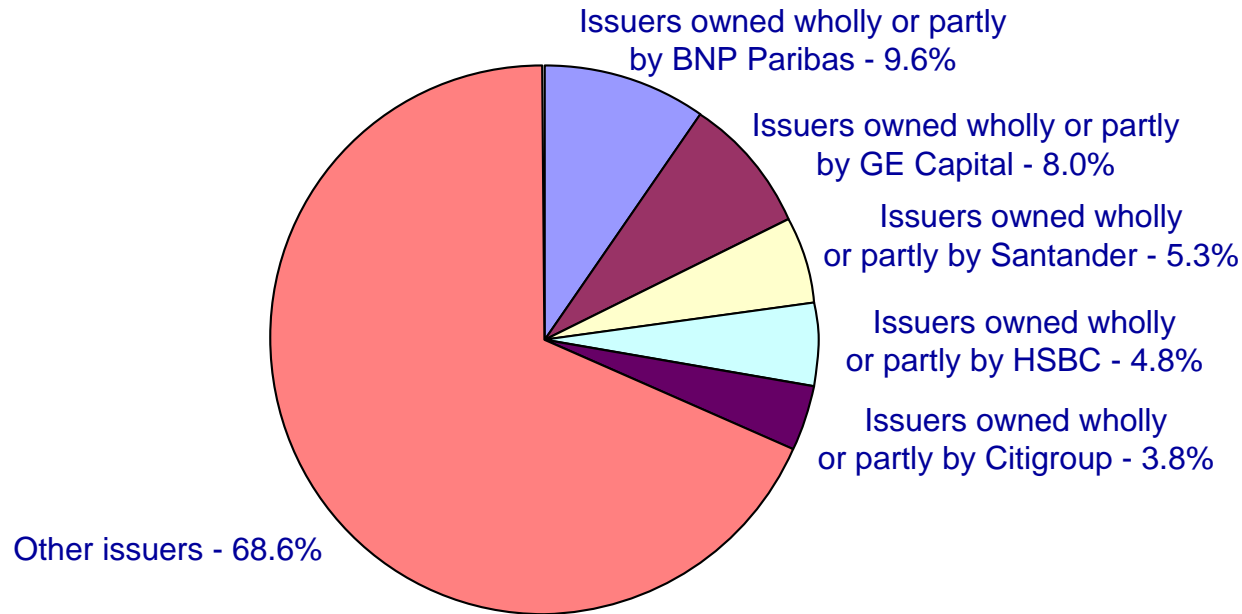


Source: Finaccord Global Retailer Financial Services surveys

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

3. Five major banking groups collectively operate on an exclusive basis almost one third of retailer co-branded and private label card schemes worldwide



Source: Finaccord Global Retailer Financial Services surveys

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

### 4. Key findings from the executive summary include:

- across the 60 countries investigated, retailer payment card programs are most widespread in Taiwan, Brazil, Spain, Greece and Chile at 52.9%, 46.3%, 44.5%, 44.4% and 44.2%, respectively, of the retail brands considered;
- with respect to the penetration of co-branded and store cards by category of retailer, Finaccord's research shows that on a global basis, cards achieve the highest penetration among department stores (61.5%), retailers of computers and electrical goods (46.8%) and DIY retailers (39.2%);
- as many as 43.5% of the more than 1,170 retailer payment cards identified are either classifiable as private label or store cards, that can be used only at the retailer in question, or are affiliated to a local network;
- going forwards, notwithstanding the disruption caused to global consumer finance markets by the international 'credit crunch' during the first half of 2008, Finaccord believes that the outlook for retailer co-branded and private label or store cards remains encouraging when viewed with a longer term perspective.

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## What is the cost and format?

*Global Retailer Cards: 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 other titles issued by Finaccord on the subject of retailer financial services worldwide are as follows:

REPORT	COST *	FORMAT
Global Retailer Cards: Co-Branded, Loyalty and Private Label Programs, 2008	£2,995	c. 330 pages
Retailer Financial Services in Asia Pacific and the Middle East, 2007	£2,495	c. 180 pages
Retailer Financial Services in Europe, 2007	£2,495	c. 250 pages
Retailer Financial Services in North and Latin America, 2008	£1,995	c. 160 pages

*VAT at 17.5% will be added to the basic price except for where the request is for hard copy only.*

*Costs quoted are for a single site user license only.*

*For a corporate user license, an additional 10% of the basic cost is payable, inclusive of VAT.*

*Printing and postage costs of £50 will be added for delivery of each hard copy.*

*Invoices can be paid in €, at the prevailing exchange rate, if preferred.*

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## How can the research be purchased?

Simple. Just go to the relevant area of the Finaccord web site - [www.finaccord.com/uk/order\\_global\\_rfsr.htm](http://www.finaccord.com/uk/order_global_rfsr.htm) - and fill in the on-line order form, clearly indicating the report that you require, whether you also require a corporate user license, the billing name, address and e-mail address, and the purchase order number, if applicable.

Please allow one working day for the delivery of electronic copy and one working week for the arrival of hard copy.