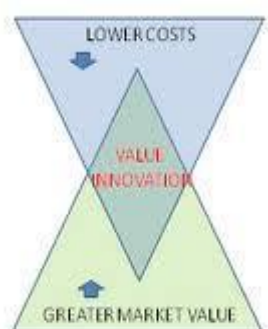


## **Innovation in prepaid**

by **David Parker , Polymath Consulting Ltd.**



Henry Ford, inventor of the Model T, which democratized transportation for the masses, once said, "If I had asked people what they wanted, they would have said faster horses." We can imagine the exchange that elicited that insight into how people think:

- Ford: "Why do you want a faster horse?"
- Customer: "So I can get to the store in less time."
- Ford: "Why do you want to get to the store faster?"
- Customer: "So I can get more work done at the farm."

Ford understood what people needed better than they did. Innovation in the marketplace occurs from deep understanding by innovators of their customers – their problems and needs, expressed or not.

### **Targeted innovation**

Innovations in the prepaid card industry are numerous. Take, for instance, edō Interactive's facecard, an open-loop, MasterCard Worldwide-branded, general purpose reloadable card targeted to teenagers and young adults.

Through what edō calls Prewards, Gen Y consumers are incited to buy digital goods from select retailers that take part in edō's merchant network. The digital incentives (discounts) are pre-funded by merchants and loaded directly onto the cards. This innovation has proven successful. Edō reports that the number of unique visitors to the facecard website is increasing 50 percent monthly. The Nashville-based company also reports facecard merchants receive an average of \$15 of extra revenue per month per customer using Prewards.

### **Alternative strategies**

Another example of innovation is an AXA Bank strategy that converts customers initially denied loans into creditworthy bank customers. When customers are turned down for bank loans, prepaid cards are automatically sent to them. If they use the cards for six months, they can request an upgrade to an entry-level credit line tied to the same card.

AXA said 75 percent of customers activate the cards and a third of those actually use the cards. Of those using the cards, half go on to obtain a credit line in the future. So roughly 13

percent of customers initially denied credit become creditworthy customers of AXA Bank in the end.

Yet another strategy is to make a prepaid card more "universal" and therefore more user friendly and top-of-wallet. One example is Commonwealth Bank's Travel Money Card which allows for six currencies on a single card. Cardholders can switch among U.S. dollars, euros, British pounds, Australian dollars, Japanese yen, New Zealand dollars, Hong Kong dollars, Canadian dollars and Singapore dollars.

### **Value perception**

Finally, entities have been successful by wrapping prepaid in a new technological package, such as incorporating prepaid accounts into wristwatches. Istanbul, Turkey-based Garanti Bank, the United Arab Emirates' NBD Bank, UEFA Football, Volksbank Slovakia and the Rio de Janeiro mass transit authority have all launched watches integrated with chips that turn the watches into form factors for contactless payments. The whiz-bang promotional tool of a watch turned into a payment device speaks to the potential for prepaid card providers to create up-market, aspirational promotions for prepaid offerings.

The prepaid watch concept also shows that what drives innovation is almost irrelevant. The real issue is what drives customers' perception as to the *value* of innovation. And that is harder to quantify.

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