



# Best Practice Report.

## Innovation in Prepaid Cards: A Global Perspective

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'How do we launch a really innovative prepaid product?' is something that I have been asked often. I believe, however, that there is a common misunderstanding about what we mean by innovation.

Henry Ford famously said, "If I had asked people what they wanted, they would have said faster horses". But the detail of the conversation might have

continued as follows:

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

This interrogation of the end-user reveals the basis of all true innovations: understanding of

customers' problems and their needs, expressed or unexpressed. People often think that innovation goes hand-in-hand with technological advances, but this is not necessarily the case. Technological ideas are closely linked with invention, but innovation is the conversion of ideas into commercial gain. Some good innovations may require technology, but the use of technology does not

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### Innovation in Prepaid Cards: A Global Perspective

automatically lead to good innovation. A mobile phone that just makes calls and can store only four numbers but does nothing else is innovative, as it is exactly what some customers want or need - an easy-to-use phone with nice big buttons and nothing complicated. Perfect for Granny.

There are four key types of innovation as defined by Tidd et al (2005) that you can use when searching for good ideas:

1. Product Innovation - new products or improvements on products, such as the closed-loop Haiti Emergency Charitycard.
2. Process Innovation - where some part of the process is improved to bring benefit, such as the multifunction university cards described below.
3. Positioning Innovation - where a product is repositioned or positioned in a new way, such as the XtraPower card.
4. Paradigm Innovation - where major shifts in thinking cause change, such as the FaceCard. 'Prepayment' is also a great example of a paradigm innovation.

The innovations we see in prepaid seem to be largely product-related, although this might be because process innovations, especially those that reduce production costs and time to market are harder to see to the outside observer.

Innovators in prepaid have not fully exploited the potential to position their products in a variety of ways. If innovators use their prepaid products to focus on a different range of consumer problems, they will enjoy the benefits of positioning innovations such as finding new customer groups or new profit pools.

There have been some outstanding innovations in prepaid cards in recent years. Here are some examples of prepaid programs that are particularly innovative in order to stimulate your creative juices and broaden your horizons.

#### Loyalty

IndianOil's XtraPower Card has been winning awards since 2009. Originally a closed loop prepaid fleet card, IndianOil later launched a consumer gift card variety. A loyalty programme was then added into the programme and over 60% of the enrolled members engaging with the loyalty program. This led to 50% of customers changing their payment patterns from credit to prepaid within 3 years and increasing market share by 15%.

#### Promotions

FaceCard is one of the fastest growing prepaid cards in North America. Launched in the summer of 2009, this simple concept has 'digital incentive capabilities', giving card-holders exclusive discounts on purchases of leading brands. The FaceCard enables retailers to deliver coupons and discounts to consumers, removing the need for paper and enabling offers to be more targeted. For example, a retailer provides an offer, such as, '\$5 off when you spend \$20 in my store in the next two days', to a targeted group of consumers. On purchasing goods worth \$22, the consumer has \$17 deducted from her card and the other \$5 paid for by the retailer. This allows the retailer to make offers based on time and spend values to a segmented base, delivered in real time to consumers and only costing the retailer money when a transaction is made.

#### Added Value

There are a great number of 'value added' prepaid cards around the world - too many to list here. Almost without exception due to the low margins of prepaid cards, added value programs are 'merchant funded'. Examples include the BaBaa prepaid MasterCard in the UK that is targeted to new and expectant mothers, and the VIP Hennes Card, a co-branded loyalty card for women in Norway that offers a range of rebates to cardholders.

#### The Magnum Pleasure Card

UK Incentive Company PM&M issued a fixed value general purpose reloadable prepaid card in a successful promotion run in 2009.

A randomly selected group of consumers who had submitted their contact details on a brash and colourful "on-brand" website for Europe's most delicious ice-creams were rewarded by a prepaid card. In this way, a standard prepaid card was repositioned as a reward for engagement. And an example of a highly successful process innovation in Europe.



### Innovation in Prepaid Cards: A Global Perspective

#### Multifunction

Universities around the world such as Sydney and Milan have included contactless, prepaid and access capabilities in a single card. "Carta di Ateneo" is a dual interface card for students at both Politecnico di Milano and Università Milano Bicocca that combines contactless and EMV payment as well as access control and personal identification features. The card provides identity features, with the student's personal data and photo printed on the card. Access to university buildings is managed using the card's magnetic stripe and embedded contactless chip. The card can be used to record student attendance at exams, classes and seminars, as well as provide access to internet and university web services.

The Bank24 Jet Card in Turkey takes this a step further, directly linking the prepaid card to a current account which enables it to act as a debit card as well. It also acts as a pass card and can be used to support public transport applications. Halkbank has just received two awards for innovation in prepaid based on the success of this programme.

Transportation is another area that shows innovative development of a range of prepaid card programmes, each with additional functionality. The PostPay&Go program in Ravenna is the first attempt to standardize the local and regional transportation market in Italy,

enabling citizens and tourists to use the same card to travel in every city at the same fare conditions/rates. Another example is the Evo Transit Card, launched in April 2009 by EZ-Link Pte Ltd, which combines a prepaid card with a EX-Link epurse.

Another example in transportation using multi-functions is the prepaid card programme at the Torino Winter Olympics. This offered different cards for different uses. The Soldintasca Skipass reloadable card allowed skiers to buy a skipass for Via Lattea (where the Games took place) or Dolomiti Superski (Italy's largest ski area) and upload it with an RFID application embedded on the card.

Meanwhile another card was specifically designed for the volunteers working for the Olympic Games, while the Visa Money Olympic Games disposable card was provided to Olympic sponsors for use by their on-site staff and guests. Finally the Soldintasca disposable card, which came in 11 designs, was one of the most requested items of Olympic memorabilia. In total, 600,000 cards were sold. We'll see how well the Visa Prepaid Access card goes down in South Africa next month. Take note, London 2012!

#### Gift

The recent Haiti earthquake offered an opportunity for innovation in gift cards. How could stores actively support a disaster appeal, collecting cash from customers without

technology or integration issues? Epipoli in Italy, run by the legendary leader in prepaid, Gaetano Gianetto, developed the Haiti Emergency Charity Card within three weeks. This was a closed loop gift card that was purchased like a normal gift card through several thousand gift card malls. The balance on the card went straight to the appeal to support the devastated population of Haiti.

**Credit Turn-Down** The Credit Turn-Down proposition from UniCredit shows what can happen if customer needs are thoroughly understood. Customers completing a 'credit card' application can check a box requesting that a prepaid card is sent to them if their application is not successful. If the credit card application is turned down, the customer is automatically sent a prepaid card which they must activate in order to use.

Having used the card for six months, users can request an upgrade of the card to a credit line (initially at a low level). Twice a year, Unicredit reviews its customer base and offers a small credit line (e.g. 400 euros) to those that have demonstrated good use of the card, with no monthly salary payment required for the upgrade. The results have been very encouraging. 75% of those sent a prepaid card activate (CRM was instrumental



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Innovation in Prepaid Cards: A Global Perspective

in increasing the activation rate from an initial figure of 60%). A third go on to use the card. And half of those using the card then go on to obtain a credit line. This equates to approximately 13% of those sent a prepaid card ultimately becoming credit card customers.

**Harnessing Technology**

Having said that innovation is not all about technology, here is an example of an innovation where technology is relevant. The Bouky programme ('Bouky' is the Kuwaiti word for 'my wallet') is a contactless payment solution developed by the National Bank of Kuwait in association with Visa International, Zain Telecommunication, Vivotech and Nokia. Working on a Nokia 6212 Visa payWave-enabled mobile phone loaded with a

Zain mobile number, once the NBK credit card is downloaded on the phone, you can make payments for your purchases at a partner payWave-enabled outlet by tapping your phone on the payWave reader. Users can download a free Prepaid Visa card pre-loaded with 10 Kuwaiti \$, by tapping the phone on one of the Smart Posters. But alongside the innovation is a need to ensure that this value is accessible for the customer. Otherwise the cost of the time and effort in learning how to use or access it becomes greater than the value added by the convenience of the innovation itself (see sidebar overleaf).

**Multi Currency Card**

Commonwealth Bank's Travel Money Card, launched in 2009, enables travellers to access multiple currencies on one card.

The user can specify percentages of their money in up to six currencies: United States Dollars, Euros, Great British Pounds, Australian Dollars, Japanese Yen, New Zealand Dollars, Hong Kong Dollars, Canadian Dollars and Singapore Dollars. Funds can be transferred between currencies at the prevailing exchange rate at no extra charge.

**IBAN Number**

A final innovation to consider is prepaid becoming a 'light' current account, with the launch in Italy of prepaid cards with IBANs attached to them. The International Bank Account Number (IBAN) is an international standard for identifying bank accounts across national borders in a way that minimises the risk of propagating transcription errors.



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Prepaid programme	Type of Innovation			
	Product	Process	Positioning	Paradigm
XtraPower card	x		x	
FaceCard	x	x		x
VIP Hennes card			x	
Sydney University	x	x	x	
Milan Politechnic & University	x	x	x	
Bank24Jet card	x	x	x	
Multiple purses	x		x	
PostePay&Go	x		x	
EVO	x		x	
Sanpaulo Soldintasca	x	x	x	
AGIRE Haiti Emergency Charity card	x	x		
Absa Bank			x	
US Bank Payroll card			x	
Unibank			x	
AXA		x	x	
Creditbuilder	x		x	
IBAN Card	x			
Just One card	x		x	
STi prepaid phonecards				x
Visa CodeSure	x			
FIFA Prepaid card with cornercard	x			
Bouky Mobile Handset Card	x			

Innovation in Prepaid Cards: A Global Perspective

**Innovations by Type**

The table on the previous page offers an at-a-glance look at a selection of innovative prepaid programmes, indicating whether the innovation is Product, Process, Positioning or Paradigm.

**Conclusion**

This iQ has listed a range of largely open-loop programs that we believe are innovative in different ways. There are many other innovations, largely incremental rather than step-change, that take place every day with retailers, banks and other issuers, from the way the cards are merchandised to the way in which customer service staff address calls from cardholders.

The extent to which these are 'successful', however, is determined by whether they are commercially successful. Any departure from the norm requires investment. The measure of success, therefore, is whether the investment in innovating has resulted in sufficient return compared to other investment options.

Sometimes, a departure from the norm might be exciting to the marketing or technical team of the issuers, but not perceived to be of value to the cardholder. In some cases, the innovation can actually be of negative value. The Bouky prepaid card that is sited on the mobile handset, for example, while exciting in concept, looks exceptionally difficult for consumers to download onto their phone

(see sidebar – and especially the final note at the bottom).

The examples highlighted above should give you a taste of the range of recent innovations in prepaid. By starting with customer needs, considering all four dimensions, and focusing on adding rather than destroying value, your investments will convert inventions into commercially beneficial innovations.

For more information on these or other innovations in prepaid, contact:

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**Downloading the Bouky Prepaid Card**

(Certificate in Higher Education Required)

1. Take your Nokia 6212 handset, and navigate to Menu > Application > Collection folder and tab down to select Bouky in the applications list. Press the "Open" button to select "Bouky".
2. The screen quickly displays: "Opening Bouky" followed by the Bouky splash screen image.
3. The Wallet Passcode screen appears with the message "Please enter your 4 digit Passcode". Enter the Passcode and press the "Submit" button.
4. The Bouky menu screen appears with the entry headings for Cards, Coupons and Used Coupons. To begin the card download, select the "Cards" heading and press the "Options" button.
5. From the Options menu, select "Download Card" and press the "Select" button.
6. The Download Payment Card screen is displayed. Please enter your 16 digit Zain Visa credit card number and press the "Submit" button.
7. Please enter your one time PIN number and then press "OK". (your one time PIN is the last 4 digits of your card number.)
8. The screen displays "Processing Credit Card download request. Please wait until it's completed". The process bar appears and moves to completion.
9. On successful completion, the screen will display "Your NBK card is now successfully downloaded". Press the "OK" button.
10. The Card screen appears with the NBK Zain Visa card image. The downloaded card will also be indicated under the "Cards" heading by a small Visa logo followed by the card name "Zain Visa"

Please note that the card download to the wallet will need to be done within 2 days of receiving the phone.