

Scheme Private Label: The Hidden Cards

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At their simplest, private label cards are Visa/MasterCard's that do not have a badge on the front. There remains huge scope for private label programme growth outside of North America, argues **David Parker**

First a definition is required as the term private label is often used to describe a wide range of products. What this article covers are scheme private label cards; meaning cards provided without a scheme badge, but running on scheme tracks and requiring:

A scheme Issuer with issuing processor and a supply chain of a scheme acquirer and acquiring processor, and Processing standards and messages

The great thing about private label cards is that they enable proprietary, merchant-branded transactions, generally in a closed loop or restricted network environment, on a scheme platform rather than requiring an 'end-to-end' platform setup as is the structure for traditional closed loop solutions.

The key benefits of a private label offering include:

- Utilizing existing POS systems and infrastructure. Lower investment levels than required for point-to-point systems.
- Faster, simpler implementations with no new software installed on POS devices.
- High end-to-end reliability tested to handle large transaction volumes as in effect they are treated as standard scheme cards and thus the 'rails' have been tested with significant volumes.
- Programs can be often more easily expanded into new countries or to include new merchants as there are often less or no technology restrictions
- Expansion into other markets, even outside of home regulated markets is often possible

Ray Brash, CEO at Prepay Solutions commenting on the speed to market and infrastructure issues says: ""PVL offers a rapid go-to-market solution that overcomes issues such as multiple POS systems, franchises, etc. We have therefore successfully deployed this solution on many occasions to either assist partners in overcoming infrastructure complexities, or where speed to launch and a minimum of internal POS development are the priorities."

While these types of scheme private label programs with Restricted Access Networks (RAN) are common in North America they are still relatively rare in Europe and the Middle East. In fact in Europe there are currently only five companies managing live programs, with a sixth soon to launch:

1. Prepay Technologies - MasterCard
2. Store Financial - MasterCard
3. Flex-e-vouchers - MasterCard
4. Sodexo - Visa

In the Middle East there is one program live:

1. Ahli United Bank in Kuwait - MasterCard. This won the most innovative prepaid cards at the VRL Middle East Prepaid Awards in March 2012.
2. Majid Al Futtaim (MAF), - MAF Gift Card

Both the Middle East programmes have won awards at the Cards International Prepaid Summit in the UAE, with Rasool Hujair, CEO of Majid AlFuttaim Finance saying "The collaboration between Majid Al Futtaim Properties and its portfolio of world-class shopping malls across the Middle East & North Africa has enabled us to expand successfully across the region, tailoring the product to the needs of each market."

Key regulations for the schemes, for these types of cards are that acquirers and participating merchants must accept open loop branded cards and issuers must have a scheme issuing license in at least one country the brand has an office of substance.

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This can prove very exciting and is exactly what Prepay Technologies has done with their Ticketmaster program below. Merchant and issuer must have an agreement in place that covers the financial terms and the merchant's obligation to comply with the PVL rules.

Transactions pass through the acquirer as if they were a normal open loop transaction therefore the acquirer does not have to be formally notified, unless bilateral agreements are put in place, to agree different levels of interchange or change settlement arrangements.

Processors need to be able to identify the merchant in order to 'white list' transactions coming from the merchants that are part of the private label acceptance network. Other key aspects are that a brand can negotiate with the issuing bank to hold all/part of the funds (as long as clearing and settlement still occurs correctly) and can negotiate bi-lateral agreements around acquiring and interchange - particularly relevant where the brand is the retailer/merchant accepting the payments.

Laurent Nyssens, Director, Cards & Electronic Payments, Sodexo Benefits & Rewards Services commented about their programmes saying " Scheme private label programs offer Sodexo some key benefits, the main one probably being that they allow us to quickly develop our filtered loop prepaid card programs while leveraging existing POS network infrastructures. In other words, they allow us to keep using our own brand, over card scheme's rails.

Our Azure Card program has been using this solution for almost 5 years now, and more recently, we launched our award-winning Spirit of Cadeau card in France. Many more programs are in the pipeline to be implemented in the months to come".

Some of the programs live in Europe and the Middle East provide a better understanding on how these products are used.

Although with recent regulation changes by MasterCard their use in Shopping Malls has not exploded as was original predicted as MasterCard now allow for Branded MasterCard/Maestro cards to be restricted in Mall/Shopping Centre uses:

MAF Gift Card

The MAF gift card can be used at eight Majid Al Futtaim shopping malls in the UAE, Bahrain and Lebanon with malls in Oman and Egypt to follow soon. With a total of 12 shopping malls to eventually choose from, the card holder will be able to shop at over 2100 stores. The Gift Card can be loaded with any amount between approx.: £10 to approx.:£500.

TicketMaster

Launched in the UK in 2006 by PPS, the card can be redeemed in TicketMaster and at over seventy ticket centers in the UK. Distribution: in store, on line, B2B & via third party retail outlets. The program has recently been extended to Republic of Ireland, Finland, Norway, Germany, Australia, NZ. Denmark and the Netherlands all using the PPS UK MasterCard membership and issuing licence.

The Horticultural Trade Association (HTA)

Launched by Store Financial is a 2,000 strong membership organization for garden centers across the UK. They had a well-established existing voucher scheme but a fragmented card acquiring architecture. The program was rolled out in three phases with phase one being the third party gift card mall sales in the UK to drive incremental growth followed by sales direct from member retailers and, finally, it was launched on-line and for B2B sales.

Westfield Shopping Towns Ltd

A gift card implemented in February 2012 by Flex-e-vouchers as a replacement for Maestro branded open-loop gift card. Acceptance was restricted to 981 merchants with multiple acquirers in four shopping malls. The card is sold through four sales channels with two card designs and over ten card packaging options available:

- Retail customer services desk.
- Automated instant issue and activation kiosk.
- Roaming' instant issue and activation sales via tablet PC with wi-fi connectivity.
- eCommerce via www.flex-e.com and Westfield branded white label sites.

The Azure card

Launched by Sodexo in 2009. The UK government issued the PVL card to all asylum seekers who have had their asylum claims refused and are waiting to return to their own countries but have no other way of supporting themselves; replacing a previous paper voucher system. The card has the user's name on it, but no other identification is required for use. Only one card is issued to each family unit or couple and the card cannot be used for 'cash back'. The card is only accepted at a limited number of major retailers/supermarkets chains.

AUB TSC Prepaid Private Label Card

Launched by Ahli United Bank and The Sultan Centre Food Products Co. (TSC) in Kuwait for Bait Al-Zakat in 2011. Bait Al-Zakat is a charity responsible for granting monthly supplies to its beneficiaries. Bait Al Zakat is responsible for disbursement of donations and contributions in the form of Zakat and donations received from companies, etc. to needy families. The AUB TSC Prepaid Card, was created to replace the current paper-based voucher system and is automatically uploaded each month with funds for registered consumers. Consumers simply take the card to the TSC outlets to buy goods.

So what is the future of these products? Not only in Europe, but globally these products have only just started to be sold and used. For creative minds they open up a range of opportunities and solutions to be developed. The key benefits they offer over both fully open loop and closed loop products will propel them to significant growth in the next few years.