

# iQ. Product Report.

## Loyalty and Prepaid: New Bedfellows?

By Tony Craddock,  
CEO, Global  
Prepaid Exchange

Issue 61: 22.04.10

### It's loyalty, but not as we know it.

'It is strange how successful men are often afraid of their wives', stated my plumber recently, obviously referring to himself, while fixing a radiator in our kitchen. 'It's not that they are afraid to stick with them. They're just afraid to leave. I think they call it "loyalty".'

In the prepaid business, 'loyalty' is an increasingly common word. As I learned very early on in prepaid, there's little point issuing a card if people don't use it and, in the case of many prepaid applications, continue to use it. So this iQ sets out to identify how relevant loyalty is, and should be, to you as a prepaid professional. It shares some case studies we have gathered that bring some of the ideas to life. It draws on the views of our members, so you may well see your comments, or those of your peers, included. And it identifies

a few Top Tips that you can take away and use as a discussion topic with your team.



*With Contributions from Exchange Members*

This iQ sets out to identify how relevant loyalty is, and should be, to you as a prepaid professional.

Page One

## Loyalty and Prepaid: New Bedfellows?

**Loyalty is Often Misunderstood.**

Every piece ever written about loyalty has to define the term. That's because it's often misunderstood or, more commonly, misused.

Strictly speaking, 'loyalty' is a behaviour. When your customers, be they end-users, channel partners, staff, business clients or other important stakeholders, behave in a loyal way, they are likely to:

1. Continue to buy from you
2. Buy more often
3. Buy more when they visit
4. Refer the right new customers to you
5. Be efficient to service
6. Buy higher margin products
7. Help you to generate insights that you can use to improve your business' performance

Frederik Riechheld explained the business case for building loyalty in *The Loyalty Effect* in 1980. In its simplest form, Riechheld explained how, if you build a loyal customer base, you will be more profitable.

Over the following 20 years, the term 'loyalty' has been commonly used to describe not just the outcome, i.e. a type of behaviour, but also the input, i.e. a type of activity your business can display to create loyalty. In this sense, 'loyalty' includes tactics such as reward schemes, promotional programs, insight-driven data capturing,

customer magazines, direct mail and customer care. In this iQ, to keep things simple, we are referring to the loyalty tactics, while accepting that we all want to achieve the outcome of loyalty.

**Using Loyalty Tactics to Improve Prepaid Programs**

We asked our members and a few guest contributors a question: Is there a trend towards companies in the prepaid industry using 'loyalty thinking' in the design, launch and development of their programs? And how are loyalty tactics, such as points, travel discounts, incentive merchandise cashback and other added value components, being used to encourage loyalty to the card program itself?

Why does this matter? Driving changes in loyalty behaviour costs resource, and invariably money. Sometimes, a great deal of money. Investing in the wrong thing can be costly to your business and career-limiting for you. So just because you can build loyalty into your prepaid programs does not mean you should try to.

There is also a problem with prepaid that is rarely discussed. While there are wide variations between travel, payroll and General Purpose Reloadable (GPR) programs, the average life of a prepaid cardholder can be as little as four months (Source: IIR Prepaid Expo General Session, Orlando FL, 2009). And according

**A Reader Exercise: Be a Prepaid Customer**

Most consumers have simple problems requiring simple solutions.

Sometimes we forget this and create amazing new capabilities and then wonder why they do not take off. Take SMS-issued coupons and vouchers, for example. The reason that many SMS-based prepaid and incentive programs have failed to achieve the level of adoption that those of us in the marketing department might like is not that they don't work or are not secure. It's that getting consumers to do something different has to be sufficiently worthwhile. Too often, the cost of changing behaviour is not worth the effort to the consumer.

So take the following process, based on a leading US processor's current prepaid proposition (not an Exchange member, I hasten to add). Think to yourself, would I understand this if I was not in the industry?

Joelle has been a regular member of her gym for three years. As a reward for renewing, she is offered a €50 prepaid e-voucher for use in a leading hair salon. She receives the offer by email, and is told it is redeemable via her handset. She clicks through to the web site and decides to sign up and provide her cellphone number to get the voucher. She then receives a one-time perishable code via an SMS. When she's next had her hair done, Joelle goes to the checkout. She tells the man at the checkout that she has a special payment code and hands the handset over or reads out the code. The man clicks on the relevant box on his terminal screen and adds the code, and some money is deducted from her personal account. She then receives an SMS containing a receipt. She heads home.

Could you follow this? How many times might Joelle drop out of the process? How can she be expected to connect the cause (the gym renewal) with the affect (the sleek head of highlights)? Is it worth the effort to change her behaviour? Instead, the gym could have sent a gift card to the value of €50 to Joelle who could have taken it to the salon as payment. Job done.

**The SMS application is forgetting something: the customer.**



Loyalty and Prepaid: New Bedfellows?

to a CFSI Underbanked Study in May 2009, 74% of cardholders perform fewer than five transactions per month. A credit card program with similar statistics would soon be shut down. So to solve this problem, various tactics can be used to encourage greater retention and more transactions per month.

**Headline Findings**

The conclusions I have drawn from the contributions of consulting members alongside available data are as follows:

1. Legislators and schemes sometimes prevent program managers from incorporating loyalty tactics into their prepaid programs
2. Loyalty tactics are sometimes included to compensate for a weak underlying core proposition; this rarely fixes the underlying root cause of customer disloyalty: a poor product
3. There is often insufficient margin in a prepaid program to justify the inclusion of loyalty tactics
4. Just because the answer is not obvious does not mean it is not out there. Some programs use selected loyalty tactics to good effect. Those that don't, may simply have not discovered which tactics they should use, for which customers, and when
5. Prepaid cards issued by telcos represent a special case, where the benefit of having a prepaid card is loyalty to the telco, not the card. Program

managers could look for similar 'partner product' scenarios where a prepaid card can make its partner product more profitable

6. The economics of filtered open loop programs mean that, in future, loyalty tactics will become more common with such programs
7. A loyalty tactic's success is likely to be determined by both the application (whether it is payroll, incentive, gift or travel, for example) and the country in which it is issued
8. There are few situations where customer insight will be of sufficient value to make it worth investing in extracting that insight from a prepaid program

For more detail behind these conclusions, read on.

**'Beware the Schemes that Bite, the Laws that Snap'**

Incorporating loyalty into a prepaid program is not always possible. For closed loop programs, there is a great deal of operational freedom. But with open loop programs, schemes and legislators can impose operational constraints.

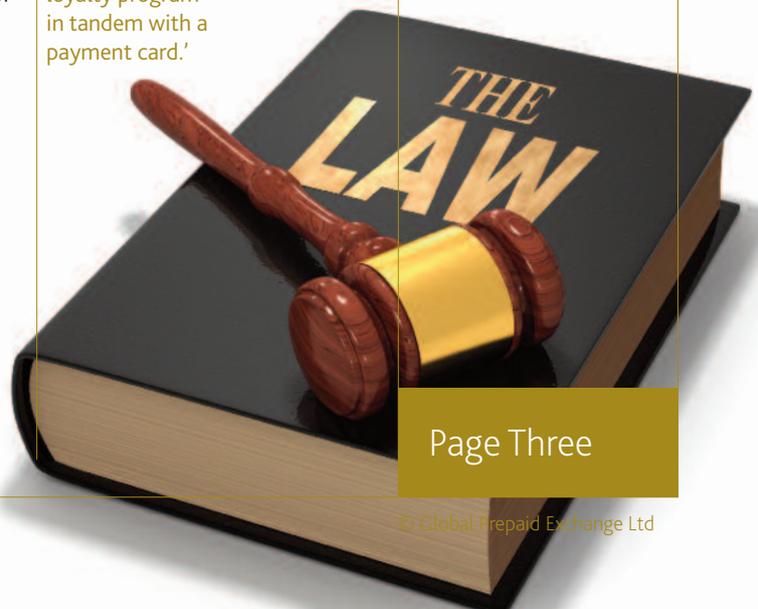
'We have tried to get several through BIN sponsorship with some very creative loyalty tie-ups and the networks reject them', says Duane Tough from ItsPaid. He continues, 'If you are not a major retailer or a large enough financial institution that wants it, it seems that they are more

of a nuisance to the networks than a "consumer value add".'

And MaryAnn Allison from i2c, Inc highlights some risks to getting it wrong. 'Something that might give the schemes a cramp is the mention of rewards distribution to card holders. In some instances, government entities have shut down businesses that enabled the "points" to be used in place of cash-anywhere. A program manager, Aces Wired in Texas, was given a 'Cease and Desist' order by the state AG for a program that enabled card holders to earn points from gaming machines and then use them at the local convenience store.'

Some companies, such as ItsPaid, have overcome such threats or objections. Pinpoint's Peter Hamilton comments in our LinkedIn People in Prepaid group discussion, 'We are considering how a chip added to a reloadable prepaid card (as required by VISA from 1/1/11) might facilitate a loyalty program in tandem with a payment card.'

Gift cards used to increase loyalty are not covered by the otherwise draconian legislation in the US. Good news all round.



Loyalty and Prepaid: New Bedfellows?

**The CARD Act and Loyalty**

The Final Rules of the CARD Act 2009 in the US are game-changing for the prepaid industry, according to an authoritative article in paybefore by Exchange member **Bryan Cave's Judith Rinearson** and **Margo Hirsch Strahlberg**.

But there is one important type of prepaid card that is exempt from the rules: loyalty, award or promotional gift cards, whether open or closed loop. This includes cards, codes or devices that:

- Are issued on a prepaid basis primarily for personal, family, or household purposes to a consumer in connection with a loyalty, award or promotional program
- Are redeemable upon presentation at one or more merchants for goods or services, or usable at automated teller machines, and
- Contain certain disclosures, such as that the card must state that it is for loyalty, award or promotional purposes and it must have an expiry date and toll-free phone number displayed

What this means for our members is that gift cards used to increase loyalty are not covered by the otherwise draconian legislation in the US. Good news all round.

**The Wrong Solution at the Wrong Price**

It is possible that applying loyalty techniques is the wrong solution to the problems faced by prepaid. Steve Langhans, a Payments Product Development Professional, explains that, 'In the credit/debit space, loyalty has been used to increase share of wallet - and that's typically not the problem that prepaid program managers are trying to solve.' He goes on, 'I'd suggest that in many cases the costs of these programs are difficult to justify on prepaid card economics.'

The investment required to achieve the behaviour change may also be too great. Says David Parker of Polymath Consulting, 'The biggest challenge of incorporating loyalty with prepaid is "who pays for it?" With prepaid in many markets having a combination of lower spend levels and lower interchange levels, the funds available to support a loyalty programme are much reduced.'

Sometimes, specific tactics can achieve specific outcomes. For example, incentives can be used to encourage reloads. **Julie Bohn** and **Molly Plozay** from Exchange member **First Data** explain from a US perspective: 'Recently there has been an increased focus on incenting the reloading of prepaid cards. We believe issuers will be using much more "loyalty thinking" in the development of their programs in order to extend their lifetimes'.

In the UK, 13 companies already provide rewards for their cardholders (see sidebar from the Pepper Report).

Phil Huston, President at Paragon Dynamix, LLC, agrees. 'The problem is... trying to embed a loyalty product into a card product. The banks or the associations are going to reject them for any of a multitude of reasons.' And he offers an alternative (that's a beer you owe me, Phil!): 'By using a 3rd party solution, you don't need bank, association or employer approval. I have designed three different platforms using only the technologies available with the processor and the provider. I set them up to work as points, rebates, POS discounts, merchant rewards, etc. It is not difficult and I have done it several times.'

**Victor Newsom** at Exchange member **eCommLink**, concurs with the financial challenge: 'I would agree that the economics are often a challenge. The Discover Current card in the US (disclosure - we do process these) offers Discounts and Financial Education tutorials as a loyalty component.' He goes on, 'The difference, as I see it, is that these programs are not really on par with the offers from credit programs due to the financial challenges.' Newsom continues with his vision: 'What I would love to see is someone who understands/ leverages/ takes advantage of the value of solving a cost problem by

**Prepaid Cards with Rewards in the UK**

- BaBee
- Blueberry Card Services Ltd
- IDT Prime Payment Card Reloadable
- Demelza House
- Orion Prepaid MasterCard
- Net+ Prepaid MasterCard
- The Sun
- Escape Phones4U
- Bread Card
- Virgin Money
- Crystal
- ON-X Maestro Card
- Y Cash Card

Source: The Pepper Report, 2010



Loyalty and Prepaid: New Bedfellows?

combining these cards with another service that is in a "red ocean" situation and passes really compelling rewards or loyalty benefits on to the consumer. I am hoping the telcos are listening'.

**Telcos With 'Partner Product' Programs**

In Europe, the telcos have taken the loyalty lead with 'partner product' programs. The MoneyManager card from O2 is promoted to cellphone customers of its pay-as-you-go service. With no purchase or activation fees and no charges for ATM cash withdrawals, the prepaid program is difficult for other prepaid cards to compete with.

The benefits are not from the success of the prepaid card program itself, however, but from the success of its partner product. Holders of the O2 prepaid card are less likely to defect from the O2 pay-as-you-go service. And customers using their prepaid card to buy more O2 minutes saves O2 3-5% that it would normally pay to a retailer or distributor. These two loyalty benefits – increased customer retention and more efficient cost to service – can be worth tens of millions of pounds, and a great deal more than the card program will generate in profit directly. Other telcos in Europe are soon to follow suit with their own prepaid cards.

**Follow the Leaders**

Some prepaid cards can only be used in a limited number of retailers. These multi-retailer programs are sometimes called semi-open loop or filtered or restricted open loop programs, and are run in the UK by Exchange member **Grass Roots** for companies such as RBS, or in the US by what was AEIS (now Maritz). The retailer rewards a customer using the card by paying a discount to the card issuer, and this discount is what pays for the costs of running the program. In some situations, the discount enables the issuer to deliver a loyalty tactic to the cardholder, too.

'The latest, and I would argue potentially best loyalty programme on a prepaid card is the FaceCard from edo Card Solutions,' explains David Parker. 'The system is very simple. A retailer makes an offer to some of the cardholder base such as, '£10 off when you use your card in our store before a certain date'. The cardholder is encouraged to visit the retailer before that time, and then hands over the preloaded card for payment of this purchases. The retailer takes the total less £10 from the card and while the discount £10 is taken from the second wallet that only applies to that retailer.'

'It is thus a true loyalty program in that it uses rewards from and funded by a retailer to drive a desired behavioural change: a

visit to the outlet when the retailer wants to generate new revenue.'

**Deval Sheth** from Exchange member **Accor Services** in India shares his experience in a market where prepaid is being widely adopted. 'We have observed notable successes in a few programs where we have combined prepaid and loyalty.' He goes on, 'The key to success was understanding customer needs, creating stickiness, building up segmentation using an RFM model and thereafter creating membership benefits and redemption benefits using prepaid cards'. The results are impressive:

1. Changed payment pattern from credit to prepaid to the tune of 50% in 3 years
2. Over 60% of the enrolled members used the loyalty program with an additional visit and we saw a 15% increase in purchase patterns
3. Higher market share over competition
4. Profitability

Some markets are more open to loyalty tactics than others. 'In Norway a Visa prepaid reloadable card which is also a co-branded loyalty card for women, the VIP Henne Card, has been launched recently', explains our Jon Sederqvist Østmoe. 'It offers a host of rebates and comes at an annual fee of NOK 495 plus other fees.'

Holders of the O2 prepaid card are less likely to defect from the O2 pay-as-you-go service. And customers using their prepaid card to buy more O2 minutes saves O2 3-5% that it would normally pay to a retailer or distributor.



Loyalty and Prepaid: New Bedfellows?

Other programs are recognised as being innovative across the industry. As the case study in the sidebar indicates, Western Union's 'MoneyWise' prepaid program is an award-winner in support of its loyalty program.

For some, the jury is still out, however. As **Julie Bohn** and **Molly Plozay** told us, 'We are still evaluating the potential effect traditional card loyalty programs could have on Open-Loop Prepaid Cards. Today most open-loop cards provide some type of unique utility – payroll disbursement, under-banked population, benefit disbursement, etc. Thus far, loyalty has been an after-thought because the challenge has been general adoption.'

**Tony Brennan** from Exchange member **Card Commerce** supports this view. 'I believe the prepaid industry is promising the benefits of a loyalty program when deploying prepaid without necessarily delivering the functionality of a loyalty program.'

And this message of caution is reinforced by **Don Kingsborough** from Exchange member **Blackhawk Network**, who tells us, 'I see people thinking about loyalty but not yet doing anything about it - primarily because of cost.'

Finally, in case we forget what this is all about, we have to remember that we are talking about a card that is used to solve

a relatively small consumer problem. For us, prepaid might be everything but for consumers, it is a tiny component of their lives. As **Michael Suitner** from Exchange member **paysafecard** reminds us, 'The first place in the wallet is occupied by those cards which accompany the customer through their life - daily and weekly. These cards guarantee wide acceptance, offer good basic functionalities and can be loaded easily at a lot of POS. I can not see these functionalities for many prepaid programs.' And without these basic functionalities, perhaps it is naïve to think we can achieve a great deal of loyalty to many of our open loop prepaid programs, however clever we might be with loyalty-inducing tactics.

**Loyalty Innovation in Retail**  
According to **Bohn** and **Plozay**, 'Retailers have been using loyalty programs for some time. In many cases it is the opportunity to provide both "utility" and "value" on one card. The prepaid feature provides an easy way to pay for goods/services but the card also acts as an electronic "punch card" or coupon purse which provides value.'

Getting the cards into the hands of the consumer is one of the secrets of success. Continues **Bohn**, 'The consumer may take the card initially during a promotion or receive it as a gift but continues to reload it because of the loyalty program attached to it. The proprietary

**Case Study One:**  
**Open Loop Prepaid Western Union**

In July 2009, The Western Union Company launched an enhancement to the company's global consumer loyalty program in the form of 'MoneyWise,' a reloadable Visa prepaid card. It has been quite a hit in the industry: it was awarded "Outstanding New Entrant" in the Best General Purpose Reloadable Card Program category at the paybefore awards.

Only carefully selected customers from Western Union's eight million loyalty membership receive the card, which aims to 'Help strengthen our relationship and value proposition among our most loyal customers by providing them with a convenient, smart and cost-effective way to better manage their money', according to Stewart A. Stockdale, from Western Union.

Consumers save time and can earn valuable benefits, including points to redeem for merchandise or money-transfer discounts - with no monthly maintenance or purchase transaction fees. Cardholders can use the card anywhere Visa debit cards are accepted including online and at ATMs.

There is access to account activity online and SMS and email balance alert capabilities. And in a neat additional dimension, The Western Union Gold Card also serves as a calling card, allowing the user to recharge phone time.

## Loyalty and Prepaid: New Bedfellows?

nature of the card creates a strong psychological bond and brand awareness with the consumer. The rewards can be delivered real-time at the point-of-sale'.

Some of the most successful uses of simple loyalty techniques are in retailing:

- Bath & Bodyworks offers a \$10 gift card to customers buying over \$50 of products providing it is redeemed within a month. This is a simple but effective way of driving two changes in behaviour: buy more, and visit again
- The US retail client of one Exchange member is sending direct mail packs containing \$30 gift cards to customers who have not visited its stores for over a year. The retailer is enjoying not only 70% take-up on the promotion, but also an average spend per visit of over \$115 – that's an uplift of almost 400%
- Exchange member **Subway** has been increasing customer profitability using loyalty tactics enabled by its prepaid card for several years (see sidebar)
- Søren Bo Christensen, Project Leader at Bestseller, is also talking loyalty seriously. 'Currently we have a giftcard solution in most of our retail stores worldwide, based on an electronic gift voucher. Adding a loyalty program is simple, once the software development is in place.'

But it is not always that simple in practice. Christiansen continues,

'With more than 300 different franchisees, getting an agreement among them about the loyalty benefits is difficult. If the customer cannot see the benefits and quickly earn enough points or get a good discount, the loyalty will not be a success. You must also be willing to invest in the loyalty program, the cost of collecting customer data, production and shipping costs for loyalty cards, special discounts. It quickly adds up and with several million customers, the business case is not always in favour of a loyalty program.' However, if you get the treatment of the loyal customer right, the results are impressive, as Kevin Turnbull from Exchange member **Spafinder** explains. 'SpaFinder has a loyalty program in place – see the details at <http://www.spafinder.co.uk/rewards/index.jsp>. This rewards our customers who buy vouchers direct from us, book spa treatments through us and write reviews on spas. This has not been extended to the purchase of Gift Cards (as we do not collect the buyer details) but we target these 'unknowns' when they visit our site to get them to sign on to our Club Spa consumer/loyalty database and also message them with the loyalty programme.'

And with vision, there are some exciting moves ahead. Continues Turnbull, 'We are working on some ideas that positions loyalty programmes as a 'community' – taking ideas from social networks by encouraging interactivity,



## Case Study Two: Closed Loop Prepaid The Subway Card

Exchange member Subway has been innovating with its rewards program for over seven years. Carman Wenkoff, President of Subway's Value Pay Services LLC and of the recently formed Retail Gift Card Association in the US, leads this program with the vision of an eagle and the focus of a tiger (out of the woods).

The Subway Card is an electronic spending/gift card that can be purchased in any amount between \$5 and \$100 at most of Subway's 28,000 QSRs. It is also available throughout Exchange member Blackhawk's extensive third party distribution network. The cards are reusable and reloadable, making them a convenient way to pay. In addition, under the Subway Rewards Program, customers earn one point for every dollar spent on SUBWAY® restaurant menu items. The points can then be redeemed for free menu items.

But what is innovative and leading edge is not the rewards program operating alongside a prepaid gift card program. It is how the data gathered on frequent users' behaviour drives individual 'treatments' at the point of sale. This allows Subway to drive changes in customer behavior in real time, right now.

For example, previous analysis of customer behavior might have taught us that customers buying a Sub three times each week have a high propensity to buy a coffee if you give them a free cookie. Margins on a coffee easily outweigh the price of a cookie, even one of those delicious Subway ones. So when such a customer – say, Bill Brown – comes in he is given a till receipt printed with a special offer just for him. Next time Bill's buying a Sub, he's going to buy a coffee to have with his free cookie.

And deliver some tasty extra margin to both the franchisee and Subway



Loyalty and Prepaid: New Bedfellows?

2-way communication and user generated contents. In broader terms this also includes our SpaFinder Blogging, Facebook and Twitter activity – building up a 'loyal' following which we encourage to actively engage with the 'points for prizes' loyalty program.'

**Data is the Key – at a Price**

As highlighted in the Exchange member **Subway** Case Study, data obtained from cardholder transactions that is analysed and used to drive marketing that increases customer profitability can be a source of great value. It is where prepaid can draw on decades of experience in Customer Relationship Management that uses customer insight to improve business performance.

As explained by **Bohn**, 'Creating turnkey loyalty analytics and true champion/challenger programs to test effectiveness is a huge challenge that takes months to execute. Based on research, reporting and some analytics – what we see are programs that truly engage the consumer are most effective.' But from what we have seen, there are still few programs with sufficient frequency of use and volume of transactions to provide an attractive return on investment in insight-driven loyalty programs in prepaid. The exceptions are some transit programs and retailer programs with high frequency of use such as Quick Service Restaurants (QSRs).

However, if adopting wholesale loyalty programs alongside prepaid are rarely economic, adopting a loyalty approach in the program is becoming more common. **Gilles Coccoli of Prepay Solutions** explains how companies in prepaid are starting to use 'loyalty thinking'. 'It is important to find the best balance to create a 'win-win' relationship between the merchant and the user/buyer. Loyalty is a tool to modify customer behaviour and the value may have to change in accordance with the function it is trying to achieve.'

**Do Consumers Want Prepaid and Loyalty?**

As Exchange member **The Logic Group** discovered with its 2009 Ipsos MORI research, The Imperatives of Customer Loyalty, many consumers feel

little loyalty to companies in different sectors. While 57% of senior executives state that customer retention will be a greater priority in future, the sample of 2,000 UK adults found that only 5% had feelings of loyalty to cinemas, 26% to fashion chains and 26% to bookshops.

And that is before we consider the difference between feeling loyal and being loyal. You might feel loyal to your insurance provider, but if a competitor undercuts your policy by 20%, would you switch? Maybe that is because levels of satisfaction with loyalty schemes are dismally low: only 13% of members of financial services loyalty programs are very satisfied with them. Or because the programs do not give what the customers really want: good customer service is most likely to make customers want to buy more (34%), and bad customer service is more likely to get them to spend less (44%), according to the **The Logic Group** survey.

**Jen Lashua** has extensive experience in gift card management at leading retailers in the US and Europe. She questions how applicable loyalty tactics are to retailers. She explains, 'For some companies - specialty retailers, for example - attaching a loyalty program on top of a gift card program might not make sense. This is not to say there couldn't be other ways to use prepaid



“This is not to say there couldn't be other ways to use prepaid cards strategically with specific customer segments to encourage and maintain loyalty; however most consumers still see a gift card as a gift card.”



Loyalty and Prepaid: New Bedfellows?

cards strategically with specific customer segments to encourage and maintain loyalty; however most consumers still see a gift card as a gift card.'

**Lashua** continues, 'They buy it and give it to someone else. Loyalty might come in the form of rewarding the purchaser for their total annual spend in the form of points or cash rebates, as many retailers are doing recently, and/or loyalty may be initiated with the recipient by making this new customer a repeat customer by providing excellent customer service and superior quality product. But I don't see a huge opportunity for specialty retailers to launch loyalty programs associated with reloading a gift card.'



**Conclusion:  
A Trickle or a Flood?**

We see an increasing trend to try to include 'loyalty thinking' in prepaid. But there are a number of challenges to offering loyalty programs – primarily relating to cost. The margins on prepaid products are already thin and to provide an appealing loyalty program that drives customer engagement is potentially very expensive. Introducing an extensive loyalty program to a prepaid card program carries significant risk.

But in many cases the obstacles are being removed. We believe that in future loyalty and prepaid – at least at a tactical level - will become more common bedfellows. As Sarah Francis at Carta Worldwide says, 'Judging from the activity we are seeing, (the integration of loyalty thinking in prepaid) is likely to become much more popular. The technology is available, the issuers are keen and the ideas are now flowing.' She concludes, 'Possibly it's a case of, "where there's a will there is a way"'.

**Top Tips for Building Loyalty in Prepaid**

1. Use loyalty thinking when designing your product but do not spend a cent on loyalty tactics unless you know your higher value customers will want them and your program can afford them
2. Avoid confusing the consumer. Unless there is a compelling reason, keep it simple. Such as your customers like it
3. Test first before rolling it out to see if your loyalty tactics really drive the behaviours you want with the people you want them to
4. Don't forget the data but handle with care. Some loyalty programs are justifiable not just on the direct financial return they produce, but on the value of the insights derived from the data they generate. But few prepaid programs are
5. Adapt to the country where you are operating – there's no blanket solution
6. Avoid soft and fluffy. Unless building the brand is your goal, make every tactic, whether giving points rewards for reloading a GPR card or giving a second card to high value gift card buyers, targeted at affecting a specific behaviour change

**Tony Craddock, CEO**  
Global Prepaid Exchange  
tony.craddock@  
globalprepaidexchange.com  
+4420 7720 1810

We believe that in future loyalty and prepaid – at least at a tactical level – will become more common bedfellows.

Loyalty and Prepaid: New Bedfellows?

**Special Section:  
Multi-Application Prepaid**

Whether it makes sense to combine different applications, such as 'loyalty and prepaid', 'gift and access', 'transit and loyalty', in order to gain a greater share of a customer's spend or wallet is still open to debate. Will consumers understand the different components? Or will they simply get confused and only use one part of it and ignore the other(s)? For example, the UK's Oyster Card combined a prepaid card with a transit card and a credit card. And it bombed.

Jen Lashua's point of view concurs with our own. She says, 'I think there is significant potential for confusion and overload.'

Richard Burchill from Arcadia agrees. 'I feel this is a dangerous path. We need to keep gifting separated from prepaid and other essentially 'credit card type' products, otherwise all we will be left with is another payment method and people won't want to give it as a gift!'

Eoin Whyte from Exchange member Card Commerce remarks, 'Like all good concepts, keep it simple. From a gift perspective, the card starts life as an anonymous referred customer to the retailer, pretty much like word of mouth – 'go deal with these guys, you'll like them'. The merchant then needs to offer this customer a simple incentive

and way to identify themselves in return for a mutually beneficial relationship going forward. Then manage the customer relationship and make the connection valuable, relevant, and worthwhile.' And Robert Courtneidge from Exchange member Salans tells us, 'I think again this is a gimic. The real winners in prepaid will be offering solutions to payment distribution issues not b2c offers like this'.

Maybe there is a middle ground in open loop prepaid. As Nick Cahn from CPI Cards Group tell us, 'You should keep the number of applications to the bare minimum or consumers will get confused. Typically I think two is good.' As Donald Campbell from Exchange member First Data reminds us, 'Card products that combine different services are not new, particularly in Asia and Australia. The challenge is ensuring the communication of how to use them is clear both to the cardholder and at the point of sale.'

Whether it makes sense to combine different applications, such as 'loyalty and prepaid', 'gift and access', transit and loyalty', in order to gain a greater share of a customer's spend or wallet is still open to debate.



Loyalty and Prepaid: New Bedfellows?

## Contributors

Thank you to our contributors from members of the Global Prepaid Exchange and members of LinkedIn's People in Prepaid Group (Exchange members are in **bold**):

Duane Tough  
President, ItsPaid

MaryAnn Allison  
Prepaid Processing VP, i2c Inc

Peter Hamilton  
Group General Manager, Pinpoint

**Judith Rinearson**  
**Partner, Bryan Cave**

**Margo Hirsch Strahlberg**  
**Attorney, Bryan Cave**

Steve Langhans  
Payments Product  
Development Professional

David Parker  
Director, Polymath Consulting,  
Consultant, Global  
Prepaid Exchange

**Julie Bohn**  
**Vice President - Information  
Services, First Data**

**Molly Plozay**  
**First Data**

Phil Huston  
President, Paragon Dynamix, LLC

**Victor Newsom**  
**Chief Operations Officer,**  
**eCommLink**

**Deval Sheth**  
**Head Strategy & Development,**  
**Accor Services India**

**Michael Suitner**  
**Head of Product Management,**  
**paysafecard**

**Jon Sederqvist Østmoe**  
**Founder and Cards Intelligence**  
**Consultant, MACAW Research**  
**Research Consultant at Global**  
**Prepaid Exchange**

Stewart A. Stockdale  
Executive Vice President and  
President, The Americas,  
Western Union

**Tony Brennan**  
**Director, Card Commerce**

**Eoin Whyte**  
**Sales Director, Card Commerce**

**Richard Burchill**  
**Arcadia Group**

**Don Kingsborough**  
**CEO, Blackhawk Network**

Søren Bo Christensen  
Project Manager, Bestseller

**Jen Lashua**  
**Retail Industry Commentator**

Sarah Francis  
Programme Manager – Cards,  
Carta Worldwide

**Nick Cahn**  
**Managing Director,**  
**CPI Cards Group**

**Robert Courtneidge**  
**Head of Card & Payments,**  
**Salans**

**Donald Campbell**  
**Director, Loyalty Solutions,**  
**First Data**

**Gilles Coccoli**  
**Managing Director, Prepay**  
**Solutions**

**Kevin Turnbull**  
**CEO, Spafinder Europe**

# Global Prepaid Exchange Network Members Events Schedule

# 2010

## Driving Success in Prepaid: Connections, Intelligence & Support

\*Dates and agendas  
are subject to change

**\* May 10th – Brussels – Prepaid@Home –  
Prepaid Expo Europe**

Kick start your trip to the Prepaid Expo Europe with an evening of networking and banter at the Global Prepaid Exchange Prepaid@Home. Sponsored by IGH Solutions this event is designed to get you in the mindset for the Expo. You will have the opportunity to meet plenty of new faces as well as catch up with familiar ones at this informal international evening.

**\* June 20th – Frankfurt – Prepaid@Home –  
Gift Card Summit**

A social networking evening to kick-start the Gift Card Summit with style. Catch up with familiar faces and meet new ones at this informal gathering of prepaid professionals.

**\* June 14th – London – Industry Leader Round Table –  
Clarion Prepaid 10**

This round table will bring together Industry Leaders from around the globe to talk about the hottest issues and key topics in the prepaid field.

**\* For UK Members, don't forget  
Prepaid@Home**  
on the first Tuesday of every month. Contact  
[joelle.harari@globalprepaidexchange.com](mailto:joelle.harari@globalprepaidexchange.com)  
for further details.

Global Prepaid Intelligence is published by Global Prepaid Exchange Ltd. Unauthorised distribution is illegal. The contents of this publication are and remain the property of Global Prepaid Exchange Ltd and may not, in whole or in part, be reproduced, stored in a data retrieval system, or transmitted by any form or means, electronic, mechanical, photocopying, recording or otherwise, without prior permission of the Publisher.

iQ [www.globalprepaidexchange.com](http://www.globalprepaidexchange.com)

**Professor Dan Horne**  
Chief Knowledge Officer  
[dan.horne@globalprepaidexchange.com](mailto:dan.horne@globalprepaidexchange.com)  
+1 401 499 1250

**Tony Craddock**  
Publisher and CEO  
[tony.craddock@globalprepaidexchange.com](mailto:tony.craddock@globalprepaidexchange.com)  
+44 7803 203 405

**Tory Batten**  
Commissioning Editor  
[tory.batten@globalprepaidexchange.com](mailto:tory.batten@globalprepaidexchange.com)  
+44 7946 650 430

**Dan Stretton**  
Relationship Manager  
[dan.stretton@globalprepaidexchange.com](mailto:dan.stretton@globalprepaidexchange.com)  
+44 7914 517 297

**Ruben del Aguila**  
Operations Coordinator  
[ruben.delaguila@globalprepaidexchange.com](mailto:ruben.delaguila@globalprepaidexchange.com)  
+44 7807 157 365

**Lisa Daly-Boockoff**  
Press Relations  
[lisa.daly@globalprepaidexchange.com](mailto:lisa.daly@globalprepaidexchange.com)  
+1 508 622 1327

**Linda Hartley**  
Research Editor  
[linda.hartley@globalprepaidexchange.com](mailto:linda.hartley@globalprepaidexchange.com)  
+1 617 794 6693

**Casey McGrath**  
Intelligence Co-ordinator  
[casey.mcgrath@globalprepaidexchange.com](mailto:casey.mcgrath@globalprepaidexchange.com)  
+353 1 443 4492

Global Prepaid Intelligence is designed by **pslondon** Ltd  
[www.pslondon.co.uk](http://www.pslondon.co.uk)

# Network Members

You're known by the company you keep



**3V:**  
Online payment vouchers accepted worldwide wherever VISA is accepted, instead of using a credit card.



**Accor Services:**  
Worldwide leader in corporate prepaid services across 40 countries with 30 million daily users.



**American Express:**  
American Express is a leading global payments, network and travel company founded in 1850.

Apple iTunes

**Apple iTunes:**  
The iTunes Store is the world's most popular online music, TV and movie store with a catalog of over 11 million songs, over 50,000 TV episodes and over 7,500 films including over 2,000 in stunning high definition video.



**ASDA:**  
ASDA is the second largest supermarket in the UK, and part of Walmart, the largest retailer in the World.



**Bandwidth Recruitment:**  
Independent specialist recruitment of permanent, contract and interim staff solely to the cards & payments sector.



**Best Buy:**  
Best Buy is a leading global electronics retailer that has made its success through not only selling the latest products in store and online, but most importantly, by placing the customer at the heart of what it does.



**Blackhawk Network:**  
Market leader in card-based financial solutions and the largest provider of third-party prepaid cards.



**B&Q:**  
B&Q is the leading home improvement and garden centre retailer in Europe and the third largest in the world, with more than 60 stores opened internationally.



**Bryan Cave:**  
Bryan Cave LLP is a leading business and litigation firm with global reach, a strong reputation and a long history of success.



**cadooz:**  
The cadooz AG is a market leading company for gift vouchers & bonuses in the German market. The product range varies from universal vouchers, vouchers for specified products, services and experiences up to bonus point solutions.



**Card Commerce:**  
Independent, highly focused provider of prepaid debit services.



**Card Resource Group:**  
The Card Resource Group Inc. was established in 1994 to provide worldwide recruiting services within the payments, credit card, and money services industries.



**Castorama:**  
Kingfisher plc, together with its subsidiaries, operates as a home improvement retailer in Europe and Asia. Its products include ranges of kitchens, bathrooms, tiles, wooden floors, heating, indoor lighting, paint, and textiles.



**Comet:**  
One of the largest UK electrical and home entertainment retailers.



**CPI Card Group:**  
Producing over 50% of the UK gift cards, experts in plastic and board card production, gift card carrier printing, bureau and all print related products.

DAVID JONES

**David Jones:**  
David Jones Limited, colloquially known as DJs, is an Australian retailer. Its primary business is an Australia-wide chain of premium department stores.



**Debenhams:**  
Debenhams has 153 stores across the UK and Ireland and a fully transactional website, reflecting Debenhams' commitment to offering our customers greater value, a wider choice and excellent service across every area in which we trade.



**DL's Die Cutting Inc.:**  
Since its inception in 1976, DL's Die Cutting has moved to the forefront in customer-focused print finishing services.

# Network Members

You're known by the company you keep



**eCommLink:**  
eCommLink, a value added prepaid processor, empowers a full array of global prepaid debit programs, including general spend, payroll, teen, gift, travel, government and loyalty cards.



**Innovative Graphics Group:**  
Generates, enhances and executes creative ideas that help direct marketing campaigns.



**First Data:**  
World's largest processor, 30,000 employees, over 350 gift cards.



**Logic Group:**  
Delivers secure card transaction processing, loyalty and insight programmes and IT consultancy services.



**FIS:**  
Provides best-in-class technology solutions to nine of the top 10 global banks, and 40 of the top 50. FIS is a market leader in most major categories of financial information services.



**Macy's:**  
Macy's, with corporate offices in Cincinnati and New York, is a premier retailer. The company operates more than 800 Macy's department stores and furniture galleries in 45 states, the District of Columbia, Guam and Puerto Rico, as well as 40 Bloomingdale's stores in 12 states.



**Grass Roots:**  
Europe's largest performance improvement company.



**Marriott:**  
Today, Marriott International has more than 3,200 lodging properties located in the United States and 66 other countries and territories.



**GTP:**  
Innovative processor of retail and network branded cards.



**Halfords:**  
Halfords has 455 stores across the UK and Republic of Ireland, and 4 in the Czech Republic, which makes it one of the largest non-food retailers in the UK.



**MasterCard:**  
MasterCard Worldwide advances global commerce by providing a critical economic link among financial institutions, businesses, cardholders and merchants worldwide.



**Harrods:**  
Since the store first opened its doors in 1849, Harrods has always prided itself on a reputation for excellence.



**New Look:**  
New Look is an international fashion retailer with a chain of high street shops in Britain, Belgium, France, The Netherlands, Republic of Ireland, and the United Arab Emirates.



**Hotel Voucher Shop UK:**  
Hotel Voucher Shop is the UK's number one hotel gift voucher provider, offering a voucher and gift card that can be used at a huge choice of 70,000 hotels worldwide.



**Orange:**  
Orange is the key brand of France Telecom, one of the world's leading telecommunications operators.



**IGH Solutions:**  
Parent company of Travel Tags, Western Graphics & Data, Card Fulfillment Services and Narboni and provides design, production, packaging and fulfillment of gift cards to the largest retailers in the US and Europe.



**paysafecard:**  
Allows you to play and pay for goods online safely and securely.



**InComm:**  
Gift card aggregator and distributor of over \$5bn of prepaid cards.



**PrePay Solutions,**  
Europe's leading prepaid services company on open, closed and controlled loop programmes.

# Network Members

You're known by the company you keep



**Retail Decisions:**  
Processes 11% of world's transactions for fraud prevention.



**Sainsbury's:**  
Leading grocery retailer



**Salans:**  
European legal and regulatory specialist in prepaid.



**Serverside:**  
Leader in digital card design and provider of innovative online marketing solutions.



**Smartbox:**  
A Smartbox™ is a gift package which entitles you to a leisure activity.



**Sodexo Pass:**  
Sodexo meets the expectations of companies and public authorities through innovative, value-adding services. For meals, transportation, health care, and cultural activities, a Pass from Sodexo helps simplify life.



**SpaFinder:**  
SpaFinder has comprehensive Gift Voucher and Gift Card programmes that are marketed direct to consumers through the international collection of SpaFinder websites, through high street retailers in many countries, and also to the corporate market



**Starbucks:**  
Starbucks coffee is the leading retailer, roaster and brand of speciality coffee in the world, with more than 15,000 retailer locations.



**Stored Value Solutions:**  
Provides custom gift card, loyalty and B2B solutions for a diverse set of global clients including many leading food, clothing, DIY, electrical, petroleum, leisure, entertainment, and travel retailers and e-tailers.



**Subway:**  
QSR with 28,000 stores, most innovative loyalty/gift programme.



**ValuAccess:**  
ValuAccess provides full service gift card and loyalty solutions to Asian retailers, hospitality and entertainment service providers



**Wave:**  
The Wave Watersports Gift Card is just that. A monetary value e-money gift card which enables the holder to use the value stored on the card at water sports centres all over the UK.



**WHSmith:**  
WHSmith is one of the UK's leading retailers and aims to be its most popular bookseller, stationer and newsagent. We have over 500 High Street stores, over 120 stores at airports, train stations and motorway service areas and WHSmith.co.uk serves customers online 24 hours a day.



**Williams – Sonoma:**  
Founded in 1956, Williams-Sonoma, Inc. is the premier specialty retailer of home furnishings in the United States and Canada.

For an introduction to any of our Members, contact Dan Stretton, Relationship Manager

"iQ is a key resource we leverage to stay at the top of our game and to extend our knowledge far beyond our internal capabilities and traditional networking circles."

*Carman Wenkoff,  
President,  
SUBWAY®, USA*