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in association with



Gifting, redefined.

Prepaid Market Assessment

>> United Kingdom

2013



GLOBALPREPAIDEXCHANGE

Prepaid Market Assessment

United Kingdom

In association with our valued member



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INTRODUCTION: MARCELL KING, VP OF MERCHANT AND INTERNATIONAL DEVELOPMENT, GIFTANGO

EXCITING GROWTH IN PREPAID

The landscape of Prepaid in the UK has evolved considerably in recent years. The perfect storm of improving mobile technologies, motivated merchants, creative entrepreneurs and advances in POS and processing capabilities sets the stage for even quicker advancements as time progresses.

This Prepaid Market Assessment does a great job of identifying areas where the largest opportunities reside and factors that will influence the pending change.

Giftango is pleased to be part of the digital prepaid story in the UK and happy to assist in making this fantastic assessment available.

Marcell King

VP of Merchant and International Development

Giftango

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EXECUTIVE SUMMARY

Prepaid is an emerging market with many application areas, roles and companies whose operational areas and borders between them are not clean cut. It is not unusual that a company will offer a range of products and services spanning multiple areas of the value configuration. Compared to credit and debit cards, prepaid is a niche industry – which is fragmented into a number of sub-niches.

The major prepaid opportunities are Government disbursements, Gifting, Transportation, Payroll & employee benefits, and Corporate incentives, each of which current market potential exceeds EUR 2.5 billion (GBP 2 billion) annually. Four applications are expected to be open loop exclusively: General purpose reloadable, Payroll & employee benefits, FX & travel and Remittances, whereas one is closed/restricted loop only – Fuel.

There are two applications rated as mature in the product life cycle: Gifting and Incentives. Growth applications include Government disbursements, Payroll & employee benefits, FX & Travel, Transportation, Remittance and General purpose reloadable. Fuel prepaid cards have yet to be introduced at a sizable scale in the UK, but exist in other country markets.

Prepaid is often an alternative to existing legacy solutions and existing business relationships. It can require new infrastructure, changing of legacy systems, and education of buyers and recipients. Some applications face not only competition from other prepaid companies, but also from strong substitutes and existing value configurations. Prepaid faces competition from other payment instruments, especially debit cards and cash.

Prepaid cards possess a broad range of features. At the basic level they can be open or closed/restricted loop. At a more detailed level, the cards can be reloadable, have fixed value denomination and/or variable value determined by the card buyer, have a cash withdrawal feature, PIN for transactions, support load/use in multiple currencies etc. Each application has its own characteristics.

Profitability in prepaid is extremely volume-driven. This will drive consolidation for players unable to achieve critical mass through organic growth, either by expanding horizontally or vertically. On the other hand, there are strong forces driving prepaid forward, which could attract more players, including telecom companies.

Recent changes relating to electronic money (2nd e-money directive 2010: implemented in April 2011) have altered the competitive landscape in prepaid, with closed loop potentially expanding to make up a greater proportion of the holistic prepaid market.

Up until 2000 paper vouchers was the dominant format for prepaid gifting, when plastic cards began to claim market shares. From 2005, there has been a major shift in formats used for gift cards with increased speed in the move from paper vouchers to plastic cards. In 2010, approximately 55% of prepaid gifting took place on plastic cards. This will fragment as virtual applications become more popular. In the UK over the last twelve to fifteen months there has been development by retailer to provide digital gift products. The market will be led, at least initially, by corporate incentives. However consumer research that has been conducted, and available in this report, show that there is an interest in digital gift from consumers.

Along with the increased uptake in plastic cards, from 2005 the concept of virtual prepaid solutions started to gain traction. Virtual prepaid encompasses a range of technologies used to identify and redeem virtual prepaid, including manually entered codes, barcodes/2D barcodes and NFC, which can be distributed through SMS, e-mail or other channels. It is predicted that virtual cards might claim as much as 20% market share in prepaid by 2015.

THE PREPAID VALUE CONFIGURATION

The Prepaid Value Configuration is a complex construction. The term value chain is too narrow and production-oriented to be applicable to the structure of the prepaid industry, which more resembles a network structure connecting different parties together to create value. Prepaid is an emerging market with many application areas, roles and companies without strictly defined operational areas. It is not unusual for a company to offer a range of products and services spanning multiple areas of the value configuration. Compared to credit and debit cards, prepaid is a niche industry – which is fragmented into a number of sub-niches.

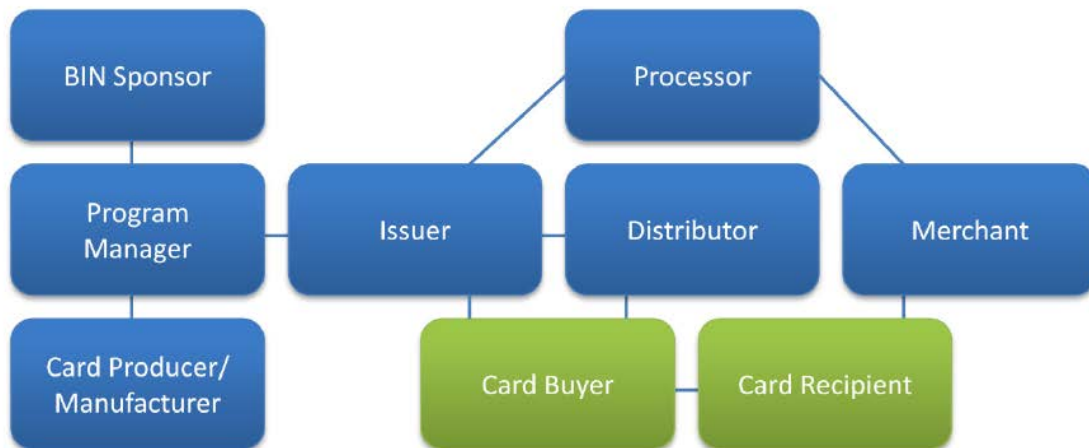


Fig.1 Roles in the prepaid value configuration

Our model illustrates the key roles in the Prepaid Value Configuration and their relationships to one another. The blue boxes represent commercial roles for a prepaid card product, whereas the green boxes represent the demand side. A key point in interpreting this model is the realization that the same party can occupy numerous roles. For example, a bank that issues and manages its own open-loop program would fill the role of BIN (IIN) Sponsor, Program Manager and Issuer. It could also be the Processor and Acquirer of the program.

Also, note that different terminologies and assumptions regarding role responsibilities and product/service sectors exist in prepaid, partly due to the lack of institutional standardization of terms and partly due to the industry's youth. Our terminology is explained in the section *Prepaid Terminology*, and the above model is explained below.

It is useful to start by centering on the Issuer in the Prepaid Value Configuration. The Issuer bears the economic and legal responsibility for the prepaid product. The Issuer can opt to manage the prepaid program itself or to outsource this role to a Program Manager. Program Managers are more commonly used for open loop programs than closed loop. A Card Manufacturer supplies and personalizes the cards. For open loop programs, a BIN (IIN) sponsor with the necessary network licenses is required, typically a bank, e-money license holder or other type of financial institution.

On the demand side of prepaid, it makes sense to distinguish between Card Buyers and Card Recipients, who usually have different motivations and needs. Card Buyers can be consumers, businesses or governments who order and usually load value on the prepaid product. For example, a business that purchases thousands of cards to use as promotions or employee incentives. The Card Recipient (who may also be the Card Buyer) is the final user, e.g. a gift card recipient or benefit recipient in the case of a government benefits program. Card Recipients typically redeem the value on the card in exchange for goods and services at a Merchant. The term Merchant stems from debit and credit financial cards terminology and refers to any location where the prepaid

product can be used, which includes either an online or physical environment. A retailer with a gift card program typically occupies the roles of both Issuer and Merchant.

The Issuer can sell/deliver cards to Card Buyers who will provide the cards to Card Recipients, or the issuer can provide them directly to Card Recipients. A third option also exists, in the form of a dedicated Distributor role. For example, a gift card mall operation where cards are sold through destination retailers.

Behind the scenes, when a Card Recipient uses his or her closed loop prepaid card to pay at a Merchant, a Processor typically validates the card, checks the balance, authorizes the transaction request, and performs clearing and settlement. Processing can be handled in-house or through an external party. In the case of open loop products, an Acquirer is involved in authorization and settlement of the card transactions.



BENEFITS DELIVERED BY PREPAID APPLICATIONS

Prepaid encompasses a myriad of applications, each catering to different needs of prepaid buyers and recipients, as well as the companies that manage the prepaid products. Prepaid buyers load the value onto a card or other stored value format, and distribute them to prepaid recipients, who then monetize on the stored value. The following table outlines the benefits delivered by the respective applications covered in this report.

Prepaid application	Benefits delivered
Consumer gifting	<ul style="list-style-type: none"> ▪ Produces incremental sales for retailers ▪ Improves inventory management ▪ New customer acquisition and marketing tool ▪ Affords the recipient choice ▪ Relieves giver uncertainty ▪ Reduces time for gift selection
Government disbursements	<ul style="list-style-type: none"> ▪ Cost reduction ▪ Reduced cash handling ▪ Tracking and reporting ▪ Control of disbursed funds ▪ Less stigma for recipients ▪ Allows recipient to partake in non-cash payments
Corporate incentives & benefits	<ul style="list-style-type: none"> ▪ Affords the recipient choice ▪ Employee benefits with possible tax benefit ▪ Reduces time for gift selection ▪ Cost-efficient tool to incentivize employees and partners
Payroll	<ul style="list-style-type: none"> ▪ Cost reduction vs. cash and checks ▪ Reduced cash handling ▪ Tracking and reporting ▪ Allows recipient to partake in non-cash payments ▪ Reduces size of shadow economy
FX & Travel	<ul style="list-style-type: none"> ▪ Reduces risks of carrying cash ▪ Greater acceptance than traveler's checks ▪ FX rate known at time of purchase ▪ Low risk business alternative to credit and charge cards
Fuel	<ul style="list-style-type: none"> ▪ Employees need not finance expenses from own funds ▪ Better inventory management/expense tracking for SMEs ▪ Reduced cash handling ▪ Low risk business alternative to credit and charge cards
Transportation	<ul style="list-style-type: none"> ▪ Cost reduction ▪ Reduced cash handling ▪ Improved tracking and reporting allows for better route planning ▪ Increased efficiency for ticket handling
Remittances	<ul style="list-style-type: none"> ▪ Fast and secure way to send money - domestic and international ▪ Lower cost than banking remittance ▪ More transparent than non-formal money transfer services ▪ Allows recipient to partake in non-cash payments
Reimbursement	<ul style="list-style-type: none"> ▪ Cost reductions in administering reimbursements ▪ Opportunities for cooperation with redemption partners ▪ Improved reporting and reduced fraud
General purpose reloadable	<ul style="list-style-type: none"> ▪ Non-banks gain access to payment card market ▪ Allows recipient to partake in non-cash payments ▪ Access to e-commerce ▪ Alternative to debit and credit cards

DRIVERS AND INHIBITORS TO GROWTH

Each prepaid application has different forces that drive or inhibit its growth in the UK. The following table outlines the factors driving and inhibiting growth in this study.

Application	Growth driving factors	Growth inhibiting factors
Consumer gifting	<ul style="list-style-type: none"> ▪ Third party distribution ▪ Shift from paper to electronic ▪ Growth in virtual gifting products ▪ Gifting as part of loyalty 	<ul style="list-style-type: none"> ▪ Market maturity ▪ Some perception of prepaid gifting products as impersonal
Government disbursements	<ul style="list-style-type: none"> ▪ Need to improve control of funds ▪ Positive experiences for government from local programs ▪ Opportunities for large scale national level programs 	<ul style="list-style-type: none"> ▪ Austerity measures/cut in social benefits may inhibit volume ▪ Complicated sales process ▪ Legacy systems
Corporate incentives & benefits	<ul style="list-style-type: none"> ▪ Tax benefits ▪ Shift from paper to electronic ▪ Growth in virtual gifting products 	<ul style="list-style-type: none"> ▪ Market maturity
Payroll	<ul style="list-style-type: none"> ▪ Means to reduce shadow economy ▪ Temp agency experiences 	<ul style="list-style-type: none"> ▪ Competition from cash, checks, debit cards and bank transfer as substitutes ▪ Legacy systems and entrenched payroll providers
FX & Travel	<ul style="list-style-type: none"> ▪ Increased customer awareness 	<ul style="list-style-type: none"> ▪ Competition from cash, credit cards and traveler's checks as substitutes
Fuel	<ul style="list-style-type: none"> ▪ Reach customers that do not qualify for charge and credit fuel and fleet cards 	<ul style="list-style-type: none"> ▪ Low awareness ▪ Customers need to be convinced to prepay for fuel
Transportation	<ul style="list-style-type: none"> ▪ Contactless technology ▪ Opening up closed programs to open loop products 	<ul style="list-style-type: none"> ▪ Cost of infrastructure ▪ Complicated sales process ▪ Limited number of customer cases
Remittances	<ul style="list-style-type: none"> ▪ Lower costs for consumer compared to substitutes ▪ In case of cards, twin cards considered prestigious by users 	<ul style="list-style-type: none"> ▪ Limited payment infrastructure in some recipient countries ▪ Challenges for mobile money transfer cross-border transactions
Reimbursement	<ul style="list-style-type: none"> ▪ Optimizing cost-efficiency for reimbursements 	<ul style="list-style-type: none"> ▪ Uneducated market ▪ Legacy systems
General purpose reloadable	<ul style="list-style-type: none"> ▪ Flexible platform – can be customized to program needs ▪ Growth in online shopping ▪ Third party distribution 	<ul style="list-style-type: none"> ▪ Competition from credit and debit cards and online spending vouchers ▪ Fee-based business model

COMPETITIVE LANDSCAPE

The competitive situation and stage in the product life cycle in the UK varies for each prepaid application.

Prepaid application	Competition level	Product life cycle	Substitutes
Consumer gifting	High	Mature	Goods, cash, check
Government disbursements	Medium	Growth	Bank transfer, check, goods, cash
Corporate incentives & benefits	High	Mature	Goods/services, check, cash
Payroll	Medium	Growth	Bank transfer, check, cash
FX & travel	High	Growth	Cash in foreign currency, traveler's checks, debit/credit cards
Fuel	Low	Introduction	Fuel charge/credit cards, cash
Transportation	Medium	Growth	Cash, debit/credit cards
Remittances	Medium	Growth	Cash, international money transfer agents, hawala, bank transfers
Reimbursement	Medium	Growth	Cash, check, credit transfer
General purpose reloadable	High	Growth	Cash, debit cards, credit cards

There are two applications rated as mature in the product life cycle: Gifting and Incentives. Growth applications include Government disbursements, Payroll & employee benefits, FX & Travel, Transportation, Remittance and General purpose reloadable. Fuel prepaid cards have yet to be introduced at a sizable scale in the UK, but exist in other country markets.

Fx and Travel is a highly competitive market with eighteen programs that are directly targeted at this market available in the UK. However, General purpose reloadable cards can also be used as foreign exchange cards which adds to the complexity of the sector. There is still room to grow in the Fx & Travel sector as there is significant inbound and outbound tourism to the UK. The inbound sector alone was worth over £17 billion in 2011.

Consumer gifting and Corporate incentives remain two of the larger and more mature of the prepaid applications in the UK. A number of retailers offer both consumer gift and corporate incentives and several are moving towards offering a digital solution. The market is highly competitive amongst retailers but also between the major incentive and motivation agencies such as Edenred, Sodexo, P&MM and Ovation Incentives. There are also a number of gift card brokers and aggregators that operate in the market with the larger players such as Park Group offering products across both Consumer gift and Corporate incentives market sectors.

The digital aspect of the market is becoming more competitive also. US digital gift platform providers such as Giftango have been actively engaged in the UK market for the last twelve months or so. Their platforms are capable of delivering value to retailers wishing to develop their own digital capabilities.

Government disbursements remain an application that is grown, albeit at a slower rate than expected in 2010. The reasons behind this are cuts to capital expenditure across the public sector coupled with a lack of systematic development at local council level. Nevertheless there are a number of applications across local government that have been very valuable in terms of solving problems.

PREPAID MARKET SIZE FORECASTS

The following market opportunity estimates include all types of prepaid products including closed loop, filtered loop and open loop (and form factors paper, plastic and virtual). The term market opportunity is used to describe the estimated maximum potential annual load value that could be achieved in the market on prepaid products given current market conditions; note that the share of this potential that is currently realized is significantly lower, and also varies between the prepaid applications (e.g. the potential for Fuel is less exploited than that for Consumer gifting).

Prepaid application	2013 Market opportunity (EUR million)	2013 Market opportunity (GBP million)	Closed/filtered loop share of opportunity
Consumer gifting	3 323.1	2 884.0	95%
Government disbursements	3 614.1	3 136.5	40%
Corporate incentives & benefits	3 909.5	3 392.9	90%
Payroll	954.2	828.1	0%
FX & Travel	288.4	250.2	0%
Fuel	382.9	332.3	100%
Transportation	2 861.3	2 483.2	90%
Remittance	279.8	242.8	0%
Reimbursement	208.3	180.7	40%
General purpose reloadable	1 405.0	1 219.3	0%
Total market opportunity	17 226.4	14 950.4	65%

The UK represents a future prepaid market opportunity of EUR 17.2 billion (GBP 14.9 billion). The estimated top four opportunities measured as share of potential prepaid load value exist within Corporate Incentives & Benefits (22.7%), Government Disbursements (21.0%), Consumer Gifting (19.3%), and Transportation (16.6%) Combined they constitute 87.7% of the 2012 market opportunity. Each of the top four categories has a current market potential in excess of EUR 2.5 billion (GBP 2 billion) turnover annually.

In total, open loop products constitute 35.2% (EUR 6.1 billion/GBP 5.26 billion) of the UK market opportunity. Four applications are expected to be open loop exclusively: General purpose reloadable, FX & Travel, Remittance, and Payroll. In most European countries transportation products are limited to closed loop/filtered loop solutions, however, the UK is paving new roads with Oyster opening up to contactless Visa and MasterCard solutions, allowing open loop products to claim share of Transportation prepaid spend, and setting an example other transportation programs could follow.

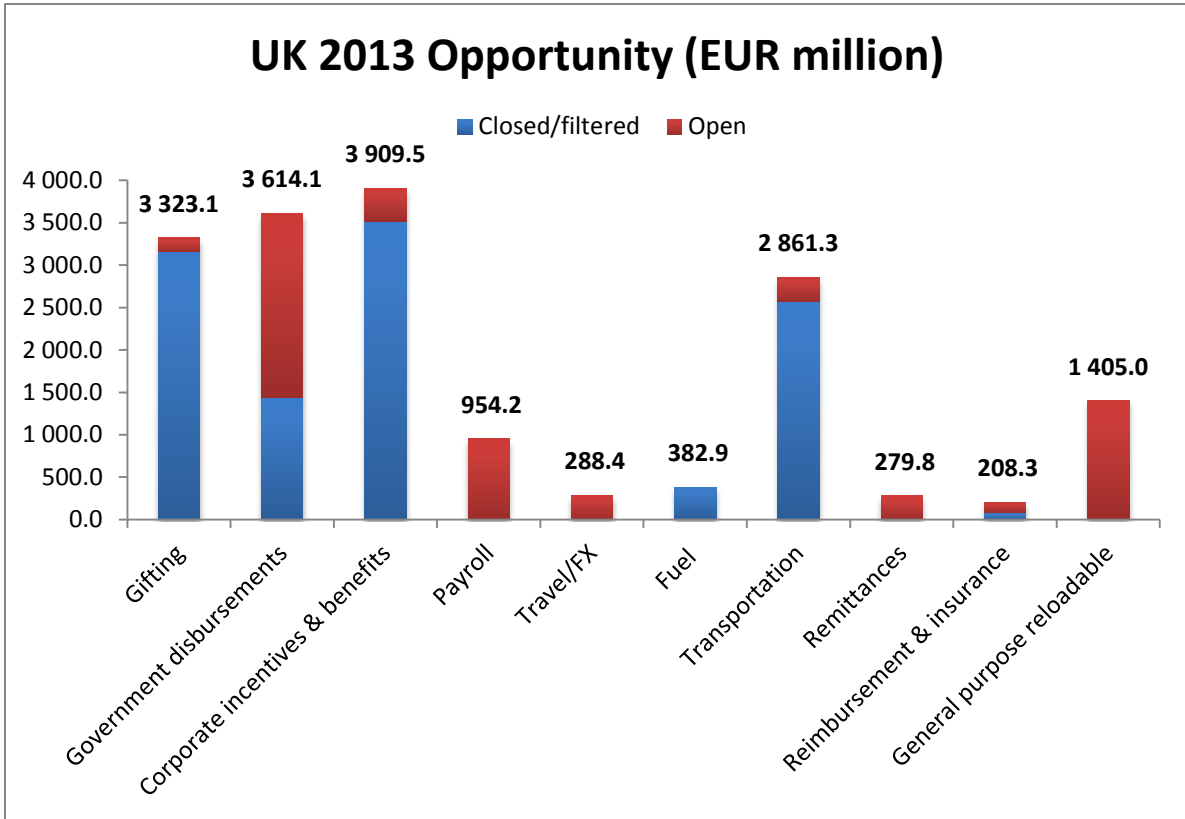


Fig.2 UK prepaid market opportunity (EUR million)

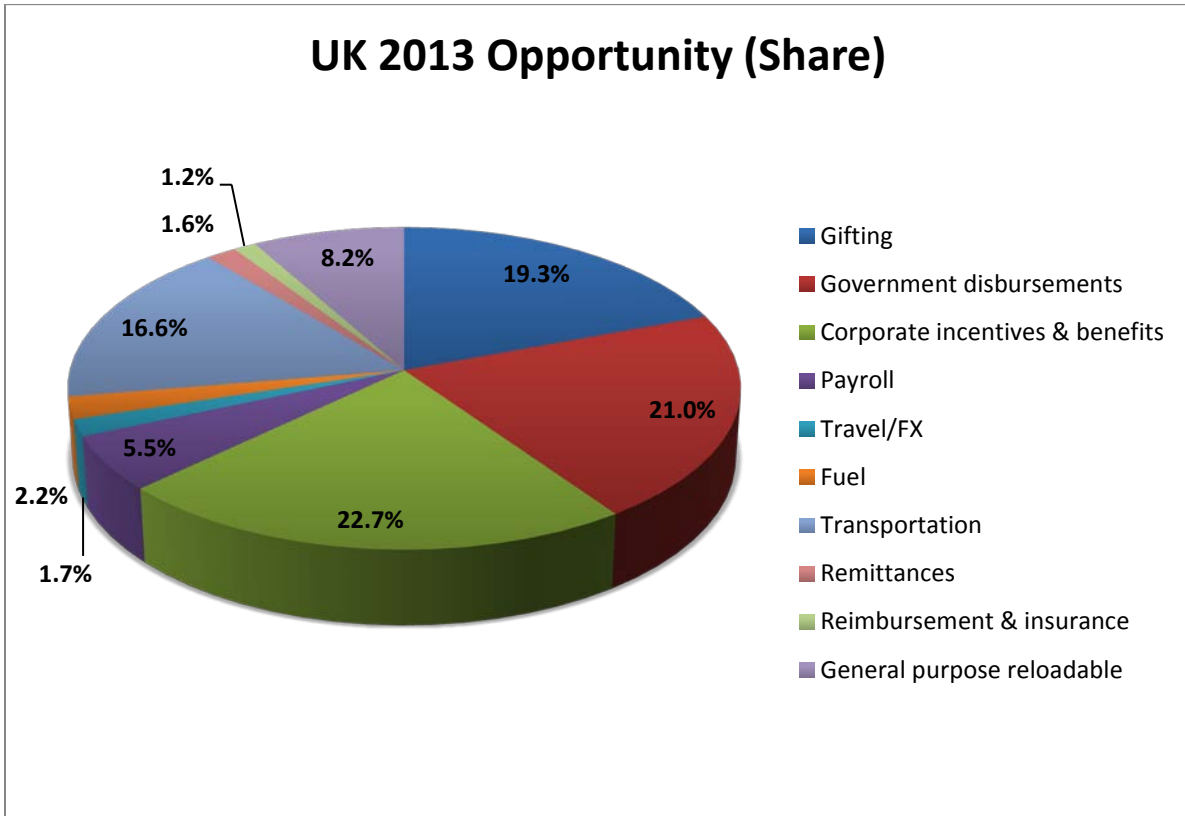


Fig.3 UK prepaid market opportunity (share)



RETAILER CASE: PREPAID CATEGORY MANAGEMENT

Retailers worldwide are embracing prepaid gifting solutions, although their degree of sophistication and understanding of prepaid as an element of marketing strategy and execution vary greatly. This section aims to educate retailers as to the potential impact of prepaid solutions on their business and how they should approach prepaid as a category rather than merely as a payment instrument.

In their simplest form, prepaid gifting products come as paper vouchers, which are still in use by many smaller retailers and non-retailers, and even some major ones. Legacy paper vouchers are low cost to issue, but their tracking capabilities are limited, they require manual processing, and they are also quite vulnerable to fraud. For these reasons, many retailers have migrated to electronic gift cards in the shape of plastic cards, typically utilizing magnetic stripe and/or barcode technology. Integrated with POS systems and payment terminals, plastic cards represent a superior solution to vouchers in terms of speed, security and reporting capability. A small, but growing group of retailers, especially e-retailers, have progressed to issuing virtual prepaid solutions, e.g. via SMS, MMS, NFC or e-mail. While they lack the physical aspect of a plastic card, virtual prepaid solutions have close to zero incremental cost of issuance and delivery, making them ideal for prepaid promotions.

The majority of retailers might view gift cards primarily as a payment instrument, potentially with a fee to cover the cost of issuance and a small margin, and possibly some breakage (unspent funds) that can be claimed as revenue at a later point. However, this narrow view prevents retailers from realizing the true potential of prepaid. For example, according to DrawCard, South African merchants who switch from paper to plastic experience anywhere from a 30% to 200% increase in sales. What is more, 61% South Africans spend more than the face value of the card. Coupled with float, higher margin sales, and the potential for new customer acquisition, these products offer significantly more benefits than might be superficially apparent.

Many retailers and especially non-retailers are unaware of these additional benefits associated with gift card sales and thus do not promote their cards actively. In fact, many retailers and non-retailers keep their gift cards locked away and “behind the till”, possibly a legacy from when they used paper vouchers. A retailer or service provider that grasps the economics of the gift card will make efforts to promote their cards actively in their in-store environments. Till signs, posters, and racks with cards in the store landscape all enhance card sales. As long as plastic cards are not pre-loaded with funds, losses related to theft are negligible compared to the benefits associated with incremental card sales. Enabling gift card sales and redemption in online channels, e.g. through a web shop, is a natural extension of promoting gift cards in the physical channel.

The next step up from in-store promotion is incorporating gift cards into the overall marketing strategy of the company. There are also many opportunities for issuing a prepaid card during interaction with customers and potential customers. For example, instead of giving a customer a cash refund upon returning a product, one can issue a prepaid card to encourage repeat visits and incremental spending. Prepaid cards can also be used as part of promotions. One example is replacing point of sale cash discounts with giving out a gift card of a certain value. Incremental gift card value with increased spending encourages higher spending. Another example is distributing free low-value prepaid cards with a short expiration period to stimulate store visits and spending during low season. A third variant is including a promotional gift card as part of a product bundle to stimulate cross-sales, e.g. “buy jeans and a shirt this week – and we throw in a gift card.”

Loyalty programs and gift cards also go hand in hand. In mature markets such as the US and UK, major credit card programs and retailer loyalty programs offer gift cards as a redemption option for cash back rewards and virtual currencies (e.g. bonus points, air miles, etc.). Studies also show that gift cards are among the most popular redemption options among consumers, so this can be a very sensible reward option to offer.

When a retailer or non-retailer has exhausted its options for self-promotion of gift cards, it is time to look beyond the physical outlet network and online sales channels. Enter the concept of third party prepaid

distribution. A retailer with sufficient margins on its products should consider distributing its gift cards through other retailers' stores. E.g. if IKEA wants to sell more cards, what if it could do so through a grocery store's network? In this example, IKEA would pay a commission to be shared by the grocer and the distributor that operates the third party network. IKEA expands its gift card footprint, whereas the grocer taps into a portion of consumer spending with IKEA (cannibalization of food sales due to IKEA furniture sales is minimal); a win-win situation. In the US, for example, 20% of card value is thought to be generated by third party sales such as those operated by InComm and Blackhawk Network.

Retailers and non-retailers that view gift cards as a category, rather than merely a payment instrument (or unspent funds to go into the bottom line at a later point), can significantly increase their sales revenue. Gift cards can be used to attract, retain, compensate and stimulate additional customer spending; but they cannot do so if they are in a drawer behind the till and not promoted.



INSIGHT: THE GIFT OF CHOICE

Gift cards have grown in popularity for a very simple reason; they effectively solve some very real consumer problems. These problems generally center on the desire to provide a well-liked gift, the desire to reduce uncertainty and scarce time resources. Between these factors, we can explain much of what makes a gift card an acceptable or even preferred gift option.

One of the most crucial elements of a “true” gift is that it reflects the recipient’s needs and desires. This leads to recipient satisfaction, which is generally an important goal of the giver. Studies conducted by Global Prepaid Exchange (previously Giftex) have indicated that providing recipients with the opportunity to make their own selection is the attribute listed most commonly by givers as the reason for gift card purchase.

The critical element here is that of choice. Gift cards are often called the ‘gift of choice’ because they allow the recipient the discretion to select, from an array of offerings, the good or service that will yield the highest levels of personal utility or satisfaction.

This desire to select a well-liked gift creates challenges, however. In many cases, a gap exists between what the giver knows about the recipient’s desires and what the recipient’s true preferences are. Unfortunately, this lack of knowledge is not just a problem that exists on the fringes of our gifting relationships. Modern life has placed significant time pressures on people and this inhibits the ability to gather necessary information about what everyone in our circle of gifting (i.e., social circle) likes or dislikes, and currently has or desires.

Furthermore, differences in age have always created tensions for givers not knowing or understanding tastes and preferences of those from other generations. The rapid changes in culture have exacerbated this gap as each subsequent generation now more quickly evolves its own distinctively different norms and tastes. And with a significant “digital divide” across generations, the speed with which some age-based segments change styles and preferences is likely to accelerate relative to changes in other groups. This knowledge gap creates a level of uncertainty that givers attempt to alleviate while trying to select a gift that satisfies the recipient; the more acute the desire to produce the latter, the more problematic the uncertainty. Our belief is that the growth of gift cards is a response to this situation.

The use of the gift card works at reducing uncertainty by shifting some of the responsibility for producing a well-liked gift from the giver to the recipient. Moving responsibility both increases the likelihood that recipient needs and desires will be met and reduces the giver’s risk due to choosing with insufficient knowledge.

Further societal time pressures have increased the need for convenience. Gift selection can be a challenging task for the reasons stated above. A gift card, which can be easily purchased, may potentially reduce giver search costs and speed up the purchase.

For recipients, choice, as outlined above, is the primary benefit. It has been described by one gift card recipient as being giving the ability to choose anything in the store. Given the an array of choice is more likely to have within it an acceptable alternative than a single item, it is reasonable to assume that, at least as far as the outcome, choice will produce greater utility. Further, this choice may obviate some of the costs associated with gift receipts, namely returns and non-use.

FROM PAPER TO PLASTIC TO VIRTUAL

Up until the shift of the millennium paper was the dominant prepaid format; then plastic cards began to claim market shares. From 2005, there has been a major shift in formats used with increased speed in the move from paper vouchers to plastic cards. Compared to paper vouchers, plastic cards have lower fraud, are convenient for customers, more durable and give the cards a modern feel. For issuers they provide superior reporting and tracking opportunities. In 2010, it is estimated approximately 55% of prepaid in Europe took place on plastic cards. In the UK in 2011, around 56% of all gift applications were delivered via plastic card.

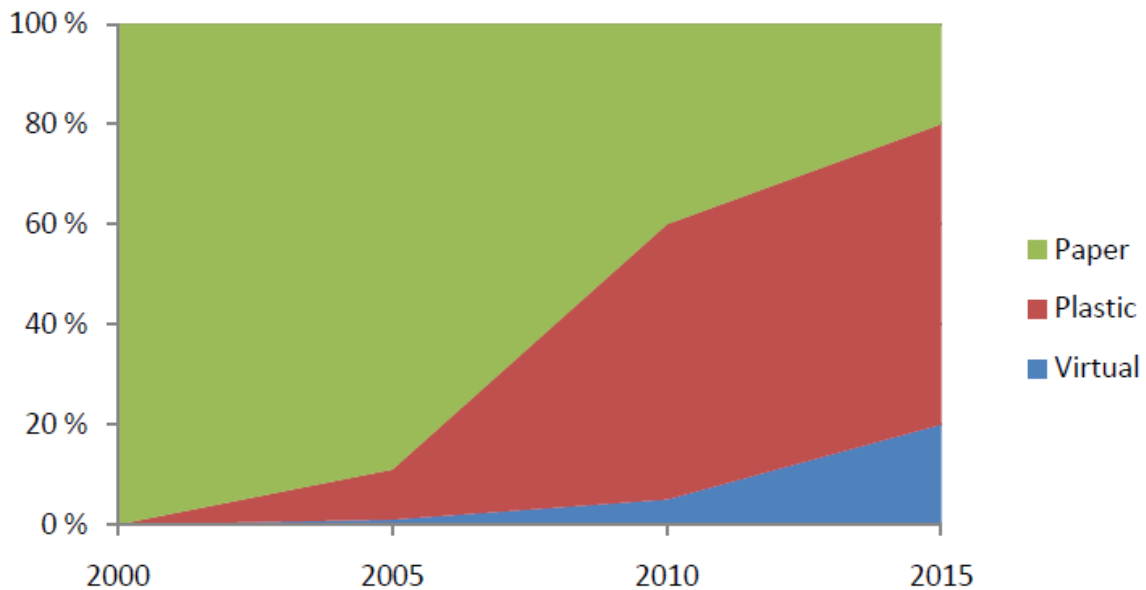


Fig.4 From Paper to Plastic to Virtual

Along with the increased uptake in plastic cards, from 2005 the concept of virtual prepaid solutions slowly started to gain traction. Virtual prepaid encompasses a range of technologies used to identify and redeem value, including manually entered codes, barcodes/2D barcodes and NFC, which can be distributed through SMS, e-mail or other channels. Benefits of virtual prepaid are instant issuing and redemption, the marginal cost of issuing another unit is very low, as well as customization/personalization options, e.g. small runs of a particular design. It is predicted that virtual cards might claim as much as 20% market share in prepaid by 2015, while plastic will constitute 60% of the prepaid market, leaving 20% still on paper vouchers.

DIGITAL GIFT IN THE UK: THE CONSUMER VIEW

Gx ran a UK Consumer survey in September 2012 that tracked the behaviour and attitudes of consumers to gift cards. The sample size for this survey was 600 UK Adults and the survey was delivered online.

One of the questions that we asked was related to consumers preferred first choice method of receiving a gift card.

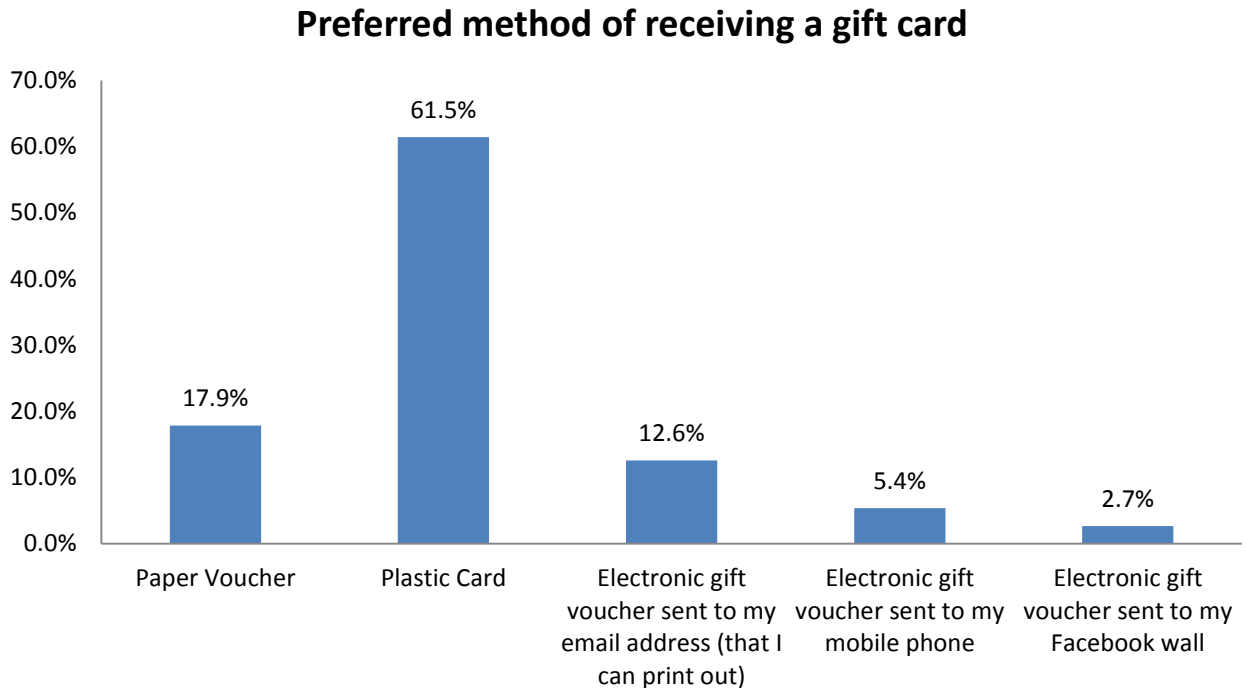


Fig.5 Source: Global Prepaid Exchange Consumer Research, September 2012

As the results show, the majority of respondents would still prefer to receive a gift card via plastic card. There is, however, a growing interest in e-Gifting in the UK with 20.7% of respondents stating that they would prefer to receive a gift card via digital medium.

This is an intent rather than actual behaviour so it will be interesting to see if these results do translate into larger sales of gift cards via a digital medium.

Business Challenge

Ovation Incentives is a business incentive company specialising in employee motivation through developing multi-country, multi-language reward and recognition solutions. Ovation Incentives networks with retailers and partners to manage and fulfill client orders through digital distribution channels.

In 2007, the company realised that to continue to grow the business and meet the demand of an increasingly global incentives and rewards market, they needed to find new ways to deliver their products. **“We needed to have a far more efficient delivery mechanism in place that allowed our customers to attain and use rewards quickly.”** says Jonathan Grey, CEO of Ovation Incentives. **“This demand was being driven by a demographic I would class as ‘New Redeemers’ - younger, tech-savvy individuals who wanted access to rewards quickly. Delivering physical cards to customers could take up to five days. We needed to deliver them quicker.”**

The other business challenges that Ovation and their customers faced was internationalisation. As global organisations began to harmonise their rewards programmes, delivery of these became more centralised.

This meant that, for larger organisations, rewards programmes were managed from one location rather than from multiple geographic locations and this impacted the cost of internal programmes management which meant higher administrative and distribution costs.



Executive Summary

CUSTOMER NAME: Ovation Incentives



LOCATION: London, United Kingdom

INDUSTRY: Business Incentives and Rewards

COMPANY SIZE: 24 people

BUSINESS CHALLENGES:

- Growing demand for rapid delivery of incentive and rewards programmes.
- Increasing internationalisation of incentives and rewards.
- Reduction in the cost of programme management.

SOLUTION:

- API solution integrated with Ovation Incentives own front-end system
- Reporting and Tracking Tools.
- Customer service console.

“What we observed was that our customers were looking at reducing the administrative costs of running their reward programmes. Everything from storage to shipping of physical gift products was impacting the cost of programmes. So whilst reward budgets may have been increasing, the actual value of rewards distributed was decreasing as budgets were being increasingly consumed by programme running costs.”, says Jonathan Grey. **“There was a desire from customers to seek an alternative method of distribution – and observing this, we at Ovation made a conscious decision to adapt our focus from delivery of physical cards to digital vouchers.”**

Simplify procurement - More than 125 leading brands are made instantly available through a single connection to **Giftango**.

“The platform is flexible so it is easy enough to expand offerings over time. In that way, it was a platform that Ovation could build on and roll-out further offerings outside this initial U.S. based launch.”

Mike Fletcher, Chief Marketing Officer, Giftango

The Solution

It was imperative that Ovation find a solutions provider to partner with them in delivering a digital gift card platform in the United States. As this was a challenging exercise, Ovation undertook a sourcing expedition. Through this investigative process, Giftango was identified as the solution provider that could deliver the required platform. **“Giftango was an interesting business. They were offering a platform that delivered codes swiftly via email and mobile and securely, as you would expect. More importantly they were a consolidator – they were able to offer a single digital distribution platform that acted as a unified conduit to delivery of gift codes across disparate systems.”** says Jonathan Grey. Given that Ovation’s clients run different processing systems, a unified platform that could plug seamlessly into multiple systems was not just necessary – it was vital.

Once Giftango had been approached by Ovation, the two teams planned the project from a list of brands to approach to pilot the programme through to the technical specifications of the application programming interface (API) that was needed to integrate Giftango’s solution to Ovations’ own internal systems.



Giftango's eGift delivery and end-to-end management solution has become a leading choice among incentive houses, loyalty houses, and resellers.

A critical component to the equation is accessing digital gift cards that can be redeemed at well-established national merchant locations. **“Giftango’s client base in the Incentive and Rewards space gave merchants a compelling reason to participate. Giftango was aware that merchants require seamless and scalable solutions for the delivery of cards across their channels. We tie into their existing systems and try to go with the grain of what the merchant has in place. The other crucial component is to ensure that their brand is presented correctly.”**, says Mike Fletcher, Chief Marketing Officer of Giftango. **“We were able to show the system we had developed would allow better aggregation of gift card fulfilment data, connect to the gift card processor, fit within their own accounting functions and protect their brand.”**

‘The fact that we had such a speedy and successful integration of systems with Giftango is down to the fact that they are a technology-based company that listens to their clients, assesses their needs and partners with them to ensure delivery.’

Jonathan Grey, CEO, Ovation Incentives

The API configuration itself was done quite quickly. From a technical perspective it meant changing the front-end of Ovation’s own processing system. In terms of implementation, certification and roll-out, the total time was between six to eight weeks.

“What was important for us was that the platform Giftango designed allowed non-technical staff to use it quite quickly. One of the key components of any system we chose was how it fared in terms of tracking and reporting. We needed a solution that could track down digital code and rectify any errors quickly. That was one of the selling points of Giftango’s platform.”, says Jonathan Grey

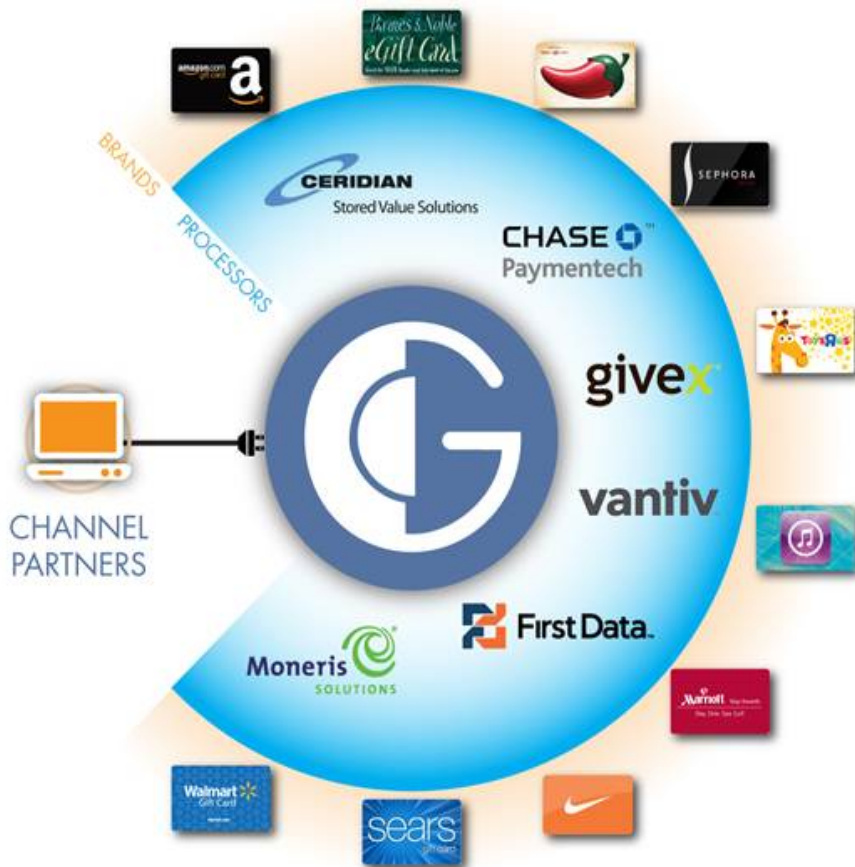
Aside from developing the API, Giftango built in a number of other components that Ovation would need to ensure seamless digital delivery. A customer service console was developed that allowed email verification of all transactions that took place and also to flag any issues with delivery of digital vouchers. If there were any issues with codes that were sent to customers, then a tool set built into the console allowed a swift redelivery of the digital card. This ensured that any customer complaints were dealt with in a consistent fashion.

Results

The results of the implementation were very positive for Ovation. The number of U.S. brands who came on board after the initial implementation grew from fifteen to forty quite quickly. Retailers began to see the value of digital gift delivery in terms of programme management savings that could be made. It was not only retailers who saw the benefits of the platform. **“Retailers saw the value in the new platform but they were not alone. Intermediaries and corporate clients also saw the benefits of the system first hand. Cost and efficiency savings were key benefits for them.”**, says Jonathan Grey.

For Ovation, the key result was the ability to deliver incentives much quicker. Delivery goes from 3-4 days to 3-4 minutes. **“This is the simple measure of the success of the Giftango platform for us.”**, says Jonathan Grey.

The flexibility of the Giftango platform was also an important aspect. **“The platform is flexible so it is easy enough to expand offerings over time. In that way it was a platform that Ovation could build on and roll-out further offerings outside this initial U.S. based launch.”** says Mike Fletcher of Giftango. In fact, the Giftango solution is now available for the U.K. and Australia, and Ovation has signed with Giftango for U.K. delivery.



Giftango started delivering digital gift cards in 2005. Today, Giftango Solutions are leveraged by hundreds of national, regional and local merchants and the largest loyalty, incentive and resell channel distribution players in the U.S. and Canadian markets.

PREPAID APPLICATION TEMPLATE

The following section of the report contains 10 prepaid application fact sheets. This sample template explains the content found in the various sections in each of the fact sheets.

APPLICATION DESCRIPTION

A presentation of the concept of the application, in terms of what it does and purpose it serves, the needs/benefits provided to different stakeholders such as issuers and card users, and other miscellaneous information of relevance.

MARKET SIZING

An estimate of the 2013 market potential for the prepaid application in the UK. This section also breaks the market down by share for open and closed/restricted loop cards.

COMPETITIVE LANDSCAPE

A classification of the assessed level of competition (low, medium, high), application stage in the product life cycle (not introduced/introduction/growth/maturity/decline), and substitute alternatives to a prepaid card for the given application.

DRIVERS AND INHIBITORS TO GROWTH

Key barriers to entry are individually assessed for each application. Examples of barriers are “low customer education”, “perceived expensive”, “infrastructure”, “strong substitutes” etc.

SAMPLE PROGRAM

This section contains a sample program representative for the given prepaid application. The majority of samples are from the UK, but a few are from other markets. Note that the information is provided as it is presented by the card issuer, which portrays how the card is marketed via websites, brochures etc.

Name – Card program name

Website – link to website for additional information

Overview – short description of the card program

Image – an illustration of the card design

Issued by – who issues the card

Target audience – who the target group for the card is

Features – overview of card characteristics

Fees – overview of fees

Other – miscellaneous information, including card metrics

Note that all information elements are not necessarily provided for all sample cards due to information availability.

CONSUMER GIFTING

APPLICATION DESCRIPTION

Gift card programs offer retailers more flexibility, greater consumer marketing potential, improved sales promotions and improved data capture and tracking functionality than paper vouchers. Fraud is also lower on gift cards compared to paper vouchers. For consumers, gift cards are an alternative to presents and help to reduce the level of unwanted gifts. Gift card sales peak during seasonal times such as Christmas.

MARKET SIZING

Prepaid application	2013 Market opportunity (EUR million)	Closed/filtered loop share of opportunity
Consumer gifting	3 323.1	95%

COMPETITIVE LANDSCAPE

Prepaid application	Competition level	Product life cycle	Substitutes
Consumer gifting	High	Mature	Goods, cash, check

DRIVERS AND INHIBITORS TO GROWTH

Application	Growth driving factors	Growth inhibiting factors
Consumer gifting	<ul style="list-style-type: none">Third party distributionShift from paper to electronicGrowth in virtual gifting productsGifting as part of loyalty	<ul style="list-style-type: none">Market maturitySome perception of prepaid gifting products as impersonal

CONSUMER GIFTING SAMPLE PROGRAMS

DEBENHAMS GIFT CARDS

Website:

<http://www.debenhams.com/gifts-toys/giftcards-vouchers>

Overview:

Debenhams gift cards come in many different designs and varieties. Available in gift card, gift voucher, corporate gift card and Christmas savings card. Special edition Charity, Lingerie and Shopping Spree Cards are also available.

Image:



Target audience:

B2C and B2B customers

Key Features:

- Gift card can be purchased online, in-store or through gift card malls by Blackhawk and InComm/Coinstar
- Validly activated gift cards are redeemable in full or part payment for merchandise from Debenhams Stores within the UK or as full payment for merchandise online. Gift cards cannot be used at Debenhams in other department or franchise stores or in the Republic of Ireland.
- Available online in fixed denominations from £10.00 - £200.00
- Standard Delivery for UK online purchase within 4 working days costs £3.99
- Available in-store in non-fixed denomination from £1.00 - £2000.00.
- Can check balance in-store and online. To check balance online, you must remove the 'scratch off panel' on the reverse of the card to reveal a unique 4 digit PIN number and enter it in the space provided online (PIN not required for transaction)
- Gift card may not be exchanged for cash or vouchers
- No change will be given on in-store purchases, but the balance may be applied to future purchases.
- In the event of 24 months of consecutive non-use, the card will expire and any balance remaining will be deducted.
- Load £50 - £75 and receive complementary treats like a personal shopper appointment, beauty makeover, cup of tea or coffee and a tasty treat in our restaurant when redeemed in store
- Or load £100 or more, receive all those complementary treats plus an indulgent glass of wine Comes with an attractive presentation wallet Spend in store and online.

HOUSE OF FRASER

Website:

<http://www.houseoffraser.co.uk/House+of+fraser+for+business/businessIncentives,default,pg.html>

Overview:

A House of Fraser Gift Card offers the recipient an extensive choice in premium and designer brands and can be redeemed in any of the companies 61 stores throughout the UK and Ireland or online at houseoffraser.co.uk.

Image:**Issued by:**

House of Fraser

Target audience:

B2C and B2B customers

Features:

- Free delivery as well as complimentary gift card carriers, or voucher wallets and envelopes on request.
- All orders received and paid for by 11.00am are dispatched for delivery the next working day by 5.00pm.
- Gift Cards offer flexible load values, with top-up and balance enquiry facilities. The minimum load is £5 and the maximum load is £1000.
- Gift Vouchers are available in denominations of £1, £5, £10, £25, £50 and £100.
- Gift Cards and Vouchers are also available in Euros (redeemable at House of Fraser Dundrum).
- Competitive corporate discounts on orders over £1,000
- Redeemed in-store or online.
- The Gift Card will expire 24 months from date of last load, e.g. card activation, top-up or refund. At expiry, any remaining balance will be lost.
- For purchases in store, where Gift Vouchers offered have a greater value than the goods being purchased, change above £4.99 / €4.99 will be returned as a House of Fraser Gift Card.

Other**Online Gift Card Redemption:**

- To use the gift card in full or part payment for orders made online:
- When proceeding to checkout, select 'Pay with a gift card.'
- Enter the 16 digit number on the back of the card in the box marked 'gift card number.'
- Scratch off the foil box on the back of the card to reveal the PIN number and enter this in the box marked 'gift card PIN code.'
- Select the 'Redeem' button to proceed with the payment.

CORPORATE INCENTIVES

APPLICATION DESCRIPTION

These cards allow employers to load value onto a prepaid card and then distribute the cards to selected employees as a reward incentive for good work. These cards provide motivation and engagement amongst employees and employers. Prepaid cards offer the same instant gratification as cash or checks, but they still remind staff where the funds have come from.

As an electronic form of payment, prepaid cards instantly bring a range of benefits to the companies using them. They eliminate any cash or checks, and subsequent paperwork associated with them. But it goes much further than this as it also provides much clearer audit trails and thus can also substantially reduce fraud, as there are clear records of who was paid what for what action.

MARKET SIZING

Prepaid application	2013 Market opportunity (EUR million)	Closed/filtered loop share of opportunity
Corporate incentives & benefits	3 909.5	10%

COMPETITIVE LANDSCAPE

Prepaid application	Competition level	Product life cycle	Substitutes
Corporate incentives & benefits	High	Mature	Goods/services, check, cash

DRIVERS AND INHIBITORS TO GROWTH

Application	Growth driving factors	Growth inhibiting factors
Corporate incentives & benefits	<ul style="list-style-type: none"> ▪ Tax benefits ▪ Shift from paper to electronic ▪ Growth in virtual gifting products 	<ul style="list-style-type: none"> ▪ Market maturity

CORPORATE INCENTIVES SAMPLE PROGRAMS

MASTERCARD® INCENTIVE AWARD CARD

Website:

<http://iac.edenred.co.uk/Home/Home.aspx.html>

Overview:

Corporate Incentive Cards offer a smart, new way to attract customers, strengthen existing customer relationships and reward employees, without incurring the high costs of administering a paper-based incentive program. The MasterCard® Incentive Award Card is accepted at over 25 million locations worldwide wherever the MasterCard® brand is accepted.

Images:



Issued by:

PrePay Solutions Ltd (Edenred & Mastercard)

Target audience:

B2B customers

Features:

- Prepaid MasterCard® card with chip and PIN
- Personalized with your name
- Incentive provider will arrange for any awards that you've earned to be credited to your card. This may take place monthly or on an ad hoc basis
- Use your card for shopping at home and abroad and to pay for goods online and over the phone
- Check balance at any time online or by calling customer service
- Cannot use this card at an ATM or in-store to withdraw cash

Fees:

- Merchant transaction fee FREE
- Phone balance enquiry FREE
- Internet balance enquiry FREE
- Replacement card £10.00
- Foreign Exchange fee 4%

Other:

Your MasterCard® Incentive Award Card cannot be used for the following purposes:

- to buy fuel in the form of petrol, diesel, oil or any other primary source of power
- to obtain cash, foreign currency or travellers' checks
- to obtain cash back from a merchant
- to settle outstanding balances on credit cards, bank overdrafts or credit agreements
- to set up direct debits
- to guarantee or cash a cheque
- for online gambling and betting transactions
- For any purpose that will exceed the available credit on your card.

LOVE2CHOOSE GIFT CARD

Website:

<http://www.love2choose.co.uk/gift-vouchers/>

Overview:

Once activated, it has instant instore spending power. Recipients can also choose to 'swap' the value on their card for gift vouchers or gift cards from a wide range of additional retailers. The Love2Choose gift card can be spent instantly in a great range of high street stores, including Debenhams, Comet, HMV, River Island, Bhs and others. The Love2choose gift card can additionally be used online at www.love2choose.co.uk to purchase from an extensive range of gift vouchers and cards including M&S, John Lewis and Argos.

Image:



Issued by:

Park Group

Target Audience:

B2B customers

Features:

- No card costs or load fees to the corporate client
- Can be spent on the high street or online at www.love2choose.co.uk
- Cards can be sent out live or inactive
- All cards can be reloaded
- Authorised and regulated by the FSA
- The Love2choose gift card can be loaded with variable card values over £20 (with re-loads to the same card at no extra cost and for any amount)
- Personalisation options
- The Love2choose gift card offers multiple balance checking options including Web, IVR Phone Service and SMS Text

Other:

- The range of additional gift cards and gift vouchers recipients can choose from includes: Love2shop, Love2travel, Marks and Spencer, Arcadia, Argos, John Lewis, House of Fraser, Dixons Group, Austin Reed, SpaFinder, Theatre Tokens, National Garden, Starbucks, Lakeland, Harvey Nichols, Tenpin, Amazon, B&Q and Toys 'R' Us.

- Recipients will also be able to purchase from a great range of gifts, hampers, flowers, wine, champagne and experience days.

GOVERNMENT DISBURSEMENTS

APPLICATION DESCRIPTION

These are government loaded cards whose primary target group is people who cannot easily get bank accounts, such as immigrants and low income families. It provides the unbanked with the ability to make automated payments for goods and services within a controlled limit up to the amount on the card.

The cards can be used in various areas including petty cash, purchasing and relocation assistance and used to pay a wide variety of social benefits. They can usually be controlled to stop expenditure on specific product categories or to ensure that certain products are purchased from set locations. There are significantly reduced costs for the government in terms of administration and cash/check handling charges. As for the recipient, these cards mean that it is quicker to get access to funds. There is no need to queue at a set location as the funds are automatically deposited on an agreed date onto the card.

MARKET SIZING

Prepaid application	2013 Market opportunity (EUR million)	Closed/filtered loop share of opportunity
Government Disbursements	3 614.1	40%

COMPETITIVE LANDSCAPE

Prepaid application	Competition level	Product life cycle	Substitutes
Government disbursements	Medium	Growth	Bank transfer, check, goods, cash

DRIVERS AND INHIBITORS TO GROWTH

Application	Growth driving factors	Growth inhibiting factors
Government disbursements	<ul style="list-style-type: none"> ▪ Need to improve control of funds ▪ Positive experiences for government from local programs ▪ Opportunities for large scale national level programs 	<ul style="list-style-type: none"> ▪ Austerity measures/cut in social benefits may inhibit volume ▪ Complicated sales process ▪ Legacy systems

THE POST OFFICE™ CARD ACCOUNT

Website:

<http://www.postoffice.co.uk/portal/po/content1?catId=94800755&mediald=19100189>

Overview:

The Post Office™ card account is an ultra simple account that can only be used to receive benefit, state pensions and tax credit payments.

Image:



Issued By:

Post Office card account is offered by J.P. Morgan Europe Ltd.

Target Audience:

This account is useful for people who don't have a bank account. It may suit those who want a simple account that won't let you go overdrawn or incur any charges, as the Post Office® card account is specifically for receiving benefits, state pensions and tax credit payments.

Features:

- No other payments, such as a Housing Benefit, occupational pensions, or wages can be paid into it
- You can only collect payments over the counter at a Post Office™ branch
- No credit checks will be carried out when you open this account
- A Post Office™ card account will allow you to take cash out and request your balance, free of charge, at any Post Office™ branch
- Account holders presented with a chip and pin plastic card and Personal Identification Number (PIN).
- No overdraft and no charges
- Ask for a second card if you need someone else to collect your money for you

PAYROLL

APPLICATION DESCRIPTION

Payroll cards are used as an alternative to cash or checks for employees with or without a bank account. Value is loaded onto the card by the employer. Employees use the card as they would a debit card linked to a personal account. The card is usually a re-loadable prepaid card.

Each pay period the employee's pay is automatically deposited into their individual card account. These cards are becoming increasingly popular in emerging markets where there is a lack of traditional banking relationships. Employers are attracted to prepaid payroll cards because of the reduced costs resulting from moving employees from paper-based systems to electronic systems.

MARKET SIZING

Prepaid application	2013 Market opportunity (EUR million)	Closed/filtered loop share of opportunity
Payroll	954.2	0%

COMPETITIVE LANDSCAPE

Prepaid application	Competition level	Product life cycle	Substitutes
Payroll	Medium	Growth	Bank transfer, check, cash

DRIVERS AND INHIBITORS TO GROWTH

Application	Growth driving factors	Growth inhibiting factors
Payroll	<ul style="list-style-type: none">Means to reduce shadow economyTemp agency experiences	<ul style="list-style-type: none">Competition from cash, checks, debit cards and bank transfer as substitutesLegacy systems and entrenched payroll providers

PAYROLL SAMPLE PROGRAMS

PREMIUM PAYROLL CARD

Website:

<http://www.premiumpayrollcard.co.uk/>

Overview:

Premium Payroll Card is the Prepaid MasterCard® from Edenred. It provides employers with a simple, secure and cost-effective alternative to cash and cheques for managing payroll.

There are more than 2.5 million people in the UK without access to banking facilities. Many more work in temporary positions.

With the Premium Payroll Card, temporary and unbanked employees can be paid electronically, as part of your normal payroll process. Premium is more cost-effective than cheques, more secure than cash and approval is 100% guaranteed*.

The Premium Card itself looks and works just like a normal prepaid credit or debit MasterCard card, but with no overdraft or credit facilities users can only spend what they load. No bank account is required, and employees can access their funds at ATMs 24/7.

Premium can be used at any one of the 29 million shops and stores worldwide that form the MasterCard network, as well as for online shopping and to pay bills.

Image:



Issued By:

Edenred & Mastercard

Target Audience:

All employees can benefit from the Payroll Card. The card would be particularly useful for seasonal workers and migrants who have just entered the country and those without a bank account.

Features:

- Employees can access their money 24 hours a day
- Topped up at 34,000 Post Office and PayPoint locations
- Part of the MasterCard® network, Premium can be used online, at cash points and at over 29 million places worldwide
- Up to 4 additional cards can be provided on one account
- PIN protected for security
- Minimal integration required with no fees to pay up front.
- It takes up to 10 days to receive the card.

ONEPAY PAYROLL CARD

Website:

<http://www.onepaycard.co.uk/>

Overview:

The OnePay® Payroll Card - the Prepaid MasterCard® from the UK's leading payroll card service provider. Getting paid the OnePay way is simple. The card is easy to get, as there are no credit checks, it's easy to use and it offers great value. It's more secure than cash and much cheaper than cheque cashing services.

With OnePay the employee doesn't need a bank account as their wages will be loaded instantly to their OnePay card by their agency or employer and, if the card holder move jobs, they can take the card with them easily. A card holder can also get any government benefits they received paid via the card.

The OnePay card looks just like a normal credit or debit card and has Chip and Pin security. OnePay is accepted at over 29 Million MasterCard® outlets world wide, including major ATM's, shops and even on-line.

Image:



Issued by:

Mastercard

Target Audience:

All employees can benefit from the Payroll Card. The card would be particularly useful for seasonal workers and migrants who have just entered the country and those without a bank account.

Features:

- £500 maximum ATM withdrawal limit
- Accepted in over 29 million approved MasterCard® outlets
- Cash withdrawal from any major ATM 24/7
- Wages loaded fast and securely directly onto the card
- Chip and PIN security from MasterCard®
- Can be taken from job to job
- Second card available for family use
- FREE on-line balance and account information
- The Card can only be loaded by electronic transfer from the bank account of an Employer and may only be loaded in respect of wages lawfully earned by the Cardholder.
- The maximum balance permitted on an Account at any time is £10,000.00.

- The Card may not be reloaded more than 4 times per week.

Card & Transaction Limits:

Minimum Card Load	£10.00
Maximum Card Load	£2500.00
Maximum Balance	£10,000.00
Maximum Daily Purchase	£2500.00
Daily Withdrawal Limit Through an ATM. (This forms part of the daily limit)	£500.00

Fees & Charges:

Item	Charge
Card Fee	Free
UK ATM Cash Withdrawal	2% (Min £0.85 Max £1.45)
UK Point Of Sale Transaction	Free
Declined Transaction Fee	£0.50
UK Cash Withdrawal Fee bank(In Branch)	£4.00
Overseas ATM Cash Withdrawal	2% (Min £2.45 Max £4.95)
Overseas Point Of Sales Transaction	£0.50
Cash Withdrawal Fee International Bank (In Branch)	2% (Min £4.00 Max £10.00)
Currency Conversion Charge	2.75%
Monthly Management Fee	Free

Internet Balance/Transaction Enquiry	Free
Phone Balance/ATM Balance Enquiry	£0.25
Transaction Enquiry (Automated IVR)	£0.25
Dormancy Fee (a period of 90 consecutive days without a load)	£1.00
Initial Load Fee	Variable (Max £2.95)
Reload Fee	Variable (Max £1.50 per load)
Load Notification (SMS)	Free
Account Closure Fee	£7.50
Card Replacement Fee	£2.95
Pin Re-Issue Fee	£1.00
Customer Service Enquiries	Lo-Call rate from within the UK

Other features:

- The Card may not be used for gambling activities, loan finder and similar quasi cash transactions, payday loan transactions, illegal transactions or to buy illegal goods or services.
- The Card cannot be used to pay at self services petrol pumps - "pay at pump".
- Card holders may only use the Card for transactions where the authorisation is online. The Card may not be used for manually processed transactions including but not limited to "zip-zap" and "click-clack" machines.

FOREIGN EXCHANGE & TRAVEL

APPLICATION DESCRIPTION

FX & Travel cards enable travelers to access funds from a card-based product that incorporates the same benefits and protection provided by traditional travelers checks. Value is loaded onto the card in a select foreign currency. As cards are open-loop (Visa, MasterCard etc.), they can be used to make purchases and to withdraw money from ATMs anywhere in the world where the payment network's cards are accepted. Travel cards are generally accepted at more point of sale locations than traditional travelers checks.

MARKET SIZING

Prepaid application	2013 Market opportunity (EUR million)	Closed/filtered loop share of opportunity
FX & Travel	288.4	0%

COMPETITIVE LANDSCAPE

Prepaid application	Competition level	Product life cycle	Substitutes
FX & Travel	High	Growth	Cash in foreign currency, traveler's checks, debit/credit cards

DRIVERS AND INHIBITORS TO GROWTH

Application	Growth driving factors	Growth inhibiting factors
FX & Travel	<ul style="list-style-type: none">Increased customer awareness	<ul style="list-style-type: none">Competition from cash, credit cards and traveler's checks as substitutes

FOREIGN EXCHANGE & TRAVEL SAMPLE PROGRAMS

CAXTON FX PREPAID VISA CARD

Website: <http://www.caxtonfxcard.com/>

Overview: Caxton FX Prepaid Visa cards are available in three variants: Euro Traveller Card (EUR), Dollar Traveller Card (USD), and Global Traveller Card.

Issued: Raphaels Bank

Target Audience: British travellers to Euro zone (Euro Traveller), United States (Dollar Traveller), or elsewhere (Global Traveller)

Features:

- Designed for spending whilst abroad
- Load cards online, over the phone or SMS



- Free to use in shops & restaurants outside the UK
- Free overseas ATM withdrawals
- Access to competitive exchange rates
- Chip & PIN protected

Fees:

FEES AND CHARGES	Global Traveller Card	Europe Traveller Card	Dollar Traveller Card
Card purchase	Free	Free	Free
Secondary Card purchase (applied to the card balance)	£5.00	€7.50	\$10.00
Load and reload	Free	Free	Free
Point of sale Transaction - International	Free	Free	Free
Point of sale Transaction - Domestic	£1.50	€1.75	\$2.00
ATM Transaction - International	Free	Free	Free
ATM Transaction - Domestic	£1.50	€1.75	\$2.00
Over the counter cash – International	£4.50 plus 2% of withdrawal amount	€6.50 plus 2% of withdrawal amount	\$8.00 plus 2% of withdrawal amount
Over the counter cash - Domestic	£4.50	€6.50	\$8.00
FX mark-up where a Transaction is performed in a currency different from the currency of the Card	2.75%	2.75%	2.75%
Available Balance enquiry - online	Free	Free	Free
Available Balance enquiry - via SMS	Free	Free	Free
PIN Reminder *	Free	Free	Free
Card renewal	Free	Free	Free
Card replacement Fee – damaged/lost/stolen	£5.00	€7.50	\$10.00
Redemption Processing Fee	£1.50	€2.00	\$3.00

- £10 deposit is required at the time of purchase. The deposit is added to the overall balance when card is loaded for the first time.
- The Global Traveller Card exchange rate is fixed at 2.75% below the prevailing interbank rate.

FUEL

APPLICATION DESCRIPTION

These cards are pre-loaded fuel cards which can be purchased typically by family members for teens and students; or as pre-approved expense cards to employees at companies that do not utilize fleet cards or other fuel cards. Cards are limited for use at the petrol chain which issues the card.

MARKET SIZING

Prepaid application	2013 Market opportunity (EUR million)	Closed/filtered loop share of opportunity
Fuel	382.9	100%

COMPETITIVE LANDSCAPE

Prepaid application	Competition level	Product life cycle	Substitutes
Fuel	Low	Introduction	Fuel charge/credit cards, cash

DRIVERS AND INHIBITORS TO GROWTH

Application	Growth driving factors	Growth inhibiting factors
Fuel	<ul style="list-style-type: none">Reach customers that do not qualify for charge and credit fuel and fleet cards	<ul style="list-style-type: none">Low awarenessCustomers need to be convinced to prepay for fuel

FUEL SAMPLE PROGRAM

FUEL GENIE

Website:

<http://www.fuelgenie.co.uk>

Overview:

fuelGenie is the only business fuel card exclusively for use at supermarket fuel forecourt like Tesco, so your business pays only low supermarket fuel prices. Account holders will get just one invoice per month which means there's no more hassle with expense forms, receipts and keeping track of your fuel consumption. fuelGenie is accepted at conveniently located supermarket fuel forecourts like Tesco - where you can start making savings on your business fuel.

Image:



Issued by:

Tesco and Atos Worldwide

Audience:

Business to Employee fuel payments primarily.

Features:

- There is no minimum monthly fee or minimum usage criteria.
- A fuelGenie card can be linked to either a driver or a vehicle depending on how your business operates.
- fuelGenie is accepted at participating Morrisons and Tesco fuel forecourts.
- There are around 1,000 convenient locations within easy reach of most places in the UK.
- Individual fuelGenie cards can be configured at the time of issue to be used to pay for any combination of petrol, diesel, LPG and oil. It cannot be used for any other purchases.
- Up to 45 days credit
- No annual charges
- No fees
- No minimum monthly spend

TRANSPORTATION

APPLICATION DESCRIPTION

Prepaid transportation cards are used to replace regular tickets and passes for public transport, e.g. buses, underground and trains. Cards are loaded with funds that can be redeemed without the need to obtain a paper ticket. Funds are deducted by “checking in” at a journey starting point and “checking out” at the destination, ensuring correct fair fees and reducing cash handling costs. Transportation cards also allow for improved travel statistics, allowing transportation companies to optimize their service offering based on travel pattern data.

MARKET SIZING

Prepaid application	2013 Market opportunity (EUR million)	Closed/filtered loop share of opportunity
Transportation	2 861.3	90%

COMPETITIVE LANDSCAPE

Prepaid application	Competition level	Product life cycle	Substitutes
Transportation	Medium	Growth	Cash, debit/credit cards

DRIVERS AND INHIBITORS TO GROWTH

Application	Growth driving factors	Growth inhibiting factors
Transportation	<ul style="list-style-type: none">Contactless technologyOpening up closed programs to open loop products	<ul style="list-style-type: none">Cost of infrastructureComplicated sales processLimited number of customer cases

TRANSPORTATION SAMPLE PROGRAM

OYSTER CARD

Website:

<https://oyster.tfl.gov.uk/oyster/entry.do>

Overview:

Oyster is a blue plastic card you can use instead of paper tickets. You can put Travelcards, passes and railcards on it, as well as credit which you use up as you travel.

Image:



Issued By:

Transport for London

Target Audience:

Residents and visitors to London planning on using public transport to get around.

Features:

- Can be used on London's buses, trams, Tube, DLR, London Overground, National Rail and boats.
- Store credit to pay as you go
- Set up Auto-top up so you never run out of credit. If your balance is less than £5 when you touch your card on the yellow reader, your card will be topped up automatically from your bank account or credit card
- Add Travel cards if they're for longer than a day
- Add Bus & Tram Passes and Railcards
- Get adult and child discounts with an Oyster photocard if eligible
- Protect your card from loss or theft by registering it online
- Keep topping up with credit or renewing your Travel cards on the same Oyster card when you need to.
- No need to plan your journey or buy a specific ticket in advance

Fees:

- There is a £3 refundable deposit on new Oyster cards
- Oyster automatically works out the cheapest fare for all your journeys so you'll never pay more than the price of a Day Travel card.
- Add Railcards to you Oyster card and get 34% off the Daily price cap

REMITTANCES

APPLICATION DESCRIPTION

Prepaid cards used to transfer money internationally. The primary group is ethnic minorities who have come from abroad and have relatives back home who they want to send money to. The users of these cards are often underbanked, and the cards serve as an alternative to using informal channels such as sending cash with couriers or hawala agents, or expensive money transfer services such as Western Union.

MARKET SIZING

Prepaid application	2013 Market opportunity (EUR million)	Closed/filtered loop share of opportunity
Remittance	279.8	0%

COMPETITIVE LANDSCAPE

Prepaid application	Competition level	Product life cycle	Substitutes
Remittances	Medium	Growth	Cash, international money transfer agents, hawala, bank transfers

DRIVERS AND INHIBITORS TO GROWTH

Application	Growth driving factors	Growth inhibiting factors
Remittances	<ul style="list-style-type: none">Lower costs for consumer compared to substitutesIn case of cards, twin cards considered prestigious by users	<ul style="list-style-type: none">Limited payment infrastructure in some recipient countriesChallenges for mobile money transfer cross-border transactions

REMITTANCE SAMPLE PROGRAM

LYCAMONEY PREPAID CARD

Website:

<http://www.lycamoney.co.uk/>

Overview:

Lycamobile is expanding its pre-paid portfolio into the personal finance sector with the launch of the Lycamoney cash card. The cash card is the product of a partnership between Lycamobile, Transact Network and MasterCard.

The Lycamoney card comes in two versions. The Green Lycamoney card can be purchased and topped up at a network of Payzone retail stores, while the Silver Lycamoney card is an upgrade card for existing Green card customers.

The silver card offers higher load limits, and companion cards that can be sent to friends and family in the UK or abroad. The companion cards act as an alternative to traditional money transfer, as customers can use them to send money at a lower cost than traditional money transfer transactions.

All Lyncamoney customers of both cards will receive free real-time mobile text updates, displaying their current balance after every transaction. Lyncamoney cards are available for anyone over 18 who live in the UK and require no bank account or credit checks.

Images:



Issued by:

Lyncamobile, Transact Network and MasterCard.

Audience:

Initially this product has been targeted at migrant workers and their families.

Fees:

Application	
Card Activation Fee	Free
Monthly Service Fee	Free
Green Lyncamoney Card	
Minimum Initial Load	£10.00
Maximum 12 month use	£2,000 (or €2,500 whichever is less)*
Maximum 12 month cash withdrawal Limit	£800 (or €1,000 whichever is less)*
Load Fees & Limit	
Maximum Single Load	£1,000
Maximum Single Cash Retail Load	£300
Retail Load Fee	£1.50
Maximum Single Post Office Load	£500
Post Office Load Fee	£0.99
Maximum daily spend	To Loaded Value
Primary Silver Lyncamoney Card	
Minimum Initial Load	£10.00
Maximum Balance	£5,000
Load Fees & Limit	



Maximum Single Load	To Loaded Value
Minimum Initial Load	£10.00
Maximum Balance	£5,000
Load Fees & Limit	
Bank Transfer Load	Free
Maximum Single Load	£3,000
Maximum Single Cash Retail Load	£300
Retail Load Fee	£1.50
Maximum Single Post Office Load	£500
Post Office Load Fee	£0.99
Maximum daily spend	To Loaded Value
Retail Purchase Fees all Cards	
Domestic UK Retail Transaction	Free
International Retail Transaction	Free
ATM Fees all Cards	
Domestic UK ATM withdrawal	£0.50
International ATM withdrawal	1.50% Minimum £0.50
SMS and Short Code Fees*** All Cards	
SMS Balance Check from Lycamobile SIM	Free
Short Code Balance Check	Free
SMS Lock and Unlock from Lycamobile SIM	Free
Short Code Lock and Unlock	Free
SMS Load to Lycamobile Account	Free
Short Code Load to Lycamobile Account	Free
SMS Card to Card Transfer	Free
Interactive Voice Response (IVR) Fees*** All Cards	
IVR PIN Retrieval	Free
IVR Balance Check	Free
IVR Transfer to Customer Service Agent	Free
Lost and Stolen Help Line	Free
Administration Fees All Cards	
Foreign Exchange Fee (transactions outside of card currency)	1.50%
Inactivity Fee after 3 months of non use	£1.00
Disputed transaction investigation Fee**	£25.00
Closure All Cards	
Account Closure/Refund Fee	£10.00

REIMBURSEMENT

APPLICATION DESCRIPTION

This is a prepaid card used for insurance claim fulfillment. Following a successful claim, customers are issued with a card loaded to the value of the claim amount. This card can then be used in a variety of outlets to purchase replacement goods. Customers benefit through the convenience of having easy access to funds through a prepaid card which can then be used to purchase the requirement items.

Cards can be without usage restrictions (open-loop), but the stronger business case lies in restricting card redemption to select partner retailers; where the insurance company earns a commission payment from the retailers, equivalent to a percentage of all purchases using the card.

MARKET SIZING

Prepaid application	2013 Market opportunity (EUR million)	Closed/filtered loop share of opportunity
Reimbursement	208.3	40%

COMPETITIVE LANDSCAPE

Prepaid application	Competition level	Product life cycle	Substitutes
Reimbursement	Medium	Growth	Cash, check, credit transfer

DRIVERS AND INHIBITORS TO GROWTH

Application	Growth driving factors	Growth inhibiting factors
Reimbursement	<ul style="list-style-type: none">Optimizing cost-efficiency for reimbursements	<ul style="list-style-type: none">Uneducated marketLegacy systems

REIMBURSEMENT SAMPLE PROGRAM

VISA OPTIONS CARD

Website:

<http://www.ival.co.uk/options/welcome.htm>

Overview:

The Visa® OPTIONS card is in settlement of your insurance claim and may be used at any of the merchants listed online. Your Visa OPTIONS card cannot be used to access cash or obtain cash back on any purchase transactions. It is NOT a credit card.

Image:



Issued by:

This card is issued by R. Raphael & Sons plc. Norwich Union (the UK operation of the Aviva insurance Group) working with Raphael's Bank.

Target audience:

Those making an insurance claim.

Features:

- The expiry date is shown on the card
- Card must be activated via telephone
- Consumer has immediate access to funds and potential to choose supplier
- Card can be used in-store or on the web at Halfords, Argos, Curry's, Comet, Homebase, H.Samuel, Intersport, Goldsmiths, PC World, Henderson, Fraser Hart, M&S and Beaverbrooks
- No ATM withdrawals or cash back permitted
- You can check your balance online or via phone
- Card can be used as part payment for a larger purchase
- No personal identification number is needed for authorization of any card transaction that you may perform with your card. Since your card has been pre-loaded you should treat it the same as cash and keep it safe and secure

Other:

- Reduced administration costs for insurance and useful MI on usage
- Elimination of replacement goods handling division – major cost saving
- Retailer panel gains extra business
- Treasury benefit from delayed use of balances

GENERAL PURPOSE RELOADABLE

APPLICATION DESCRIPTION

General Purpose Reloadable (GPR) is a broad category of open loop prepaid products. GPR can encompass FX & Travel cards, Youth/teen cards, Remittances cards, universal network branded gift cards etc., which are detailed elsewhere in this report.

For this purpose, we limit GPR cards to prepaid cards used as substitutes for other financial cards, by the parts of the population that do not qualify for, or who choose not to use a debit or credit card. These can be low-income groups, the indebted, people suspicious of banks etc.

MARKET SIZING

Prepaid application	2013 Market opportunity (EUR million)	Closed/filtered loop share of opportunity
General purpose reloadable	1 405.0	0%

COMPETITIVE LANDSCAPE

Prepaid application	Competition level	Product life cycle	Substitutes
General purpose reloadable	High	Growth	Cash, debit cards, credit cards

DRIVERS AND INHIBITORS TO GROWTH

Application	Growth driving factors	Growth inhibiting factors
General purpose reloadable	<ul style="list-style-type: none">Flexible platform – can be customized to program needsGrowth in online shoppingThird party distribution	<ul style="list-style-type: none">Competition from credit and debit cards and online spending vouchersFee-based business model

GENERAL PURPOSE RELOADABLE CARD SAMPLE PROGRAM

KALIXA CARD

Website:

<http://www.kalixa.com/en-GB/Guest-Areas/Entry/Homepage/?region=gb>

Overview:

Kalixa is a combined prepaid MasterCard® and eAccount (e-money account) that lets you shop securely online, on the high street and over the phone. Your Kalixa Card can be used all around the world – wherever the MasterCard acceptance mark is displayed – both to shop in stores and withdraw cash from ATMs.

You can use your Kalixa Card just like a credit or debit card, but because it's a prepaid card, there's less chance of going into debt (like with a credit card), or giving fraudsters direct access to your bank account (like with a debit card).

Image:



Issued by:

Vincento Payment Solutions Ltd

Target audience:

Consumers and businesses (SMEs)

Features:

- Shop in-store, online & over the phone - Look for the MasterCard acceptance mark
- Manage your day-to-day finances - It's Pay As You Go – spend what you load
- It's Chip & PIN enabled - Reduces fraud and keeps your money safe
- Ideal for business expenses - Keep all your expenses together
- Withdraw cash - From over 1.2 million ATMs worldwide
- Perfect when travelling abroad - No more cash or travelers' cheques

Fees:

- £6.95 to set up your eAccount, and provide you with a Kalixa Card.
- This amount is deducted from you initial load (minimum of £10) which leaves you with £3.05 to spend.
- After you register, there are no ongoing costs, so long as you use your eAccount or Card once every 6 months.
- If you don't use your eAccount or Card for 6 consecutive months we will charge you an account maintenance fee of £0.99 per month, however as soon as you use your eAccount or Kalixa Card again, then we will stop charging this fee. We will also notify you in writing 2 weeks prior to charging the account maintenance fee, so you can use your eAccount or Card and prevent the fee from being charged.
- Assuming that your account has not been inactive for more than 6 consecutive months at the time of expiry, we will also reissue your Kalixa Card free of charge upon expiry

APPENDIX A: PREPAID GLOSSARY

Acquirer: A bank or any other financial institution which manage data from payment transactions carried out by merchants with the appropriate equipment to accept the card: the merchant is linked to a network enabling payment, routing and settlement of transactions, and reporting of activity from the merchant's account.

BIN (IIN) Sponsor: Issuing an open loop program requires a company with a payment network license (Visa, MasterCard etc.) to provide a BIN - Bank Identification Number, or more accurately called IIN – Issuer Identification Number. BIN/IIN numbers are specific both for the type of issuer and the type of card e.g. Prepaid, Credit, Debit. The BIN/IIN number also needs to be 'set up' by the scheme in conjunction with the processor for issuing of cards. Many BINs/IINs will be split down into sub-ranges to enable multiple prepaid card programs to be run on a single BIN/IIN.

Breakage: Unspent funds remaining on a gift card or other prepaid product after its expiry date.

Card Producer/Manufacturer: The company who manufacturers and, if required, personalizes the card by encoding it with data embedded in the magnetic stripe or chip that is unique to the card and is required to facilitate a transaction.

Closed Loop: Cards issued by a single corporate entity which can only be redeemed within that entity, such as retailer gift cards, or within a series of entities who have agreed to take the card (so-called filtered or restricted loop).

Distributor: A company that manages the commercial relationships, physical transactions and physical distribution of prepaid cards sold in a "Destination Retailer" through a "Gift Card Mall" on behalf of issuers.

Interchange: Commission paid by the acquiring bank to the issuing bank as compensation for the credit risk borne by the issuing bank. The level of interchange is fixed and calculated during a transaction by the international networks (MasterCard, Visa, etc...)

Issuer: An institution such as a retailer, bank or government department that issues a prepaid product to the buyer and who bears the economic and legal responsibility, liability and risk for a prepaid product.

Merchant: A business engaged in the trade of retail goods and/or services, physical or on-line (or both).

Open Loop: A prepaid product branded with a payment network scheme, e.g. American Express, Visa, MasterCard, Discover and Japan Credit Bureau (JCB). The card can be accepted as payment by any "Merchant" with a card acceptance agreement with the relevant network.

Prepaid Processor: Service provider that manages the processes and transactions between issuers, merchants and consumers of a prepaid product.

Prepaid Product: Any device that can be loaded with monetary value in advance of the time when it will be converted into goods and/or services.

Prepaid Program: The set of activities required to issue a "Prepaid Product". This might include strategy, proposition, technology management, marketing, legal compliance, distribution, reporting and development.

Program Manager: The entity responsible for managing the core attributes of a "Prepaid Program". They can either manage for other companies, or be in responsible for issuing their own prepaid product.

Switch: A standardized exchange network that e.g. banks (issuer and acquirer) can use to communicate and exchange transactions effectively, without having to create hundreds of connections between each participant.

ABOUT

ABOUT GIFTANGO

The Giftango team has extensive experience, drawing on prior roles at globally recognized technology companies, retailers, payment processors and gift card distribution channels. They believe in taking a streamlined, industry-based approach to managing eGift Card programs. They are dedicated to building simple, elegant eGift Card management solutions that help merchants and other eco-system partners manage programs that their customers love.

Giftango's customers represent a wide range of merchants and channel partners across different industries. Even though each relationship is unique, a common thread exists: Their partners and customers are smart, innovative organizations that understand the value of stored value and where it is headed in the years to come.

ABOUT GX

GET THE INSIDE TRACK

Global Prepaid Exchange (Gx) is the widest reaching prepaid industry organisation in the world. Its members are involved in issuing, processing, manufacturing or distributing three out of four of the world's prepaid programmes.

Gx helps its members address everyday challenges faced by companies with ambitions to grow. Members use Global Prepaid Exchange to make connections, obtain intelligence and receive support for a wide range of growth-related activities. Whether your focus is delivering services to the industry or issuing prepaid products to drive incremental revenue, joining Gx will give you the fast-track to success. Our vision is that, by accelerating the growth of our members at lower cost and risk, we can build thriving commercial communities that enable the adoption of prepaid.

Gx provides a gateway to people, solutions, intelligence and resources for successful, growing companies through local satellites connected to a global network (we have an active presence in Canada, Germany, France, India, Southern Africa, UK and the USA). This means we can provide local intelligence and support for members in the context of wider industry developments. And our connections to people in prepaid in 71 other countries means members have access to intelligence and opportunities almost anywhere in the prepaid world.

Our local communities provide a gateway to local connections, intelligence and support in prepaid hotspots around the world. Each community's agenda is shaped by an Advisory Board that ensures activities are relevant to the unique characteristics of the local marketplace.