



european | payments  
consulting | association



## **Prepaid cards market: Evolution and innovation – the italian case**

Frankfurt , 13<sup>th</sup> May 2011

- **Share the overview on European Market of Prepaid Cards**
- **Discuss the “Italian Case” and underline the specific features and keys of success**
- **Starting from the Italian experience, discuss some new opportunities and future product innovation**

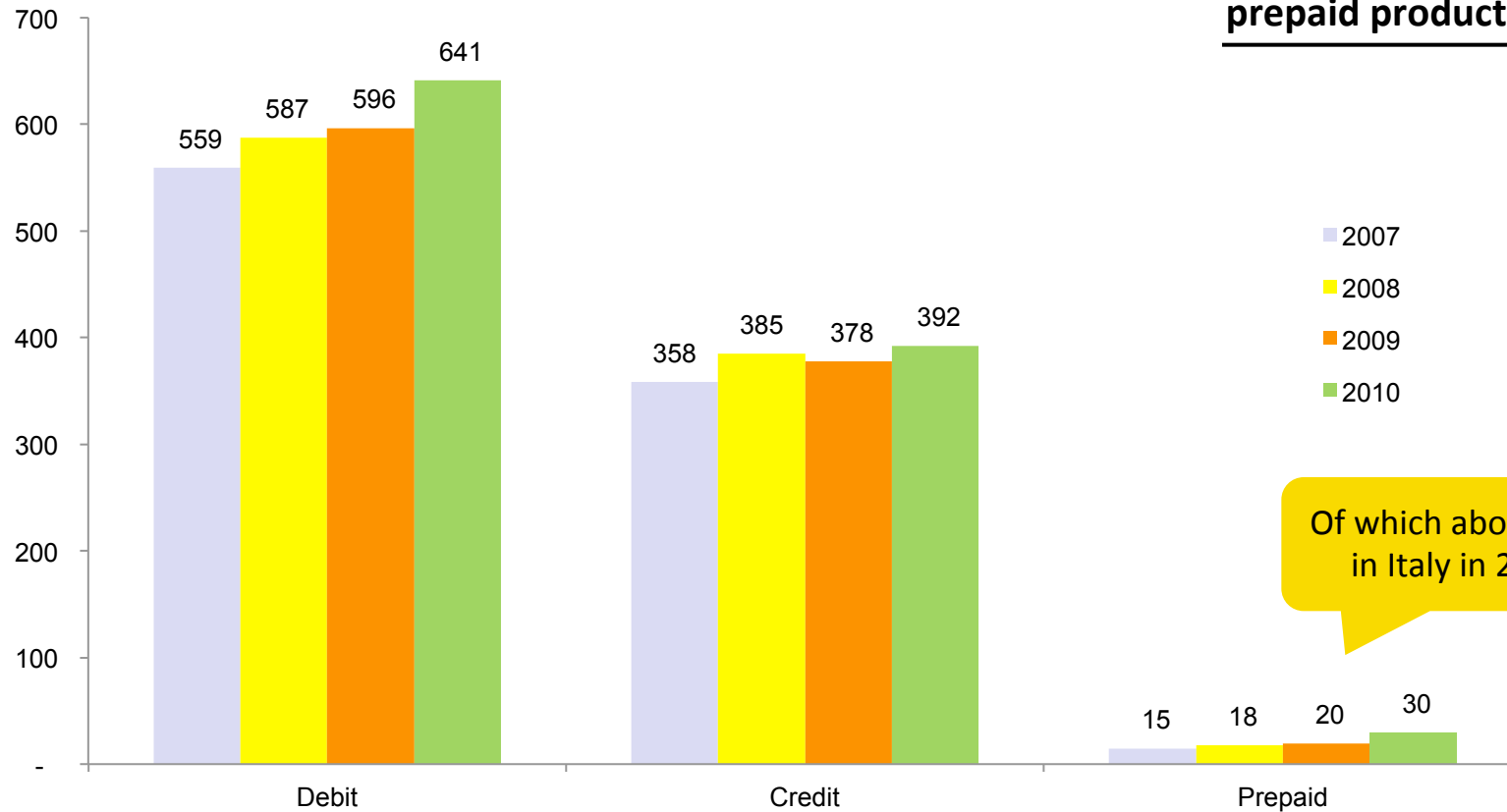
**European Market: prepaid success in payment system**

**Italian Market: prepaid success in payment system**

**Opportunities in product Innovation**

# European Market Overview (1/2)

## Number cards (mln)



**Prepaid can now claim to stand alongside credit and debit as a significant card type in the European market\***

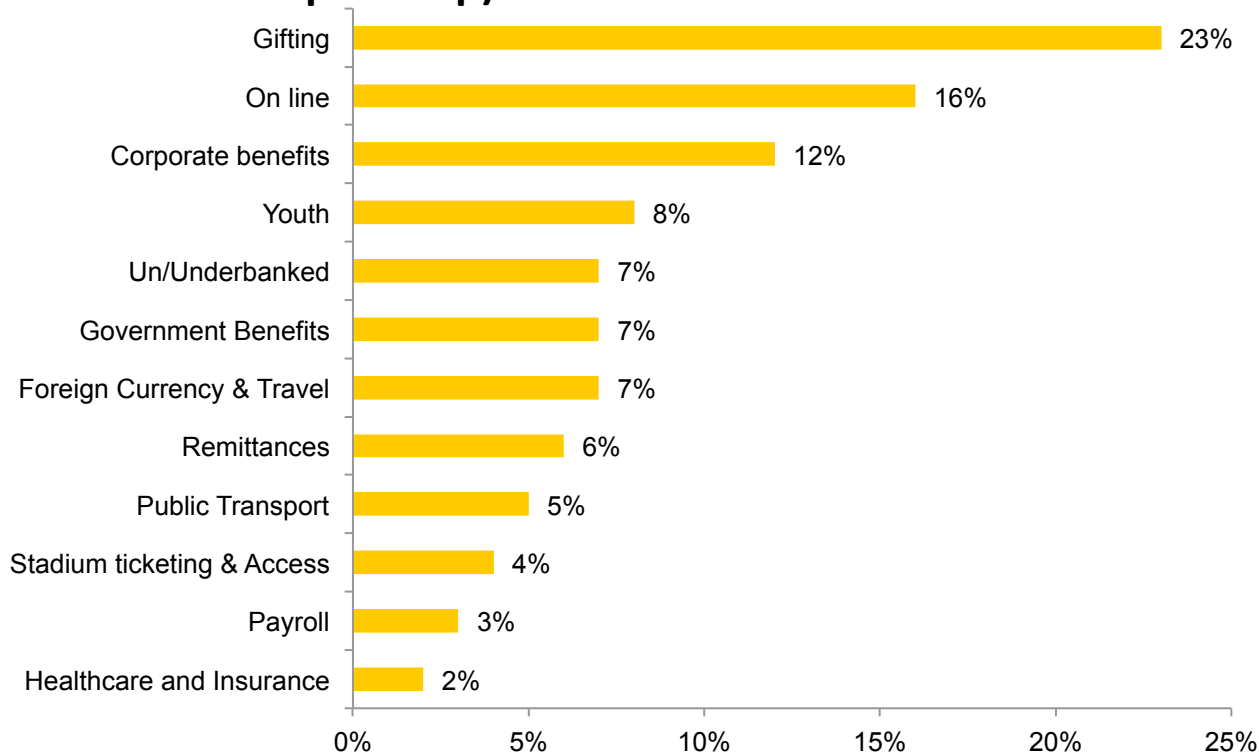
Source: BCE and Qualitekna Analysys

Data for prepaid Cards in 2007-2009 are available only for Belgium, France, Germany, Greece, Italy, Lithuania and Czech Republic

### Expected outcome by 2017 in open loop prepaid products

- € 64 bln prepaid spend
- # 2 bln transactions
- # 130 mln used cards
- CAGR (2011-2017) 29%

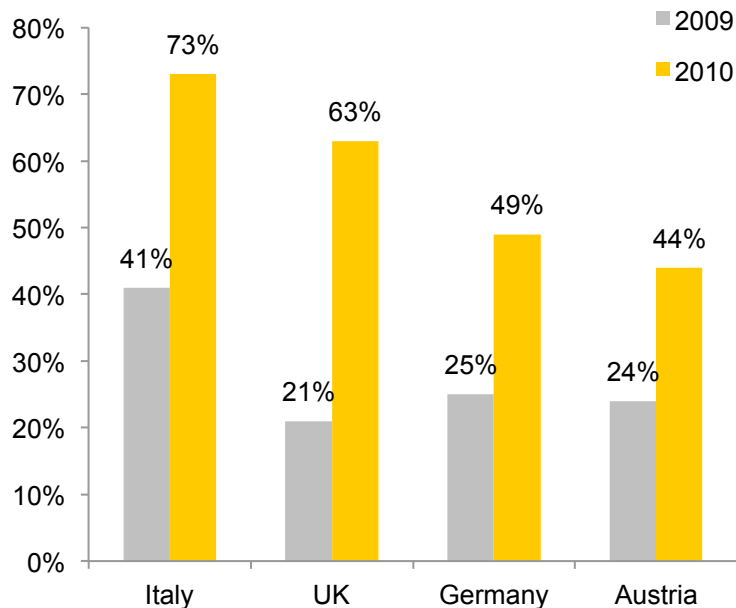
### % of incidence of type of expenditure/segment (both closed and open loop)



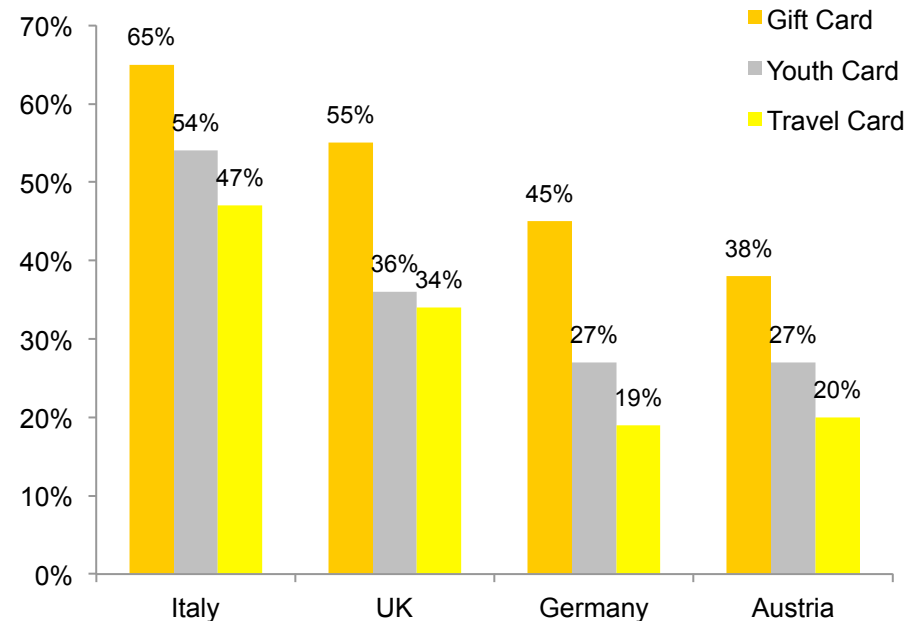
**Gifting, Online and Corporate Benefits** are likely to account for €30 billion in spend, or just over 50% of future prepaid expenditure

- A 65-question survey was administrated online to consumers in Germany, Austria, Italy and United Kingdom in mid-2009
- Participants in the study were all elegible prepaid card purchasers and received points in a survey-taking loyalty scheme in exchange for participation
- Participants demographics were considered carefully and an appropriate sample in terms of key demographic splits has been achieved

### % of respondents who bought/will buy a prepaid card in 2009/2010



### % of respondents who is likely to buy a specific prepaid card in 2010



A recent study (2009) demonstrated that:

- The number of respondents expecting to buy a prepaid card in 2010 exceeds the number who did in 2009
- Gift Card is the most interesting prepaid product across geographies according to respondents

### Prepaid Card Benefits preselected in the questionnaire

Is each of these benefits important in your decision to purchase a prepaid card?

- |  |                          |
|--|--------------------------|
| 1. Specific use of each prepaid card (gift, travel, youth) .....   | <input type="checkbox"/> |
| 2. Wide acceptance .....   | <input type="checkbox"/> |
| 3. User control of spending habit .....  | <input type="checkbox"/> |
| 4. Card type-specific features (like the ability to lock in an exchange rate on a travel Card or the ability to limit a child's spending to certain retailer categories on a Youth Card) ..... | <input type="checkbox"/> |
| 5. Inherent security and less risks in case of loss/theft .....  | <input type="checkbox"/> |
| 6. The option to reload the cards .....  | <input type="checkbox"/> |

Despite respondents evaluated the benefits of using prepaid cards similarly across the geography many of **these benefits were not clear** to the most of participants.

There is a clear need to **educate consumers on the value of the benefits** of prepaid cards and how they can add value as an effective purchase mechanism



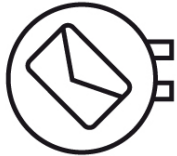
Currently, **most prepaid cards are purchased in-person from retailers**

But consumers have strong desire to buy these products on line

### Sales channels



Banks



Post Office



Supermarkets



Speciality retailers (book stores, music store, etc)



On line

**The online channel is the preferred method of learning about prepaid cards**

### Marketing channels



Mail



On line



TV Magazine



Financial Institutions

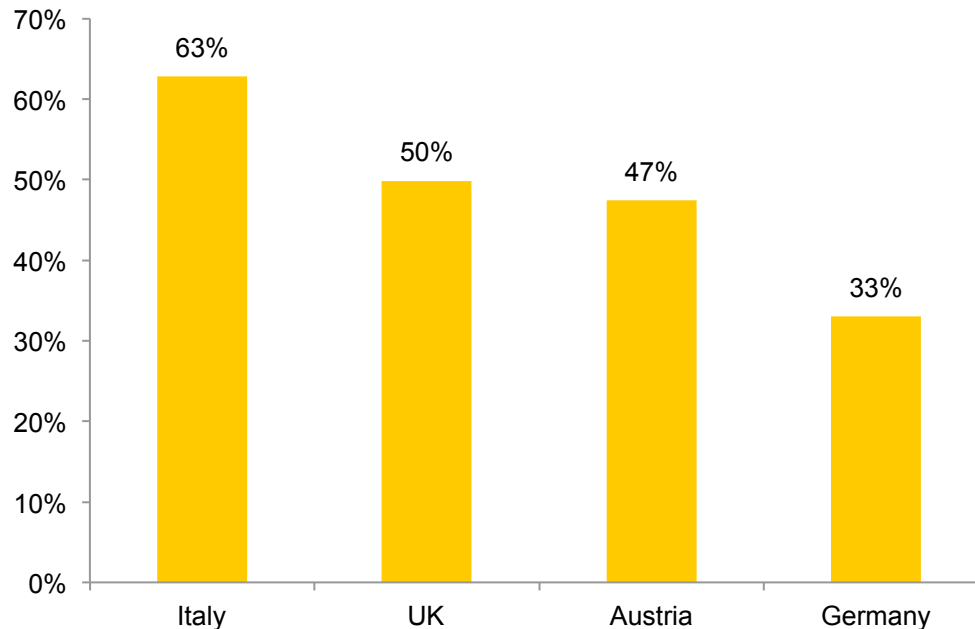
Prepaid cards works on a wide range of sales and marketing channels

Consumers confirm that the **fee structure is not clear**

### Type of fees:

- Consumer registration
- Consumer ATM/POS usage
- Pin/Password reset
- Plastic Customisation
- Annual Card Fee
- Refunds

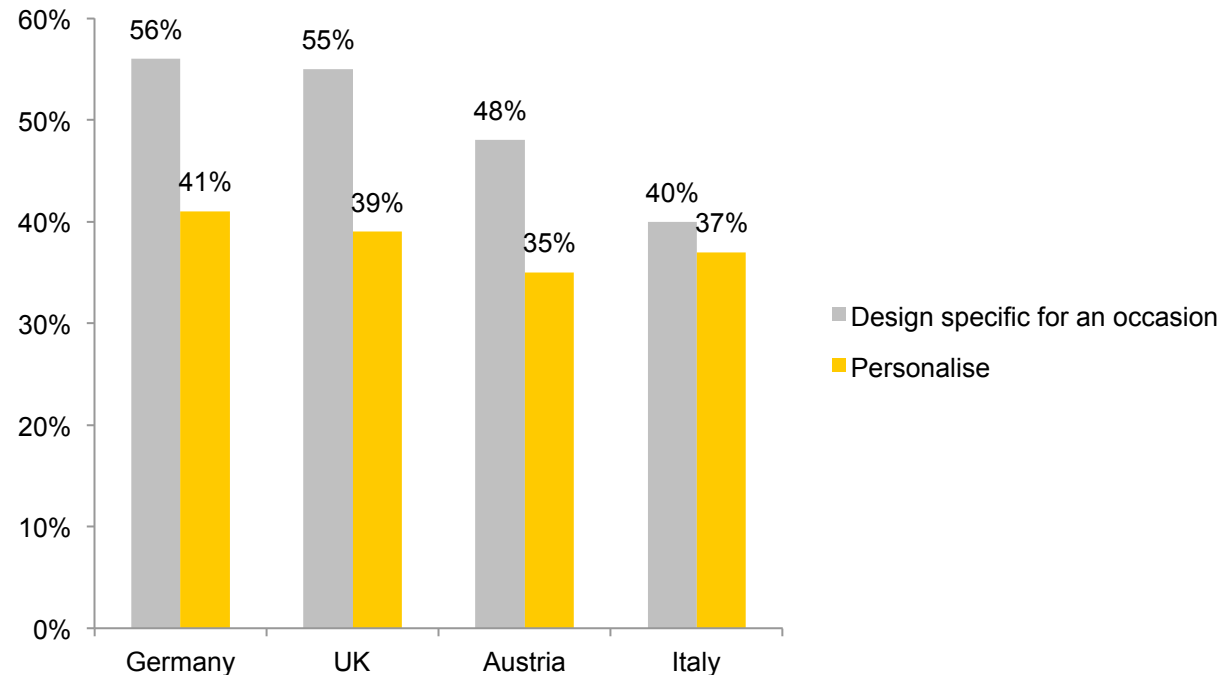
### % of potential purchasers fee adversed



Source: First Data

The study indicates that **fee adersion is the primary barrier to purchase** for unlikely prepaid card purchasers

### % of respondents who would like to personalise/design a prepaid card



A broader approach with an **engaging emotional element** may be more successful in **capturing consumer interest** and driving sales of prepaid cards

**European Market: prepaid success in payment system**

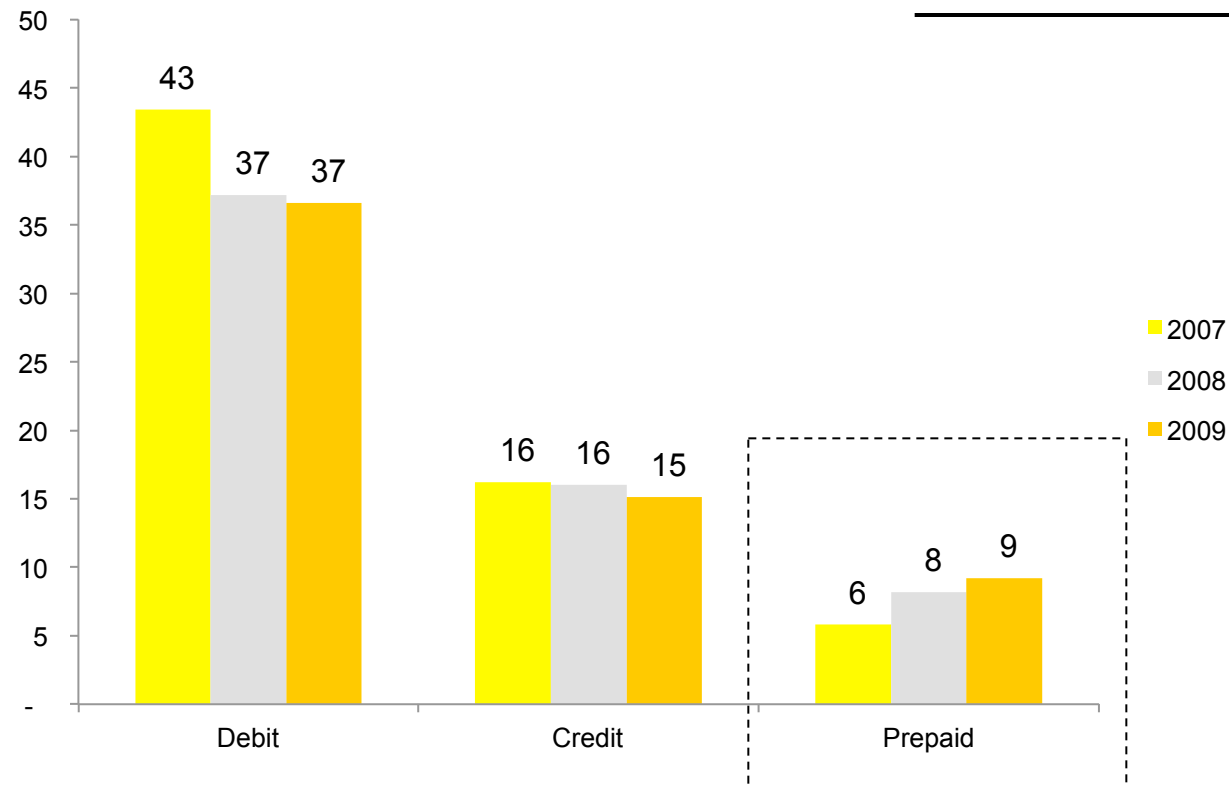
**Italian Market: prepaid success in payment system**

**Opportunities in product Innovation**

Italy is the market leader in Europe for prepaid cards, with a trend of steady growth.

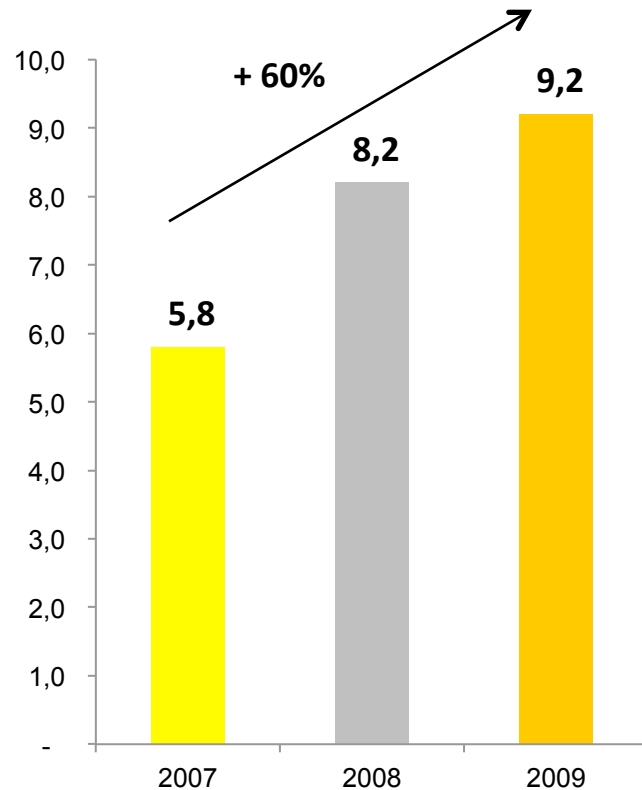
### Number of card by type (mln)

2010 data not yet available

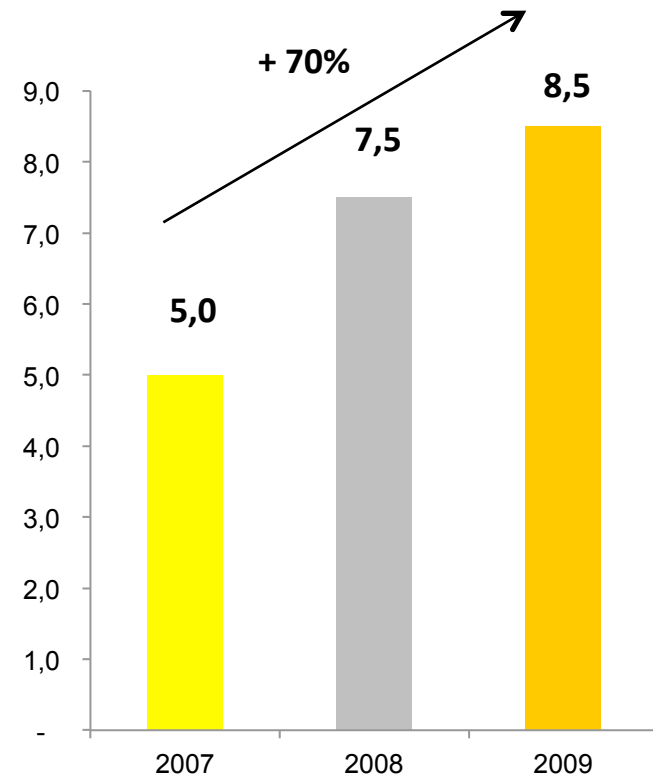


**Prepaid card usage penetration in total card spend has already become much more significant**

### Number of Prepaid cards (mln)



### Value transacted POS+ATM (bln)

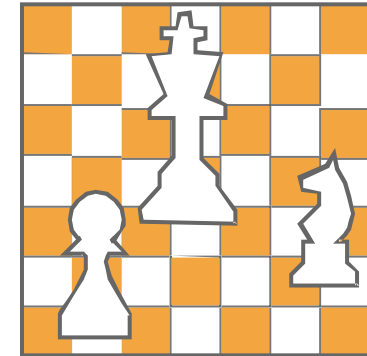


During the last three years Italy had a steady growth of **60% in the number of Prepaid Cards** and of **70% in terms of Value Transacted**

Italian success of prepaid card usage is **due to both**:



**Social-economic factors**



**Specific and strategic positioning**

Our opinion is that prepaid cards penetration in Italy is the highest among the European markets because of some economic reasons and because Italians have been **educated on the value of the benefits of prepaid cards**



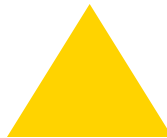
### Social-economic definitions

#### Social elements

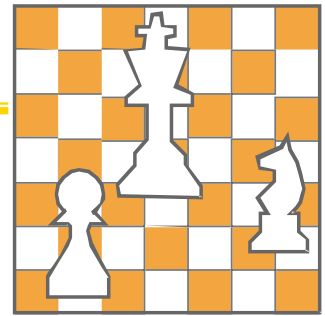
- Need control on self budgeting
- Low internet confidence and culture

#### Economic elements

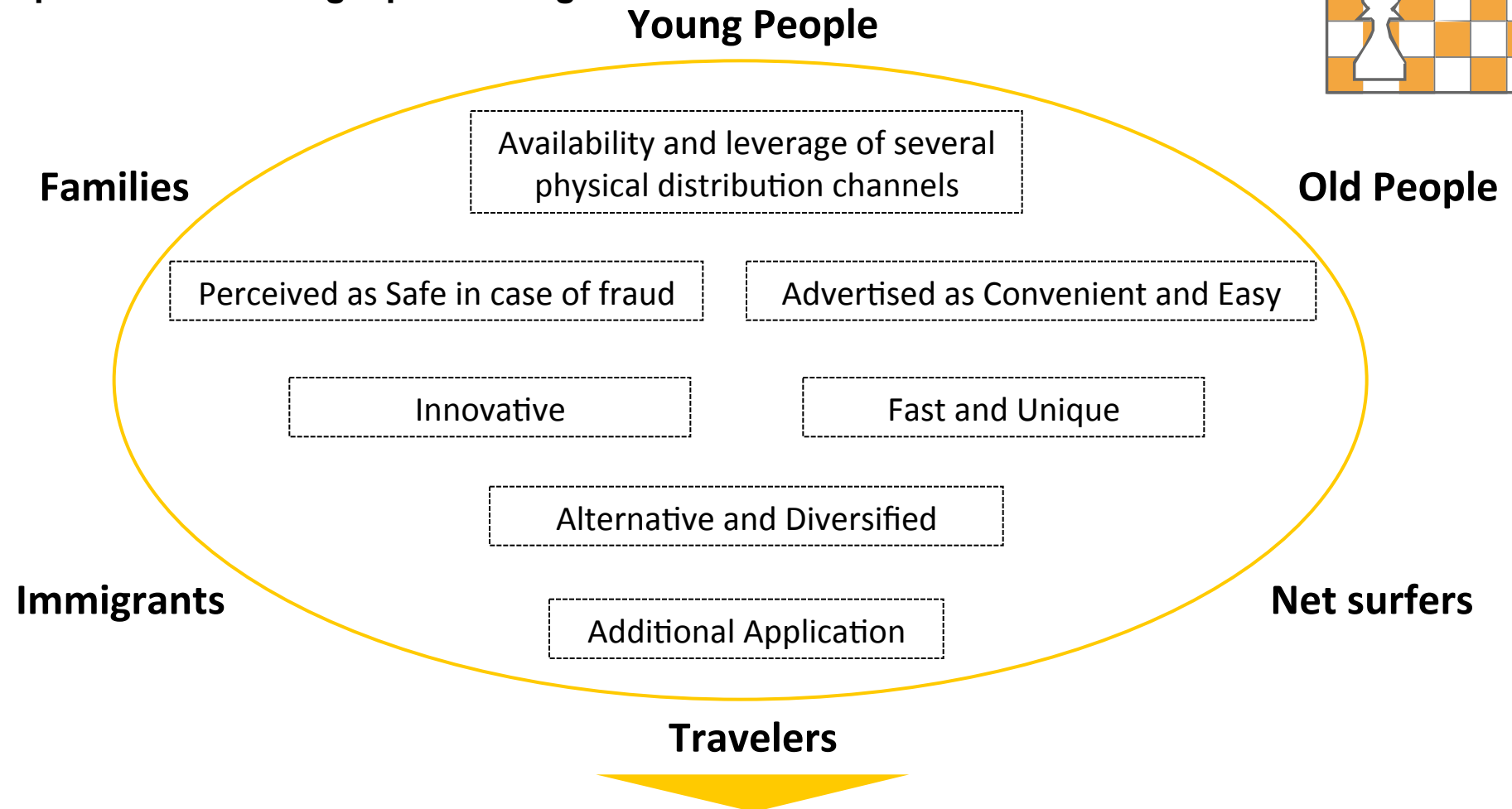
- Distrust in bank systems and high banking cost
- Large use of prepaid cards for other servicers (e.g. mobile phones)
- High incidence of frauds in use of credit cards







### Specific and strategic positioning



Social-demographic elements and Strategic positioning let the product to be offered to the **huge world of customers** even to everyone that hasn't a credit card or an account, or he is **not eligible**  
(Young people, Students, Young workers, Immigrants etc)

## Internet channel advertising



People needs are always in evidence during the launch phase and the on-going communication phase

Limited Special offers are promptly advertised in the web and packaged with a bank account



**IL CONTO  
A SOLO 1 €/MESE +  
CARTA PREPAGATA  
SENZA COSTO  
DI EMISSIONE**

**Genius  
ONE  
1**



## Internet channel advertising

dal 01/07/10 al 31/05/11  
rinnova la tua postepay Visa  
e vinci **fantastici premi**

**PREMIO MENSILE**

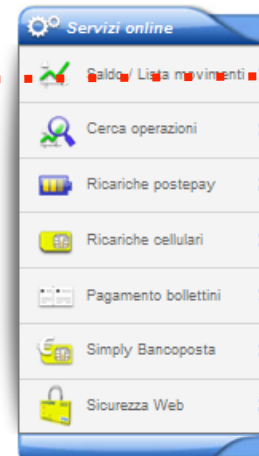
Nome utente: [input]  
password dimenticata? **AL EDI**  
Registrazione

Postepay HOME | Faq | Help e contatti | Community | RINNOVA LA CARTA

“Renew your prepaid card and you can win a fantastic prize”

## Prepagatevi al meglio!

Postepay.it, un sito semplice, intuitivo e... colorato, dedicato ai clienti Postepay e a chi vuole sapere tutto sulle carte prepagate per eccellenza! **Scopri subito le novità**



“Let's prepaid as well as we can!”

## Cosa posso fare con le carte Postepay?



La vita di tutti i giorni



Acquisti sicuri su internet



Inviare denaro

On [Postepay.it](http://Postepay.it) you can find the best card for you depending on your needs

## Promotional material in Branches



**Advantageous, simple and safe**

**LA SUA GENIUS CARD**

- CONVENIENTE
- SEMPLICE
- SICURA

**Contact numbers when further support is required**

PER MAGGIORI INFORMAZIONI PUÒ CONTARE SULLA SUA AGENZIA:

- UniCredit Banca**  
www.unicreditbanca.it  
800.57.57.57
- UniCredit Banca di Roma**  
www.bancaroma.it  
800.06.66.60
- Banco di Sicilia**  
www.bancodisicilia.it  
800.77.70.07

**GENIUS CARD**  
**LA NUOVA ALTERNATIVA AL CONTO CORRENTE.**

UniCredit Banca  
UniCredit Banca di Roma  
Banco di Sicilia

**GENIUS CARD**

**IL MODO PIÙ SEMPLICE E CONVENIENTE PER ENTRARE IN UNA GRANDE BANCA.**

È una carta di ultima generazione che oltre ai pagamenti, grazie alle sue funzionalità, le permette di gestire le principali operazioni bancarie con semplicità, convenienza e comodità, anche attraverso canali evoluti come Internet, telefono e gli sportelli automatici (ATM).

**GENIALE E INNOVATIVA GRAZIE ALLE SUE FUNZIONALITÀ EVOLUTE:**

- **SI PUÒ RICARICARE IN CONTANTI** presso gli oltre 3.400 sportelli automatici (ATM) abilitati ad effettuare l'operazione e le Agenzie del Gruppo UniCredit in Italia.
- **ALTRE MODALITÀ DI RICARICA:** Genius Card può essere ricaricata presso gli ATM del Gruppo UniCredit in Italia con una carta Bancomat emessa da una delle Banche del Gruppo UniCredit in Italia oppure con un'altra carta Genius Card.
- **BONIFICI:** permette di disporre e ricevere pagamenti via bonifico utilizzando la coordinata IBAN riportata sulla carta.
- **ACCREDITO STIPENDIO E PENSIONE:** è possibile accreditare gratuitamente stipendio e pensione sempre con la sua coordinata IBAN.
- **PAGAMENTI:** si possono domiciliare le utenze, effettuare pagamenti di tasse universitarie, IMU, IRPEF e pagamenti di utenze con società convenzionate.
- **SERVIZI ONLINE:** si possono effettuare ricerche e altri pagamenti mediante il Servizio di Banca Multicanale e al telefono (contattando il Numero Verde della sua Banca).
- **SI PUÒ RICEVERE UN PRESTITO PERSONALE E DOMICILIARE LE RATE DELLA UNICREDITCARD EXTRA:** Genius Card le consente di addebitare sulla carta le rate di un prestito personale o di una carta di credito revolving UniCreditCard Extra di UniCredit Family Financing Bank S.p.A.\*

**COMODA E SICURA PERCHÉ PERMETTE DI:**

- **PAGARE GLI ACQUISTI** in Italia e all'estero in 28 milioni di esercizi convenzionati al circuito internazionale MasterCard.
- **ACQUISTARE SU INTERNET ANCHE CON PAGONLINE,** la modalità che prevede l'addebito diretto sull'IBAN della carta nell'ambiente sicuro e protetto del Servizio di Banca Multicanale.
- **PRELEVARE CONTANTI** nella persona di oltre 7.800 sportelli automatici (ATM) delle Banche del Gruppo UniCredit in Italia, a pagamento presso le altre banche in Italia e all'estero oppure presso le Agenzie delle Banche del Gruppo UniCredit in Italia.
- **RICARICARE IL CELLULARE** presso tutti gli sportelli automatici (ATM) del Gruppo UniCredit in Italia oppure via Internet e via telefono.

**IN CASO DI FURTO O SMARRIMENTO:**

- **blocca subito la sua carta** chiamando il Servizio Clienti al Numero Verde 800.07.67.77 o al numero +39.06.60.64.696, se chiama dall'estero, entro le 24 ore su 24, 7 giorni su 7.
- **sporga denuncia** alle autorità competenti.
- **porti copia della denuncia** in Agenzia e richiedi subito una nuova Genius Card che le sarà inviata a casa e che manterrà le stesse coordinate IBAN.

**How to recover once card is stolen or lost**

**Further functionalities description**

\* Il prestito, ad importo massimo di 400.000 €, è erogato da UniCredit Family Financing Bank S.p.A., che è banca e istitutore dei rapporti bancari alla concessione, al perfezionamento e all'esecuzione delle UniCreditCard Extra e relative operazioni di pagamento dei rapporti di finanziamento.





## RESULTS

1ml card in 13 months

2,4 ml cards in 3 years

**5,5** million cards in 6 years (65% Italian mkt share)

## EXCPECT OUTCOME

1ml card in 3 years

**48%**

under the age  
of 30

**30%**

between the  
ages of 31 - 50

**54%**

Web  
transactions

**46%**

POS  
transactions

Postepay is still a **young product** but **not only** for young people

Male **63%**

Female **37%**

Customers under the age of 30 account  
for over 55% off all transactions

**30%** of transactions are abroad



## Threats

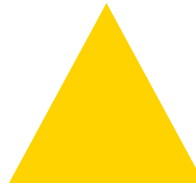
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- Expirations
  - Old Competitors - Banks
  - New Competitors – Telco / Retailers
- 

## Opportunities

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- Improve Customers relationship
  - Co-branding
  - Product Innovation
  - Product Diversification
- 





## Co-branding

### Online prepaid Corporate platform



- Personalize the card design
- Request the card “on-demand”
- Reload the cards

## Innovation

### Contactless



- 60.000 active card on the market
- User friendly payment system
- Mobile NFC payments (Future evolution )

## Channel

### Mobile



- Card Enquiry (all mobile operators)
- Reload other postepay
- Reload sim Postemobile / Bill Payments
- Urgent money transfer (coming soon)

## New market opportunity

### Multiapplication



Transit



Access



Lunch

**Carta Conto** is a prepaid card with an **IBAN code associated** to the card PAN, which moves the prepaid card from a basic payment tool to a **“lighter” version of a traditional bank account**

### Target

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- Unbanked population
  - Customers holding products in other banks
- 

### New addressed needs

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- Basic and simple banking relationships
  - Low Cost: the absence of traditional bank current accounts features let the state taxes to be very low
- 



It represents the right balance between **efficiency and price**



**European Market: prepaid success in payment system**

**Italian Market: prepaid success in payment system**

**Opportunities in product Innovation**

# Tomorrow's portfolio of prepaid products will provide more value to our customers in different ways than today

## Established Products



- Easy access to payment instrument
- Payments: merchants, internet, abroad
- Money transfer: gifts, social, remittances, account (carta conto)

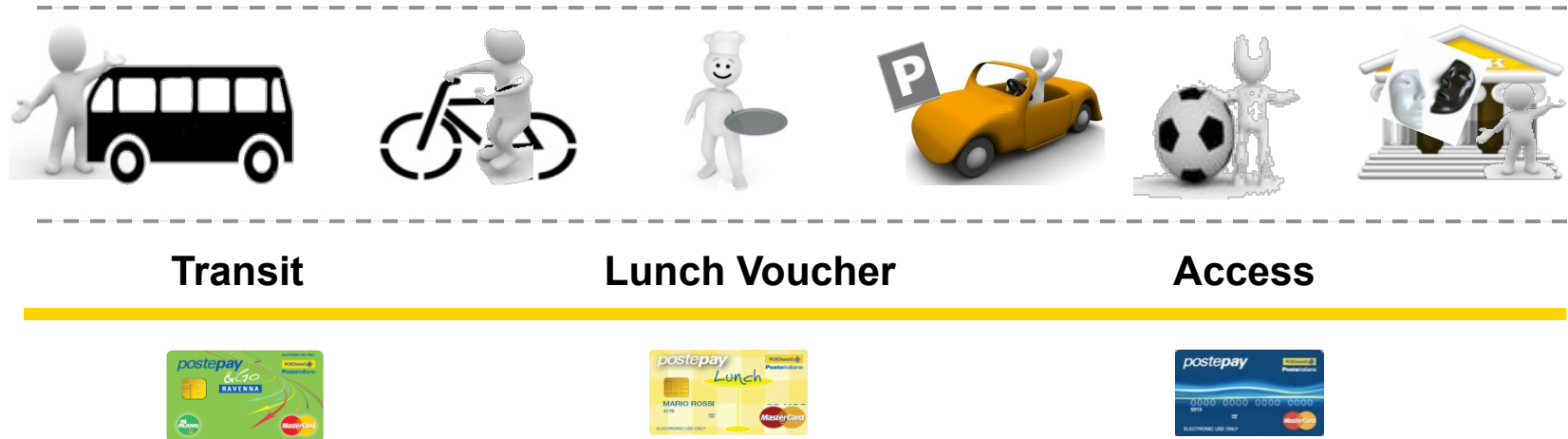
## New Value Propositions



- Easier payments through new technologies
- Additional functions of the card (access, identification, etc)
- Image and fashion element

# Multiapplication cards add value to customers beyond payments through charging additional applications on the card

## Multiapplication Cards



- **Additional utility to customers:** transit, ticket restaurant, access to cinema or events, etc
- This type of card has the **potential to become the “universal card”** for the customer
- Poste Italiane has entered this promising market with the **transportation card for Ravenna**, pilot that will be extended to other Italian cities

# Following the example of transit, we can review how the customer experience improves with the utilization of multiplication cards

## Issuing



The customer goes to the ticket office to get **her yearly ticket** (or monthly)

The card is **personalized** (inserting name, surname, picture), and **already enabled** for transport and payments

# Regarding payments, the card works like any other prepaid card

## Re-load



Customer can **reload its prepaid** card through **several** channels

## Payments



The client uses the card **as a payment** means or **as a way to withdraw cash**

## As a transport card, it provides clear advantages vis-à-vis paper tickets

### Transit



The **customer validates the ticket** (contactless) when he gets on the bus (check-in plus number of zones to be traveled in the pilot of Ravenna)

### Re-load travel ticket



Once the valid ticket has expired (e.g. end of the month) **the customer can re-load the transport contracts using the same or any other card**

- 1. Prepaid can now claim to stand alongside credit and debit as a significant card type in the European market and one that will continue to generate attractively high growth rates mainly in gifting, online and corporate benefits**
- 2. A public survey showed that prepaid card market will represent a critical mass in Europe by the next few years if the issuer will be able to address:**
  - The satisfaction of specific needs (e.g. gift, travel etc )
  - The focus on several attractive benefits
  - The growth of different sales and marketing channels
  - An opportunity to clarify the pricing model for consumers and corporate
  - The reduction of barriers to enter the market
  - The trail of new services that provide engaging emotional elements
- 3. Italy is the market leader in Europe for prepaid cards, with a trend of steady growth**
- 4. Italian currently success of prepaid card usage is due to both:**
  - Social-demographic definitions
  - Specific strategic positioning

That can partially be applied in other european countries

### **5. The Postepay card is a very significant case history as it shows:**

- The success Key Drivers
- The market opportunity
- The point of Innovation, Evolution and Diversification

### **6. Other new product have been a huge success in Italy (e.g. Carta Conto)**

### **7. New strategies focused on new opportunities and financial growth in italian prepaid system have been already settled**

- Prepaid products will provide more value to our customers thanks to a new marketing approach (e.g. co-branding)
- Multiapplication cards just started (it already happens in Ravenna and Milano)
- Poste Italiane (Postepay) is going to leverage a huge potential of prepaid cards across several segment with a full line of cards and loyalty programs



# Thank you

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