



Cards & Loyalty

ITALIAN PREPAID CARD MARKET: ANY ROOM FOR GROWTH?

With 25 million prepaid cards issued, Italy is the largest prepaid country in the world. It is seen by many as a case study of what can be achieved by prepaid cards and a laboratory for new successful products. Unlike in other regions, where prepaid cards are used by a small proportion of under banked consumers, in Italy these are truly mass-market payment tools.

Prepaid cards success in Italy is due to several reasons:

- Italy have a significant unbanked population (8 million people) and prepaid cards are the easiest way to convert cash into a digital mean;
- Many current account holders have only debit cards, which typically cannot be used online: prepaid cards are an easy tool for online purchases, providing also a safety net for security concerns;
- Italians have a history of mistrust in banks: prepaid cards pricing models are transparent, an initial purchase fee and flat fees for reloading and withdrawal;
- Italians are familiar to the prepaid concept: mobile phones top ups were an instant hit.



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In Italy the majority of prepaid cards are issued by retail banks as general purpose cards, not targeted at specific consumer segments. Things are changing though: a growing number of non-banking institutions and service providers are looking towards the prepaid card market as a way to introduce innovative services and gain traction in the payments arena.

Reflecting country's preference for cash, prepaid cards are used mainly occasionally, for online purchases or as travels pocket. Hence the total value of transactions still remains limited.

Given the record high penetration rate of prepaid cards, financial players face the challenge to increase cards' utilization rate and move customers from plain vanilla prepaid cards to richer and more engaging products. Light accounts are a big step in the right direction: different pricing and additional services enabled by IBAN code allow for everyday usage and higher revenues. The market is already crowded, but new important products, such as Postepay Evolution from Poste Italiane, continue to emerge.

What is next? Innovative features will become a requirement for new successful products:

- Full card management through Mobile app: many prepaid cards are already paired with mobile apps but the functionalities offered are often not in line with customer expectations; a rich and well designed app can tilt the balance;
- Multi app functionalities through EMV chip: strategic deals between banks and service providers will allow for integration of new services (e.g. transport and event ticketing, identification);
- Engaging mobile marketing initiatives and loyalty solutions; Social Media integration and mobile marketing campaigns have been proved effective in a few new UK/US products.

We believe the prepaid space will stay as a profitable entry level for retail banks in the next years; increasing synergies between prepaid cards and smartphone applications will also ease the transition towards the approaching proximity mobile payments revolution.