Strategy and opportunities for co-branding on cards

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Foreword

Dear readers,

It is my pleasure to bring to you the latest edition of our payments newsletter.

In this edition, we take a closer look at how co-branding partnerships have evolved and their adoption across various merchant categories. We also discuss the key trends, metrics and opportunities for financial institutions to consider while conceptualising a co-branding programme.

We hope you will find this to be a useful and insightful read.

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In this issue

01 Introduction

Co-branded cards have always been, and continue to be, an effective and reliable payment instrument for brick-and-mortar retailers. Over the years, point-of-sale (PoS) systems and credit card terminals have evolved to facilitate fast and easy payments solutions for retail businesses. Both financial institutions (FIs) and their network partners have driven merchant acceptance across geographies to facilitate an interoperable card payments system that enables merchants and customers to seamlessly transact from PoS machines. To capitalise on the increased card acceptance and convenience associated with card transactions, merchants and banks launched co-branded credit/debit/prepaid cards that would reward customers for transacting at merchant outlets, websites, apps, etc. For example, a customer earns 5% cashback on every transaction done through its co-branded credit card on an e-commerce website or app. The co-branded credit card was issued by the e-commerce merchant in partnership with a large private bank in India.

For merchants, accepting card payments at the PoS provides a potential opportunity to increase their retail sales and customer spending. According to the Reserve Bank of India's (RBI) 'Benchmarking India's payment systems' report, the volume of card payments in India increased at a compound annual growth rate (CAGR) of 7.6% – from 4.8 billion transactions in 2017 to 5.98 billion transactions in 2020.[1] Additionally, the average ticket size per card transaction has increased to INR 3,426[2] which is a year-over-year (YoY) increase of more than 28% from September 2021 to September 2022. These factors indicate that there has been a general shift in the spending patterns of Indian consumers across PoS and online channels. Moreover, consumers are increasingly opting for digital modes of payments.

1 | https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1214

2 | https://www.rbi.org.in/Scripts/ATMView.aspx

Large retailers and merchants launched closed-loop loyalty cards to facilitate cashless purchases at their retail outlets, offering additional benefits in the form of rewards or loyalty points to retain and acquire new customers. The collected points could later be offset against future purchases at the merchant outlets. Such options provided the customers with an instant, seamless and convenient checkout experience. However, these closed-loop cards could not be used at any other merchant outlets/stores and had limited utility apart from transacting at the merchant outlets that ran these closed-looped programmes. To counter such limitations, co-branded cards were introduced, wherein two parties – typically an issuing bank and a corporate/merchant – come together to offer a product that offers various benefits and expands the scope of card use.
Co-branded cards were introduced in the country by a leading foreign bank in association with a consumer durables brand.[3]

Co-branded cards can be credit, debit or prepaid cards, which are mutually funded and supported by the seller of goods and services – i.e. merchant or retailer, and the card issuer or network.

Such cards are launched through a partnership and agreed business/marketing terms and conditions, which incentivise customers with specific discounts, offers or rewards at particular retail outlets and online channels. The most significant and prevalent co-branding model is between a retailer, and an FI or a bank.

To issue a co-branded card, the retailer must partner with a bank or an FI and comply with the co-branding circulars issued by the regulator.[4] Typically, co-branded cards have the logos of FIs. Moreover, the partner merchant as well as the branding guidelines need to strictly align with the regulatory requirements. Additionally, these cards carry distinct merchant offers, loyalty, cashbacks or rewards, which become a significant value proposition for customers.

Co-branded cards can be issued in both physical and virtual forms. A physical co-branded card can be used like a generic debit or credit card and is accepted across all card networks, physical retail stores and e-commerce outlets. A virtual co-branded card is a digital-only shopping card that can be used at all card network-supported online stores.

In this newsletter, we focus on highlighting the merits and potential of co-branding engagements for FIs and non-bank players. Additionally, we have detailed key successful programmes run by FIs and merchants and mentioned major segments and global partnership examples that could help FIs plan for their future co-branding programmes.

3 | https://www.pwc.in/assets/pdfs/consulting/financial-services/fintech/point-of-view/pov-downloads/demystifying-the-co-branded-cards-industry.pdf

4 | https://m.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9838

02 Categories of co-branded cards and examples

Merchants today realise the significance of enabling co-branded cards as part of their overall customer acquisition and retention strategy. Airlines as a category, were the early adopters of co-branding partnerships and are still one of the biggest issuers of co-branded cards today. Since then, merchants across categories have adopted and successfully run co-branded card programmes to drive sales.

Banks are partnering with FinTechs to launch salary cards to digitise their employee expense management. New-age banks are launching co-branded cards to facilitate customers in managing their finances judiciously. Since application programming interfaces (APIs) have brought in a massive transformation in banking and payments, this kind of experience can empower users to manage money efficiently and become more financially independent. These programmes are offered via credit, debit and prepaid cards. The same has been discussed below along with the key industries or sectors that offer co-branded cards.

Figure 1. Industries/sectors that offer co-branded cards

1	**Travel**
2	**Fuel**
3	**E-commerce**
4	**Entertainment**
5	**Grocery**

1. Co-branded credit cards:

Co-branded credit card is a type of co-branding partnership agreed upon by the bank and its partner, where the credit line is extended by the partnering or sponsor bank. Co-branded credit cards bear the bank and merchant logos and provide merchant-specific rewards or loyalty points to brand-loyal consumers. Banks can tap the co-branding partners' existing customer base to issue cards and acquire customers. Alternatively, the co-branding partner can support the bank in marketing initiatives like loyalty, rewards and branding. In this model, the co-branding partner will oversee the marketing and distribution of these cards, whereas the banks will undertake the credit risk and underwriting for the customers. Major sectors under this category are listed below.

a. **Travel:** Co-branded travel cards are offered by online travel aggregators, airline and railway operators, and bus aggregators to their customers. These cards offer the usual welcome/joining benefits, reward points on spends and exclusive membership programmes that offer discounts at select hotels or resorts. Some travel cards also offer free domestic or international lounge access. In India, co-branded travel cards are majorly issued as credit cards with leading travel and airline operators having forged partnerships with banks to issue the same. For example, a leading private bank has collaborated with an airline operator in India to provide free economy-class tickets as a welcome benefit. Another example is that of a leading credit card issuer that has launched a couple of co-branding programmes with a railway operator to cater to the needs of rail commuters. Features of one of the largest issuers of such cards include four reward points for every INR 200 spent by the customer, in addition to 3,000 points availed on a spend of INR 75,000 within the first 90 days of the card being issued. The card also carries a comprehensive insurance cover of INR 1 crore (air accident cover) along with a lost card liability of up to INR 1 lakh.

b. **Fuel:** Top banks in India are collaborating with multiple petroleum refinery and oil marketing companies (OMCs) to provide rewards based on customers' fuel spends, and waive a certain percentage of fuel surcharge based on transaction thresholds. Fuel co-branded cards are issued as credit and debit co-branded cards, with the former being more prevalent.

   These cards are issued in partnerships with OMCs. For one such programme, the card has an annual fee of INR 1,499 along with complimentary joining perks such as access to domestic lounges, gift vouchers and fraud liability cover of up to INR 1 lakh. Partnering with one of the largest Indian OMCs, a large international private bank issued co-branded fuel cards that provided customers significant benefits and savings on fuel recharges. For every INR 150 spent on fuel, the c ustomer earned four reward points that could later be redeemed at OMC-authorised outlets. In addition to fuel purchases, the co-branded card also incentivised the customers by providing two reward points for every INR 150 spent on non-fuel purchases.

c. **E-commerce:** To incentivise customers and propel the gross merchandise value (GMV)/customer spends, large Indian private banks have started launching co-branded credit cards along with e-commerce entities. E-commerce co-branded cards are issued as credit co-branded cards in India. The top e-commerce retailers have co-branding engagements in partnership with banks to extend benefits and rewards to their customers. Programmes launched by these merchants and their banking partner(s) offer cashbacks on every purchase made through their exclusive e-commerce website or app. For example, a leading private sector bank in India has acquired a customer base of more than two million and is the fastest programme to achieve this milestone. The co-branded card was launched in October 2018 and achieved this feat by July 2021.

2. Co-branded debit cards:

A co-branded debit card is a debit card category where the bank partners with a merchant or network partner to offer special discounts, vouchers, rewards, cashbacks, etc. Unlike co-branded credit cards, the underlying account is a customer's current account or a savings account (CASA). Similar to other co-branded cards, this card also has the merchant logo, indicating the co-branding partnership with the bank. Other major segments are listed below:

a. **Fuel:** Debit co-branded fuel cards are issued by a couple of banks in India. One of the largest private banks in India has partnered with a large OMC to offer rewards to customers who perform transactions at the OMC's outlets. The card provides a fuel surcharge waiver and rewards the customer in points for every INR 200 spent at the merchant outlet.

b. **Entertainment:** The entertainment industry is one of the most lucrative segments for exploring co-branding partnerships due to its high utility factor (e.g. movie/show bookings). Cinephiles are the major consumption drivers for movie chain outlets. Thus, banks are increasingly partnering with theatre chains to launch their own movie cards. Entertainment cards are issued as both debit and credit co-branded cards, having similar features, irrespective of the card type. Customers can avail free movie tickets for attaining the minimum spending on the card. Additionally, rewards redemption is also available at the food and beverages joints at such movie theatre outlets. A private bank, along with a theatre chain, has been running a co-branding programme and marketing it as India's first movie card. The card is offered in credit and debit variants, with rewards for every transaction.

c. **Grocery:** FIs are collaborating with online retailers and offering multiple discounts to their customers in the form of cashbacks on grocery purchases from e-commerce as well as their partner websites. Some banks are also offering discounts on partner restaurants along with joining and activation benefits.

An international bank with operations in India has launched a co-branded debit card in partnership with a large online grocery e-tailer, with discounts up to INR 4,800 per annum. Customers can avail a maximum discount of INR 400 per month (for up to three transactions).

3. Co-branded prepaid cards:

Co-branded prepaid cards are prepaid instruments (PPIs) where the customer must explicitly load or fund the underlying PPI account. Like credit and debit co-branded cards, banks can partner with neo-banks, FinTechs, merchants, etc., to issue cards that cater to a variety of use cases – for e.g. the issuance of salary/reimbursement cards and meal voucher cards. However, to make the regulations on PPI issuance more secure, the RBI, in one of its notifications, barred the loading of credit lines into PPIs. This affected the business models of several FinTechs using PPIs to offer buy now pay later (BNPL) or credit-like products. Due to the regulatory impact, FinTechs have now started offering co-branded credit cards to their customers in partnerships with banks.

03 Benefits for FIs

According to the recent RBI benchmarking report[5] on India's payments system, the growth in credit cards (CAGR of 17% from 2017 to 2020) in recent years was fuelled and driven by co-branding partnerships, digital distribution, innovative business models and seamless customer onboarding processes. Banks partnered with non-banking financial companies (NBFCs), FinTechs and e-commerce merchants introduced and promoted unique customer propositions that mutually benefited the co-branding partners. Thus, co-branded card programmes provide numerous opportunities that could be tapped by FIs and merchants alike.

Some of the tangible benefits for FIs include an increase in customer spends, margins and cross-selling opportunities.

Figure 2. Benefits of co-branding partnerships

1	Low cost of customer acquisition
2	Increased customer spends/activation per card
3	Realising the potential of untapped markets
4	Increased brand visibility
5	Cost advantages by reducing IT/other expenses

With the advancement in technology and adoption of cloud services in the banking sector, curated custom card programmes can be delivered to consumers with reduced timelines, thereby enabling FIs to go live with co-branded cards within weeks – if not months.

One of the FinTechs operating in India has been successful in running a co-branded credit card programme in partnership with banks. The FinTech has issued more than 600,000 cards in three years and generated a revenue of INR 10 crore in FY 2021 itself. Another example is that of e-commerce retailers and food delivery apps which have a large customer base that performs transactions frequently. Merchants have access to the customers' transaction patterns and purchase history, which can be fed into the credit scoring model and underwriting of the customers. The customers can then be issued co-branded credit cards with a limit determined by the underwriting/credit model.

5 | https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/BENCHMARKINGPAYMENTSYSTEMSD3ED3C0A159D47E5B32AF438592EC680.PDF

Some of the benefits associated with running a co-branded card programme are detailed below.

1. Low cost of customer acquisition:

Traditional customer acquisition strategies have always been resource-heavy, slow and capital-intensive exercises. With co-branding partnerships, FIs can access a plethora of new customer segments at a relatively low cost by tapping the merchant's database. By adopting a digital-first acquisition strategy, these customers can then be approached through SMSs, emailers (if available), push ads and social media platforms, in order to be onboarded onto the co-branding programme. Doing this would significantly reduce the reliance on direct selling agents (DSA) to cross-sell co-branded cards and thus benefit the co-branding partners to save costs.

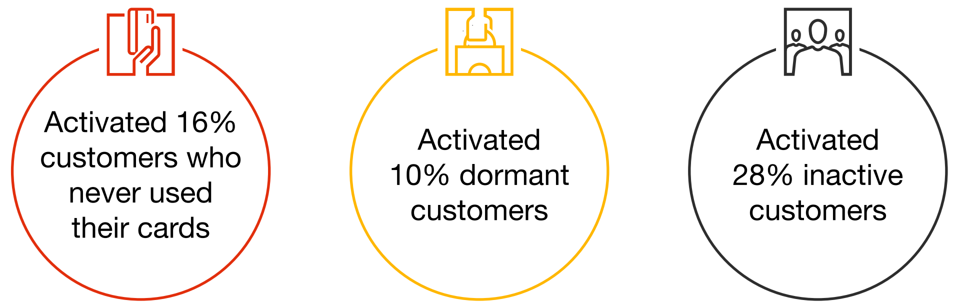
By adopting a digital-first acquisition strategy, banks and FIs can significantly lower customer acquisition costs for co-branding programmes.

2. Increased customer spends/activation per card:

Customer spending and card activation are important metrics which can be used as indicators to identify key consumption patterns. Moreover, these metrics can be correlated to the overall sales volumes/value for the merchant. Customer spending is directly proportional to revenues and sales margins – higher the spend, higher the revenue and margins for the merchant, and vice-versa. Co-branded card programmes provide more incentives, vouchers and/or cashbacks as compared to debit or credit cards, enabling customers to save on their purchases. These factors encourage repeat transactions and spends on cobranded cards, which benefits both FIs and merchants.

According to a previous report published on the Indian co-branded cards industry,[6] it was estimated that co-branded cards can achieve incremental activation rates on cards by activating dormant or inactive customers. A co-branding programme was launched in partnership with a leading private bank and a popular airline operator. The findings of the programme are highlighted in Figure 3.

Figure 3. Increase in the active base due to co-branded cards



Thus, co-branding partnerships offer immense potential to FIs, who stand to gain incremental incomes through higher activation rates and a reduced inactive/dormant base.

6 | https://www.pwc.in/assets/pdfs/consulting/financial-services/fintech/point-of-view/pov-downloads/demystifying-the-co-branded-cards-industry.pdf

3. Realising the potential of untapped markets:

Co-branding engagements provide an untapped market opportunity for FIs to capitalise on and monetise transactions made by active customers at merchant stores/e-commerce channels. FIs can thus achieve a better activation rate than conventional card programmes by targeting multi-outlet merchants across fast-moving consumer goods (FMCGs), apparel and electronics categories (owing to the high volumes and spends observed across these merchants). FIs can also partner with merchants or retailers that have a significant presence in tier 2 cities and beyond. In addition, such partnerships should be undertaken wherein there is less competition, and the market opportunity is significant enough for the partners and banks to invest in and monetise the programme. Merchant categories that could be explored are electronics, multi-chain grocery stores, merchandise brands, food and beverages, etc.

FIs could partner with merchants with a significant presence in tier 2 cities and beyond, wherein there is less competition, and the market opportunity is significant enough for the partners and FISs to invest in co-branded cards.

4. Increased brand visibility:

It's evident that co-branding engagements bring in tangible benefits and opportunities for FIs. Additionally, some intangible benefits could also be factored in for devising and strategising such programmes. FIs can use merchant outlets to promote co-branded card offerings and associated benefits. By setting up kiosks, marketing banners, digital signage and other marketing materials at retail outlets, banks and FIs can target customers with carefully thought out communication that is aligned with the bank's branding and marketing guidelines.

5. Cost advantages due to reduced IT/other expenses:

Traditional card programmes are cost- and asset-intensive financial instruments, which can significantly strain the margins and revenues earned for FIs. FIs must procure the required IT systems and services from their technology partners and account for non-IT expenses like write-offs, non-performing asset (NPA) resolutions, fraud control mechanisms and marketing costs. This has a cascading effect on the investments made by banks and FIs in key initiatives like loyalty and reward programmes, marketing, and partner alliances, which are required to drive transactions and activation rates.

Typically, FIs can incur two types of costs while running card programmes – fixed and variable costs. Fixed costs remain unchanged over a period, irrespective of the volumes – e.g. annual card fees, one-time joining fees, transaction processing fees, annual IT maintenance costs, etc. In contrast, variable costs are costs that are not pre-determined and are dynamic and vary according to transaction volumes.

Some fixed and variable costs have been highlighted in Figure 4.

Figure 4. Costs associated with running co-branded card programmes

Fixed costs

- Account overhead fees
- Intermediary/network fees
- Transaction processing fees
- Fraud protection/prevention

Variable costs

- Marketing costs
- Loyalty, rewards
- NPAs, write-offs

However, there are a couple of disadvantages as well. Figure 5 illustrates a few of these along with the precautionary measures to be followed for handling such demerits.

Figure 5. Disadvantages and preventive measures for handling co-branded cards

Disadvantages

- Periodic committed outlay of funds to partner
- Mismatch in mission, values and goals of partner
- Confusion among customers due to lack of clear communication
- Reputational loss if the brand which is partnered with is deemed to have a lower product quality
- Conflicts of interest and insecurity among partners
- Negative impact on small-scale businesses as they might get masked by a reputed brand during co-branding

Preventive measures

- Considering negotiation cost before starting the partnership
- Practicing transparent communication and building positive relationships
- Incorporating commonalities to engage with consumers from all aspects
- Conducting extensive research on your potential partner(s)
- Analysing prospective partner's culture to ensure they are a good fit
- Conducting awareness and promotional campaigns

Through co-branding partnerships, banks and merchants agree to share a considerable share of the overhead and other variable costs associated with running such programmes. Merchants and partners agree to invest in marketing, branding and customer acquisition strategies with the banks, which considerably reduces the net cost of running the programme.

04 Key elements for successful partnerships

For a successful co-branding partnership, the engagement must drive value propositions for both the FI and merchant. To do so, it is important to factor in certain elements when conceptualising and designing the co-branding engagement programmes. In addition to catering to the business needs of the merchant or retailer, the engagement must drive customer centricity, adhere to compliance requirements and have a governance model.

FIs and merchant partners should effectively engage and agree on key important deliverables, highlighted in Figure 6.

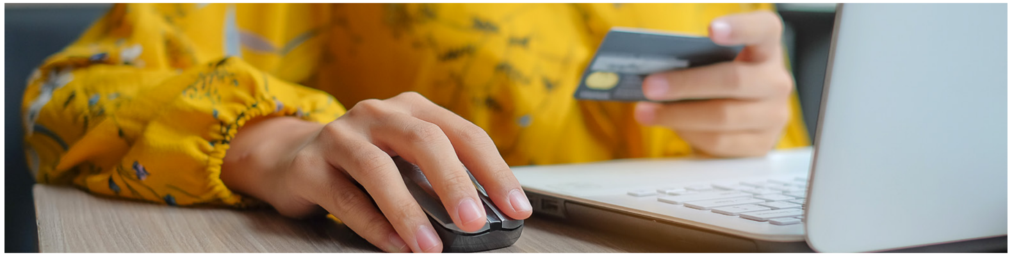
Figure 6. Key successful parameters for co-branding partnerships

1	Governance
2	Revenue sharing model
3	Tech-enabled credit analytics
4	Leveraging data to drive usage/spends
5	Distribution model
6	Product propositions

1. Governance:

Governance is an important parameter that must be considered by banks while entering a co-branding engagement. Banks must adhere to the guidelines issued by the RBI[7] for co-branding. Unlike traditional card programmes, partnerships and engagement programmes with merchants are complex and require defined agreements and SLAs defined for the programme, which should also be aligned with the RBI guidelines on co-branding arrangements.[8] For example, banks/FIs shall ensure that the marketed offers and rewards by the co-branding partner are delivered to the customers on time. Additionally, the co-branding partner could also be made liable or penalised for delays in the delivery of services to customers.

Therefore, it is necessary to introduce an efficient customer grievance redressal and dispute management process for customers. Clear accountability of roles and responsibilities needs to be defined and agreed upon by the co-branding partners – for e.g. banks will drive the issuance, transaction processing, credit line, etc., and the merchant can manage the marketing, promotions and branding.



7 | https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12300#:~:text=The%20card%2Dissuers%20shall%20be,the%20card%2Dissuer's%20secrecy%20obligations.

8 | https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12300#:~:text=The%20card%2Dissuers%20shall%20be,the%20card%2Dissuer's%20secrecy%20obligations.

2. Revenue sharing model:

To better leverage and deepen an engagement, a well-defined revenue sharing model should be used by the co-branding partner and FIs. The model should be economically viable for both banks and merchants to further invest in and increase the reach of the co-branding programme. Based on the agreements and terms and conditions discussed between the FIs and co-branding partner(s), revenue sharing can be majorly categorised into two broad categories, as highlighted below.

a. Income share from card joining fee, penalties, interest accrued and interchange fee:

Issuer banks earn most of their income through card issuance and interchange fees. In this model, FIs will re-distribute the income generated through these fees to the co-branding partner.

Alternatively, FIs can also incentivise merchants for every activated card. This can prove to be beneficial for both merchants and FIs and help to improve income and sales. However, the model has certain drawbacks, as it compensates the merchants only through the income generated from the programme. Moreover, in case of a subdued and stagnant response from customers on a programme, the co-branding partner(s) and FIs may incur losses for the investments made. For example, a large public sector bank has tied up with an Ayurveda FMCG brand for issuing co-branded cards, wherein the agreement is to share the revenue earned through interchange income and other joining fees.

b. Income shared for minimum issuance guaranteed with the co-branding partner:

To partner with large merchant brands across high spending categories, FIs also invest significantly to acquire the co-branding partner's customer base. In such a model, a minimum issuance commitment is agreed upon between FIs and the co-branding partner, and an associated cost is agreed upon. However, in this model, it is important for the co-branding partner to adhere to the issuance commitment agreed upon in order to receive the costs.

For example, a large private sector bank in India has partnered with an e-commerce retailer to issue co-branded credit cards. The co-branding programme acquires customers through the partnered e-commerce's massive customer base.

However, despite its advantages, the model can be ineffective if the issuance commitment is not met, or there is not much customer demand for the co-branded card. In such cases, the bank may incur losses for the initial investment made.

3. Tech-enabled credit analytics:

Credit analysis is the process of identifying the worthiness of a customer/individual and is one of the most important metrics that can decide the success of the engagement programme. By analysing customers' transaction patterns for various merchants, analytical models can be run on the dataset to generate a customer database for issuing co-branded cards. Innovative tech-enabled analytical models have and are being used by institutions and merchants for cross-selling credit lines and to determine the creditworthiness of customers. Additionally, API integration with credit bureaus can help generate an updated score for determining creditworthiness. By correlating the insights generated from the customer's retail purchases and retrieved credit scores from the bureau databases, effective estimates can be derived on the repayment capacity of the customers. The estimates derived can assist the FIs/merchants in targeting and extending credit lines to various customer segments through co-branded cards.

Utilising such intelligence, coupled with a loyalty/rewards programme, helps in achieving better activation rates for the programme overall and is likely to increase the average ticket size and spends for the merchants/FIs.

4. Leveraging data to drive usage/spends:

An important parameter for co-branding programmes is the effective use of customer data. With stringent data privacy laws, it's upon the owners of the customer's data to comply with the laws and regulatory directives. Merchants and banks can utilise new-age analytics tools and big data technologies to derive insights from customer purchases to identify unique patterns. For example, a home improvement retailer can adjust the customer's credit score by analysing the products in the customer's cart. It can then be inferred that customers who bought fire alarms and door locks could be more financially diligent. Combining insights and running an efficient analytics model can help to have a base that drives above-average activation, spending and transactions.

5. Distribution model:

Digital distribution channels like mobile apps and websites have a significantly lower cost of acquisition compared to traditional acquisition strategies. Based on the engagement and agreements, merchants could also set up kiosks to drive card sales and communicate its benefits and offers through marketing material. In addition to various promotional offers, instant issuance of cards, based on customers' transactions and purchase history, can also be an attractive proposition for customers.

Moreover, instant gratification strategies like cashbacks and rewards can act as the differentiating factor that may encourage customers to obtain co-branded cards.

6. Product proposition:

Banks and FIs need to carefully design the product offerings such that the product caters to the requirements of the customer. With today's millennial and Gen Z customers spending more time online and consuming more digital content than ever, a card programme that aligns with their lifestyles will be widely adopted – for e.g. co-branded lifestyle cards like affinity cards and cards for fine dining and frequent flying, with different relationship levels (gold, silver, platinum) based on the spend volume. In future, banks will have to upscale their offerings in terms of card benefits and not limit those to insurance, rewards, cashbacks, etc.

Co-branded card programmes should be designed to meet the needs of the customers. For example, with Gen Z and millennial customers consuming more and more digital content and services, a programme that aligns with their lifestyles will prove to be beneficial and should therefore be considered.

05 Way forward

In mature and developed market economies or countries, co-branding engagements have grown rapidly over the past couple of decades, with multiple successful partnerships disrupting the market with unique customer propositions. Although co-branding engagements are more prominent across sectors like travel, fuel and retail, few potential niche partnerships can act as differentiators for banks/FIs to capitalise on. Some potential differentiated categories that can be explored for co-branding are highlighted below.

1. **Online gaming:** The online gaming industry in India is projected to surpass USD 5 billion in revenue by 2025, from USD 1.5 billion in FY 2019–20.[9,10] Considering the market opportunity and its size, banks could explore partnership opportunities with online gaming start-ups to launch a gaming co-branded card that adheres to the rules and regulations of the gaming industry. Banks and their gaming partners can offer on-demand instant virtual cards incorporated with cashbacks and rewards for gaming purchases.
2. **Healthcare:** According to the data released by the Ministry of Statistics and Programme Implementation on household social consumption in India,[11] private hospitals account for 61% of the in-person hospitalisations in urban India, whereas rural geographies account for 52%. To make the most of the underlying opportunities in healthcare, FIs can partner with private healthcare and diagnostic centres to issue co-branded cards that can help customers save on their healthcare expenses, by offering discounted prices on services such as annual health check-ups, room rental booking and ambulance cover. These features can be incorporated into the card programme by banks.
3. **Sports franchises:** Sporting events are one of the most-watched televised programmes in the world, and have a loyal fanbase that consumes sporting goods and merchandise across all age categories. Thus, curated and customised offers, discounts and rewards on sporting apparel, equipment and goods will attract such customers. Additionally, FIs have the opportunity of gaining significant visibility across media channels (web, mobile, OTT, etc.) through marketing and branding arrangements with sports franchises.
4. **Electronics:** The electronics category has considerably higher spending than other categories/sectors like grocery or shopping. To target the customers in this category, a large private sector bank in India partnered with one of the largest electronics manufacturing organisations to offer discounts and rewards to its customers. The offer was that customers will get 10% cashback on purchases across various electronics categories like televisions, ACs, smartphones and tablets.
5. **Death-tech space:** When an individual passes away, the family spends a significant amount of time to understand and get their deceased one's recurring payments and other bank affairs in order. To make this easier, one of the largest banks in the Netherlands, along with a FinTech company, introduced a solution for managing recurring payments. The bank was the first of its kind to step into the death tech space, which aims to provide guidance to family members by sorting their financial affairs. The deceased person's profile – which includes recurring payments, like loans and subscriptions – is shared with the family members for better understanding. Before this innovation, the concerned bank's customer support would have to thoroughly vet each financial transaction manually, making the entire process time consuming and cumbersome. Post the digitisation of the process, customers find it much easier to understand and manage this scenario.

9 | https://www.ibef.org/blogs/india-s-nascent-gaming-industry-on-the-rise

10 | https://indbiz.gov.in/goi-aims-to-broaden-pli-scheme-to-attract-more-gaming-device-makers/

11 | https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1593246

Conclusion

Co-branded cards are conceptualised and designed to capitalise on the partnership opportunities between merchants and FIs. Co-branded cards, in addition to providing higher incentives and discounts to customers, also influence customer shopping/retailing choices. With more and more FIs launching co-branded cards with merchants and FinTechs/neo-banks, it is important that FIs realise the potential benefits of co-branded cards and explore the unique opportunities that cater to specific customer needs.

FIs can alternatively partner with big ecosystem players such as airport and shopping mall operators that bring in higher ticket purchases and footfalls, and consume affiliate services at these locations. Moreover, FIs can achieve a better break even due to the customer segments that they cater to, and achieve a lower rate of delinquency overall for the programme. Aligning and forging partnerships with merchants that are technologically adept and strive to deliver value to their customers is one of the most important factors in ensuring the success of any co-branding programme.

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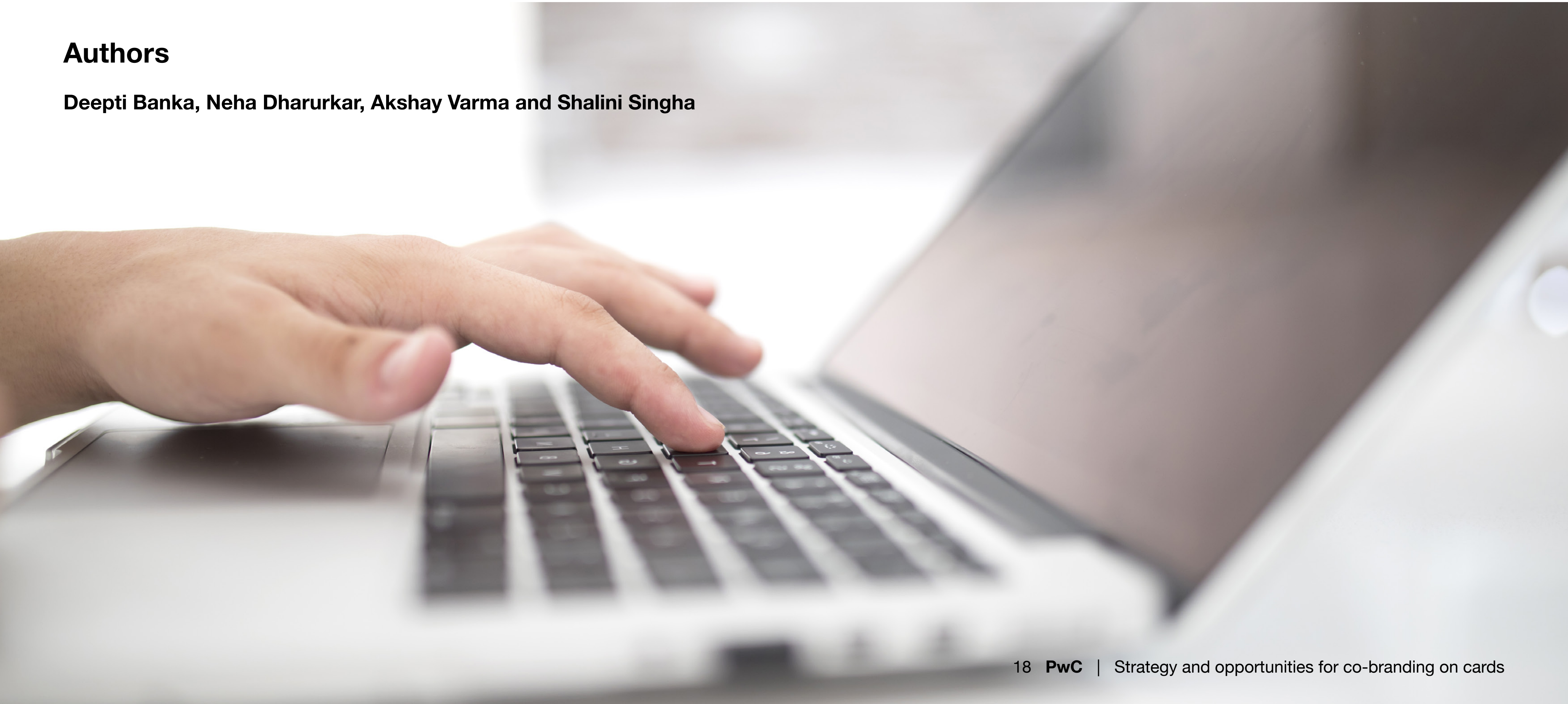

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