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![Hyperface — The Definitive Credit Cards Innovation Platform]

The Rise of Co-branded Credit Cards: Redefining Customer Loyalty

Preface

Jasbir Juneja
Partner
Redseer

India's economy has transformed dramatically in recent years, driven by rapid digitalization, especially during the pandemic, which has accelerated the adoption of digital solutions across various sectors. As spending increases, credit cards are becoming more common, promoting financial inclusivity and empowering consumers. This shift has changed traditional business operations and led to the rise of co-branded credit cards (CBCCs). CBCCs offer tailored benefits to consumers by combining the strengths of financial institutions with those of partner brands. Co-branded credit cards have gained traction by providing customized rewards and incentives that enhance the overall value proposition for cardholders, further integrating financial services into daily consumer experiences.

In partnership with Hyperface, we are pleased to present this report on the emerging trends in India's co-branded credit card industry. Our analysis highlights a vibrant market poised for significant growth, driven by increasing consumer interest and strategic brand collaborations. As we delve into the potential of co-branded credit cards, it is essential to understand the evolving dynamics of the Indian consumer market, cardholder preferences, and the competitive landscape.

With India advancing towards greater digital sophistication, co-branded credit cards are set for remarkable expansion. This report aims to equip stakeholders with valuable insights to navigate this dynamic market successfully. We hope it not only informs but also inspires as we collectively shape the future of financial products in India.

Foreword

Ramanathan RV
Co-Founder & CEO
Hyperface

Aishwarya Jaishankar
Co-Founder & COO
Hyperface

As Nandan Nilekani, Chairman of UIDAI aptly stated, "Disruption in finance is not just about technology; it's about reimagining the customer experience."

Technology has indeed become a powerful force in reshaping industries, and its impact on the financial sector is nothing short of revolutionary. The way we manage, spend, and invest money has been transformed, with innovations that continue to push the boundaries of what's possible. However, despite this wave of technological advancements, one area of finance had remained stagnant for years— the credit card industry.

Traditionally, credit cards have long been characterized by limited innovation and a lack of significant differentiation. For decades, consumers were offered similar products, with minimal changes to their features and benefits. This created an opportunity for innovative solutions. Co-branded credit cards have emerged as a disruptive force in this space, breathing new life into the industry by offering unique, personalized experiences in sync with consumers' lifestyles and preferences.

At Hyperface, this has been our mission - to empower consumer brands and banks to deliver exceptional, digital-first card experiences that resonate deeply with modern consumers. As Asia's First Credit Cards as a Service (CCaaS) platform, we not only enable brands to launch co-branded credit cards faster than ever before but also deliver delight through the entire customer lifecycle through advanced tools. We believe that the future of finance lies in highly personalised embedded solutions, and we pride ourselves in building the right technology tools to enable the same.

This report with Redseer Strategy Consultants delves into the emerging trends and opportunities within the co-branded credit card space in India. It provides valuable insights into the factors driving this growth, the key players in the ecosystem, and the future trajectory of this dynamic market.

We hope this report also serves as a practical handbook, guiding you through the vast opportunities in the realm of co-branded credit cards. As we look to the future, we're eager to partner with you in shaping the next generation of embedded financial products that are more inclusive, personalized, and impactful.

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Executive Summary

India's rapidly growing economy and increasing consumer spending have led to a surge in co-branded credit cards (CBCCs). These cards, born from partnerships between banks and brands, offer tailored rewards and benefits to customers, revolutionizing the credit card industry and have the potential to reshape consumer spending and brand loyalty. CBCCs issuance has grown faster than traditional credit cards. In FY24, co-branded credit cards account for 12-15% of total credit cards and are projected to capture over 25% of the market share by volume, growing at a CAGR of 35-40% from FY24-28. They have evolved to become potent tools for driving engagement, boosting transaction values, and forging enduring bonds with consumers across diverse sectors.

Brands are increasingly launching co-branded credit cards (CBCCs) to maximize customer value and loyalty. They have two main approaches: the traditional route involves building internal capabilities for the launch, which generally takes more than a year, but offers greater control and is resource-intensive. Alternatively, brands can partner with Credit Cards as a Service (CCaaS) providers, reducing the time-to-market significantly and benefiting from their speed of integration and technological expertise.

CCaaS platforms are alchemists of the digital age and are turning the complex art of card issuance into a seamless, data-driven science. They have emerged as key players in the co-branded credit card ecosystem, offering comprehensive solutions that address traditional challenges. Their platforms typically create two essential layers: the issuance layer, which manages the entire card
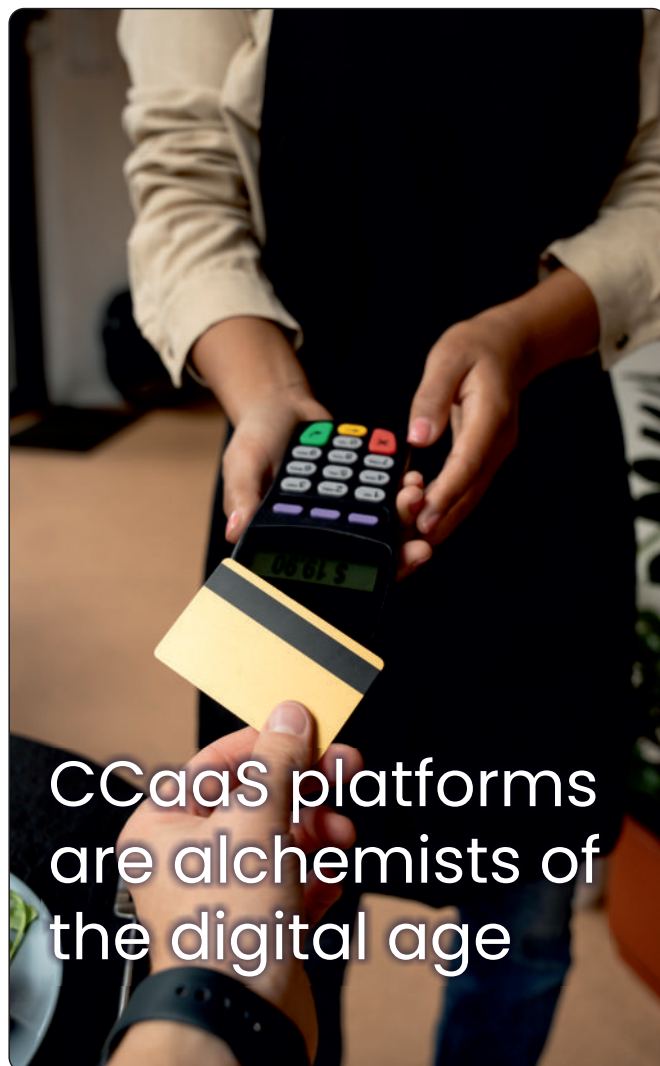
CCaaS platforms are alchemists of the digital age

lifecycle, and the customer engagement layer, which focuses on post-issuance personalization and enhanced experiences.

As we peer into the future, the landscape of embedded finance solutions is being reshaped by the rise of co-branded credit cards. These powerful tools are not merely a passing trend, but rather the vanguard of a new era in consumer finance. They represent a fusion of brand loyalty, personalized experiences, and cutting-edge technology that is set to redefine how consumers interact with both - their favourite brands and their finances.

Consumption Growth
and The Rise of Co-branded
Credit Cards in India

# The Consumption Engine: Instruments Driving India's Economic Ascent

India is on the Path to becoming the 3rd Largest Economy Driven by Consumption

India is poised to play a defining role in shaping the future of the global economy in 2024 and beyond. As one of the fastest-growing economies, it is charging ahead to claim the title of the world's third-largest economy by 2028. This economic growth is reshaping consumer behaviour, driven by rising incomes. As discretionary spending grows, consumers are prioritizing aspirational products and experiences. Urbanization and digital awareness are key catalysts, expanding this trend beyond metro areas to Tier 2 and 3+ markets nationwide.

Annual GDP indexed to 2010

CY 2010-2028P
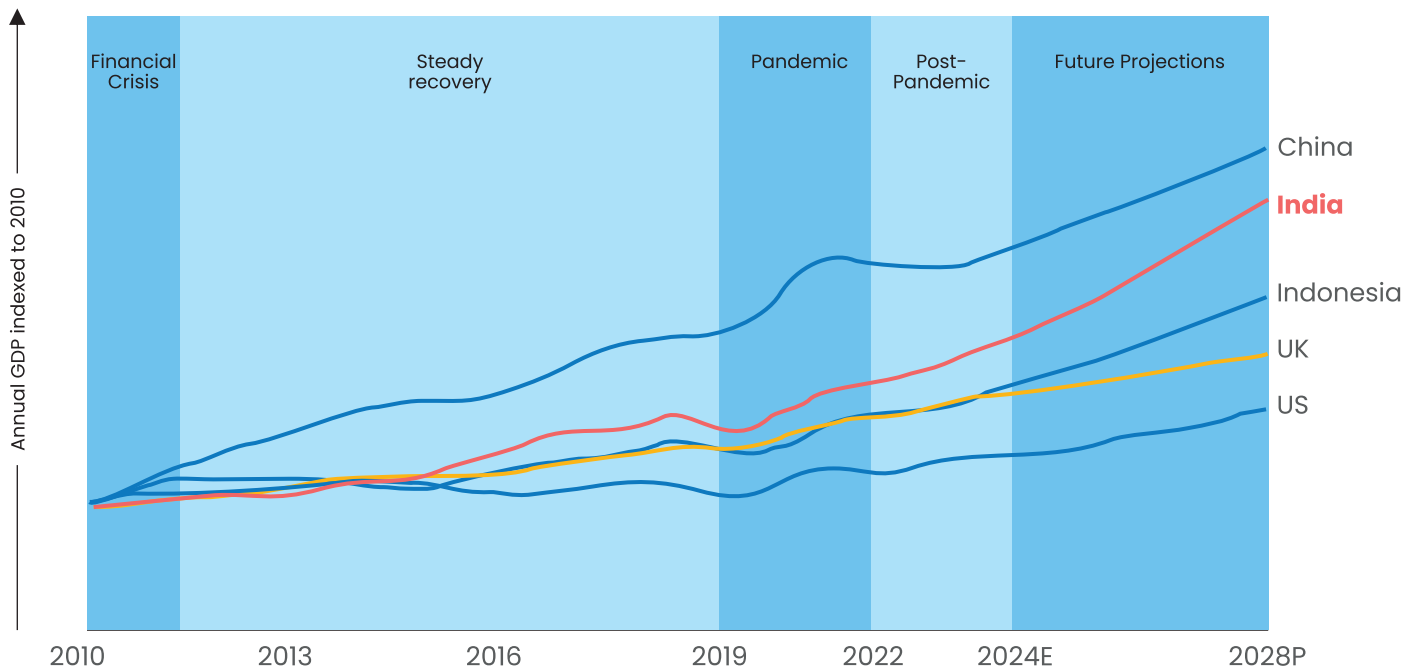
Notes: Annual GDP Growth Indexed to 2010 measures a country's economic growth by comparing its GDP at current prices in a given year to its GDP in the base year of 2010, providing a measure of relative growth over time.

Source(s): IMF, Redseer analysis

This surge in economic activity has led to a significant increase in consumption across India. Households are spending more on a wide range of goods and services, from electronics, dining, and travel to luxury items. The retail and e-commerce sectors are experiencing robust growth, with consumers showing a greater willingness to explore and spend on diverse products and services. This heightened consumption is a testament to the evolving aspirations and confidence of the Indian consumer, further fuelling the country's economic momentum.

Discretionary Spending Propels India's Consumption Boom

India's spending on discretionary items has been rising since the early 2000s and is estimated to account for over 30% of the Private Final Consumption Expenditure (PFCE) in FY24. Over 70% of Indian households are just beginning to spend on non-essential goods and services. With rising disposable incomes, households are directing their funds towards aspirational purchases, indicating a shift from meeting basic needs to fulfilling desires. This upward movement in the income ladder is transforming the economic landscape, as a growing middle class drives demand for a diverse range of goods and services.

**PFCE Distribution
– Discretionary vs Non-discretionary**

USD Tn, FY 14, 19, 24E

- Discretionary Spends
- Non-Discretionary Spends
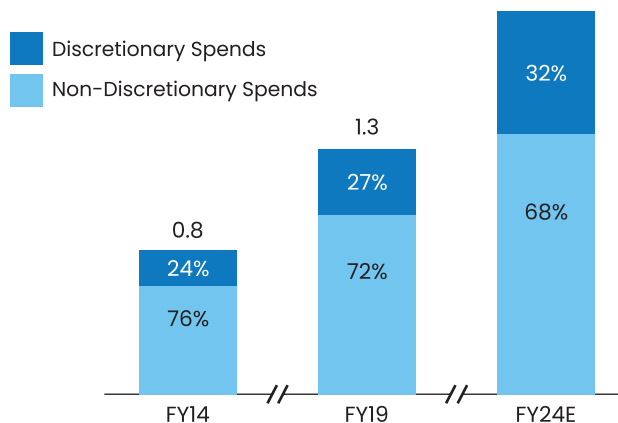
Notes: Discretionary spending includes spending on non-essential expenses i.e. meat & gourmet foods, clothing & footwear, furniture & furnishings, households' textiles & others. Non-discretionary spending includes spending on essential expenses i.e. food items & beverages, fuels, electricity, housing rentals, health, education & others.

Source(s): Redseer analysis

Credit Cards Gain Traction in Consumer Spending as an Evolving Mode of Payment

The surge in consumption is being supported by two major digital payment instruments: UPI (Unified Payments Interface) and credit cards. The convenience and widespread adoption of UPI has made digital transactions seamless and accessible. On the other hand, credit cards are playing a crucial role in driving the payments of this consumption spend by offering consumers the ability to make purchases on credit, coupled with various rewards and benefits. This is witnessed by the increased use of credit cards as a digital mode of payment doubling from 5% of total PFCE spending in FY2021 to an estimated 10% by FY2024.

PFCE spends - Mode of Payments [% FY21-24]

- Credit Card
- Debit Card
- UPI
- Others (Mostly cash transactions)
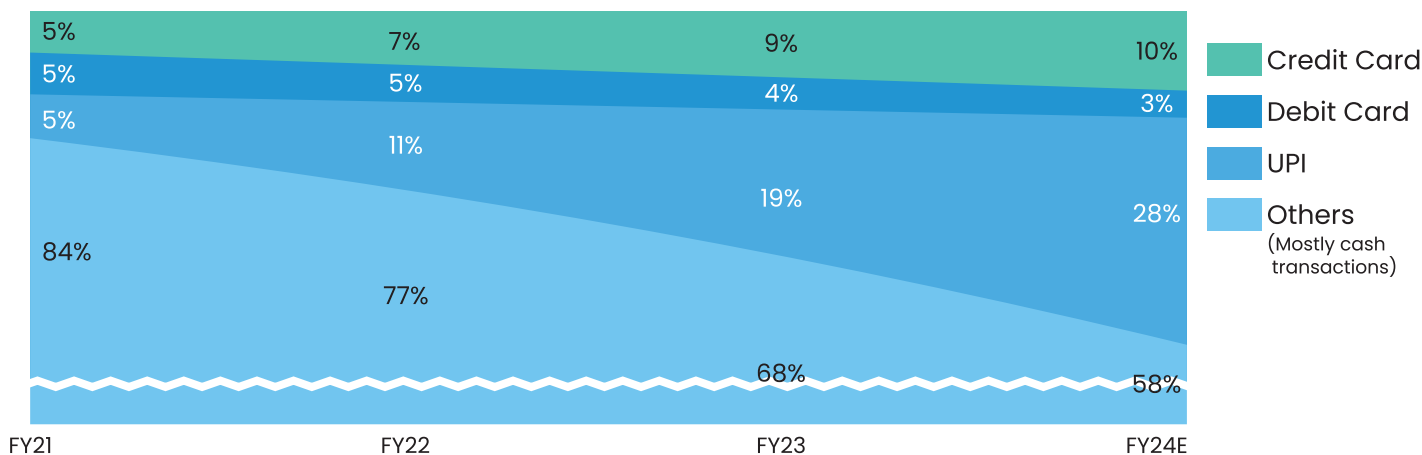
Notes: (1) Others include mostly cash transactions and small components like BHIM Aadhar Pay, NACH, NETC, BNPL, etc.
(2) Total sum may not be 100% due to rounding off
Source(s): RBI, Redseer estimates

The increasing adoption of credit cards is paving the way for more specialized financial products. Moreover, the deferred payment feature reduces the immediate impact of spending, allowing consumers to make more frequent transactions or larger purchases while managing their cash flows more effectively. This psychological aspect, combined with the allure of rewards and brand affinity, brings us directly to our next focus: a deeper exploration of co-branded credit cards.

> " Credit cards are revolutionizing consumer behaviour by enabling effortless spending and driving consumption. Co-branded cards have evolved from travel rewards to being essential industry drivers, offering curated value propositions that meet consumer needs and fostering loyalty. "
>
> **Praveena Rai, COO, NPCI**

Co-branded Credit Cards have Revolutionized the Credit Card Industry with Tailored Perks and Privileges

Co-branded Credit Cards are poised to Grow 2x Faster than Traditional Credit Cards

With an increase in consumer spending activity, co-branded credit cards are emerging as an attractive option among credit cards. Their issuance and use are on the rise. Moreover, CBCCs are created through strategic partnerships between banks/issuers and brands that offer tailored rewards and exclusive benefits. This unique value proposition makes them highly attractive, driving their increased popularity and usage.

The share of co-branded credit cards has surged from 3-5% to 12-15% of all credit cards issued in just four years, from FY20 to FY24. By FY28, they're projected to capture over 25% of the market share by volume, growing at a CAGR of 35-40% from FY24-28. Traditional credit cards, while still strong, will grow at a more modest 14-16% CAGR during the same period.

The co-branded credit card trajectory is being propelled by relevant rewards, exclusive perks, and strategic partnerships. From cashback to VIP experiences, co-branded credit cards are changing the rewards landscape with the help of brand-issuer partnerships.

Segmentation of Credit Cards
Mn, FY20, 24 & 28P
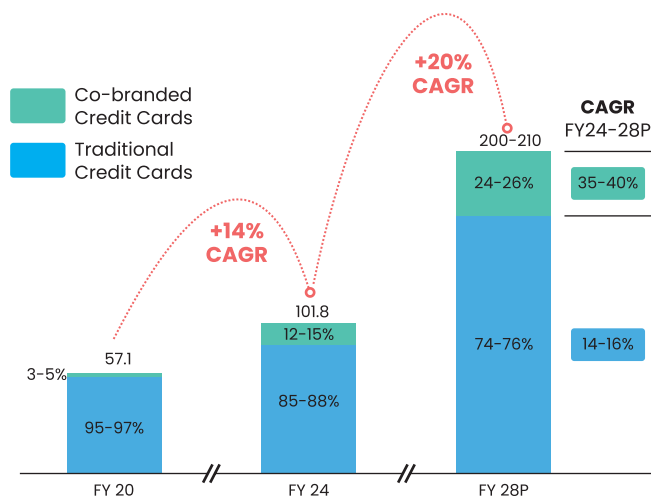
Notes: (1) Traditional credit cards include cards that operate on the traditional credit card model and BIN sharing business model.

Source(s): RBI, Redseer analysis

More than one-third of all new credit cards issued in FY24 were co-branded. This marks a significant rise from FY18, when less than one-tenth credit cards issued were co-branded.

Percentage of New Issuance of Co-branded Credit Cards out of Total Credit Cards

2018
8-10%

2024
33-35%
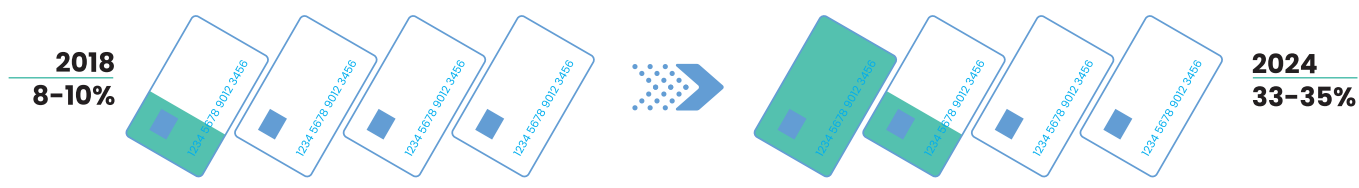
Source(s): Redseer analysis

The growth of co-branded credit cards goes beyond issuance, with an increase in both transaction volumes and values. From FY24 to FY28, based on Redseer estimates, co-branded credit cards are expected to grow at a CAGR of 45-50% in transaction volume and 55-60% in value. Redseer estimates that by FY28, co-branded cards will account for 22-25% of transaction volume and 33-35% of transaction value.

Credit Card Transactions — Volume

Legend: Co-branded Credit Cards / Traditional Credit Cards

	FY 20	FY 24	FY 28P
Total	2.2	3.6	10-12
Co-branded	3-5%	12-15%	22-25%
Traditional	95-97%	85-88%	75-78%

CAGR FY24-28P: Co-branded 45-50%, Traditional 25-30%
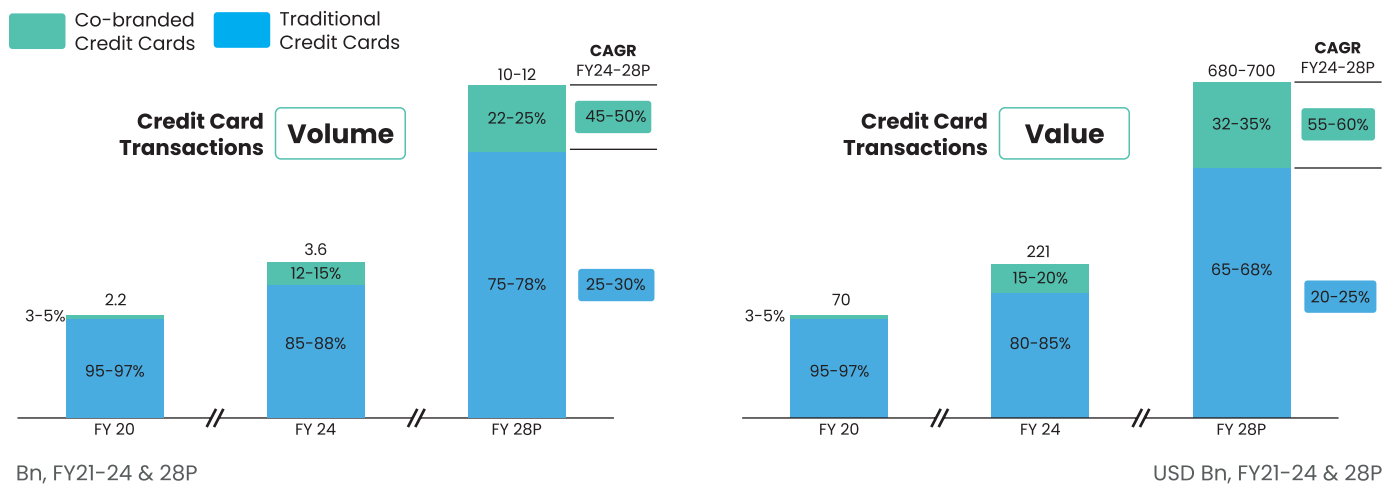
Bn, FY21-24 & 28P

Credit Card Transactions — Value

	FY 20	FY 24	FY 28P
Total	70	221	680-700
Co-branded	3-5%	15-20%	32-35%
Traditional	95-97%	80-85%	65-68%

CAGR FY24-28P: Co-branded 55-60%, Traditional 20-25%

USD Bn, FY21-24 & 28P

Source(s): Redseer analysis

While traditional credit cards have their place, co-branded credit cards offer a host of advantages that truly elevate the consumer experience.

Key Growth Factors for Co-branded Credit Cards

- **Evolving Brand Loyalty:** The rise of co-branded credit cards is fuelled by younger consumers seeking deeper connections with brands. They value a true exchange beyond points, craving a shared identity and sense of belonging, driving the growth of these cards.

- **Tailored Rewards Programs:** Co-branded credit cards go beyond the one-size-fits-all approach. By partnering with specific brands, they offer reward programs that align with consumers' unique spending habits.

- **Personalized Benefits for Every Lifestyle:** Co-branded credit cards bring a level of customization that caters to individual preferences. From exclusive access to VIP experiences to personalized discounts and offers, these cards ensure that every cardholder feels valued and appreciated.
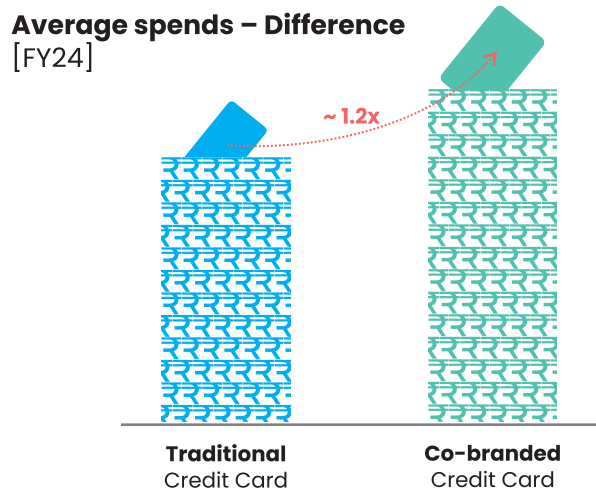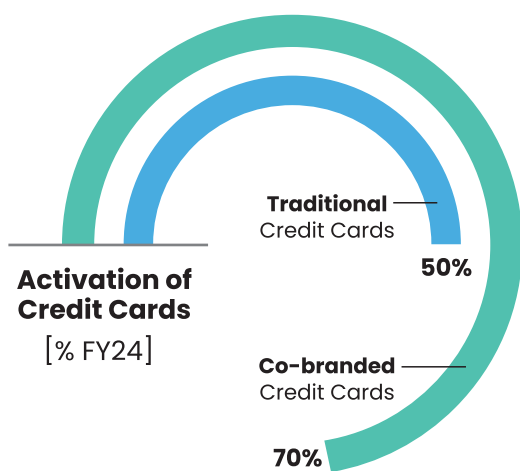
Co-branded credit cards are leading the shift towards more customer-centric and inclusive credit offerings. They are setting a new standard in the credit card industry by offering tailored rewards, personalized benefits, and unbeatable value. They also often offer a smoother user experience and serve as a great gateway to credit for customers who make small, frequent purchases and are not yet eligible for more premium cards. As a result, consumers are increasingly looking beyond traditional credit cards and embracing the benefits of co-branded options.

Co-branded Credit Cards Outperform Traditional Cards

Key metrics reveal that co-branded credit cards are gaining significant traction, with average spending surpassing traditional credit cards. The average spend per card for co-branded credit cards is 1.2 times greater than traditional credit cards, reflecting the powerful allure of customized rewards and the deep loyalty of their users.

Activation of Credit Cards
[% FY24]

Traditional Credit Cards — 50%

Co-branded Credit Cards — 70%

Average spends – Difference [FY24]

~ 1.2x

Traditional Credit Card

Co-branded Credit Card

Note(s): Activation rate refers to percentage of all issued credit cards that have been activated within 30 days of issuance.
Source(s): Redseer analysis

Besides spends, activation rate is a key metric for assessing credit card performance. Co-branded credit cards have a much higher activation rate when compared to traditional credit cards. The activation rate in the case of co-branded credit cards is 70% while traditional credit cards only have an activation rate of 50%, underscoring the effectiveness of strategic brand partnerships.

> "Our co-branded credit cards not only drive higher spending through tailored rewards and benefits but also achieve significantly higher activation rates. By creating a compelling value proposition, these cards encourage frequent usage and deeper customer engagement.
>
> **Pankaj Bansal, CBO, BankBazaar**
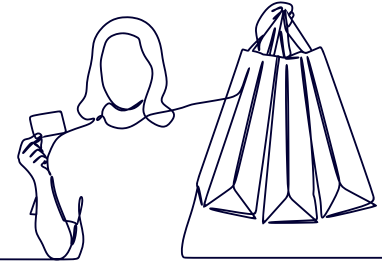
Co-branded Credit Cards are Expanding across Sectors
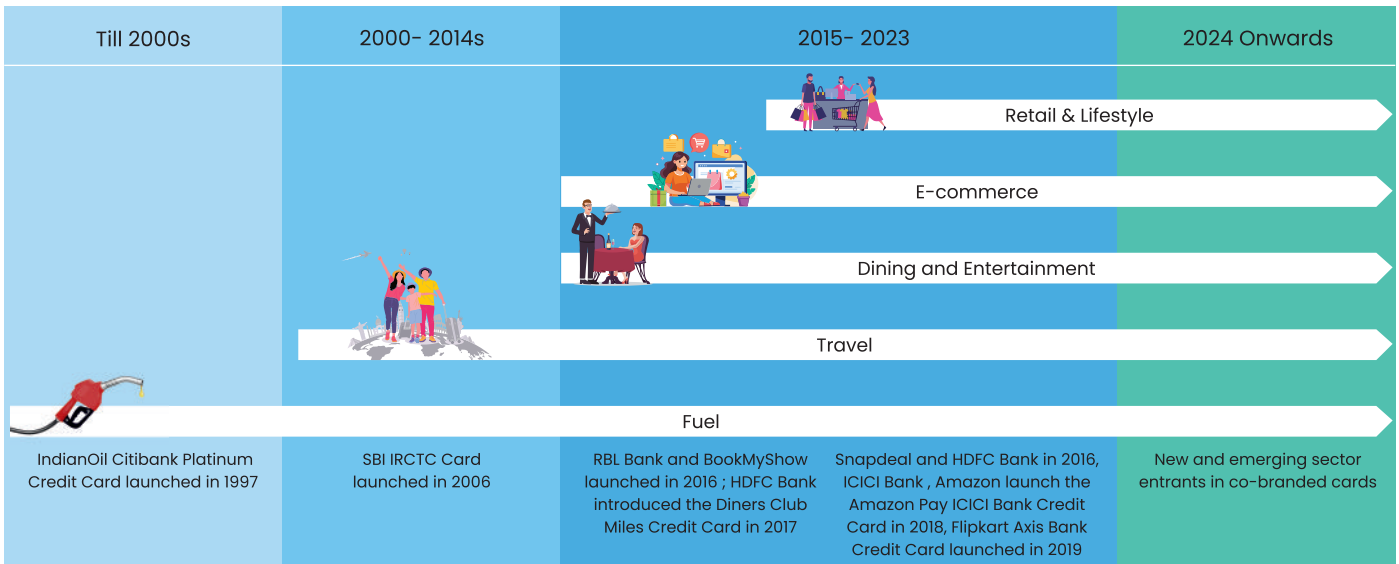
Co-branded credit cards have been long associated with fuel companies in India, offering customers discounts and rewards for fuel purchases. For instance, the IndianOil Citibank Platinum Credit Card is a notable example launched in 1997, providing customers with cashback on fuel purchases at IndianOil outlets. These cards offered significant savings to frequent commuters and vehicle owners. However, in recent years, there has been significant traction among players from other sectors offering these cards. From their inception in the fuel to their expansion in travel and airline, dining and entertainment, e-commerce, and grocery, these co-branded credit cards have become popular due to the synergistic benefits they provide to both - the bank/issuer and the partner brand.
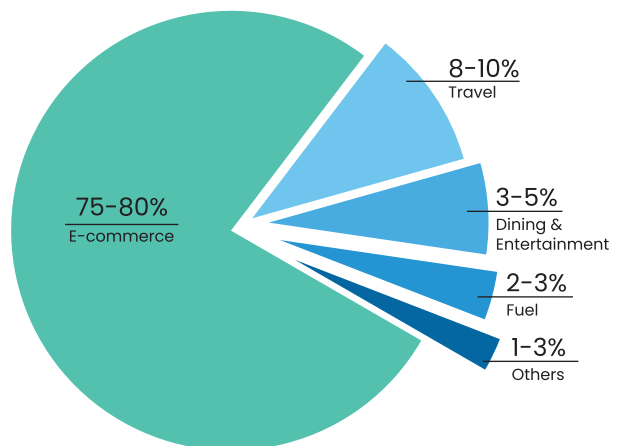
Evolution of Co-branded Credit Cards

Till 2000s	2000- 2014s	2015- 2023	2024 Onwards
		Retail & Lifestyle	
		E-commerce	
		Dining and Entertainment	
	Travel		
Fuel			
IndianOil Citibank Platinum Credit Card launched in 1997	SBI IRCTC Card launched in 2006	RBL Bank and BookMyShow launched in 2016 ; HDFC Bank introduced the Diners Club Miles Credit Card in 2017	Snapdeal and HDFC Bank in 2016, ICICI Bank , Amazon launch the Amazon Pay ICICI Bank Credit Card in 2018, Flipkart Axis Bank Credit Card launched in 2019	New and emerging sector entrants in co-branded cards

Transition of Co-branded Credit Cards from fuel to other sectors

Source(s): Redseer analysis

Currently, there are around 70 different co-branded credit cards available, accounting for about 12-15% of the total credit cards in circulation. The highest penetration and adoption rate is in the e-commerce sector which dominates this space with 75-80% of all issued co-branded credit cards. The Amazon Pay ICICI Bank Credit Card and the Flipkart Axis Bank Credit Card are particularly popular, collectively accounting for around 9 Mn cards in FY24 as per ICICI Bank and Axis Bank annual reports.

Segmentation of Credit Cards [FY 24]

- 75-80% E-commerce
- 8-10% Travel
- 3-5% Dining & Entertainment
- 2-3% Fuel
- 1-3% Others

Source(s): Redseer analysis

This is followed by the travel sector which accounts for 8-10% of all co-branded credit cards, and dining/entertainment which makes up 3-5%. This highlights the growing importance of co-branded credit cards within the financial eco-system, as they increasingly offer opportunities to maximize rewards and cashback for customers.

> " Success in co-branded programs is gauged by the attractiveness of offers, the quality of the product experience, and overall profitability. It's essential to strike a balance between high reward costs and delivering strong consumer value. "
>
> **– Jitendra Gupta, CEO & Co-Founder, Jupiter**

Sector-wise Market Penetration of Co-branded Credit Cards

Sectors	Key Credit Cards	Number of Co-branded Credit Cards	Market Penetration
E-commerce	• Amazon Pay ICICI Bank • Flipkart Axis Bank		High
Travel	• MakeMyTrip ICICI Bank • IRCTC SBI Card		High
Dining	• Swiggy HDFC Bank • EazyDiner IndusInd Bank		Medium
Entertainment	• PVR INOX Kotak Mahindra Bank • Bookmyshow RBL Bank		Medium
Fuel	• HPCL ICICI Bank • IndianOil Axis Bank • BPCL SBI Card		Low
Fintech	• Paytm HDFC Bank • Fibe Axis Bank		Low
Traditional Retail	• Titan SBI Cards • Shoppers Stop HDFC Bank		Low
Others	• Adani One ICICI Bank • Nature's Basket SBI Card • Samsung Axis Bank		Low

Note(s): (1) Number of co-branded credit cards refers to total number of different co-branded credit cards present in the particular sector out of the total co-branded credit cards available for consumers; (2) Market penetration refers to the percentage of cards issued to the users of the segment
Source(s) : Redseer analysis

Co-branded credit cards are poised for significant growth in sectors characterized by high consumer spending capability and frequent, repeat usage. This trend is particularly evident in retail and lifestyle, grocery, travel (especially daily commutes), and hospitality. These industries offer ample opportunities for consumers to earn and redeem rewards regularly, making co-branded cards an attractive proposition for both - issuers and partner brands.

Sectors Clocking Significant Growth in Co-branded Credit Cards

Retail & Lifestyle

The retail and lifestyle sector is expected to see a surge in co-branded credit card adoption. The Shoppers Stop Citibank Credit Card was a pioneer, but the sector itself saw limited traction. Now, the trend is gaining momentum, with fashion brands, department stores, and lifestyle companies likely to leverage these cards to enhance customer loyalty and increase their share of wallet. Today, these co-branded credit cards offer perks like exclusive access to sales, personalized styling services, or accelerated rewards on category-specific purchases, further driving their appeal and adoption.

Grocery

With food being a consistent and significant portion of household expenditure, grocery chains are well-positioned to benefit from co-branded credit cards. Quick commerce platforms are also expected to tap into this opportunity, expanding the appeal to budget-conscious consumers and families. This approach not only enhances customer loyalty but also expands the reach and impact of these programs, making them a strategic asset in the competitive landscape of retail and quick commerce.

Travel (Daily Commute)
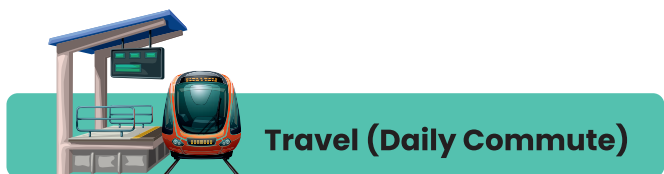
While travel-related co-branded cards have gained some popularity, the daily commute segment remains largely untapped, presenting a significant growth opportunity. As urban populations grow and commuting costs rise, co-branded cards focusing on daily travel are likely to gain traction. These could include partnerships with ride-sharing services, public transit authorities, or fuel companies.

Hospitality

The hospitality sector, including hotels, restaurants, and entertainment venues, is ripe for co-branded credit card expansion. As travel has rebounded strongly in the post-pandemic era, this resurgence is poised to drive significant growth in related financial products. The pent-up demand for travel and dining out is likely to make these cards particularly attractive to consumers eager to maximize value from their renewed spending in these areas.

Another exciting prospect for the future of the financial landscape is the concept of open network alliances among co-branded credit card players, also known as coalition loyalty programs. This idea is a natural evolution as the industry looks to maximize value for both - consumers and partners. By enabling multiple brands or sectors to benefit from a single cardholder's spending, these alliances can offer a broader range of rewards and incentives, enhancing customer engagement.

The potential for these alliances to enhance the value proposition of co-branded credit cards is significant. By integrating rewards and benefits from various sectors, these cards can offer more compelling reasons for consumers to engage and spend, driving further adoption.

"Coalition loyalty-led credit card programs will redefine customer engagement by uniting multiple brands under one umbrella. This innovative approach not only enhances value for consumers but also fosters deeper connections across diverse merchants/brands, while ensuring that loyalty is delivered in a seamless and integrated manner.

- Bhargav Errangi, Founder & CEO, POP
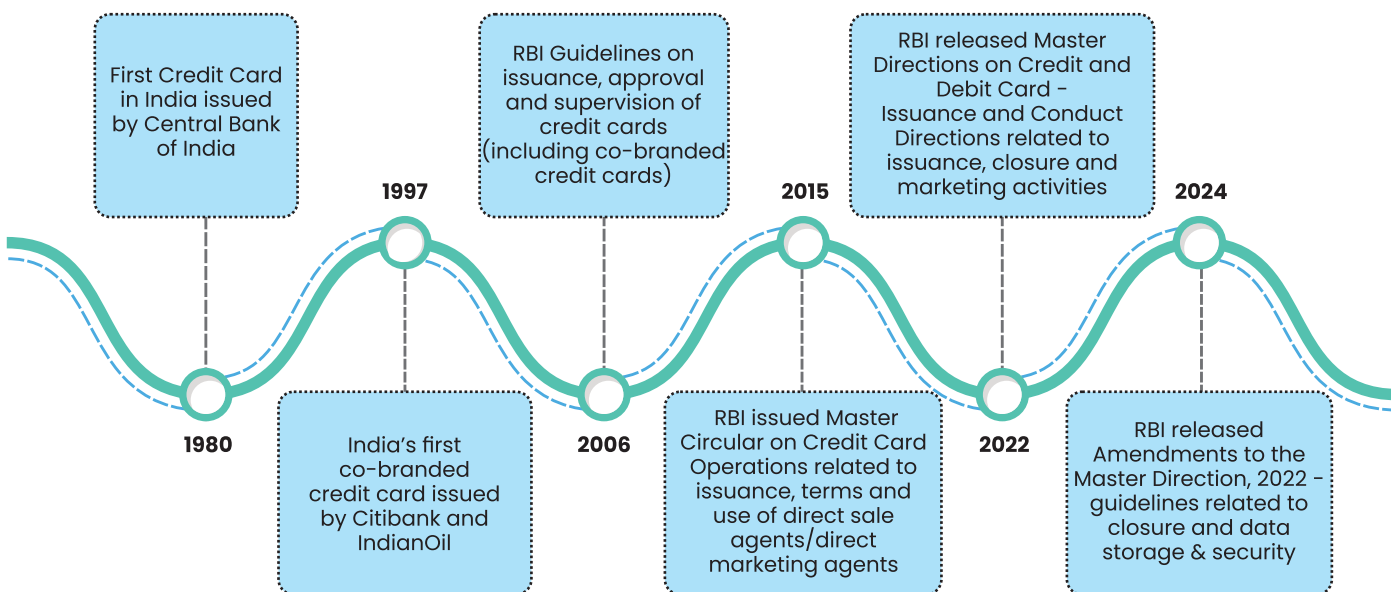
Overview of the Regulatory Framework

India's financial sector is governed by a robust regulatory framework that has been designed to ensure stability, transparency and holistically protect the consumer. The Reserve Bank of India serves as the principal regulator for banking and financial services, issuing guidelines and directives that shape the operations of all financial instruments, including credit cards.

In recent years, the regulatory landscape has evolved in response to rapid advancements in financial technology (fintech). As digital payments grew and consumer demand for convenient financial products increased, the Reserve Bank of India (RBI) prioritized security alongside convenience. The launch of the Unified Payments Interface (UPI) and the rise of fintech startups have necessitated ongoing updates and increased scrutiny within the regulatory framework, ensuring that innovation does not compromise consumer protection.

There are comprehensive guidelines in place to ensure security, compliance, and consumer protection. By overseeing the issuance and management of credit cards, RBI helps maintain high underwriting standards and prevent practices that could lead to excessive credit risk. Initially, the regulation of co-branded credit cards was part of the broader guidelines governing credit cards, with a broader agenda of protecting users and reducing the risk exposure of the banks.

Let's look at the regulatory guidelines of the RBI:

First Credit Card in India issued by Central Bank of India

RBI Guidelines on issuance, approval and supervision of credit cards (including co-branded credit cards)

RBI released Master Directions on Credit and Debit Card - Issuance and Conduct Directions related to issuance, closure and marketing activities

1997

2015

2024

1980

2006

2022

India's first co-branded credit card issued by Citibank and IndianOil

RBI issued Master Circular on Credit Card Operations related to issuance, terms and use of direct sale agents/direct marketing agents

RBI released Amendments to the Master Direction, 2022 – guidelines related to closure and data storage & security

Source(s): RBI, Redseer analysis

Evolution of RBI's Regulatory Guidelines

Master Circular RBI Guidelines, 2006

- ❖ Approval for Co-branded Credit Cards: From 2006 guidelines, RBI mandates that Non-Banking Financial Companies (NBFCs) that are registered with the RBI can issue co-branded credit cards with scheduled commercial banks, without risk sharing, for an initial period of two years, subject to prior RBI approval.

- ❖ Supervision: NBFCs are limited to marketing and distribution roles, must ensure customer confidentiality, and cannot transfer business risks to the co-branded credit cards. The issuing bank handles KYC requirements, customer grievances, and legal risks.

Master Circular RBI Guidelines, 2015

- ❖ Compliance with KYC and AML Norms: The RBI enforces strict compliance with Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations mentioned in 2015 guidelines on Master Direction on credit card operations. This ensures that the issuance of co-branded credit cards does not facilitate fraudulent activities or money laundering. Card issuers shall carry out due diligence in respect of the co-branding partner entity.

- ❖ Issuance and Terms: Banks and NBFCs must independently evaluate credit risk, especially for students and individuals without independent financial means. Terms and conditions should be clear, ideally available in multiple languages, and prominently feature the Most Important Terms and Conditions (MITCs).

However, with the recent boom in co-branded credit cards, specific regulatory measures are being implemented to address the unique challenges posed by these partnerships. This increased scrutiny is intended to prevent unregulated entities from indirectly entering the credit card industry. RBI issued 'Master Circular Guidelines - Issuance and Conduct Directions' in 2022, which had several repercussions on the co-branded credit card segment and the credit card industry as a whole. This circular primarily focused on below pointers:

- ❖ Prior approval of the RBI is not necessary for the issuance of co-branded debit cards/co-branded prepaid cards by banks and co-branded credit cards by card issuers. Also, it prohibited Urban Co-operative Banks (UCBs) from issuing debit/credit cards in tie-up with other non-bank entities.

- ❖ RBI adopted an accommodating stance by allowing NBFCs with a minimum net owned fund of INR 100 Cr. to undertake credit card business, subject to prior approval. This move has allowed the entry of new players, increasing the competition in the space.

- ❖ The role of co-branding partners was restricted to marketing and customer acquisition activities only and explicitly prohibited them from accessing customer transaction data. It was made mandatory for co-branded cards to clearly state that they are issued under a co-branding arrangement.

- ❖ Banks were instructed to share key fact statements with the customers. Credit card issuers were also instructed to provide bifurcation of all charges, including interest & discounts, etc. to the customer. This resulted in an increase in operational load for banks as they had to inform customers via multiple channels.

- ❖ RBI also mandated that if a credit card is not activated within 30 days of issuance, the issuer must close the card without any charges.

Additionally, in the RBI issued 'Amendments to Master Direction on 2022 Guidelines' in 2024, key directives for business and commercial payments made through credit cards were:

❖ **Data Security Requirements:** Co-branding partners cannot access transaction information related to the co-branded card. Post issuance, their involvement was limited to being the initial point of contact in case of grievances. For user convenience, transaction data was allowed to be accessed only in an encrypted form directly from the card issuer's system and displayed on the co-branding partner's platform, which can only be visible to the cardholder. The co-branding partner was prohibited from accessing or storing this data.

❖ **Penalty for Delayed Account Closure:** A penalty of ₹500 per calendar day is imposed on card issuers failing to close credit card accounts within the stipulated time frame.

❖ **Co-branding with Card Issuers:** Prior approval shall not be required by the banks and NBFCs registered with The Reserve Bank of India to become a co-branding partner of card issuers. This includes all banks, payment banks, state co-operative banks, district central co-operative banks, and registered NBFCs.

Banks issuing co-branded credit cards had to make significant operational adjustments to comply with the updated regulations. These adjustments included implementing advanced data security measures and ensuring that all customer information is stored and processed securely within their systems. The restrictions on data access have fundamentally changed the dynamics of co-branding partnerships. Co-branding partners who previously had data for marketing and analytics purposes, now solely depend on the issuing banks for customer insights. This shift has led to a more cautious approach to forming and maintaining a co-branding agreement, with an increased emphasis on compliance and transparency.

Demystifying the Process Behind The Launch of Co-branded Credit Cards and Key Stakeholders
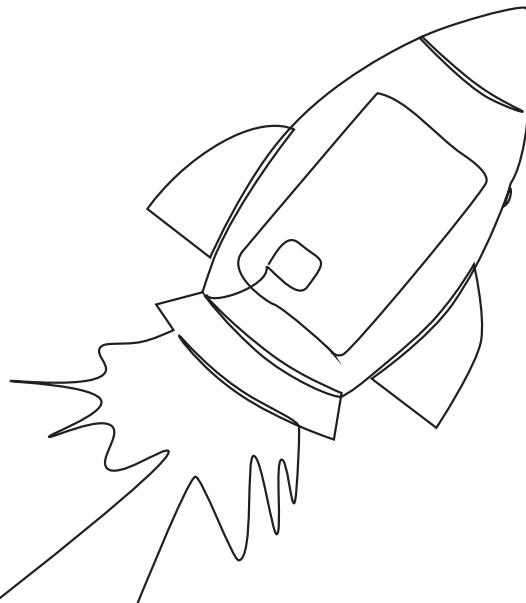
Brands are Looking to Maximize Customer Value through Co-branded Credit Cards
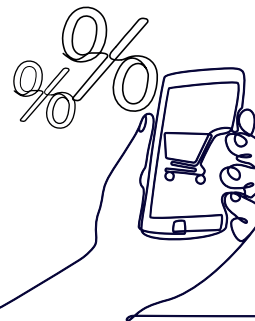
Co-branded credit cards have emerged as a powerful strategy to enhance customer loyalty and retention in today's competitive market. These cards, born from strategic partnerships between financial institutions and prominent brands, offer a unique value proposition that seamlessly integrates into consumers' daily lives, encouraging customers to remain loyal to both - the brand and the bank.

What is the Value Proposition?

✦ Combine the **purchasing power of a credit card with brand-specific rewards and perks**, to create a more engaging and personalized experience for their customers

✦ Maintain **continuous brand-consumer touchpoints** through targeted marketing strategies

What Brands want to Achieve

✦ Enhance **brand credibility** and create a positive experience for consumers

✦ **Extend brand presence** through the credit card lifecycle

✦ **Constant reinforcement** with every swipe or tap, to choose the co-branded card over other payment options

The appeal of co-branded credit cards extends beyond simple transactions. The targeted benefits ensure continued usage as customers seek to maximize their rewards and benefits. This ongoing interaction fosters a deeper connection to the brand, potentially leading to higher customer lifetime value (CLTV) and reduced churn rates. Moreover, these cards provide valuable insights on spending habits through bank/issuer partnerships, allowing brands to refine their marketing strategies and product offerings, further solidifying the customer relationship.

Key Motivators for Brands to Launch Co-branded Credit Cards

Brands launch their co-branded credit cards to reap the rewards of this powerful loyalty tool by aligning the card benefits with the target audience

Strengthen Brand Loyalty
To create a strong bond with consumers, offering rewards tied to affiliated brands

Enhanced Customer Experience
To provide a cohesive and streamlined experience across multiple touchpoints

Boost Revenue Streams
To create additional revenue opportunities using allure of rewards and benefits

Expand Customer Base
To tap into a broader audience, attracting new customers who may not have engaged with the brand otherwise

Leverage Data Insights
To enable more targeted marketing campaigns and personalized product offerings by collaborating with the bank

Based on our discussions with industry leaders, the launch of a co-branded credit card offers multiple strategic benefits to brands. By leveraging these benefits, brands create a powerful tool for boosting customer engagement and loyalty. However, it's crucial to consider the target audience, potential partnerships, and overall brand strategy when launching a co-branded credit card program.

> "Our co-branded credit card is designed to meet the evolving needs of modern travelers who prioritize flexibility, convenience, and seamless integration of premium financial rewards with exceptional travel benefits. The ixigo AU Credit Card offers a compelling value proposition with exclusive discounts and rewards on all offline and online spending. It delivers tailored benefits that enhance the user experience, deepen customer engagement, and build lasting loyalty while keeping users actively engaged on the platform."
>
> **– Aloke Bajpai, Group CEO & Rajnish Kumar, Group Co-CEO, ixigo**

Once brands decide to launch a co-branded credit card, their first step is to develop a Customer Value Proposition (CVP). Typically, this involves identifying the core needs and preferences of their target audience, aligning these with the brand's unique strengths, and then articulating the specific benefits that the co-branded card will offer.
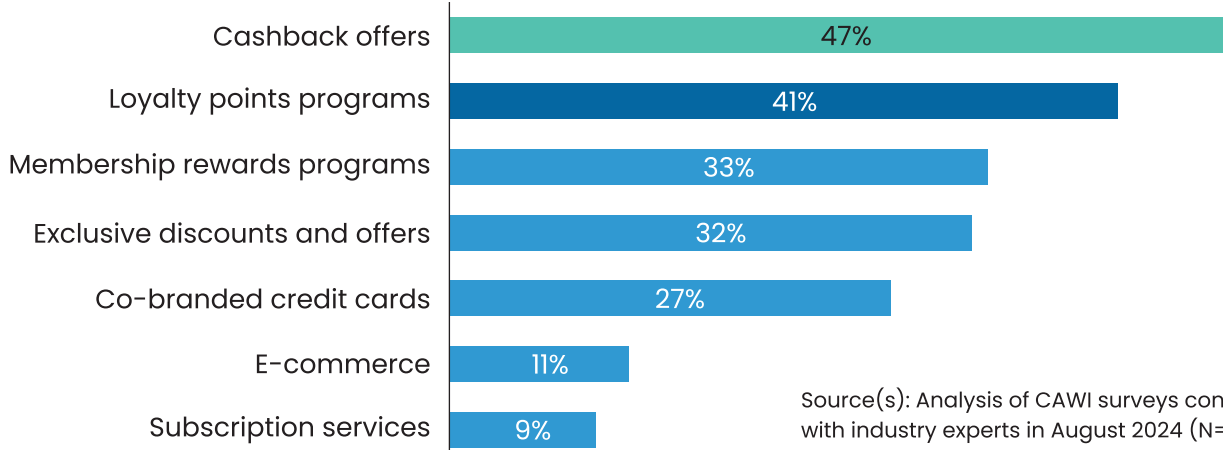
The survey conducted among key decision-makers from various sectors reveals that cashback offers and loyalty points programs are the most favoured strategies for enhancing customer loyalty. According to the survey, 47% of respondents identified cashback offers as a key method for fostering customer loyalty, while 41% pointed to loyalty points programs as their preferred approach.

These findings underscore the importance of offering tangible rewards to customers, with a significant portion of industry professionals favouring direct financial incentives or points-based rewards as effective means to retain and engage customers.

Customer Loyalty Programs
(N =100)

Q When you think about customer loyalty, which of the below programs come to your mind?

| Program	Percentage
Cashback offers	47%
Loyalty points programs	41%
Membership rewards programs	33%
Exclusive discounts and offers	32%
Co-branded credit cards	27%
E-commerce	11%
Subscription services	9%

Source(s): Analysis of CAWI surveys conducted with industry experts in August 2024 (N=100)

Survey data reveals that when brands focus on customer loyalty, they prioritize three core programs: loyalty programs, exclusive discounts and offers, and cashback rewards. These features consistently dominate their strategic considerations, underscoring their essential role in fostering strong customer engagement.

Benefits of Launch – E-Commerce (N = 42) **vs Fintech** (N = 36)

Q When you think about customer loyalty, which of the below programs come to your mind? Pick your top 2.
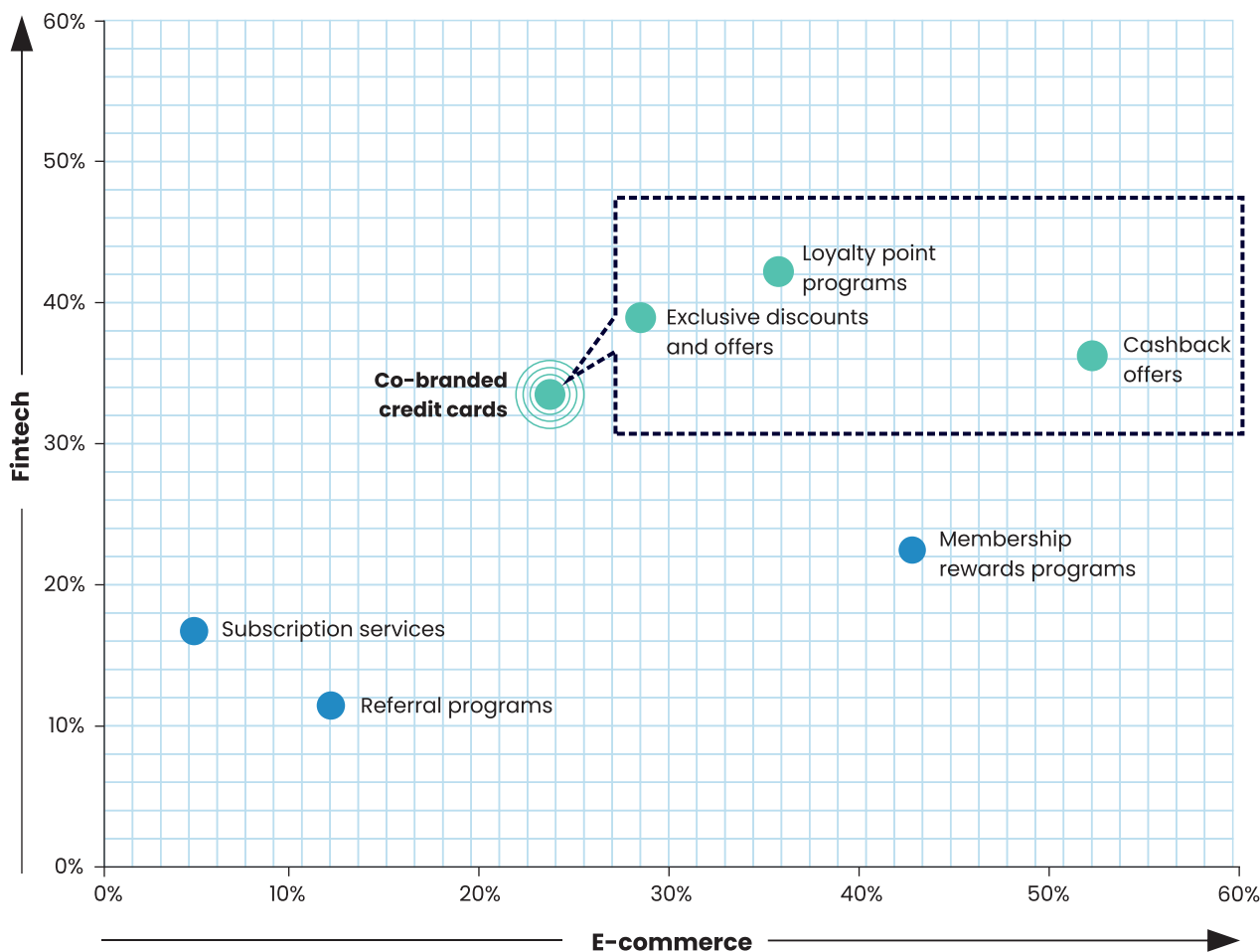
Source(s): Analysis of CAWI surveys conducted with industry experts in August 2024 (N=100)

Prominent customer loyalty programs, such as cashback offers and loyalty points, can be effectively implemented through co-branded credit cards, offering unique benefits tailored to the brand's customer base.
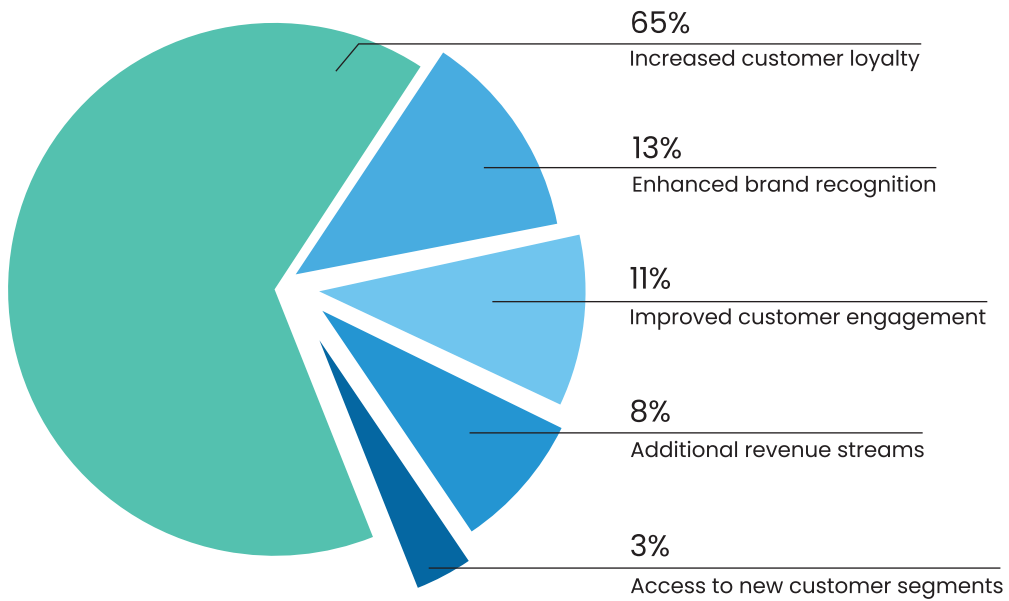
" Co-branded credit cards are set to play a pivotal role in boosting customer loyalty as they offer a holistic solution across online booking and offline post-booking experience, specifically in the travel sector. "

Mohit Goyal, Director of Product, MakeMyTrip

Benefits of Launch of Co-branded Credit Card [N =100]

Q What is the primary benefit you seek from launching a co-branded credit card for your brand?

65%
Increased customer loyalty

13%
Enhanced brand recognition

11%
Improved customer engagement

8%
Additional revenue streams

3%
Access to new customer segments

Source(s): Analysis of CAWI surveys conducted with industry experts in August 2024 (N=100)

According to the survey, 65% of key decision-makers believe that launching a co-branded credit card is a powerful strategy for increasing customer loyalty. They see it as a strategic tool that not only rewards customers but also deepens their connection to the brand, ultimately leading to increased customer lifetime value.

Brands Navigate the Complex Journey of Launching a Co-branded Credit Card in Two Ways

The Backbone of a Successful Co-branded Credit Card Program Starts With Right Partner Selection

Once brands formalize the customer value proposition for offering a co-branded credit card, they embark on the journey of finding the right stakeholders. Two primary stakeholders in this partnership are:

☑ Banks

☑ Network providers

They serve as an essential backbone for launching a co-branded credit card. The success of a co-branded credit card relies on the collaboration between the brand, bank, and payment network.

Brands provide the customers whereas banks act as the financial backbone. With their extensive experience in risk management, credit underwriting, and regulatory compliance, banks play a crucial role in assessing creditworthiness, setting limits, and ultimately taking on financial risk of extending credit to cardholders. The bank also provides the crucial infrastructure for managing the day-to-day operations, processing transactions, account management, and handling customer inquiries.

On the other hand, the payment network providers complete the trio by offering global acceptance and are responsible for facilitating seamless transactions, providing technological infrastructure, and maintaining secure payment gateways. It ensures that the card can be used worldwide and provides additional benefits like fraud protection and value-added services.

Key Evaluation Parameters for Selection of Banks and Network Partners

As brands prepare to launch a CBCC, choosing the right partners is essential to delivering the Customer Value Proposition (CVP). Evaluating these aspects guides them in forming partnerships that support their mission and enhance the overall customer experience.
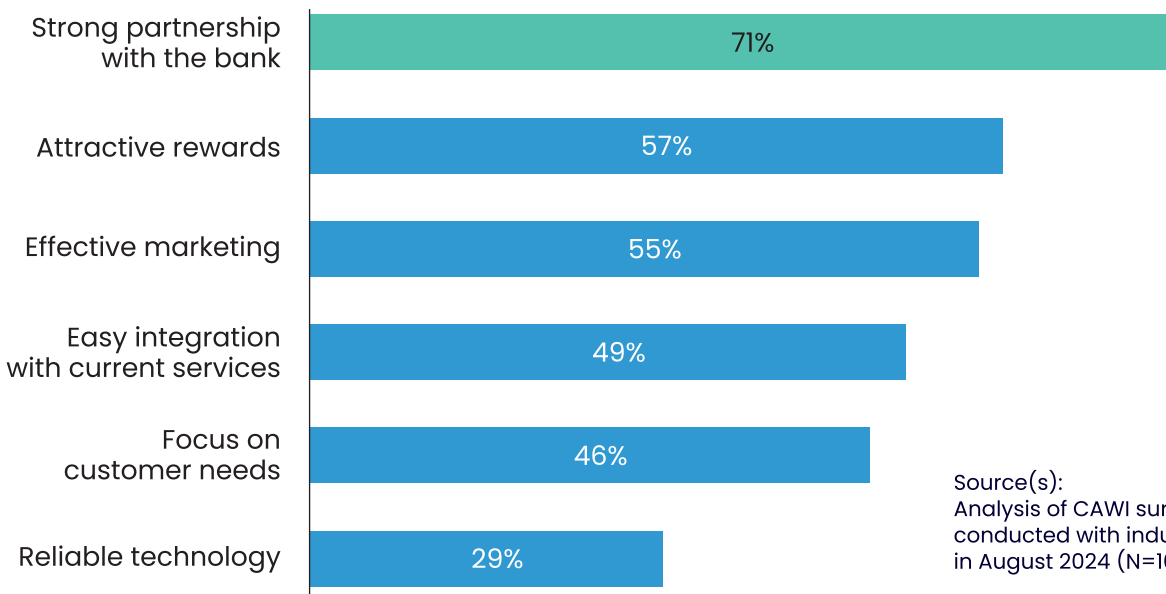
When partnering with a bank for a co-branded credit card, brands evaluate several key factors. The alignment of the bank's values and target market with the brand's Customer Value Proposition (CVP) is paramount, as it enhances the card's credibility and fosters customer loyalty. Additionally, a bank's geographic reach, especially beyond Tier 1 cities, is important for serving a diverse consumer base and supporting national marketing initiatives. Lastly, a bank's reputation and credibility along with bank's expertise in credit card programs and the quality of its customer service are vital, which significantly contribute to the overall experience.

The success of a co-branded credit card program hinges on several critical factors. One of the most important is a strong partnership with the issuing bank. 71% of respondents believe that a solid collaboration between the company and the bank is vital for the program's success.

Success Factors of a Co-branded Credit Card Program (N =100)

Q In your opinion, what are the key factors for the success of a co-branded credit card program?

Factor	Percentage
Strong partnership with the bank	71%
Attractive rewards	57%
Effective marketing	55%
Easy integration with current services	49%
Focus on customer needs	46%
Reliable technology	29%

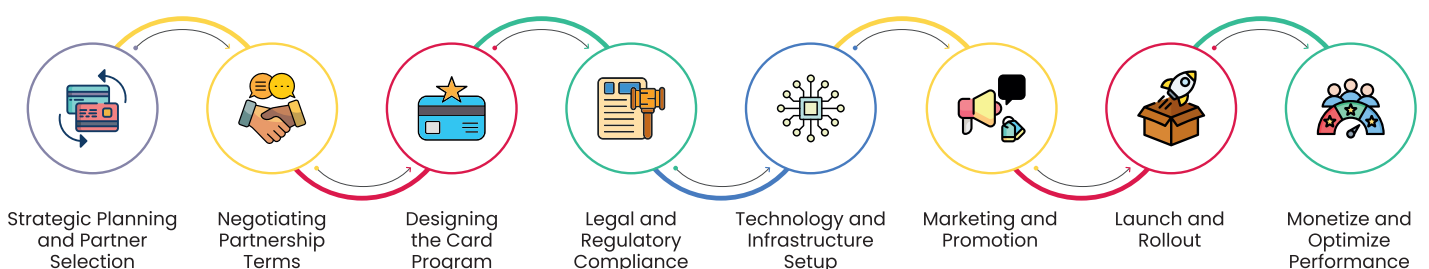## Co-branded Credit Card Launch: Key Steps and Challenges

The launch process of a co-branded credit card program is a multi-faceted journey that requires strategic planning, effective partnerships, compliance know-how, robust technological infrastructure, and dynamic marketing efforts. Each stage is critical for ensuring the successful launch and sustenance of the program.

The journey of launch starts with shortlisting and selection of appropriate partners. This stage involves in-depth discussions to establish mutually beneficial partnership terms that ensure successful collaboration. This involves defining the features, benefits, rewards programs, etc., along with developing the necessary technology infrastructure to support these components. Ensuring compliance with legal and regulatory requirements is a critical step in the process. This involves meticulous coordination with legal teams to adhere to financial regulations, data protection laws, and industry standards. Once the card is issued, attention shifts to developing a comprehensive marketing strategy to promote the co-branded credit card. This includes identifying target audiences, creating impactful campaigns, and leveraging various channels to effectively reach potential customers.

Process Flow - Co-branded Credit Card Program Launch
Illustrative

Strategic Planning and Partner Selection → Negotiating Partnership Terms → Designing the Card Program → Legal and Regulatory Compliance → Technology and Infrastructure Setup → Marketing and Promotion → Launch and Rollout → Monetize and Optimize Performance

The Pathways of Launching a CBCC

As discussed above, two major stakeholders are involved in launching and running a co-branded credit card. However, when it comes to launching a co-branded credit card, there are two approaches that a brand can take. Firstly, the brand can independently execute the launch of a co-branded credit card in collaboration with the bank and payment network. Alternatively, the brand can partner with a Credit Cards as a Service (CCaaS) provider to utilize their services for launching and managing the program.

Traditional Approach – Building Internal Capabilities to Launch

In this approach, the brand takes the responsibility of launching a co-branded credit card independently, leveraging its internal teams and resources to manage the entire project. This requires a high level of collaboration and co-ordination between the two entities, from ideation to launch. The internal team handles everything from designing the rewards program and setting the pricing structure to ensuring regulatory compliance, marketing, and technological integration. A critical component of this process is developing the technological infrastructure required for a co-branded credit card. This involves integrating multiple systems with the collaborating bank, including the core card management system and rewards system and additional supplementary features like payment processing and infrastructure, and fraud detection and prevention systems. The entire process, from inception to launch, typically requires 12-18 months due to the extensive nature of the tasks involved.

Traditional Approach – Launching through Internal Team

Brands → Banks → Network Provider → Launch of Co-branded Credit Card
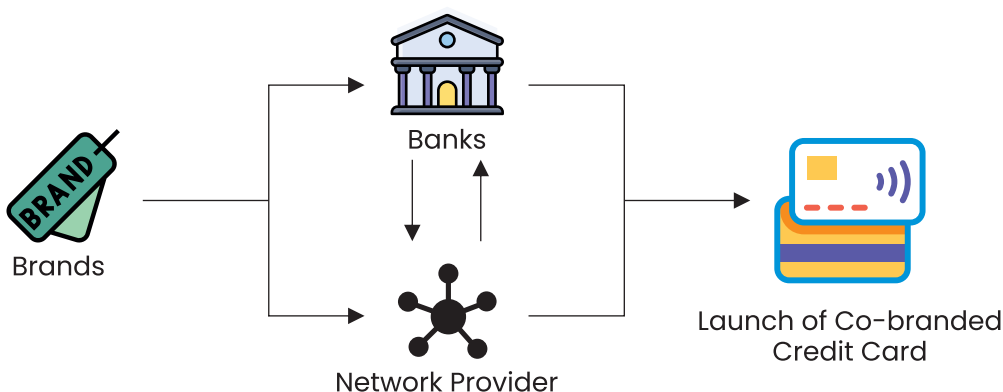
The complexities involved in this process are significant. Brands must navigate stringent information security guidelines and regulatory compliances, which can be resource-intensive and require specialized expertise. Additionally, they must handle ongoing operational challenges, such as customer service, dispute resolution, and marketing.

Let's deep dive into various aspects of it.

Traditional Approach – Launching through Internal Team

Initiating Partnerships and Managing Relationships

Process: Launching a co-branded credit card involves a structured process where brands and banking partners align goals, secure regulatory approvals, integrate technology, and prepare marketing strategies. The process includes phases such as technology integration, pilot testing, and post-launch scaling to ensure a seamless operation and successful market entry.

Challenge: The process is long and complex and typically spans 12-18 months. Brands must navigate regulatory compliance, technological integration, and ongoing collaboration between multiple stake-holders.

Guidelines on Infosec

Process: Launching a co-branded credit card involves strict information security measures and regulatory compliance. This includes tokenization, KYC processes, and adherence to the Reserve Bank of India's guidelines, as well as data encryption, access controls, and secure API integrations.

Challenge: Ensuring compliance while protecting sensitive data and preventing fraud requires ongoing monitoring, regular security testing, and adherence to standards like PCI DSS and RBI guidelines, all while maintaining seamless operations.

Tech Integration with Banks and Networks

Process: In the technology integration process for a co-branded credit card launch, a coordinated strategy is established between the brand, bank, and payment networks. Teams from each party work to ensure system compatibility, aligning the brand's CRM and loyalty programs with the bank's systems. API integration is then executed to enable seamless application processing, real-time transaction management, and data synchronization.

Challenge: Seamless coordination and compatibility across different systems is crucial while maintaining robust security measures. All parties must work together to safeguard customer information and ensure compliance with regulatory standards, making the integration both complex and critical to the card's success.

Other Challenges

Process: Launching and managing a credit card program involves navigating complex partnerships and revenue-sharing agreements, which require careful coordination among multiple stakeholders.

Challenge: Legacy infrastructure can lead to poor customer experiences and diminished loyalty. Additionally, high customer churn is a risk due to the many options available to consumers. Addressing these challenges requires strategic management of partnerships, market differentiation, infrastructure upgrades, and effective retention strategies.

> " Our goal is to deliver more value to our users through tailored rewards that cater to their lifestyle needs and spending habits both - in and outside Swiggy. This approach is intended to foster long-term loyalty by seamlessly integrating the card's benefits into their everyday activities. "
>
> **- Anurag Panganamamula , VP, Swiggy**

Some brands prefer to launch using their internal capabilities and teams to have greater control over the product, allowing the brand to tailor every aspect of the co-branded credit card according to their specific needs and vision. On the flip side, the time-to-market lingers on the higher end of the spectrum. They believe that the internal launch route offers greater control and flexibility to implement changes, despite being resource-intensive and time-consuming. However, this approach requires developing in-house expertise in financial regulations and technology integrations.

Modern Approach - Launching Through a CCaaS (Credit Cards as a Service) Provider

Brands are increasingly turning to CCaaS (Credit Cards as a Service) providers as an alternative to traditional credit card program management. This is a strategic shift from traditional methods, wherein brands are partnering with banks and major payment networks, but instead of handling the development and deployment internally, they are leveraging the expertise of CCaaS providers. These providers offer a comprehensive, cloud-native platform not only to launch a credit card program but also to support the entire lifecycle of credit card management.
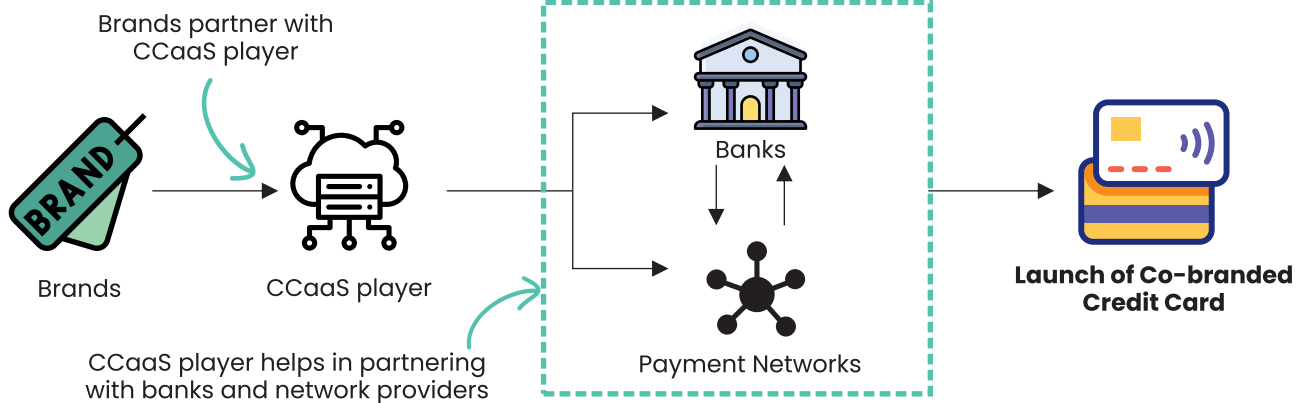
CCaaS providers provide a unified infrastructure that includes pre-built integrations with major payment networks, ensuring seamless transaction processing and adherence to compliance standards. This eliminates the need for brands to develop their technological infrastructure from scratch. Utilizing flexible API configurations, these platforms enable quick and efficient integration with existing systems, facilitating real-time data

processing, fraud detection, and customer relationship management. CCaaS providers offer a more efficient, scalable, and secure way to launch co-branded credit cards. This method streamlines the development and deployment process, providing technological capabilities that enhance the overall customer experience and position brands to better meet the demands of a rapidly evolving credit card services landscape.

In order to launch a co-branded card program via modern approach, brands can follow either of the following process:
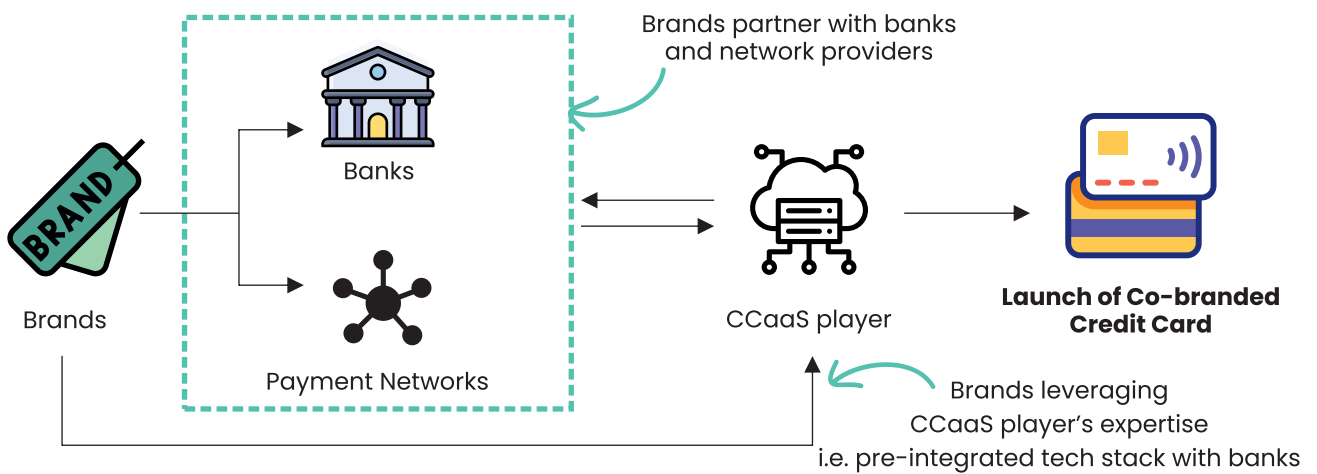
The first approach involves the brand directly partnering with a CCaaS player. The CCaaS player helps in partnering with banks and network providers and also provides technical expertise for API integrations. In this case, the brand is responsible for approvals with the CCaaS player providing the technological expertise.

Approach 1 – Brands Partnering with CCaaS Player

Brands partner with
CCaaS player

BRAND

Brands

CCaaS player

CCaaS player helps in partnering
with banks and network providers

Banks

Payment Networks

**Launch of Co-branded
Credit Card**

The other approach involves brands synergising with a CCaaS player that is already partnered with a bank. This allows them to leverage the pre-integrated tech stack built by the CCaaS player with partner banks and networks for ease of integration and quick launch of the co-branded card program.

Approach 2 – Synergizing with the Bank's CCaaS Partner

Brands partner with banks
and network providers

BRAND

Brands

Banks

Payment Networks

CCaaS player

**Launch of Co-branded
Credit Card**

Brands leveraging
CCaaS player's expertise
i.e. pre-integrated tech stack with banks

CCaaS platforms address the major challenges associated with launching and managing co-branded credit cards by offering simplified technology integration, ensuring compliance and security, accelerating time-to-market, and providing valuable real-time data analytics. This holistic approach enables banks and brands to efficiently launch and manage successful credit card programs.

CCaaS platforms address the major challenges associated with launching and managing co-branded credit cards by offering simplified technology integration, ensuring compliance and security, accelerating time-to-market, and providing valuable real-time data analytics.

This holistic approach enables banks and brands to efficiently launch and manage successful credit card programs.

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Credit Cards as a Service (CCaaS) Providers Help Brands Navigate the CBCC Labyrinth
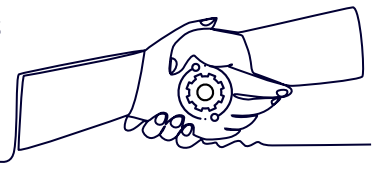
Parameters for Selecting a CCaaS Partner

Before deep-diving into the modern approach, let's look at what are the key parameters brands should assess to select a CCaaS player:

☑ Strategic alignment between both parties, focusing on the feature roadmap, historical implementation success, scalability, and agility in adapting to market changes.

☑ Assessing technical prowess and ability to navigate the regulatory labyrinth.

☑ Evaluating the time-to-market and the onboarding speed of partners, as well as the quality of services provided post-launch.

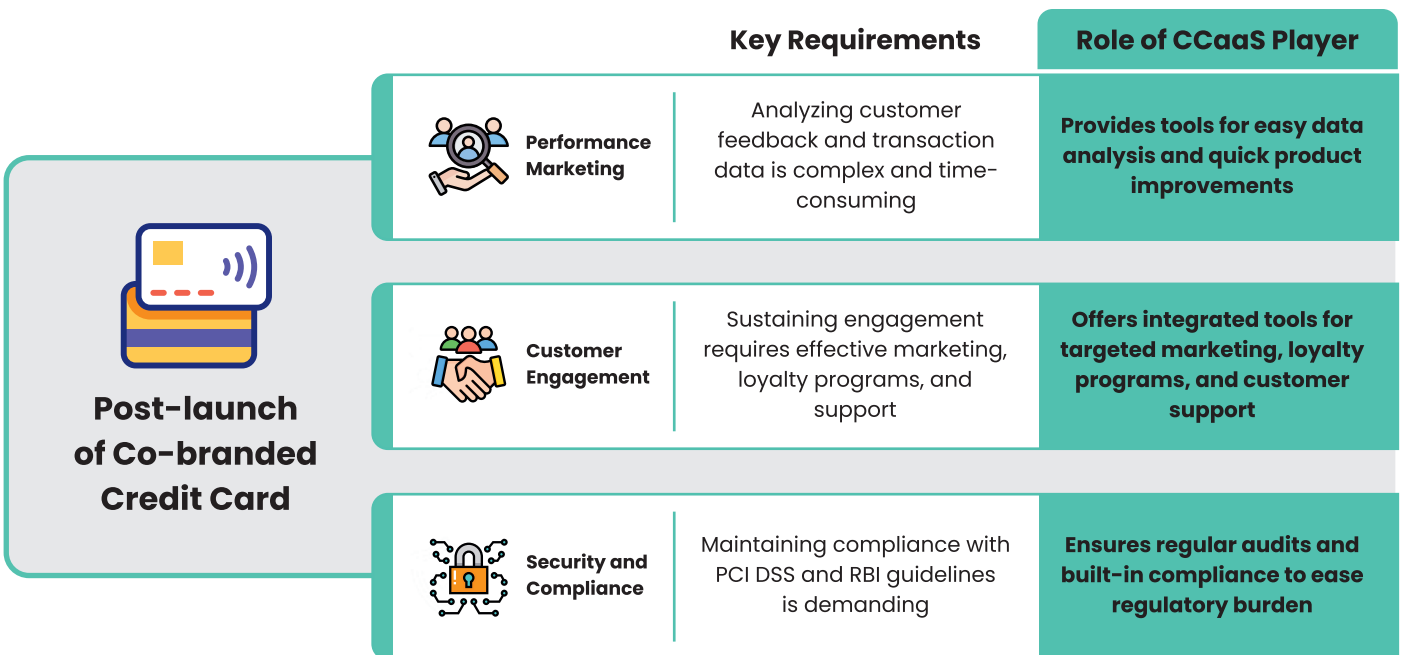☑ Evaluating and ensuring alignment with the pricing model based on future projections.

Post evaluation of the above criteria, they should partner with a player that matches their core value proposition and targets the customer base they wish to cater to, as this is essential for the program's success.

Let's look at how the journey of launching a co-branded credit card is being simplified with Credit Cards as a Service (CCaaS) providers

Parameters	Traditional Approach	Leveraging CCaaS Capabilities
Initiating and managing relationships	**Complexity in Relationship Management:** Launching co-branded credit cards involves intricate coordination among brands, banks, and stakeholders, navigating a complex web of relationships.	**Streamlined Relationships:** CCaaS platforms simplify the process by connecting brands directly with banks or recommending banks, reducing relationship management complexity.
	Lengthy Development Time: Developing a credit card program from scratch can be time-consuming and expensive, often taking 12–18 months.	**Accelerated Time-to-Market:** CCaaS platforms, with cloud-native infrastructure and pre-built integrations enable speedy go-to-market, cutting down development time and costs.
Tech Integration	**Complex Integration with Existing Systems:** Integrating new credit card technology with a brand's existing infrastructure can be complex and time-consuming.	**Effortless Integration:** CCaaS platforms provide flexible APIs for quick, seamless connectivity with existing systems, streamlining integration and minimizing development efforts.
	Real-time User Experiences: With regulatory restrictions, delivering real-time user experiences can be a huge hurdle.	**Real-Time Capabilities:** These platforms ensure delivery of real-time user experiences, rewards/cashback processing, and effective customer relationship management, while ensuring strict adherence to regulatory norms.

Parameters	Traditional Approach	Leveraging CCaaS Capabilities
Managing infosec guidelines	**Ensuring Data Security:** Protecting cardholder data and secure transaction processing require robust measures like encryption and tokenization, which are complex and resource intensive.	**Robust Security Measures:** By adhering to certifications like PCI DSS and incorporating advanced security practices and regular audits, CCaaS platforms ensure the protection of cardholder data and secure transaction processing.
	Regulatory Adherence: Compliance with laws related to credit information sharing, consumer privacy, and fair advertising requires continuous monitoring and updates.	**Regulatory Adherence:** CCaaS platforms ensure compliance with KYC, AML, and Consumer Protection Act guidelines, easing the burden on brands to manage these requirements.

Post-launch, the management of co-branded credit cards becomes a critical aspect in ensuring the program's ongoing success and customer satisfaction. CCaaS players handle the technical integration required for smooth operations, ensuring the card functionalities and systems are up-to-date and secure. Marketing support is another crucial area where CCaaS providers help in executing promotional campaigns and personalized offers to drive card usage and loyalty.

		Key Requirements	Role of CCaaS Player
Post-launch of Co-branded Credit Card	**Performance Marketing**	Analyzing customer feedback and transaction data is complex and time-consuming	**Provides tools for easy data analysis and quick product improvements**
	Customer Engagement	Sustaining engagement requires effective marketing, loyalty programs, and support	**Offers integrated tools for targeted marketing, loyalty programs, and customer support**
	Security and Compliance	Maintaining compliance with PCI DSS and RBI guidelines is demanding	**Ensures regular audits and built-in compliance to ease regulatory burden**

Success Stories

Jupiter Edge CSB Bank Credit Card

Focus Areas

Customer Base

Targeting existing customers to be their cardholders, ensuring a stable and loyal customer base.

Multi-category benefits

Catering to the cardholders' spending habits and preferences (shopping, dining, and travel).

Card Usability

Focus on features like bill payments and spend tracking, prioritizing the seamless usability of the card.

Winning Strategy

Customer segments: ~90% of Jupiter's new cardholders are existing customers, while 10% are new-to-credit consumers.

Increased Payment Frequency: Users average 2.5 repayments per billing cycle, indicating proactive payment behavior and enhanced financial management.

Higher Activation rates: Higher activation rates for RuPay cards due to immediate activation options via UPI.

Consumer Engagement: Driving high engagement in sectors with frequent usage and transactions, ensuring sustained card usage.

Customer Value Proposition

Mobile-Only Access: The card provides a fully digital experience, including real-time spend analytics, bill payment features, and rewards management through a dedicated mobile app.

Customizable Rewards: The card offers users the ability to select and switch reward categories, consolidating multiple rewards programs into a single card.

CCaaS Capabilities

Real-Time Spend Analytics: Provides detailed insights into spending, helping users manage their finances effectively.

Provides Technological Infrastructure: Ensures a seamless experience in launching and issuing cards handling regulatory compliance, Tech integration, and managing infosec guidelines.

Incentivized Engagement: Keeps users engaged through attractive loyalty and rewards programs.

ixigo AU Credit Card

Focus Areas

Customer Segment: To cater to the undeserved segments, with a special focus on tier 2 and tier 3 travelers.

Flexibility to customers: To provide benefits across all travel sectors, including flights, trains, buses, and hotels for both - seasonal and occasional travelers.

Enhanced customer loyalty: To build loyalty with exclusive travel perks like lounge access, priority service, and special booking offers.

Winning Strategy

Targeted Consumer base: Focus on high-travel frequency customers, ensuring that rewards and benefits align with their travel needs, driving consistent usage.

Market differentiation: Positioning the card as the go-to choice for travel enthusiasts by offering unique perks like discounted bookings, zero payment gateway charges for train ticket bookings, lounge access, and lower forex markup, setting it apart from generic credit cards.

Customer Value Proposition

Cost-Effective Benefits: The card often comes with no annual fee and offers cashback on everyday spending categories like fuel and dining, ensuring value beyond travel-related expenses.

Hassle-Free International Travel: With zero forex markup fee and global acceptance, the card reduces the cost and complexity of spending abroad.

CCaaS Capabilities

Integration with Digital Ecosystems: Hyperface facilitated seamless integration with Ixigo's existing app, ensuring a unified and smooth experience for users from onboarding to card management.

Quick Time-to-Market: With ready-to-deploy solutions the ixigo AU Credit Card was brought to market faster, enabling the brand to capitalize on emerging opportunities in the digital lending space.

Credit Cards as a Service Providers are Enabling Faster and More Flexible Credit Card Solutions
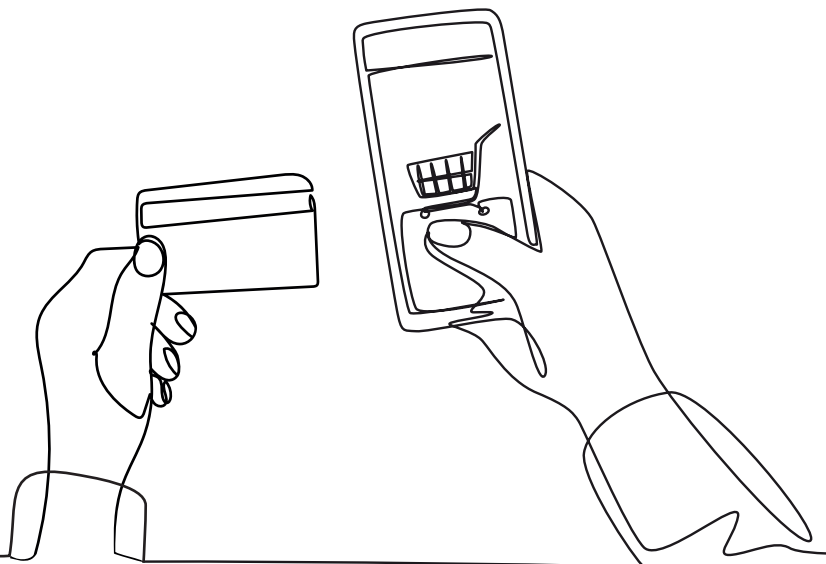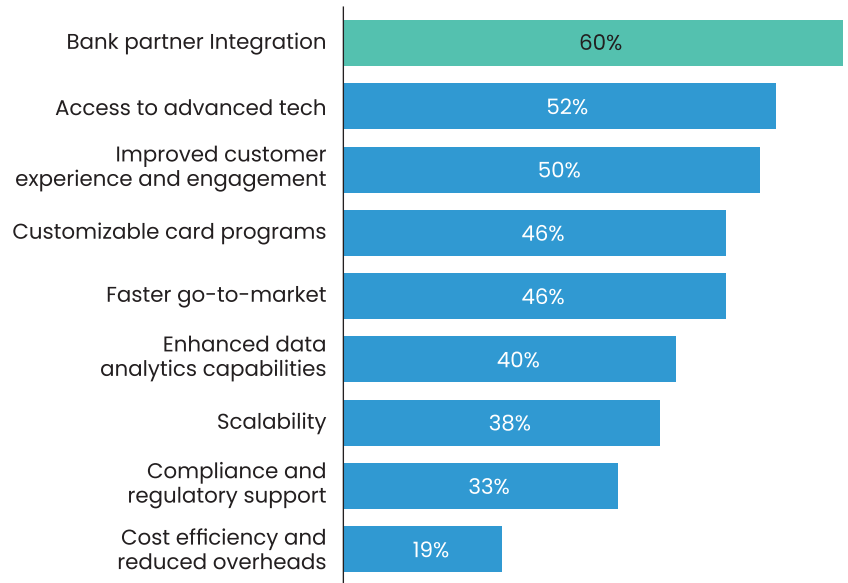
Growing Importance of CCaaS Providers

In the survey amongst key decision makers across brands, 60% of respondents selected bank partner integration as the top benefit of partnering with a CCaaS platform, followed by 52% who prioritised access to advanced technology and 50% who chose improved customer experience and engagement. Moreover, 45% of Fintech players and 57% of E-Commerce players believe they can easily integrate with current services provided by CCaaS players.

This highlights the importance of seamless collaboration with banks, cutting-edge technology, and enhanced customer interactions in choosing CCaaS partnerships.

Benefits of Partnering with a CCaaS Platform (N =100)

Q What do you see as the primary benefits of partnering with a CCaaS platform?

Benefit	Percentage
Bank partner Integration	60%
Access to advanced tech	52%
Improved customer experience and engagement	50%
Customizable card programs	46%
Faster go-to-market	46%
Enhanced data analytics capabilities	40%
Scalability	38%
Compliance and regulatory support	33%
Cost efficiency and reduced overheads	19%

Source(s): Analysis of CAWI surveys conducted with industry experts in August 2024 (N=100)

> "A winning co-branded credit card strategy hinges on aligned partnerships, clear value for customers, and robust marketing. Success comes from seamless integration and excellent support. Failure risks include mismatched brands, confusing rewards, poor communication, and inadequate service, leading to low engagement and customer dissatisfaction.
>
> **– Ashish Mishra, CMO, Acko**

CCaaS Players Enable the Success of Co-branded Credit Cards : Key Offerings

Credit Cards as a Service (CCaaS) platforms have revolutionized how credit card programs are launched and managed, addressing traditional challenges with innovative solutions. These platforms provide a wide array of offerings, which are designed to enhance efficiency, security, and customer satisfaction.

Let's explore the key competencies of CCaaS platforms that contribute to their comprehensive service offerings:

| Parameters	Sub-parameters	Role of CCaaS Player	Results for Brands/ Banks
API & Integration Services	API-driven platforms	Provide APIs for different processes for the launch and post-launch functions	Enables seamless integration with real-time data exchange, and customization
	Seamless integration with stakeholders	Integration with stakeholders to minimize disruptions	Helps in incorporating new credit card programs without overhauling their current infrastructure
		Integrate with Credit Bureaus enabling real-time credit assessments during the application process	Helps leveraging Bureau data to create detailed risk profiles
Account Management	Onboarding & KYC	Provide efficient onboarding of new customers, including conducting KYC checks	Enables compliance with regulatory requirements and mitigating fraud and identity theft risks
	Day-to-day operations	Offer real-time tracking of balance and transaction, detailed statement generation, and delivery via email or mobile apps	Helps users track their spending, recent transactions, and account summaries
Customer Engagement & Program Optimization	Customer engagement	Boost smart engagement through hyper-personalized interactions and timely nudges for actions like setting PINs	Helps in creating customer cohorts and tailoring personalized offers
	Customization in the rewards system	Help in aggregating benefits from multiple partners on a single platform	
	Ongoing program performance analysis	Involves real-time data collection and analytics to identify trends, assess key performance indicators	Helps in the performance analysis of ongoing programs to monitor and evaluate the effectiveness
	Customer support infrastructure	Provide accessibility through APIs to brands and banks	Helps brands and banks support customer queries via call, chat, and email

Technology Infrastructure	**Scalable platforms**	Utilize cloud-native technology to provide flexible and scalable infrastructure, enhancing usability and efficiency	Allows businesses to accommodate increasing transaction volumes and user numbers effortlessly
	Mobile and web-based interfaces	CCaaS platforms offer mobile and web-based interfaces	Provides features like instant notifications, easy payment options, and user-friendly dashboards
	Real-time analytics	Offer single dashboard for data analytics, optimizing program outcomes through features like dynamic tagging of cohorts and spend categorization	Enables issuers to monitor and adjust strategies instantly, ensuring effective program management
Compliance & Regulatory Support	**PCI DSS Compliance**	Ensure PCI DSS compliance on behalf of brands and banks	Provides secure handling of cardholder data
	Data privacy and Security measures	Provide secured infrastructure for customer data & security layers like time-sensitive OTP	Ensures that compliance with RBI guidelines of brands not having access to individual transaction data is in place

> " For switch cards, CCaaS players are essential in enabling swift integration and tailored rewards customization across different sectors. Since each brand and sector has unique needs, CCaaS providers help banks and brands build the necessary orchestration and customization layers. "
>
> **– Arvind Butola, Head of Product, AU Small Finance Bank**

CCaaS Players Unlock Customer Loyalty through Advanced Engagement Layer
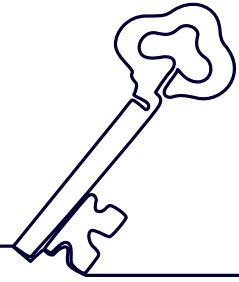
Credit Cards as a Service (CCaaS) platforms, with their comprehensive offerings, play a pivotal role in the issuance of co-branded credit cards by leveraging their cloud-native infrastructure. These platforms create two essential layers that streamline both - the issuance and post-launch management of payment cards:

➤ Issuance layer

➤ Customer engagement layer

This dual approach helps in seamless card issuance, integrating with advanced customer engagement tools, to enhance user experience post-issuance.

Issuance Layer: The Core Foundation

The Issuance Layer forms the backbone of CCaaS platforms, providing fundamental services for the entire credit card lifecycle. It encompasses onboarding, issuance, limit and card management, and activation, all within a highly configurable framework. While it ensures robust adherence to regulatory standards and a secure Credit Card Management System, this layer primarily focuses on operational efficiency without personalization, leading to the need for a more sophisticated customer-focused approach.

Customer Engagement Layer: Post-Issuance Personalization and Interaction

Recognizing the limitations of the Issuance Layer in customer interaction, the Customer Engagement Layer was introduced to fill this gap. This layer is essential for maintaining and strengthening customer relationships post-issuance. It incorporates an advanced tech stack designed for hyper-personalization of rewards, enhanced communication channels, and a superior user experience, ensuring that customers remain engaged and satisfied throughout their journey.

Offerings of CCaaS Players

Onboarding

Involves onboarding of new customers, including conducting thorough KYC checks and assessing credit history

Integration

Integration with banking systems & payment networks to allow for minimal disruptions and facilitate a unified operational workflow

Card Management

Offer real-time balance and transaction tracking, providing cardholders with timely and detailed statement generation

Regulatory Compliances

Provides real-time monitoring of transactions to detect and flag suspicious activities, ensuring compliance with AML regulations

Customer Engagement

Incorporates an advanced tech stack designed for hyper-personalization of rewards, enhanced communication channels, and a superior user experience

Issuance Layer

Customer Engagement Layer

Each term mentioned in this layer is explained here:

Hyper-Personalization in Rewards Systems

➤ **Creation of Customer Cohorts:** CCaaS platforms help brands and banks in building detailed profiles of cardholders, by analysing spending patterns, frequency, and transaction types. Brands utilise the insights provided by banks using data and transactional behaviour.

➤ **Tailored Rewards:** CCaaS providers provide solutions to offer personalized rewards or offers like customized cashback offers, loyalty points for specific types of purchases, or special discounts at frequently visited merchants to prospective customer cohorts. This helps in increasing the brand's relevance and appeal.

➤ **Flexible Categories:** CCaaS players offer the capability to switch reward categories based on real-time spending habits, keeping the program engaging. For instance, a user can choose higher rewards for travel one month and switch to dining the next month based on their spending needs.

Enhanced Communication Channels

➤ **Real-time Updates:** Keep users informed with real-time updates on transactions, rewards, and special offers. This immediate feedback helps build trust and ensures that cardholders are always aware of their account activities.

➤ **Real-time Engagement:** Maintain ongoing engagement by keeping the card usage top of mind for customers. Regular notifications about spending milestones, upcoming payment due dates, and available rewards keep users actively involved with their cards.

User Experience Enhancements

➤ **Mobile App integration:** Offer a user-friendly mobile app for managing card activities, featuring instant notifications, easy payments, and reward tracking for a seamless user experience.

➤ **Gamification:** CCaaS players introduce gamified elements like challenges, milestones, and leaderboards, making card usage fun and engaging with badges and extra rewards, enhancing the user experience beyond traditional transactions.

It is important to note that not every CCaaS provider offers all the above functionalities. Hence, it is crucial to assess their core strengths while evaluating which CCaaS player to partner with.

Key Players in the Ecosystem

Most Credit Cards as a Service (CCaaS) providers have significantly evolved in recent years. A select few now offer plug-and-play APIs and SDKs that can be seamlessly integrated with any existing system within the ecosystem, leveraging their proprietary technology. Meanwhile, several leading Payments as a Service (PaaS) players have also expanded into co-branded credit card (CBCC) offerings in the last 4-5 years.

CCaaS players possess distinct core competencies that differentiate them in the competitive market of credit card solutions. These strengths are critical for delivering comprehensive services

tailored to the varied requirements of businesses and consumers. The shift towards digital-first, customizable credit card solutions is evident in their offerings, which include rapid deployment, robust security features, API-driven integration, and tailored financial products. This evolution reflects the growing demand for more flexible, adaptive solutions in today's digital age.

Given these variations, it's important to assess which CCaaS provider aligns best with the brand's specific needs and strategic goals. Let's examine the profiles of prominent CCaaS providers, both domestically and internationally.

General Profile of Players

		Indian Players				International Players		
Parameters	Hyperface	M2P	Vegapay	42 Cards	Cards91	Zeta	Deserve	Marqeta
Founding year	2021	2014	2022	2020	2020	2015	2013	2009
Headquarters	Bengaluru	Chennai	Gurugram	Bengaluru	Bengaluru	USA	USA	USA
Co-branded wrapper	✓	✗	✓	✗	✗	✗	✓	✓
Onboarding	✓	✓	✓	✓	✓	✓	✓	✓
Switch categories for availing rewards	✓	✗	✓	✗	✓	✗	✓	✓
Credit Line on UPI	✓	✓	✓	✗	✓	✗	✗	✗
Compliance management	✓	✓	✓	✓	✓	✓	✓	✓
Key Clients	IndusInd Bank, ixigo, Titan	SBI Card, Jupiter, Paisabazaar	–	City Union Bank	Yes Bank	Sparrow Financial	BlockFi, M1 Finance, OppFi	Uber, JP Morgan, Instacart, Google, Klarna

(Left vertical label: Offerings)

Note(s): Co-branded wrapper in the context of credit cards refers to a plug-and-play framework provided by a CCaaS player that allows a brand to seamlessly integrate with the bank's architecture to launch and issue co-branded credit cards.
Source(s): Company websites, Redseer analysis, Desk Research

In the context of launching a co-branded credit card, the co-branded wrapper module is critical as it provides the brand the flexibility to seamlessly integrate with existing bank architecture versus CCaaS players who offer their own proprietary core management systems.

In Conclusion

Co-branded credit cards are changing the financial landscape, growing at an unprecedented rate. Their success stems from tailored rewards and exclusive benefits that resonate deeply with consumers, redefining the future of consumer credit cards. Emergence of CCaaS (Credit Cards as a Service) players has been instrumental in democratizing this revolution.

CCaaS players have transformed the co-branded credit card landscape by simplifying the launch and management of co-branded credit card programs. By providing comprehensive, end-to-end solutions with modular platforms, they enable financial institutions and brands to efficiently deliver personalized experiences that strengthen customer loyalty and engagement. Their expertise in technology and compliance allows brands to focus on customer engagement while driving innovation in card offerings.

Prior to the emergence of CCaaS platforms, implementing a successful co-branded credit card program was a complex and resource-intensive endeavour, often out of reach for many brands. CCaaS players have democratized the playing field, opening up new avenues for brands to differentiate themselves, build stronger customer relationships, and drive growth.

As the fintech landscape evolves, CCaaS providers stand at the forefront of innovation, leveraging data-driven insights and cutting-edge technologies to enhance co-branded offerings. This revolution promises to create more compelling value propositions, driving increased customer loyalty, engagement, and revenue. The future of co-branded credit cards is not just bright—it's being actively reshaped by the disruptive force of CCaaS platforms.

Methodology

'The Rise of Co-branded Credit Cards: Redefining Customer Loyalty' report offers an in-depth analysis of the evolving co-branded credit card landscape, drawing from a diverse and extensive study of industry leaders and experts across multiple sectors.

We conducted 20+ in-depth interviews with CXOs and industry leaders across brands, banks, and payment networks. Brands across sectors like dining, e-commerce, entertainment, fuel, fintech, retail, and travel and hospitality, provided insights into the motivations, benefits, and challenges of co-branded credit card programs. We also held discussions with banks and payment networks to explore the strategic, operational, and regulatory aspects of these partnerships. These conversations shed light on the broader industry context, focusing on the strategic roles that these entities play within the co-branded credit card ecosystem.

In addition, we conducted a Computer-Assisted Web Interview (CAWI) survey with 100+ decision-makers across sectors. Their responses highlighted industry priorities and emerging trends. To bolster and supplement our primary research, we analyzed industry reports, market data, and financial statements. This validated our findings and provided additional context about trends and consumer behaviour.

The report synthesizes these findings into a comprehensive overview, offering detailed analysis, strategic insights, and actionable recommendations for all stakeholders in the co-branded credit card ecosystem.

About Us

Hyperface
The Definitive Credit Cards Innovation Platform

Hyperface is the Definitive Credit Cards Innovation Platform that is revolutionizing the way banks, brands, and fintechs approach card solutions. As Asia's First Credit Cards as a Service (CCaaS) platform, Hyperface provides businesses with the technology to launch, manage and scale their own credit card programs. From program design and development to risk management and compliance, Hyperface empowers banks and co-brands to deliver exceptional, digital-first card experiences that resonate with modern consumers.

For more, visit www.hyperface.co

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Strategy Consultants

Redseer Strategy Consultants is a leading strategy consulting firm that has been at the forefront of shaping the new-age business landscape in India for the past 15 years. Redseer's relentless focus on innovation, deep consumer understanding, and strong entrepreneurial mindset have established it as the go-to advisory firm for new-age consumer-focused businesses.

Redseer is the # 1 advisor to new-age firms planning IPO strategy, a leading advisor to PE on making the right investment calls, and works closely with the founders and boards on long-term sustainable businesses. Redseer and its partner OC&C with over 1000+ consultants, create a positive impact on their clients from 22 cities across 5 continents.

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