



Sizing the UK Co-brand Card Market

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Introduction and purpose of this document

Last year PwC was commissioned by NewDay to complete a consumer survey to help estimate the size of the UK co-brand card market. This document summarises the key findings of that survey and describes the methodology by which it was conducted. In addition, we completed further analyses to help gauge the accuracy of the results, by comparing the survey results with other available information. The results of these analyses are also summarised in this document.

What is the co-brand Card market?

In the UK, a significant number of non-bank brands offer financial services products, leveraging their existing consumer base and brand strength. In this study, we have focused on non-bank branded card and refer to this market as the co-brand card market. This refers to cards which bear a logo of a non-bank brand and for the purposes of our market definition includes:

- Store cards which can only be used for purchases with the issuing retailer (for example a Homebase store card or Topshop store card);
- Retail branded credit cards¹ which may be used universally (by virtue of being a Visa card, Mastercard, American Express card, etc.) and typically offer rewards schemes to incentivise their use (for example a John Lewis credit card or a Tesco Bank credit card); and
- Other co-brand or rewards credit cards which have a rewards scheme to incentivise their use (for example a British Airways credit card, a Barclaycard Freedom Rewards credit card or a Marriott Rewards credit card).

From a consumer perspective, the products listed above have an analogous proposition. The key drivers for their use include brand affinity, discounts and loyalty points alongside other more conventional drivers of credit card use. Other types of co-brand credit card do exist (for example charity cards, football club cards and political party cards). However, for the purposes of this study, these cards have been excluded from the market definition since the consumer motivations for their use are typically different, as consumer affinity and the causes the cards represent are integral to their proposition.

In this study we include two different groups of consumers in our market definition. The first group is consumers that already hold a store card, a retail branded credit card or another type of co-brand credit card as defined above (i.e. the current stock). The second group of consumers is those consumers who do not hold such a card but exhibit characteristics that suggest they would be both eligible from a credit policy perspective and have behaviours which infer that they may have a propensity to use a co-brand card. These groups were identified by asking two types of questions:

1. Questions which explicitly asked whether a consumer would consider using a co-brand card in the future; and
2. Questions which asked whether consumers exhibited behaviours which are consistent with co-brand card use (for example these included questions on use of retailer loyalty schemes, use of different types of credit card for different types of purchases and use of credit cards which offer points and rewards).

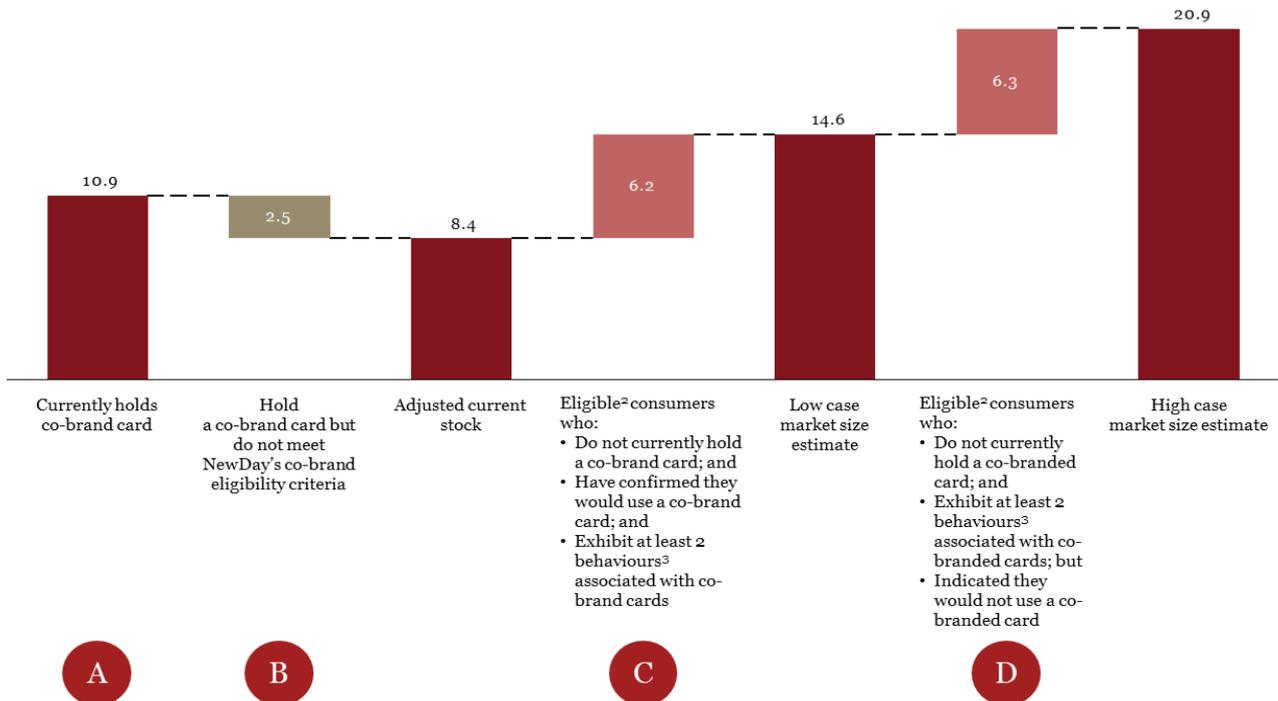
For the purposes of our market sizing, to be classified within the market consumers had to have been eligible to open an account under NewDay's current co-brand credit policy. Then we layered up these eligible consumers, assuming that the more positive responses to both different types of question (1 and 2 above) would indicate a higher likelihood of consumers taking a card.

¹ For the purposes of this study retailers who operate their own retail banks and retailers who white label a credit card product provided by a third party have been treated similarly.

Key findings

The UK co-brand card market is estimated at between 14.6 and 20.9m consumers. We analysed each of our two different groups of consumers that comprise this study’s co-brand card market definition as shown in Figure 1 below. Layering up each distinct group and adjusting for overlap between them provides an indicative market size estimate of people that could be targetable for a co-brand card by virtue of their current card holdings and behaviours.

Figure 1: Consumer survey results extrapolated to the UK adult population (Number of adults: millions)



Based on this analysis we estimate:

- A. c. 10.9m consumers in the UK hold a co-brand card today (“current stock”);
- B. c. 2.5m consumers who hold those co-brand cards would not be eligible given their current credit status;
- C. c. 6.2m consumers who do not currently hold a co-brand card said that they would use a co-brand in the future and exhibited at least 2 further behaviours associated with co-brand cards; and
- D. c. 6.3m eligible consumers from a credit policy perspective, who do not currently hold a co-brand card, but exhibited (in the customer survey) at least 2 behaviours associated with co-brand cards (see footnote 3 below), despite indicating that they would not use one in the future

² Eligible customers refers to customers who would meet NewDay’s credit policy

³ Respondent answered positively to at least two of the following questions: Do you use retail loyalty schemes? Do you hold different cards for different payment types? What is your attitude towards use of credit cards with points and discounts?

Consumer Survey Methodology

Our primary means of sizing the market was through a bespoke consumer survey conducted in June 2015. The survey was conducted online and consisted of 26 questions, in which respondents were asked to select an answer from a list of potential responses. These responses enabled us to identify which respondents have the characteristics, perceptions and/or propensities that fit our co-brand unsecured credit card market definition and therefore indicate whether or not a respondent could be included in the targetable market estimate.

To give a statistically representative sample³, c. 3,000 people were surveyed; the approach taken to recruit participants was designed to be representative of the total UK adult (18+) population by age, gender, household income, location and length of residency in the UK. Each response was quality assessed and removed from the sample if it appeared the survey was answered incorrectly (for example respondents that completed the survey too quickly or choose the first response to each question were removed).

Since the survey was representative of the UK population we were then able to extrapolate the results to the UK population. In this method we took Office of National Statistics data on the UK adult (18+) population so as to be comparable to our survey population. Our analysis therefore assumes that if a certain percentage of survey respondents exhibited a characteristic, the same would be true of the UK population (for example if 16% of survey respondents have never applied for credit before, in the analysis we assumed 16% of the total UK population would not have applied for credit).

In addition to recruiting a representative sample we also compared the survey results to other available empirical data sources⁴ to test their validity in terms of the results that the survey produces. A summary of this comparison is shown in Figure 2 below.

Figure 2: Results validation – Survey results versus other comparable metrics

Characteristic / Criteria	Survey result	Comparative result (% of UK adults)	
Employment status: Unemployed	4%	4%	ONS: Proportion of 18+ population unemployed
Credit history: Don't currently own a credit product	16%	18%	PwC, Precious Plastic Survey: Proportion of people that have never had debt
Payment arrears: 3 to 6 payments missed in last six months	8%	7%	BIS: Proportion of population 3 months in arrears
CCJ: 2+ years ago / 1+ year ago and no missed payment	2%	3%	The Money Charity: CCJs in last 3 to 5 years / total UK adults
Indebtedness: Often worry / serious concerns about debt	5%	6%	Mintel: Proportion that are very uncomfortable with debt
Household income: <£8,000	7%	4%	DWP: Proportion of UK households with equivalised ⁵ income <£8,000
Bankruptcy: In last 2 years	3%	1% - 6%	The Insolvency Service; BIS: Bankruptcies in last 2 years / total UK adults; Households involved in formal action on debt

³ Statistically representative sample refers to a sample with a greater than 95% confidence level with a survey sample of 3,000 respondents and an adult population of c. 51m people

⁴ These data sources included both publically available sources and proprietary data of PwC and NewDay

⁵ Equivalised refers to adjusting household incomes for those households which are smaller or larger than average so that they can be directly comparable. Our survey results do not make this adjustment, therefore these results are not completely comparable



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