

DIGITAL[®] TRANSACTIONS

Trends in the Electronic Exchange of Value

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Capital Prepaid Looks to Extend Prepaid Program Management to Scores of Small Issuers

By John Stewart



Capital Prepaid is seeking multiple banks for its BlazePays prepaid Visa card.

(Image credit: Capital Prepaid Services)

The general-purpose prepaid card market is hot, but most smaller financial institutions find it a daunting task to start and run a prepaid program. To fill that gap, Capital Prepaid Services on Monday launched a prepaid Visa card with two small banks as part of a campaign to make prepaid program management generally available to banks that want to enter the business.

The card, called BlazePays, lets consumers store value up to \$10,000 and carries a \$5.95 monthly fee. Cardholders can load more value at any of 50,000 retail locations in Visa Inc.'s ReadyLink reload network, which includes Wal-Mart stores. Capital Prepaid also sees the card functioning as a vehicle for payroll and for rebates and incentives.

At launch, the card has two issuers, First Savings Bank of Beresford and First National Bank of Ft. Pierre, both in South Dakota. But if Capital Prepaid has its way, there will soon be many more. In a twist on the typical relationship between a financial institution and a prepaid program manager, Capital Prepaid is looking to replicate its BlazePays program with multiple banks.

“Our intent is to enable local banks [to issue BlazePays],” Jay Kurian, president of Capital Prepaid, a unit of Sioux Falls, S.D.-based Capital Card Services Inc., tells *Digital Transactions News*. “We provide a soup-to-nuts service, and then they can localize [the card] on their customer segments.” The company is currently targeting 50 to 60 financial institutions, he says.

Kurian joined Capital Card Services three years ago to extend the company's business model to the prepaid card market. Capital Card Services specializes in management services for credit card portfolios. It now counts some 150 financial institutions among its clients.

General-purpose prepaid is an attractive market. Total U.S. load value will be almost \$80 billion this year, nearly twice the volume loaded in 2010, according to Mercator Advisory Group, a Maynard, Mass.-based consulting firm. Most bank prospects lack the manpower and expertise to run a prepaid card program,

yet want to offer the product to their customers, Kurian says. “They’re not able to find the people and they’re not able to make the upfront investment,” he says. “That’s what nine out of 10 [banks] tell us. Our pipeline [of prospects] tells us there’s demand.”

Kurian says Capital Prepaid can set up a bank in about six weeks to offer and manage the BlazePays card, assuming minimal customization. “If you want a custom solution, it could take six months,” he says. Kurian will not give specifics on pricing to the financial institution. “It’s by the drink as you grow your business,” he says, referring to a fee structure built on a per-transaction or per-card basis.

While the BlazePays card itself is “not terribly innovative,” what Capital Prepaid has done that’s new is turn the usual prepaid card arrangement on its head, says Ben Jackson, director of the prepaid card advisory service at Mercator. In the usual arrangement, the bank provides services to the program manager, not the other way around, he notes. Instead, Capital Prepaid is “going out and finding small banks interested in prepaid but that don’t have enough ability to pull it together,” Jackson says.

Jackson agrees there’s pent-up demand among small banks to get into the prepaid market, but he cautions that it could be difficult to achieve economies of scale with small customer bases. “The struggle is always, do we offer prepaid where there’s enough volume to make prepaid worthwhile,” he says. Too little volume, he says, could gum up Capital Prepaid’s economics.

Another problem is the potential for customization by issuers. Too much of this, Jackson says, could also threaten profits. The very fact that BlazePays is a conventional prepaid card is an advantage, he says, because it makes the product easily understood and readily duplicated. Too much customization for a single issuer could run up costs. “If a bank wants more customization, they may have a problem if they can’t generate enough volume,” Jackson warns.

At bottom, the challenge for the BlazePays program will be finding a balance between attracting enough issuers and while avoiding excessive customization. Capital Prepaid “will have to sell it well and execute well,” says Jackson. “They’re facing a real balancing act of getting enough banks and getting them to run the same [program].” **DT**