

Capital One's and JPMorgan's co-brand deals reflect shifting industry trends

Article

What's happening: Two major card issuers signed co-brand deals with popular consumer brands.

Capital One will take over BJ's Wholesale Club's credit card portfolio from Alliance Data Systems (ADS), per The Wall Street Journal.

- The portfolio holds roughly \$1.5 billion in balances, people with the matter told the Journal. ADS had an average of \$15.5 billion in balances in Q3, so the BJ's portfolio would've accounted for nearly 10% of its business.
- BJ's filed a lawsuit against ADS on Tuesday alleging that the issuer is prolonging the transfer of existing credit cards to Capital One.

JPMorgan will launch a co-brand card with Instacart, per Bloomberg.

- Instacart [hinted](#) at the card last year. At the time, it was rumored that cardholders would likely get 5% cash back on Instacart purchases—though neither Instacart nor JPMorgan has confirmed rewards.
- JPMorgan previously partnered with Instacart to offer Chase cardholders limited-time online grocery rewards.

Capital One's opportunity: Capital One's deal with BJ's adds another popular brand to its co-brand mix—it brought in [Williams Sonoma](#) last year—and adds to the flurry of retail brands changing issuing partners as contracts come to an end. Last year, [Gap moved](#) its portfolio from **Synchrony** to **Barclays**, and **Amazon** is reportedly [searching](#) for an issuer to take over its portfolio from JPMorgan.

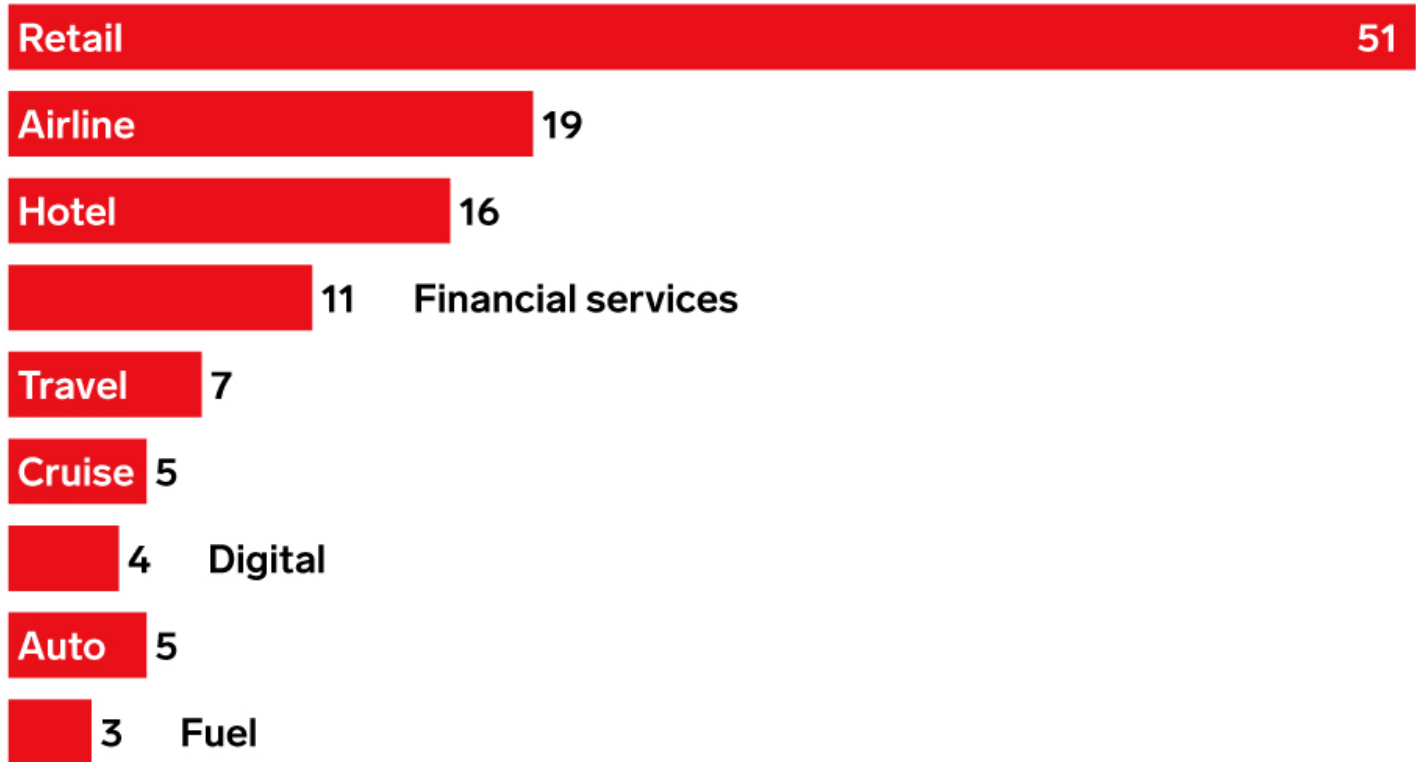
Instead of renewing contracts with current partners, retailers like BJ's may be looking to work with issuers that offer distinct capabilities that can boost spending. Capital One, for example, offers strong rewards tied to ecommerce—a key focus for retailers during the pandemic. It offers a generous 5% cash back for online purchases for its **Walmart** co-brand program.

JPMorgan's opportunity: Instacart's US grocery sales are expected to climb 16% year over year (YoY) and surpass \$30 billion in 2022, [per](#) eMarketer forecasts from Insider Intelligence. A co-brand lets JPMorgan tap into that growth and diversifies its co-brand portfolio, which is mostly focused on travel—though it does include **Starbucks**.

And with digital co-brands [well-positioned](#) for growth, JPMorgan can benefit from working with a digitally native brand like Instacart. The partnership can also help the issuer attract other digital brands to its co-brand business.

Related content: Check out [“The Co-Brand Credit Card Report”](#) to learn more about the state of the sector and strategies that issuers are using to tap growth.

US Co-Brand Credit Card Programs, by Category, July 2021



Note: total co-brand programs as of July 2021=121; a co-brand program is defined as a group of cards that share benefits, even between brands (e.g., Gap's program issues Athleta, Banana Republic, Gap, and Old Navy cards with shared benefits structure)

Source: Insider Intelligence estimates from major banks, brands, and Consumer Financial Protection (CFPB) data, June 16, 2021

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