

American Express and Cardless team up to broaden co-branded card capabilities

Article

The news: Co-brand card startup **Cardless** partnered with **American Express** to let brands launch digital co-branded cards that operate on the Amex network, per a press release.

- Brands can integrate rewards from Amex Offers and Global Dining Access by Resy into their cards, among other Amex benefits. Amex also invested an undisclosed amount into Cardless via Amex Ventures, its investment arm.
- Cardless works with several sports brands, like the **Boston Celtics**, and recently moved into the airline segment.

Why it's worth watching: There's been a lot of movement in the co-branded card space recently.

- Last week, the **Marriott Bonvoy Business American Express card** added new benefits including 4X Bonvoy points for dining purchases worldwide and a 7% room rate discount on eligible bookings.
- **Chase and Instacart** launched a co-branded card, which offers unlimited 5% cash back on Instacart purchases and Chase-booked travel, among other benefits.

Co-branded cards offer a lucrative opportunity for issuers seeking to compete for customer spend and diversify their card portfolios: US co-branded cards have historically seen about \$1 trillion in annual spending. And the segment represented an estimated 27% of total general-purpose credit card volume in 2018, per data from Packaged Facts and the Federal Reserve.

Trendspotting: Digital co-branded cards—those tethered to a digital payment or service provider—are driving the latest wave of innovation in the wider co-branded card segment. They offer greater convenience and more unique benefits than traditional co-brands.

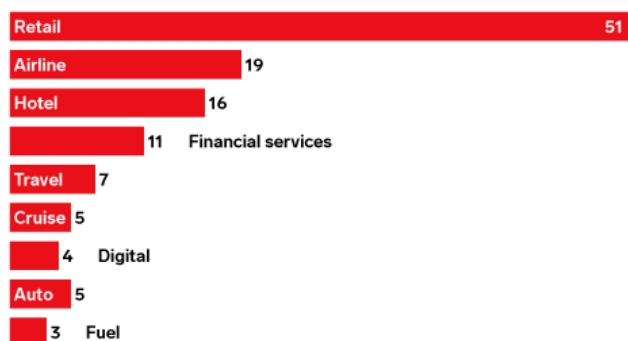
- Digital co-branded cards cater to the growing popularity of digital payments: Cardless lets customers add a virtual card to their mobile wallet and start spending immediately.
- Cardholders can also easily manage their accounts via the Cardless mobile app.
- Digital-first perks also help brands drive loyalty by rewarding customers in unique ways: For example, **Verizon's** digital retail card offers some cardholders a monthly discount on their wireless bills if they use Auto Pay via the card.

Amex's opportunity: The tie-up with Cardless can help Amex diversify its co-branded card portfolio and appeal to younger consumers.

- Amex already offers premium co-brands with partners like Marriott Bonvoy and **Delta Air Lines**. But working with Cardless may let Amex forge ties with smaller brands, helping it stay fresh and appeal to a wider subset of consumers while integrating a slew of digital-first features. Cardless may also help Amex bring retail brands into its co-branded card portfolio.
- The issuer can take advantage of Cardless’s digital capabilities to advance on its goal of attracting younger consumers. CEO Steve Squeri **said** Gen Z and millennials—who had a combined spending power of nearly \$3 trillion in 2020, per YPulse—were Amex’s fastest-growing age cohort in Q2.

As the co-branded card space grows, Amex’s partnership with Cardless can help it drive higher network volume and boost revenues: **Co-branded cards accounted for 41% of Amex’s loans and 20% of volume in 2021, per** its Investor Day deck.

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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