

27 April 2011: Multi-brand gift cards

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The *Autorité de la concurrence* makes binding commitments offered by Accentiv'Kadéos to boost competition in the multi-brand gift cards sector

> *Version française*



Following a referral by **Titres Cadeaux**, the *Autorité de la concurrence* issues a decision **accepting the commitments proposed by Accentiv'Kadéos** in the multi-brand gift card sector, **and making them binding**.

The multi-brand gift card sector

The **multi-brand gift card sector** (separate from single brand gift cards, gift vouchers and gift boxes) consists of three main participants: **Kadéos** (Accor Group), that holds 81% of the market, **Illicado** (Synedis, close to the Auchan Group) with around 15-20% and **Kyrielles** (Galeries Lafayette group) with around 1-3% of the market. **Titres Cadeaux** (jointly owned by Natixis and the Banque Postale group) is only present in the multi-brand gift vouchers market, in which Kadéos is the leading operator with a market share of around 35-40%. The total value of the gift vouchers and cards issued in France was around **€2.2 billion in 2009**. This business sector is expanding rapidly.

The gift card sector operates in the following manner:

- **1st step: acceptance of the gift card.** A gift card's issuer seeks out traders (commercial brands) in order for them to be included on its multi-brand card, so that consumers can use the gift card in one of this trader's points of sale. The card's issuer and the brand sign an acceptance contract. A multi-brand gift card

will have several acceptance contracts.

- **2nd step: distribution of the gift card.** A card is purchased in a retail network (e.g.: department stores, specialised retail outlets, supermarkets, local stores, post offices, etc.) by a customer wishing to make a gift with a fixed face value (e.g.: €10, €20, €50).

- **3rd step: the purchase of goods or services using a gift card.** The person receiving a gift card uses it as a means of payment for purchases made from a trader (whose brand appears on the gift card).

The exclusive affiliation of brands is likely to create entry barriers

The cumulative effect of the various exclusivity agreements included in the contracts signed between Accentiv'Kadéos and its partner brands is likely to create **entry barriers in the multi-brand gift card markets (acceptance / distribution)**, notably as a result of the **scope of the exclusivity agreements** (87.5% of the brands affiliated with Accentiv'Kadéos are subject to acceptance exclusivity) and of **their duration** (5 years for most contracts, or 3 years with renewal), which are likely to create a **foreclosure effect** within the multi-brand gift card markets.

Given the strong position of Kadéos on the multi-brand gift card market, it is **difficult for its competitors to penetrate this market**. Several traders (commercial brands), some of which hold strong market positions in their business area (AM PM, Anne Weyburn, La Redoute, So Home, Somewhere, Taillissime, Vertbaudet, Cyrillus, FNAC, FNAC Voyages, Conforama, Surcouf, Eveil&Jeux, Citadium, Made in Sport, Madelios, Printemps, Printemps Voyages, Courir, Go Sport), have entered into **acceptance exclusivity with Kadéos**, meaning that the choice of brands that a competing gift card (such as Titres Cadeaux) could propose to its customers in its basket of brands is severely limited.

However, when a consumer purchases a multi-brand gift card, the number and fame of the brands appearing on the gift card (i.e. the brands that "accept" the card) are determining factors of its attractiveness, and are consequently decisive

in his/her choice of one card rather than another.

The proposed commitments will allow new players to enter the market as quickly as possible

To address competition concerns identified by the *Autorité*, Accentiv'Kadéos applied for a settlement procedure, according to the provisions contained in § I of article L. 464-2 of the Commercial Code.

Accentiv'Kadéos submitted a first commitments proposal. The parties and third parties who sent their comments during the market test considered these commitments to be insufficient. Accentiv'Kadéos then provided the *Autorité* with a new commitments proposal, the implementation of which will have the following impacts:

- **Quickly removing (as of 1 May 2011) barriers to market entry** for new entrants on the multi-brand gift cards acceptance market, thereby allowing them to **negotiate with the brands of their choice**. Indeed, Accentiv'Kadéos has committed to the anticipatory **removal, at the latest by 1 May 2011, of the acceptance exclusivity clause** in its contracts with all of its affiliated brands, relative to the Kadéos multi-brand gift cards.

- **Allowing the market entry of new players** in the multi-brand gift cards acceptance and distribution markets. Indeed, Accentiv'Kadéos has committed to **refrain from concluding new exclusivity agreements**, neither regarding acceptance nor distribution to consumers, with brands that have not yet contracted exclusivity agreements with it, and to do so **throughout 2011**

> Click here to access the full list of commitments proposed by Accentiv'Kadéos (in French)

Moreover, the *Autorité* welcomes the recent developments in the market

During the investigation, the layout of the market began to change. The exclusivity contracts between the FNAC and Kadéos will expire on 31 December 2011, and the FNAC has stated its intention not to sign exclusivity contracts with card issuers, neither for acceptance nor for distribution. As such, **the field and**

scope of the exclusivity agreements between Kadéos and its affiliated brands will be strongly reduced, given that the FNAC represents around 55-65% of the card's issue value. Other distribution networks (e.g.: Séphora, La Poste) have also decided to terminate their exclusivity, or even their affiliation contracts with Kadéos.

Since the start of the investigation, the markets in question have in fact evolved **in a way that should strengthen competition** and, by the end of its contracts (31 December 2011 for most of the affiliated brands), the position of Accentiv'Kadéos may well have been challenged, notably by its competitor Titres Cadeaux. The *Autorité* welcomes these recent developments.

> Web link to the full text of Decision 11-D-08 of 27 April 2011 relative to the practices implemented by ACCENTIV'KADEOS (in French)

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