

CREDIT PLUS

Credit cards, once considered tools of the very rich, are now part of daily life

By Mark Graham



IN A FEW SHORT YEARS from now, the latest hi-tech gadget may well be a credit-card phone, which will see goods and services ordered and paid for with a few keystrokes. This, in theory, will allow people to book an international flight, charging the payment to their credit card, downloading the paperless tickets and checking in at the airport with a mere wave of the phone.

The stuff of sci-fi? Not really. The technology to put a credit-card chip in a cell phone already exists: all it needs is for the banks and card schemes to decide that the public is ready to embrace such a device.

Credit cards have become such a big part of everyday life that it is hard to imagine a world where everything was paid for by cash or cheque. But as recently as two decades ago, cards were still something of a rarity for ordinary people; they were strongly associated with comfortable wealth and an international jet-set lifestyle.

Their popularity began to grow just as Nigel Beatty entered the cards business some 25 years ago; the Briton's career has been spent largely in the credit-card sector, most recently helping to re-launch the ComPass Visa card in Hong Kong. Among the card's features are enhanced security – via a Europay Mas-



Shopping on-line is very much part of the modern credit card experience.

terCard VISA (EMV) chip, rather than the old-style magnetic strip – and various loyalty features.

Mr Beatty is something of a walking encyclopedia on the usage and history of credit cards and can pinpoint exactly when, and why, the EMV chip became popular. The enhanced security that EMV chips provide has cut fraud radically because chips are difficult and expensive to counterfeit – a trend that led to its adoption in other parts of Asia and the rest of the world. The launch of the security-enhanced cards went down well with the public, whose worries about their card being cloned, or skimmed, were largely assuaged.

Anyone who travels overseas, for work or pleasure, knows that it is virtually impossible to function without at least one

major credit card. Hotels insist on swiping a card on checking in, car rental companies will not entertain a booking without having card details and airlines increasingly expect clients to pay by credit using on-line booking.

“Credit card usage has been steadily increasing year on year and we are seeing the introduction of new credit cards and new products,” says Mr Beatty, a Senior Consultant with Aconite, a UK-based cards consultancy, who has been working with DBS as Programme Manager for the ComPass New Proposition Project.

“There are so many different kinds: credit cards, prepaid cards and debit cards. Also there is more acceptance worldwide – you can use Visa anywhere and travelling is one of the biggest areas of usage. The whole industry is less parochial, there are fewer and fewer domestic-only schemes. I think it can go a lot further.”

An entire generation of young people has grown up knowing nothing but credit cards and on-line payments. To them, cheques are something their parents use. The travellers cheque, once a vital part of any overseas expedition, has already become a museum item.

The credit card boom also heralded the arrival of the consumer-driven, live-for-today society, where there is no shame in paying for goods in installments. That acquisitive streak has generally helped to fuel global growth.

“To a certain extent the credit card has freed up the consumption power of people,” says Professor Raymond So, Associate Professor of the Chinese University of Hong Kong’s Department of Finance. “I think younger people are more willing to embrace new things and use credit cards as a way of doing business. I think older people tend to use them more as a way to defer payment. But they will never replace cash.”

Credit card usage worldwide gradually became more common during the 1980s but the basic concept is far from new. The first formal card – as opposed to merchants letting customers put goods on the slate – was introduced in 1914, when the American company Western Union introduced a metal plate that allowed its favoured clients to make deferred payments.

The next major development, in the middle of the century, was the introduction of the Diner’s Club card, essentially a charge card that allowed business people to notch up travel and entertainment expenses without carrying cash around.

The key drivers of credit-card growth in more recent times have been Visa, American Express and MasterCard. The companies’ technical research also led to more sophisticated cards: the old-style imprint taken by a machine was replaced by the electronic strip which cut transaction time to seconds and, more recently, by an embedded chip.

ComPass Visa, a joint venture between DBS Bank and Hutchison, launched the world’s first EMV compatible chip-based programme 12 years ago and offers multiple rewards for customers, including Hong Kong’s first instant cash rebate loyalty

programme that covers a broad spectrum of HWL Group merchants, including supermarkets, telecommunications providers and healthcare stores. It underwent a major revamp in 2006 that introduced a raft of new features and gave cardholders greater security and more loyalty rewards.

Planning the new cards and implementing their introduction is a major operation.

“A new product such as this takes up to two years of planning with a core team of more than 15 people and up to 50 others involved in different stages of development,” says Samuel Yung, Vice President, New Business Initiatives, DBS Bank.

The truly cashless society may never come, but the credit-card dependent society, with billions of dollars transacted daily, has already arrived.



COMPASS POINTS THE WAY



HONG KONG’S love of convenience and technology ensures that credit cards are part of what makes the city tick.

The city has a population of over 6.9 million, with some 3.4 million eligible to apply for a card. Of those, some half a million people in Hong Kong have a ComPass Visa card in their wallet – an extraordinarily high penetration rate.

What’s more, these customers will soon benefit from a partnership between ComPass Visa and ESDlife, Hutchison’s lifestyle Internet portal.

ESDlife, launched in 2002, provides a one-stop shop portal where the public can access a variety of public and commercial information and services. ESDlife’s wedding portal gets more than 550,000 visits every month and a recent survey by the City University of Hong Kong showed that 93 per cent of Hong Kong to-be-weds visit ESDlife for wedding information.

In late March, ComPass Visa will partner with ESDlife to build a wedding theme mini-portal and create a special club with offers that range from wedding banquets to wedding photos and even honeymoon travel.

ComPass Visa will offer special rates for pre-approved cash lines, temporary credit limit increases and other services to its customers. With projected spending of HKD10.1 billion in the wedding industry this year, these special offers will surely be a boon for the happy couples.

The strategic alliance between ComPass and ESDlife will be extended to other life stages such as babies, new homes and children’s funds.

