

### ONLINE SPENDING

# Co-branded credit cards tap e-commerce

**Tie-ups to result in larger customer base and data. Users will get more points if they use the sites frequently**

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In the past two months, some banks have launched credit cards in partnership with e-commerce websites. For instance, on 15 September, SBI Cards and Payments Services Pvt. Ltd (SBICPSL), the credit card arm of State Bank of India, launched a credit card in partnership with seven e-commerce sites. Last month, HDFC Bank Ltd launched a credit card in partnership with Snapdeal, an e-commerce marketplace.

#### What's on offer?

For SimplyCLICK SBI Card, the card issuer has tied up with seven e-commerce companies—Amazon India, BookMyShow, Cleartrip, FabFurnish, Food Panda, LensKart and Ola Cabs. "The idea was to get one company from all important categories such as online retailers, taxi-hailing companies, air ticketing websites and food ordering marketplaces. This way we can give a basket of options to the cardholder," said Vijay Jasuja, chief executive officer, SBICPSL.

This card has a joining fee of ₹499 and an annual fee of ₹499. In case you spend ₹1 lakh using the credit card, the annual fee is waived. In reward points, you can earn 5 times the points you would get otherwise on all online purchases, and 10 times on purchases made on partner sites.



**Wider base:** The aim is increased card usage and transaction.

Here's an example. For every ₹100 spent, you usually get one reward point. With this SBI card, you will get 5 points on every online purchase and 10 points on purchases made on the seven partner e-commerce sites. Each point is worth 25 paise. This card is only available at SBI bank branches and SBI Cards website.

HDFC Bank has an exclusive tie-up with Snapdeal. You can buy this card on the bank's website or branches, and on Snapdeal's website. If you spend on Snapdeal, you get three times the reward points.

#### Why e-commerce?

According to a report by PriceWaterhouseCoopers and Confederation of Indian Industries on digital banking, tying up with other online market spaces is a strategy to acquire more customers. "With a boom being observed in the e-commerce space in India, banks can use these channels as a means to reach out to new customers, including those in smaller cities. Apart from exploring regular advertising strategies on these websites, joint product offerings

could be an innovative opportunity. The e-commerce boom has also increased the customer's comfort with online purchases," the report stated.

Snapdeal and HDFC Bank have entered into a 3-year partnership. "For Snapdeal, the tie-up will drive more purchases as customers will now have a payment mechanism to use, apart from potential sales increases with specific offers from using the card on Snapdeal. The move will open up customer acquisitions in smaller towns for HDFC Bank, apart from gains from increased card usage and transaction volumes," the report noted.

#### What it means for you

The two most popular types of co-branded credit cards are for airlines and fuel. "The most famous co-branded credit card is JetMiles card, where you can redeem reward points against miles," said Naveen Kukreja, managing director, paisabazaar.com.

Banks are moving towards e-commerce to build a newer base and for acquiring data. Before opting for a credit card that is in partnership with e-commerce site, check if the partners are where you shop often. "Usually, the amount you spend on products bought on one site may not be high. So, it doesn't make sense to go for a single branded e-commerce card. A credit card with multiple e-commerce partners may make more sense. But utility will depend on if you use all the partner services frequently," said Kukreja.

Also remember that your data will be shared across platforms for target advertising.