

# SBI Card: Big push to acquire millennial customers

Customer base crosses 9 mn, grows faster than industry. Hardayal Prasad, MD and CEO of SBI Card, outlines the growth potential:

**Ravi Lalwani:** What is the retail and corporate credit card penetration in India and how has it evolved over the last 3 years?

**Hardayal Prasad:** Credit card penetration in India has significantly increased over the past few years. This is evident from the fact that credit card numbers increased from 29.8 million in March 2017 to around 47 million in March 2019, as per RBI. There have been several factors that have propelled this growth, which include increased card acceptance infrastructure, improved purchasing power of consumers, new technologies, greater security, government's push towards digitization, and most importantly, growing popularity of eCommerce. We have observed an increased acceptance even among consumers in tier 2 and 3 cities.

However, I feel that there is still a large potential for growth in India. While the industry growth rate has been in double digits, the card penetration in India remains at considerably lower level when compared to other Asian countries. As per 2017-18 data from Bank for International Settlements, the card spends in India stand at around 3% of GDP whereas Hong Kong and Korea have remarkably higher percentages - 25% and 37% respectively.

Noticing the recent past trend, card usage will continue to grow as more and more consumers discover the convenience and various tangible benefits of card payments. In fact, at SBI Card, we have introduced products such as SBI Card 'Unnati' for first time credit card users, which has further helped us in increasing credit card penetration in India.

**Has the economic slowdown impacted credit card business in India? For the industry and for SBI Card?**

Credit card industry continues to grow at a healthy pace. During FY 2018-19, SBI



**Hardayal Prasad is looking at more partnerships that help derive great business synergies**

Card experienced a growth higher than the industry benchmark of around 30%. In July 2019, we crossed the milestone of 9 million customer base. It is important to note that despite this substantial increase in spends and customer base, we have been able to maintain the quality of our portfolio with delinquency level restricted to around 2%, which is in line with the industry. However, we will continue to closely observe the changes in economy and consumer spending behaviour.

**What are the noteworthy developments in competition among the major credit card players in the recent past?**

Being a part of the fast-evolving payments sector, credit card segment has also witnessed an exponential growth. Two key aspects that have truly contributed towards this growth are product innovation and technology. There is a strong focus on

offering an enhanced experience to the customers through highly customized products and services. Today, industry players have a greater emphasis on understanding the spending behavior and lifestyle of different customer segments to design products. Moreover, companies are also using advanced technologies such as Artificial Intelligence, Machine Learning, Robotic Process Automation and Host Card Emulation, among others, to enhance the overall payments experience for the customers. We have developed one of the most diverse portfolios of products that cater to varied customer segments - from first time credit card users to neo-affluent urban youth. We have also integrated our Chabot ILA with SBI Card mobile app to empower our customers while they are on-the-go. We are focusing on providing better value proposition and experience to our customers.

**Who are the noteworthy competitors from outside the industry?**

As India moves towards a digital economy, there are different forms of digital payments and credit entities driving this transition to a less-cash economy. While new credit and payments initiatives such as UPI, Aadhar Pay, mobile wallets, P2P lending platforms, etc have emerged over the past few years, none of these perform the function of a credit card. Credit card remains a holistic payment instrument as it offers ease of payment and access to immediate credit facility. It is a product that offers a compelling value proposition to consumers through various tangible benefits in the form of cashbacks, reward points and discounts among others. Customers also get access to a host of intangible benefits such as airport lounge access and concierge services, depending on the card category.

However, we believe that there is



enough market to grow and we surely are well geared up to benefit from this growth in the ecosystem. We have already ramped up our technology platforms and rolled out initiatives based on innovations. We are leveraging AI, ML and RPA to improve overall customer experience, which we strongly believe is the key to remain ahead of the curve.

**Which cities and customers segments contribute to your business? What new customer segments will you be targeting?**

Today, Indian consumers are looking for unique and new experiences and aspire for premium brands. In fact, as per a BCG report, affluent customers are set to contribute 40% of overall consumptions spends by 2025. We have observed that card spends on our premium portfolio too has grown at a healthy rate in the last 3 years. Therefore, premium segment holds a great potential for us.

Secondly, we have witnessed the rising power of the millennial segment over the last few years. India is one of the youngest nations in the world and as per a Kalaari Capital report, by 2020, India will have 410 million millennials as part of its population who will spend \$330 billion annually. Today, millennial generation in India has emerged as a leading consumer demographic providing a huge potential for our growth. Currently, our cardholder base constitutes around 45% of users who are under 35, which highlights the spending power of this segment. Recognizing the unique needs and preferences of millennials, we have been the first in the industry to introduce innovative products which meet the needs and aspirations of the young generation, while complementing their dynamic lifestyles. For instance, our SimplyCLICK SBI Card offers great savings and rewards to the online shopping generation. We will continue to bring more customized products for this segment in the future too.

Geographically, metros remain major growth drivers for us. However, we have seen a strong growth from 'beyond top 10 cities' too.

**Banks are engaging with eCompanies in a**



**big way. What about SBI Card?**

Our industry-first approach and strong focus on consumer experience have always kept us ahead of the curve. This has, in turn, ensured that we are always at the forefront of digital innovation. We have been an early mover in understanding the evolving needs and preferences of the new age customers and have consistently developed cutting edge products and latest technology-based solutions to cater to them. In line with this philosophy, we have recently collaborated with Ola to launch Ola Money SBI Credit Card that provide maximum value on mobility spends to our customers. We continue to look for partnerships that will help us derive great business synergies.

**What is the outlook for credit card business in India?**

Given the low penetration of credit cards in our country, the industry has a great potential for growth. As per RBI, the card volume for the industry grew at around

25.6% yoy in FY2018-19 and spends have witnessed a similar double-digit growth. With the increase in the number of PoS machines, which as per RBI, is expected to increase to 5 million by end of 2021 from over 3 million currently, the card acceptance infrastructure is improving, which will propel the growth of card payments in the country. Moreover, new technologies such as Bharat QR will drive usage of cards at small merchants who do not have PoS machines. In addition to this, easy access to EMI options will support future penetration of credit cards in the country. We aim to drive credit inclusion through products such as 'Unnati', 'SimplyCLICK', etc, which will enable customers to build credit history while transacting digitally.

With the changing form factor from physical card to virtual card on the mobile, enhanced security and growing PoS infrastructure, credit card today has become much more relevant to consumers.

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**Cloud & digital transformation**



**Naveen Mishra**  
Senior Director,  
Gartner

**Summary:** Cloud and digital transformation started off as separate activities. Now they are joining hands in the BFSI sector.



**Seamless Interconnection**



**Shekhar Mullatti**  
Global Head,  
Banking - AurioPro  
Solutions

**Summary:** Today, corporate banking is a large business and banks need technologies that are robust and reliable, and switched across countries and currencies

