

# PRESS RELEASE

Wednesday 12<sup>th</sup> September 2007

## Retailer Financial Services in Asia Pacific and the Middle East

***Rapid growth in retailing markets is producing opportunities for banks, card issuers and insurers***

### *Introduction*

The information contained in the following press release is drawn from Finaccord's recently completed market research study titled *Retailer Financial Services in Asia Pacific and the Middle East*. Based on a survey of 1,310 high profile retail brands in 20 countries in the Asia Pacific and Middle East regions, the report deals with the activity and partnerships of major retailers in areas of financial services including co-branded and store cards, consumer finance, retail banking and mainstream insurance policies, namely motor insurance, household insurance, accident insurance, health insurance, travel insurance, pet insurance and life insurance. In addition, the study also covers retailer loyalty cards with no payment function.

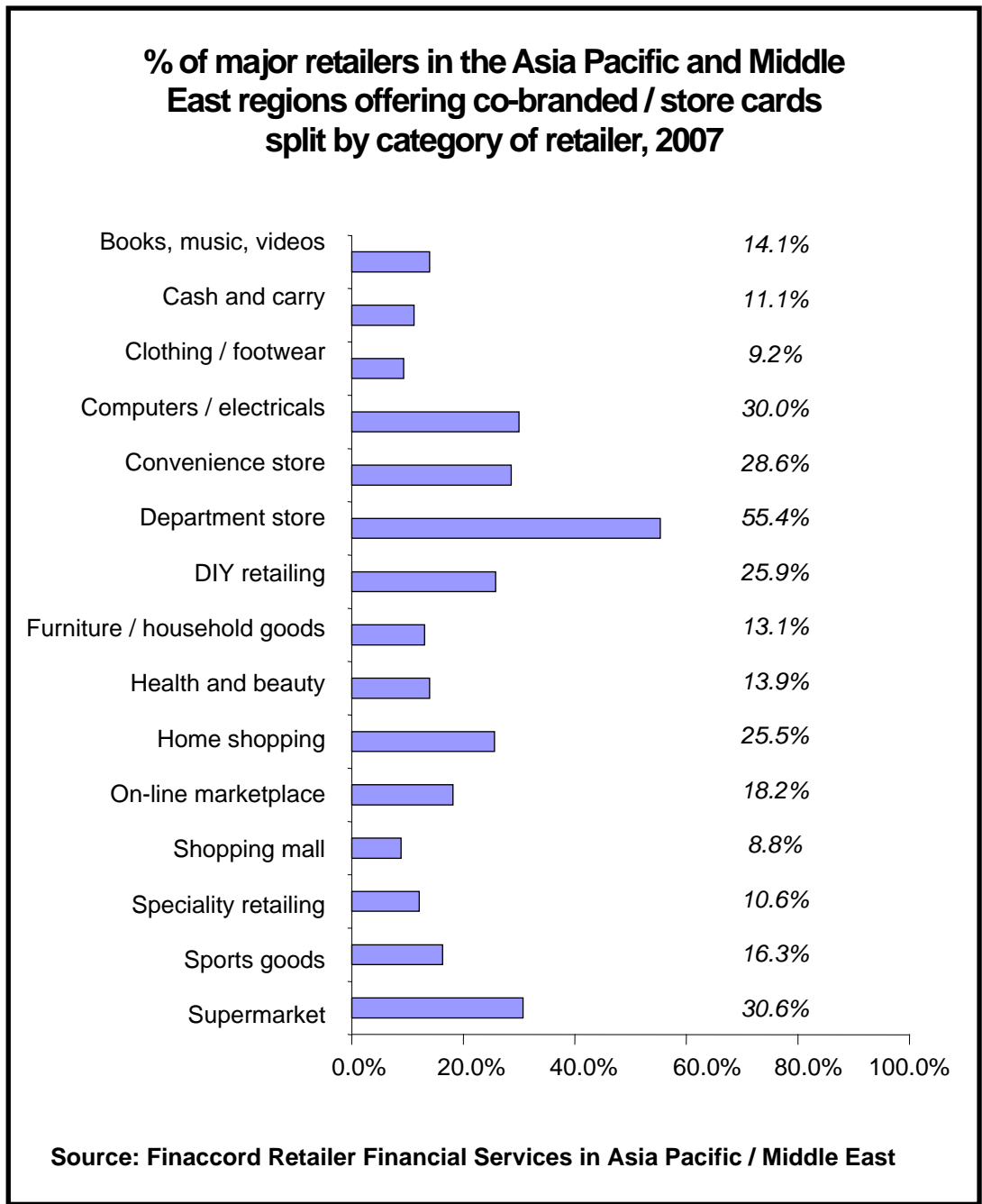
The credit card markets of many countries in Asia Pacific and the Middle East are growing rapidly and retailers can take advantage of this through co-branded or store card programs. Indeed, the experience of card issuers is that the profitability of successful co-branded card schemes, including retailer programs, usually exceeds that of standard credit cards. Moreover, once private label store cards have built up a substantial customer base, these can potentially be converted into international payment cards.

Meanwhile, dynamics in the retailing market itself also give rise to increasing rationale for retailer financial services. On the one hand, this vast geographical area encompasses a number of mature retailing markets, most notably Australia, Japan, New Zealand and Singapore, in which retailer financial services are already relatively advanced and in which major retail groups seem quite likely to consider broader diversification into mainstream banking and insurance.

On the other, they also include economies characterised by extremely high growth rates, such as China, India, Indonesia and Vietnam, in which consumer expenditure patterns are shifting rapidly from informal street markets and the like to modern, organised retailing concepts although in which the latter still account for a small proportion of total retail sales. In these countries, there is less immediate need for major retailers to evaluate growth options in mainstream banking and insurance due to the vast potential for advancement in their core retailing markets albeit there are obvious and attractive opportunities in the traditional retailer finance arenas of co-branded and private label payment cards and consumer finance.

*Over 50% of department stores have launched their own co-branded or store card*

While 22.5% of the total sample of 1,310 major retailers in Asia Pacific and the Middle East were operating a co-branded or store card at the time of the research, when broken down by category of retailer, Finaccord's research, summarised in the following graphic, shows that cards achieve the highest penetration among department stores (55.4%), supermarkets (30.6%) and computers / electrical retailers (30.0%). In contrast, the sectors in which retailer cards are least likely to have been launched are shopping malls (8.8%), clothing / footwear (9.2%) and speciality retailing (10.6%). However, it should be noted that this analysis takes no account of loyalty cards without a payment function that are offered by many retailers lacking a fully-fledged payment card. In point of fact, as many as 48.3% of the clothing / footwear retailers surveyed were operating a loyalty card with no payment function at the time of the research.



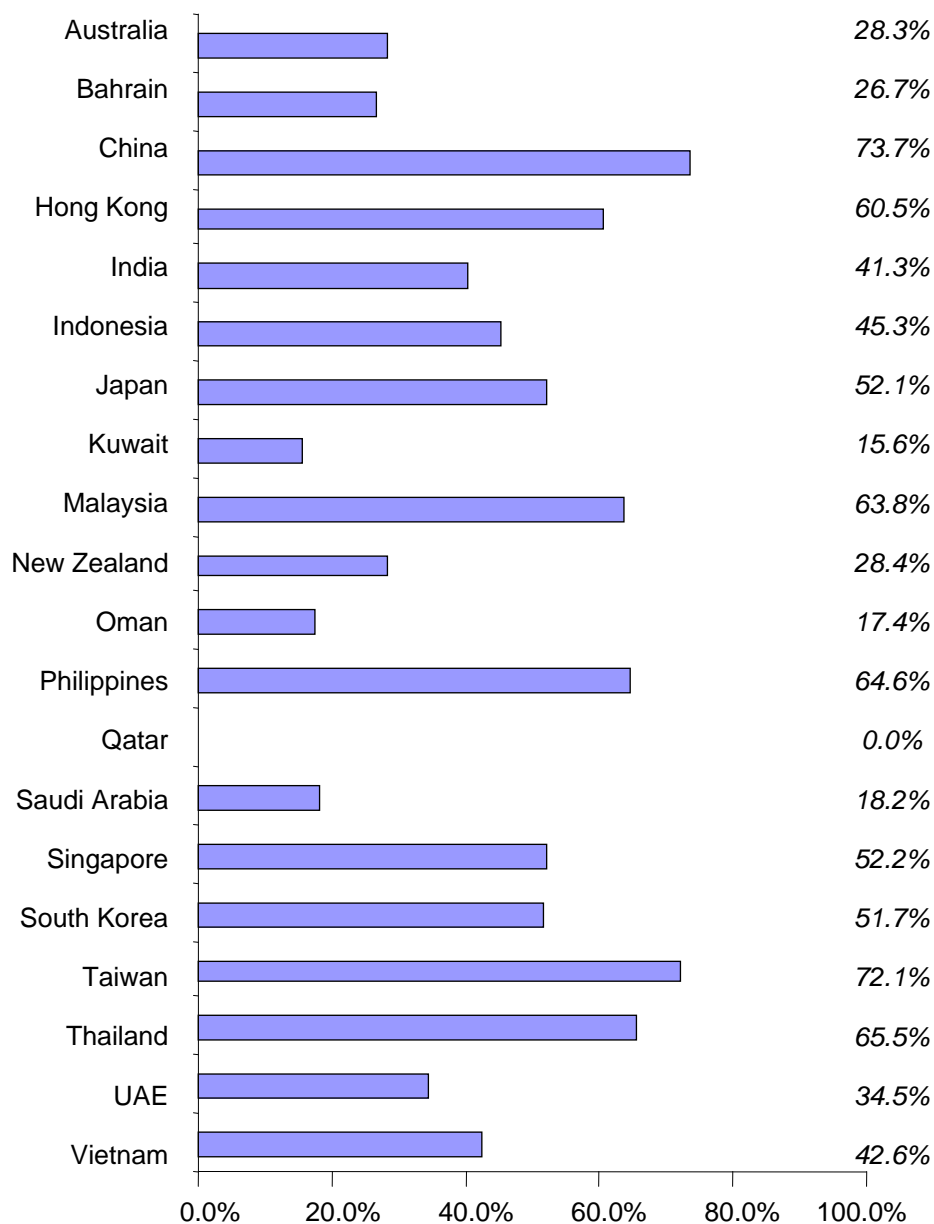
*Retailer loyalty cards are more popular in Asia Pacific and the Middle East than in Europe*

Indeed, with regards to loyalty cards with no payment function, the research attributed schemes to 631 retailers in total, thereby producing an overall penetration rate of 48.2% among the 1,310 organisations surveyed. To this end, the graphic on the following page presents the penetration rate recorded for each country which shows that the lowest figures were recorded for countries in the Middle East, notably Qatar, Kuwait, Oman and Saudi Arabia at 0.0%, 15.6%, 17.4% and 18.2%, respectively. At the other end of the scale, as many as 73.7% of the retailers surveyed in China had launched their own loyalty card, followed by 72.1% in Taiwan, 65.5% in Thailand and 64.4% in the Philippines.

In this context, it is interesting to note that the overall penetration rate of 48.2% registered for the Asia Pacific and Middle East regions as a whole can be contrasted to an equivalent data point of 28.2% published by Finaccord earlier in 2007 for the 25 countries in Europe covered within a sister report.

Moreover, a worthwhile segmentation by country of the 631 loyalty cards identified is to differentiate between those that run parallel to a fully-fledged retailer payment card and those that do not. Overall, at the time of the research, only 170 of the loyalty cards were operating alongside payment cards, thereby accounting for 26.9% of the total. Clearly, it is the case that for loyalty cards operated by retailers lacking a payment card, the potential exists to convert them at later point into fully-fledged co-branded or store cards. Indeed, loyalty cards that do not run parallel to a payment card account for the majority in almost all of the markets reviewed, the exceptions being Bahrain and Taiwan.

**% of major retailers in the Asia Pacific and Middle East regions offering loyalty cards split by country, 2007**



Source: Finaccord Retailer Financial Services in Asia Pacific / Middle East

Commented a Finaccord spokesperson:

*“As elsewhere in the world, it is apparent that banking institutions and insurance companies that develop partnerships with retailers can benefit from several advantages - these include gaining access to a huge number of customers, cutting acquisition costs, obtaining customer data to help define risk profiles and expanding physical distribution channels. Moreover, in the faster growing Asia Pacific economies, such as China, India, Indonesia and Vietnam, an additional incentive for banking entities, in particular, is that retailers are eventually likely to enjoy closer contact with the huge swathes of lower income, unbanked consumers that the banks themselves will struggle to reach under their own steam. Hence, Finaccord believes that partnerships with large, successful retailers in the Asia Pacific and Middle East regions will constitute a key aspect of the development strategy of banking institutions and insurance companies, especially those with international aspirations, in the future.”*

*Retailer Financial Services in Asia Pacific and the Middle East* was published in September 2007 and is available from Finaccord at a cost of £2,495.

### *About Finaccord*

Established by a team of professionals with an extensive background in financial services, Finaccord specialises in the provision of market research, consulting services and published reports on the financial sector on an international basis. By offering a focused service, Finaccord aims to be the marketing services consultancy of choice for organizations with an interest in financial services worldwide and to provide insights that are sharper, more actionable and which represent better value for money than those of generalist consultancies.

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