

Prepaid's prospects in the Middle East

CI recently hosted a round table in the United Arab Emirates on the outlook for prepaid solutions in the Middle East. Representatives from Citi, Visa, Abu Dhabi Commercial Bank, Emirates NBD, TSYS and other leading payment players in the region joined together for a lively and thought-provoking discussion

The latest in the series of industry roundtables hosted by *Cards International* took place in Dubai in the United Arab Emirates in late September, in which we invited a broad array of industry players across the entire cards value chain to discuss the prospects for prepaid in the Middle East region. The following article is an edited version of what was discussed.

David Parker, consultant, Polymath Consulting (roundtable moderator): What are the biggest challenges facing prepaid in the Middle East region? What are the top two or three issues you view as being most important?

Surendra Bardia, vice-president cash management head, UAE & Iraq, Citi: The main challenges as we see them are infrastructure and education of the end user. Many consumers are familiar with prepaid mobile phones, but prepaid payment cards are a different matter.

No bank that has entered the prepaid market has succeeded in having a sustainable prepaid card programme due to the fact people are not familiar with the concept. People in this market are more used to having loans or traditional credit cards, whereas people are not really familiar with prepaid cards.

Meena Gajaria, product manager, prepaid, Emirates NBD: The main challenge would be how to make profit from prepaid cards. The

revenue margins on prepaid are not as easy as they would be on a credit card or on other cards, so we need to find out how to increase the value proposition.

We have a unique market in this region where the majority of the population is from the Indian sub-continent and from abroad, and a lot of those people are classed as unbanked. We need to compare and develop and define the best ways to go out and approach those segments.

Nona Fayaz, business development manager EFTPOS solutions, STS: While there are challenges, prepaid is good because it is a product that can really reach out to everyone. Anyone can use prepaid without having any kind of credentials. It doesn't matter what kind of social status you have. People should be able to see it is really useful and easy to use.

Taff Morris, business development manager, Visa CEMEA: My issue would be around profitability.

What is the tipping point, whether it is a single load or a reusable product? Where do you hit the point of profitability, taking into account the cost of manufacture and marketing, the channel access, whether you use kiosks, whether you use self-help for internet-based top-ups, reloading and so on? What is the profitability point for salary and gift cards, and all the other verticals? Who owns

the prepaid product? It is kind of a mongrel if you excuse my expression, in that everyone likes it but no-one wants to own it.

Stuart Isted, relationship manager, Visa CEMEA: There are three challenges. One is education of the end user or customer, education of the bank staff, and the shop assistants accepting the cards. We really have to get down to the basic level of education.

We have to talk about how we educate the sales process, in bank branches or in retail environments – if you fail to prepare you prepare to fail. I have seen this recently where I have been into one bank and they recommended that to get a gift card or a general-purpose card, I go to another bank's branch and pick up their gift card.

I get fed up with people talking about prepaid as just prepaid. Prepaid for me is a platform. Payroll is very different to gifting, and what I would like to see is people being more specific about prepaid. So we need to talk about gifting, about corporate incentives, about payroll. There are various different animals and we need to make sure that we talk about actual opportunities within the vertical segments.

The third thing is innovation. How do you take your gift card programme or payroll programme and launch successfully? It is tough to make money out of prepaid as Meena mentioned, but the money is there to be made. What I would like to see is in more mature markets where prepaid has been around a little bit longer, what have more mature markets done to innovate? If you have got five or six different prepaid offerings in the market then how do they differentiate?

Malek Mroueh, senior director regional development MEAP region, TSYS: We can talk until we are blue in the face about how prepaid is a platform and not a single product.

We consistently hear messages that just dilute the power of the product just by focusing on one vertical. It does not start and end with the card. Depending on the vertical you are in, there is a whole host of activities that

■ ROUNDTABLE

Attendees

The *Cards International* roundtable participants were, in alphabetical order:

- Surendra Bardia, vice-president cash management head, UAE & Iraq, Citi
- Kunal Bist, vice-president, treasury and trade solutions, MENA, Citi
- Nona Fayaz, business development manager EFTPOS solutions, STS
- Meena Gajaria, product manager, prepaid, Emirates NBD
- Vishal Goya, business leader, debit product management and development SAMEA, MasterCard Worldwide

- Stuart Isted, relationship manager, Visa CEMEA
- Taff Morris, business development manager, Visa CEMEA
- Malek Mroueh, senior director regional development MEAP region, TSYS
- David Parker, consultant, Polymath Consulting (roundtable moderator)
- Kaizar Patla, senior vice-president business head of cards, ADCB
- Shankar Ram, head of product solutions, Visa CEMEA
- Rabih Sfeir, director, C3 Card

need to be launched around it, from something as simple as selling the marketing data to upgrading and uplifting clients.

The other area of education is around partnerships, and understanding how you make money vis a vis BIN sponsorship and maintenance. People still don't understand the mechanics that make it worthwhile. The basics should be common knowledge.

The last thing is infrastructure. Once you have got the basics in place then what happens next? Do you want customers in your branches? Are they customers you want to have or not? What is your infrastructure? Do you need to go to kiosks, do your ATMs need to be upgraded?

Infrastructure and how you handle channel access are things I would like to see more education, discussion and modelling around.

Kaizar Patla, senior vice-president, business head of cards, ADCB: The fact remains that everyone is aware that we have a large immigrant population in this market and there is a huge blue collar unbanked population that we could give prepaid cards to.

So why isn't anyone launching prepaid cards? Why isn't the prepaid market here as big as other markets around the world? If a product makes money and if the product can sell, then I think bankers would find a way to launch it. There are challenges beyond education.

The payment associations have been in discussions with banks for over a decade now, but how many banks have been able to successfully launch prepaid products? Show me how many successful prepaid products are in that space today.

Prepaid products that have been launched have more or less failed, even though banks have the networks, the relationships with the payment associations, and the distribution reach. I think it is important to ask ourselves these questions so that we can figure out how we can make these products and platforms successful. If bankers are not getting into this market, there is a damn good reason why.

Mroueh: It is a question that should be part of our discussion because I back you up on this. Why aren't the issuers doing it? Is it lack of knowledge?

Patla: I think it is beyond lack of knowledge and more to do with many other challenges that we face. If a product sells and if it is user-friendly, then customers will educate themselves.

If a product is required and if it makes financial sense for people, then education will automatically follow. I know there is a desire to issue cards but what does it do for

the bottom line? I can put out a million cards but at what cost and for what return?

Mroueh: You are hitting the problem on the head, which is knowing that there is the market and there is the population. So why, with all the best banking minds in the world, are banks not able to produce a prepaid product that makes a profit?

Patla: In terms of the actual logistics, if I wanted to issue a card to a non-resident worker, having in place know-your-customer (KYC) requirements and so on, what if they do not have a social security number?

If they walk into a store and say they want a card off the shelf, then they would have to give a passport copy as per central bank requirements, fill out an application form, they have to go to the bank and set it all up – it is hardly an off-the-shelf product! A potential buyer cannot pick up the card, go to the store clerk, give them the money to load the card, and activate and use the card straight away.

Parker: Actually, I did that today. We were able to do just that – we went into a store, we gave a passport and ID copy, handed over the money to load it and within 30 seconds we had a card.

Morris: There is a product in the UAE which is the first mall card in the region, and it is a single load card. Visa's rules for a single load card allow a load of up to \$750 without KYC – with KYC requirements, you get an unlimited load.

Patla: So a \$750 single load card – is that really the kind of business issuers want to get into?

Shankar Ram, head of product solutions, Visa CEMEA: Fundamentally I think there have been no champions within the banks, maybe with a couple of exceptions. Prepaid is an extension of debit so maybe the debit side of the bank should run it.

It is a question of having sponsors within the bank. But there is a conflict. You don't want these customers in your bank, but at the other end you are saying that there is a huge opportunity to serve these people.

Nona Fayaz, business development manager EFTPOS solutions, STS: For me, the big challenge is the different cultures in different banks. The fact is that the banks don't appear to be agreeing on any single point. Each department has their own idea. The biggest problem is the different ideas and different cultures across different banks.



Bazaar: Middle East presents prepaid problem

Mroueh: That is a good point about the cultural divide. How do you bridge that cultural divide between the bank and a telco or retailer for example? They talk in completely different ways.

Parker: None of us round this table speak retailer language. Retailers have their own way of talking. The culture differences between industries are huge.

Kunal Bist, vice-president, treasury and trade solutions, MENA, Citi: The dilemma is if I have a card product that makes me 10 times more profit than another card product, why should I invest my time and money into the other product?

But the market here is evolving very quickly. That is why we adopted the strategy of being here now and issuing prepaid cards, not from the retail bank but from the corporate bank. We figured out that if we don't get into the market right now, the costs will rise steeply and there will be other people who get into the market and customers will not get the value that they did previously, and that's not a stage where you want to be. Secondly, as a bank, who do I focus on as a consumer?

If I do KYC on one large client, can I give him 50,000 cards, or do I focus on the man in the street? It is important to gauge consumer behaviour, figure out what their needs are, and how to integrate that with the other applications that a consumer uses, such as a mobile phone or metro card. And how do you apply that to the local market? If you have a western European model it may not work here.

Parker: It is very hard to demonstrate how it applies when there are no successful case studies in the Gulf Cooperation Council countries. It is a chicken and egg situation.

Patla: There is a tendency to copy best practices. If people see value and they see it is worth replicating, people will move more quickly to adapt it. If we can show value then there is a lot of opportunity. ■