

# Nations Trust Bank And AMEX Forging New Paths



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Established in 1999, Nations Trust Bank (NTB) has now become one of the leading banks in the Nation. With the view to expand their products, NTB has been the sole issuer and acquirer of the premier Centurion American Express credit cards in Sri Lanka since 2003. At the juncture of reaching the ten year anniversary of NTB's partnership with American Express, Priyantha Talwatte, Deputy General Manager Cards and Strategic Marketing relayed his views on the partnership and the future of the credit card industry of Sri Lanka.

By Prasadini Nanayakkara and Krishani Pieris Photography Menaka Aravinda

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**American express cards, were introduced by the Nations Trust Bank in August 2003. Can you talk about the success of its adoption in Sri Lanka**

**and how has the response been over the past ten years?**

Originally American Express Bank had a branch in Sri Lanka. Prior to their closure in 2002, they were here for about 20 years. Nations Trust Bank, in 2002 acquired the American express banking business and obtained the license to issue and acquire American Express Credit Cards. At that time we were a relatively small bank and we had big plans of growth and expansion. Therefore, we looked at the segment that we were serving and the role the Nations Trust Bank and American Express Card would play. And that segment proved to be very attractive. After a certain amount of strategic deliberation, the Bank decided to launch the American Express Cards. We initiated a partnership with American Express as the exclusive issuer and acquirer and we entered the market as the ninth credit card issuer during the time.

Ten years on we are happy about our achievements, and today we are the largest local bank that is issuing credit cards. In the overall market we occupy a very clear number two position and in terms of billing we have nearly a 20 percent market share.

**How were you able to reach the number two position in the market as the last entrant? What are the reasons behind this success?**

We attribute this achievement to our valued card members, who had been with us through this journey and introduced us to other like minded customers, our merchant service establishments for warmly welcoming our premium cardmembers, and our staff who has worked tirelessly around the clock to serve our card members and merchant service establishments. We have a great team who challenges the status quo all the time. Over the years this ability has taken us through this journey. We invested a lot on getting our fundamentals right and we have people who are always prepared to serve our customers well. And due to this we've had many long standing customers, and merchant service establishments who continue to do business with us. We have kept our business model very simple - doing the basic things right has brought us to where we are today.

**How well was the American Express Card received by the Sri Lankan market and how was it positioned so that the market may find it attractive?**

In the beginning it required a lot of hard work. American Express was in this country for about 20 years, but the plans that NTB had for American Express was

very different and they were crafted with the long term in mind. We repositioned the product differently. And we matched the segments that we wanted to serve, and importantly which segments we were not going to serve and set our plans in motion. We took some calculated risks. But in a developing country, such as Sri Lanka, people are looking for better services and ways to upgrade and supplement their lifestyles. Therefore, we developed the American Express brand as an aspirational brand. We invested a lot on the brand positioning and on delivering of the brand promise. At NTB we take our work very seriously and we focused on making it a success. I believe the combination of all these activities helped us to get to where we are today.

**If You Look At The Cardmembers Who Are Using American Express Products, They Are In The Top Deciles Of The Highest Income Earners With Very High Spending Power. That Is Where American Express Is Positioned.**

**You mentioned that you identified certain segments in the market. Can you elaborate on that.**

If you look around the world, American Express is a premium brand valued by premium customers. The American Express Centurion line cards have a great tradition. Therefore, it caters to the affluent segments world over. If you look at the cardmembers who are using American Express products, they are in the top deciles of the highest income earners with very high spending power. That is where American Express is positioned. But what we did in Sri Lanka was while keeping this primary focus, we broad based beyond that segment and we included the premium segments. We did so because, we have a very clear understanding about the local market dynamics and cardmember preferences and choices.

During our journey Sri Lanka has become a middle income country and this segment will grow rapidly. We understand this segment very well and we will continue to serve and expand this segment.

Today we have the Centurion line corporate card products serving the corporate establishments integrated expense management programme. In the consumer space we have the centurion platinum, gold and blue product lines. Then to serve the frequent traveller we have an exclusive frequent traveller programme offered with SriLankan Airlines a cobranded SriLankan American Express Card.

**Can you talk about how the Bank was able to reach this milestone of ten years with American Express?**

We took it in phases. During the first four years we concentrated on really understanding and learning the drivers of the business. None of us were experts; we wanted to have a thorough understanding of the market and its behaviour dynamics. In the introductory phase, we did on the proprietary systems, as it proved to be very capital intensive. Instead we took a very bold decision - I feel one of the boldest decisions in the history of our bank - to have our credit card processing off shore. As a result, we were able to concentrate on building the business while the technology was provided by an outsource shared service provider in Mumbai, India.

However, as we developed our business and reached scale - or what we call - a critical mass of volumes, it was the second phase of building the processing capabilities. This is where we invested on our own systems. This was a stabilization stage. Now this gave us much leeway to do many things.

Then the third phase was to put our enhanced risk management, and fraud management capabilities and other processes in place, which took about another two years. This was also the time when the global as well as the local financial crisis was unfolding. We had our share of difficulties.

The fourth phase was the expansion phase which was also complimented by the end of a 30 year old conflict in Sri Lanka. During this stage we were able to move forward rapidly with confidence. And that's our first ten years.

**You mentioned that you are the issuer and acquirer of Amex cards in Sri Lanka. As such do you think that merchant partners and the benefits that you offer customers have led to the cards success and to be at the number two position?**

Yes. Value creation is an art and is a big part of the business, we have a collaborative model. We collaborate with most of the other banks at the hardware level at providing common POSM and ATM. Running a network on our own has its challenges. In that regard we again took a bold decision to build meaningful acceptance in the Country. Today we have achieved that. Though we have close to a 20 percent market share, we would like to see more customers using our network. To realise this goal we are discussing with American Express to get a few other banking institutions to issue American Express cards on our network.

However, having mentioned that, we also compete with some of these institutions so we continue to keep the exclusivity of the American Express flagship Centurion line product range. It has the classical antiquity that appeals to the premium cardmembers world over independent to the issuer. This product line has the signature brand elements of the American Express Roman Gladiator which evokes the essence of a long exclusive heritage of American Express. However, with our knowledge of the premium segments we will also look at further expanding to issuing other premium network cards in the future.

### **What are the most utilised benefits that the card holders have?**

It depends on segment and user types we have 17 identified unique behaviors. The affluent segment continues to use the card as a payment tool that facilitates life cycle choice and rewards loyalty. They will use it for their everyday purchases that are discretionary and none discretionary.

On the other extreme we have users who would use the extended installment plans or use the revolving credit facility to finance purchases.

### **Internally, As An Organization We Have Invested Heavily On Monitoring And Preventing Frauds Because One Of Our Key Benefits Offered To The Customer Is “Peace Of Mind” And Security Around The World.**

Its not a one size fits all kind of a business. The benefits vary by the customisation of benefits and by cardmember user type.

### **In terms of security what has NTB done to ensure its card holders?**

Internally, as an organization we have invested heavily on monitoring and preventing frauds because one of our key benefits offered to the customer is “peace of mind” and security around the world. As a result we have one of the best fraud management systems where we follow the customer. We put in much emphasis on this regard and have systems and well trained professionals who monitor fraudulent or probable suspected activity 24/7. And from the point of view of the customers, we give him/her a comfort as we always take the customers view. Therefore if there is any card that will show signs of being compromised, we try to prevent it. If it gets compromised, then we always give the benefit to the customer and we recover it through other sources. Apart from that we provide the best insurance plans in our products, which covers all aspects of international travel including medical and travel inconvenience, we provide

global emergency assist service to our cardmembers. Now we also provide mobile sms alerts on transactions and our contact centres are 24/7 and 365 days operational. We do a lot to deliver “peace of mind” to our cardmembers. And we take a pride in doing so.

### **With the ending of the war, what potential do you see for the credit card market?**

If you look at the Sri Lankan market size we estimate that we have about 500,000 to 600,000 unique customers with a total of 950,000 plus cards in circulation. If we look at these statistics and the primary card usage, as a percentage of the working population is extremely low. Our estimate is by now we should have had above two million users. So like in most areas we have to catch up on lost ground.

### **One Of The Biggest Strategic Decisions That We Took Was To Serve A Cardmember Base Who Would Be In The Work Force When Sri Lanka Crosses Over The USD 4,000 Per Capita Income.**

As a country, we have already achieved the middle income status in 2010. But as we become a country with a per capita income of USD 4,000, plastic as a payment option and convenience credit will play a major role in upward mobility of the people of our country. If you look at other countries that had gone through a similar journey, the mortgage products and the credit products have always boomed. Therefore, at the moment we are very optimistic about the medium to long term prospects of the credit card market and we will continue to invest in the business.

### **Future plans?**

One of the biggest strategic decisions that we took was to serve a cardmember base who would be in the work force when Sri Lanka crosses over the USD 4,000 per capita income. By serving this segment we have long histories of behaviours of these customers. This knowledge will help us to provide many other integrated and connected wallet products to these customers over the next ten years.

Another big phenomenon that is changing the world is the “internet of things (IOT)”. How technology is changing the way we live our lives. A classic example is the modern car. Have you seen people and mechanics attending to the modern cars on the roadside? This is a disappearing site from our cities because the modern cars are controlled by microchips, sensors and computers. So you can't

attend to a broken car any more on the roadside. Take the classic car key. It's disappeared. No more ignitions with a key. Imagine when this happens to your home. Security camera's around the house, sensors to detect trespasses, connected to devices which could be operated from somewhere else through multi channels and devices, then Medical breakthroughs. The microchips are all over the devices we use, car, mobile phone, TV, electronic equipment, roller gates, access cards, bank cards, driving license, passport and loyalty cards. Imagine when they all become networked and talking to each other using codes. Similar to the world wide web where computers are communicating to each other. This is already happening. The unmanned drones, unmanned vehicles, unmanned harvesters, soon to be unmanned passenger aircrafts. The future is upon us. The next ten years belong to the technologies. We will play an active transformation role within this space.

**There are many competitors in the market, but Amex has always been identified as a premium card. What do you think creates that appeal for certain market segments?**

Its about the business model. American Express has always been a card of choice, and that's what it will be. We moved into our customer's wallet when they already had a couple of other credit cards. Due to this reason we really have to be very different when compared with the other cards that are already residing in the customer's wallet. Therefore, we differentiate through many ways. We are very passionate about understanding our customers, who they are and what they are doing and then only we can partner and support them.

Furthermore, we are fortunate to have a Chairman and Board of Directors and a CEO who believes in what we are doing. We are constantly in touch. They provide coaching and guidance when needed.

We will continue to deliver the best that we can, and create value to our cardmembers. We will provide them an environment of security, recognition, respect and service round the clock to live their best lives.

### **Final thoughts.**

The impact of regulation. Some of them have created enabling environment, like the CRIB. One of the best things that happened to the industry, it helps to understand existing borrowers history and present. However in 2010, the

regulator enforced a credit ceiling and capped the credit card interest at 24 percent. This has its pluses and minuses. The advantage is that one cannot charge arbitrary rates. But the downside is as a credit card issuer, we cannot go into unknown markets as we cannot price the risk.

**At A Policy Level, We Feel, In A Middle Income Country There Should Be Less Barriers For Inclusion. In Countries Like India, They Are Encouraging Everybody To Come Onto An Electronic Platform Using Credit And Debit Cards.**

In Sri Lanka you will find that a first time credit card user and a user who has been using a card for the last ten, or twenty years will still have the same interest rate. However, the fundamental of risk reward is to price for unknown risks. But the way that the ceiling is structured now, the entry level product and the most premium product, both have the same interest rate. Our country is unique in that sense. But it also prevents issuers like us going into new territories and segments and providing them with the facility of convenience of paperless society and exosphere to responsible formal credit management tools.

At a policy level, we feel, in a middle income country there should be less barriers for inclusion. In countries like India, they are encouraging everybody to come onto an electronic platform using credit and debit cards and online commerce. This is mainly due to the reason that electronic systems brings in transparency and it reduces the cost of financial intermediation and printing notes and minting coins and managing the same. They all go through the electronic system and there is transparency and efficiency.

Somewhere down the line, we feel this opportunity is not fully comprehended. We also have a stamp duty on all credit card transactions. It used to be one percent, in 2013 it is further revised up to 1.5 percent. While this is a way of collecting Government revenue through indirect taxes, we believe this is holding back the industry, as 1.5 from a transaction value is a fairly inhibitive sum to pay.

But if we think on the medium and long term prospects, these need to get resolved. At present credit card industry in Sri Lanka is still very small. If we look at other countries, in order for the credit card business to be viable and achieve economies of scale, the issuer must at least have a one million plus customer base. We as a whole country do not have one million credit cards in circulation.



Having said that, we are a relatively small country with future prospects. You have to deliver according to the opportunities that are already available. According to our assessment, at this stage of evolution we should have about two million credit card users. The industry has to do a lot to get there. And we will play our role.



