

PRIME Instalments Offers Unique Selling Points to Multiple Markets



TSYS solutions support Eurobank EFG's international issuing and acquiring credit card business in its target expansion markets.

CLIENT PROFILE

Eurobank EFG group is a European banking organization present in 8 countries with total assets of €73.6 bn. The Group employs more than 19,000 people and offers its products and services through its network of 1,600 branches, business centres and points of sale, as well as through alternative distribution channels. It has a strong commitment to offer responsible and efficient banking, to meet its clients' ever-changing needs.

The retail banking arm of Eurobank EFG, based in Athens, was established in 1990 as "Euromerchant Bank S.A.", aimed at providing primarily investment and private banking services. Today, Eurobank EFG is Greece's leader in consumer lending, mutual fund management, investment banking, equity brokerage and life insurance.

Its subsidiary, Eurobank Cards SA, is the largest consumer lending organisation in the region with 3 million credit card customers and 153,000 merchants.

BUSINESS CHALLENGE

Following the deregulation of the Greek retail banking sector in the mid-1990s, Eurobank EFG changed its strategic focus. The Bank identified the opportunities in exporting its successful business model into new territories, thereby creating a course of future dynamic organic growth. Initially the Bank focused its expansions in Romania, Bulgaria, Cyprus and Serbia, with further recent developments into Turkey and Ukraine.

Although Eurobank EFG had an understanding of the local markets in these new territories through its subsidiary banks, consumer credit was a largely unknown and unproven concept. Its product offering therefore required a series of unique selling points to attract new business and a flexible multi-country issuing systems architecture that could scale up as demand dictated, without incurring additional costs.

TSYS SOLUTIONS

Eurobank chose TSYS' card and merchant management software, PRIME, and ONLINE authorization and switching engine, to support all its international issuing and acquiring credit card business in the target expansion markets. Central to its decision was PRIME's innovative Instalments product which provided a delivery platform for the range of USPs Eurobank had identified as crucial for customer acquisition.

The multi-country, multi-institution, multi-currency and multi-lingual functionalities offered by the PRIME solution were further enhanced by additional functionality provided by PRIME Collector, Scorer and Rewards modules.

BACKGROUND

Eurobank Cards used its subsidiary, Bulgarian Retail Services (BRS), to begin its expansion campaign by issuing and acquiring the Euroline credit card in Bulgaria in January 2003. This proprietary brand was to be launched as a revolving credit card in all countries and would be backed up by quick and simple application procedures, good customer service and a wide distribution network.

Eurobank EFG adopted a two-stage strategy to build market share from scratch. Phase 1 would concentrate on quick market penetration by capitalizing on the financing element of the proprietary Euroline product. The focus of its Fast Credit approach was to attract Point Of Sale financing merchants, such as those offering domestic and electrical appliances, travel packages, mobile phones, furniture and home improvements.

Phase 2 of the strategy involved increasing card usage by developing the Euroline card as a payment tool. After reaching a critical mass of cardholders, the focus would shift to POS transaction merchants, with particular emphasis on travel and entertainment vendors, high street shops, petrol stations and supermarkets.



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CHALLENGES

Eurobank EFG international expansion programme presented a range of business and technical challenges. Firstly, the Balkan territories have limited experience of credit and therefore only a few scoring agencies exist. Secondly, the high risk of bad debt would require thorough verification procedures. Also, once Eurobank EFG began its marketing campaigns, speed was of the essence in order to circumvent competitors. As such, technical implementations needed to offer fast, cost-effective speed to market and be sufficiently adaptable to offer flexible localization for each territory. Business issues aside, the crucial technical challenge was the classic one — how do you quantify system requirements to meet unknown demand?

IMPLEMENTATIONS

Eurobank EFG chose to solve these challenges through a Fast Credit system based on interest-free instalments. Managed by PRIME's Instalments module, the system enabled credit applications to be initiated at the point of transaction via POS terminal or over the internet. Pre-approval of purchases was able to take place in as little as one hour and, coupled with interest free credit, proved a very strong incentive to customers. Cardholders prefer instalments because fixed monthly sums are easier to understand than a minimum payment concept and acquirers see the potentially significant new revenue streams derived from instalment discounting as a strong differentiating advantage for the acquirer's POS terminals.

PRIME Instalments uses a parametric system design offering a number of options at both the issuer and acquirer level. Cardholders can be assigned a special limit for instalment transactions and the acquirer chooses when to start generating the instalments (next day, 1 month later, specific day each month). No interest is charged by the system — the transaction amount is split into equal monthly instalments. On the issuing side, monthly instalments are treated by the system like normal sales drafts. Merchants have two payment options available — either regular monthly payments, on the instalment anniversary date, or a single payment based on agreed discount rate.

To further accelerate Eurobank EFG fast market penetration, TSYS developed an online application processing component, Web Credit, which interfaced directly with PRIME's New Cards module and enabled merchants to submit applications over the web, view their status in real-time and benefit from even shorter response times. The PRIME solution was implemented by BRS and TSYS in Bulgaria in less than three months.

BENEFITS

Eurobank EFG was able to benefit from its custom PRIME solution in a number of important ways. PRIME provided a cost-effective, reliable, future-proof vehicle with which to quickly penetrate the target territories and rapidly increase market share. The company was also able to reduce costs and benefit from efficiency savings by employing a centralized administration solution — and benefit from easier and cheaper support. Since a single PRIME hub could be applied across all locales, and was sufficiently flexible so as to enable multi-currency, multi-language portfolio management, new products

developed for one country could be quickly applied to others. Indeed, PRIME's built-in new product templates made it possible for Eurobank EFG to develop custom solutions itself.

RESULTS

Since launching in Bulgaria in 2002, Eurobank EFG issued over 1 million cards in Bulgaria, Romania, Serbia and Cyprus by 2005 and attracted 25,000 merchants in the process. Proof of the success is perhaps best shown by the BRS experience in Bulgaria where the company made 1.5 million Euros profit in its first year — this after provision for bad debt.

The Eurobank EFG Fast Credit mechanism accounted for nearly 80 percent of BRS card acquisitions with 68 percent of POS transactions comprising Instalment payment schemes. Eurobank EFG now accounts for 47 percent of the total card issuing market in Bulgaria and just under 40 percent in Romania.

Eurobank EFG began offering retail services in Poland through its Polbank EFG subsidiary in April 2006, going operational less than three months after signing project development and planning agreements. Over 400,000 Eurobank EFG cards are now in circulation with 10,000 merchants participating in the programme.

In 2007, Eurobank EFG group also extended its international expansion into Ukraine, through its OJSC Universal Bank subsidiary and by 2010 had issued 120,000 cards and attracted 5,000 merchants.

THE FUTURE

Within the territories it has already penetrated Eurobank EFG intends to begin adding brands to its proprietary Euroline card. Mastercard, Visa and American Express brands will continue to be added — the latter is already operational in Bulgaria and Romania. In addition, Eurobank EFG will also begin to offer a range of value-added banking services to its Euroline card in these territories.

CONCLUSIONS

Eurobank EFG's successful deployment of its Euroline card in previously virgin territories has shown that it's not only possible, but profitable, to create your own solution on a relatively limited investment. By using TSYS PRIME as the selected platform to drive this expansion it has benefited from a fast, cost-effective, reliable, low maintenance solution that offers scalability and customization. With market penetration further substantiated by the introduction of PRIME Instalments and Web Credit module for new applications, Eurobank EFG has proven that financial institutions in the cards market don't need a Payment Association to be profitable — they can add the brands later.

TO LEARN MORE

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