

How banks can ride the emerging consumer segments

The world of consumers is getting increasingly fragmented into niche segments. Banks and financial institutions are customising new products and services to cater to each of them

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Electronic payments have witnessed a significant transformation in recent years, with banks at the forefront of this change. In the consumer space, there are a host of new product offerings that facilitate quick, convenient, safe and cheaper transactions. Such products / services include internet banking, electronic money transfer, national electronics funds transfer (NEFT), real-time gross settlement (RTGS), Visa bill pay, electronic clearing service (ECS), standing instructions for utility bills and mobile banking.

In addition, there are several segmented payment card products designed to cater to the needs of specific customer categories. In this respect, mention needs to be made of prepaid forex cards

for overseas travel, virtual cards for secure and convenient use on the internet, gift cards, doctor's cards, women's cards, cash-back cards and specific benefit co-branded cards with special offers on important consumption categories like fuel, airlines, retail, lifestyle and travel portals.

All these products drive customer engagement through innovation in the electronic payment space. There are a couple of reasons behind the spike in such activity.

The primary trigger is the need for banks to increase penetration of payment cards and encourage their acceptance wherever cash is prevalent today. As a percentage of gross domestic product, electronic payments constitute a small number. Hence, 'electronification', or the need to capture the uncarded opportunity in order to create a 'cashless' society, is a major objective for financial institutions.

The need for segmented card products, innovative payment platforms and new channels for fund transfers arises from the change in customer payment behaviour and expectations among customers for hi-tech services.

Changing customer demographics and increased purchasing power are also driving consumption in specific spend categories. These factors are playing a crucial role in the customer life cycle.

For instance, travel as a category has emerged as a big opportunity. Growing aspirations for a



modern lifestyle are reflected in growth of categories like shopping, entertainment and dining. This has led to emergence of segments like premium customers, ultra high net worth customers, youth and women - all marked by higher disposable incomes which translate to high purchasing power.

A glance at relevant statistics helps to illustrate their significance. The following facts and figures also underline the opportunities available for seg-

mented card payment products:

- The travel industry in India is estimated to soar to \$23 billion in 2012 and an estimated 170 crore travellers are projected to visit India by 2021. A memorable and pleasant travel experience for frequent fliers is thus a key requirement. Value-added benefits in the form of extra or free air miles, easy lounge access and special offers are now among travellers' expectations.
- Average income of urban working women has risen by a staggering 111% between 2001 and 2010. Women buyers are estimated to be 45% of all consumers as of 2011. This figure is estimated to swell to 60% by 2015. As more and more women come to occupy senior positions in organisations, this segment is seen to embrace modern lifestyle choices and display specific behaviours and traits.
- Youth have now emerged as a legitimate 'segment' in New India. Nearly 65% of the Indian population is less than 35 years old. It is expected that by 2020, the average age of an Indian will be 29 years, compared to 37 for a Chinese and 48 for a Japanese. Youth as a segment again have a different set of behaviour patterns and they expect high levels of service. Availability of multiple channels, especially digital channels, is a testimony to this.
- Mobile internet usage has surpassed desktop internet usage in India in May 2012. Hence, it is important to focus on this category and create

products, platforms and channels that cater to mobile users' behaviours and expectations.

• Extensive migration of customers to the internet and mobile space has also created an opportunity for setting up a virtual universe to facilitate better engagement. Investments and alliances in new products and platforms like virtual malls, virtual cards, mobile wallets and m-payment products seem to be the future.

We thus see that a plethora of factors -- changing demographics; higher disposable incomes; increased urbanisation and globalisation; influence of multiple media channels like internet and social media -- are redefining the lifestyles, preferences and brand choices of new-age segments of customers.

The need for choice, convenient access and instant service is, in turn, spawning new products and services that ride latest technologies.

It is imperative for financial institutions (FIs) to understand the new trends and behaviour drivers if they are to create segment-specific products and channels. As things stand today, it is safe to say that India will see significant innovations and customised products to make the most of emerging opportunities in multiple customer segments.

The writer is business head, credit cards and merchant acquiring services, HDFC Bank. Views are personal