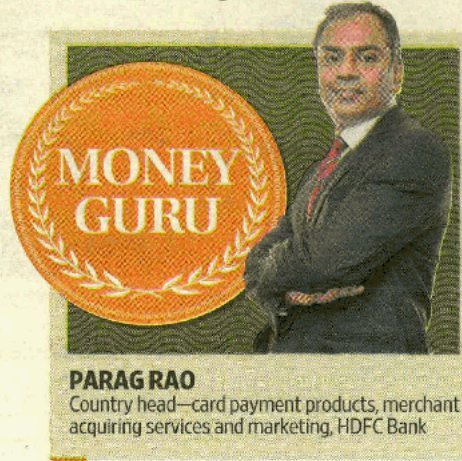


Customers use physical, Internet and mobile to pay

Parag Rao, country head—card payment products, merchant acquiring services and marketing, HDFC Bank Ltd, is looking to aggressively ramp up card issuance and merchant acquisition. As part of the strategy, he has been keeping a close eye on customer behaviour and is of the view that customers are rapidly taking to online payment. Rao spoke to Mint about evolving trends in this segment of banking services, new technologies in the market and the bank's plans in this direction for the year. Edited excerpts:



How do you plan to increase card issuance?

We have about 6.5 million credit cards. And we currently source about 150,000 new credit cards a month. I see the number (of acquisitions) doubling over the next 12 months.

We clearly see significantly rapid online adoption for utility bill payment, fuel, eating out and overall apparel shopping. Taxi is another area where there is a buildup of usage.

All this is giving a fillip to customers to start adopting electronic means of payment, whether it is using mobile wallets at offline stores or increasing use of debit cards. Categories of travel, airline booking and hotels are also growing. We see an

opportunity to increase the presence of credit and debit cards in the pockets of as many consumers as possible.

We also clearly see that the form factor that customers are using to transact is also changing. It includes physical, Internet and now mobile. Hence, we have launched products such as Chillr and PayZapp to provide a mobile payment experience.

What do you think of the new technologies coming up?

This is a new space. For instance, QR (quick response) code is one more way to make payments. The customer has to be physically present at the store to use it; she just has to scan the QR code that will have details of the product and make a payment. We are building that capability inside the PayZapp app on the customer side and will take one more month to roll it out. And our merchants will be able to accept such payments.

Near-field communication (NFC) and tap-and-pay is another technology using which a customer can pay at a merchant outlet by tapping on the device.

There are multiple technologies that are coming in; we don't know which will really thrive. We are doing experiments and pilots with the technologies because we are a large acquirer and we need to be there.

The virtual card is also coming in. We are seeing if there is an opportunity to underwrite instantly and give customers a virtual instant card. We are trying to see if we can take the existing physical way of underwriting a customer, put it online and

offer an instant credit card.

Are there new credit card products in the offing?

We already have a comprehensive credit card range of products which addresses a large portion of the important segment we are targeting. Is that the end of the story? No, because we keep evaluating for potentially new segments or needs. Our product programme has two important activities—either keep improving an existing product or if there is a potential in a new segment, then look at it.

For virtual instant cards, we will have a facility where you don't need a physical card if you want to buy only online. And we will have that facility in the next 60 days.

We have many other plans in the pipeline. There is a road map for NFC cards too.

What about the merchant acquiring side of the business?

On the merchant acquiring side, we have 42% market share—physical 38% and online 49%. And we would like to expand our base. Over the next 12 months, we would like to have 1 million merchants. Today we have 275,000 merchants.

And just as much as mobile is becoming a form factor for customers, so it is for merchants too. Traditionally, you have the PoS (point of sale) machines. We also have mobile PoS with a dongle to swipe card. We have 40,000 merchants who use it. We have a variant called PayZapp for business. It is not an app, but a two-minute registration process and its helps merchants accept payments from mobile phone.

Payzapp for business allows offline merchants to accept any form of payments including card, online and wallets. It is especially useful for home delivery. Say, you order food worth ₹800. The restaurant owner will ask your mobile phone number. Once you give her your number, she will send you a link of the bill, and you can then pay with a click. This is functional right now with 40,000 merchants in the top 5 metro cities. This is our online to offline strategy and we will be integrating with all the wallets.

We have an aggressive plan to consolidate in the market and act as a facilitator. It has practically zero cost and the merchant doesn't have to download an app.

The key objective in the merchant acquiring space is to connect offline merchants to the online space. We are going to focus on our online market area.

We have an online market area called Smart Buy, and on the mobile inside PayZapp. We plan to take Smart Buy to the offline space. So if the merchant does not have a product that you need in a store, the merchant can ask you to browse on a Smart Buy terminal. This is called assisted e-commerce, wherein we want to give physical merchants the ability to access the Smart Buy online market place in a well-packaged screen inside a kiosk.

We plan to start running the pilot in the next three months. Right now it is restricted to the bank's 30 million customers. However, the road map is to also enable it for any customer.

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