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Citibank: Launching the Credit Card in Asia Pacific (A)

On a rainy afternoon in 1989, Rana Talwar, head of Citibank's Asia Pacific Consumer Bank, reflected upon the 11 years that had gone by since the Consumer Bank had established its consumer business in Asia. The branch banking business operations in 15 countries throughout Asia Pacific and the Middle East projected Citibank as a prestigious, consumer-oriented international bank and as the undisputed leader in most marketplaces. With earnings of $69.7 million in 1988, and a goal of $100 million in 1990, Talwar considered the launch of a new product (credit cards) as a way of growing future revenues. (See **Exhibit 1** for 1988 performance.) Cards could prove to be an excellent way to overcome distribution limitations imposed on foreign banks in the Asia-Pacific region: first, by acquiring card members, by targeting customers outside its branch business and, then, by actively cross-selling other Citibank products and services to these customers.

In the past, the credit card idea had met with skepticism from Citibank's New York headquarters as well as its country managers. Many in New York considered it a risky investment. Senior credit managers questioned the wisdom of issuing cards in markets with annual per capita income of $350 and also in markets with little credit experience and hardly any infrastructure. The Citibank management recognized that the economies of most Asia-Pacific countries were relatively underdeveloped compared with the United States and Europe; consumers' attitudes and credit card usage patterns differed country by country. In this context, several country managers were unsure whether the success of Citibank's U.S. card business could be projected onto Asia-Pacific. Further, they wondered whether Citibank could adopt a mass-market positioning to acquire enough credit card customers and still maintain its up-market positioning with the current upscale branch banking customers. A premium-priced card product would not sell in the marketplace in a large way, it was argued. Moreover, country managers were not comfortable with an unsecured credit product such as credit cards and did not want to take the large losses of a card business, in the initial years, that their projections seemed to indicate. Weak local infrastructure, limited distribution capabilities, and the experience with loss-making proprietary credit card businesses that some of the countries had, served to underline arguments against a credit card launch.

Pei Chia, who had been appointed in late 1987 to head Citibank's International Consumer businesses, had experience managing Citibank's huge U.S. card businesses and was favorably disposed towards international expansion. Confident of support from his boss if a viable proposition could be structured, Talwar pondered the pros and cons of a credit card product. If he decided to push for the product, he would need to articulate a viable business strategy.

Professor V. Kasturi Rangan prepared this case with the research assistance from Marie Bell and Melanie Alper as the basis for class discussion rather than to illustrate either effective of ineffective handling of an administrative situation.

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Citibank's Asia-Pacific Operations

Unlike many of its competitors, Citibank operated on a view of the world as one marketplace and had consistently pursued a global strategy for growth. (See **Exhibits 2** and **3** for a summary of Citibank's global operations.)

Citibank's mission in the Asia-Pacific region was to be the most profitable and preeminent provider of a wide array of financial services to an increasingly affluent upper- and middle-income market, and to reach the rapidly growing middle-income households in this region. The bank operated in 15 countries throughout Asia-Pacific and the Middle East: Hong Kong, Taiwan, Australia, the Philippines, Guam, Singapore, India, the Gulf (United Arab Emirates, Bahrain, Oman), Malaysia, Indonesia, Thailand, Pakistan, and Korea.

Rapid economic development (see **Exhibit 4**) had made these countries attractive business propositions for many international banks. However, most Asian governments had a number of regulations designed to protect local banks and limit the expansion of foreign banks. For instance, foreign banks in Indonesia could operate only two branches; in Malaysia and Singapore, they were limited to three; and in Thailand, each foreign bank was allowed only one branch.

Citibank's senior managers knew that they could not rely only on breakthroughs in the regulatory environment to gain increased access in the local market. Therefore, offering the most innovative and high-quality products, services, and technology was critical to acquiring and retaining customers. For example, Citibank pioneered telephone banking in much of Asia. It developed alternate distribution channels for products such as automobile loans. With the dealers acting as the bank's agents, customers did not ever have to visit the branch. (More details about Citibank's core products and services are provided in **Exhibit 5**.)

Against such a backdrop, it was felt that the introduction of a credit card in Asia would support Citibank's strategy of expanding its customer base from the upper-income segment to include the rapidly growing middle-income households. Supporters of the card product suggested:

> We do not need bricks-and-mortar branches to access the middle market in most of our countries. We can acquire card customers through innovative new channels. When we get card customers, we have the opportunity to cross-sell our entire product line: Auto Loans, Ready Credit, Deposits, and Mortgage Power. This could be a wonderful opportunity for us to add customers.

Country managers, on the other hand, sought to highlight realities of the local marketplace. Bob Thornton, country manager of Citibank Indonesia, argued:

> There is a history of poor consumer payment on installment debt in Indonesia, as has been our experience with the mortgage portfolio, and high level of fraud in the financial sector. I wonder if credit card customers will perform any differently. The legal infrastructure is inadequate so that we cannot collect legally, if necessary. Also, while there is a small market for a card product, I am not sure that we can get the right kind of staffing and infrastructure to run such a business successfully and profitably. Yet, with a population of 180 million, it is among the few potentially large markets in Asia Pacific.

According to Dave Smith, country manager for Singapore:

> We have a small two-million population and an already saturated card market. Moreover, American Express has the market in its pocket. Entering this market this late will most likely result in us losing money. We can do without this distraction from our main banking business.

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Jaitirth Rao, country manager for India, who had, in a matter of two years, made the consumer bank an innovator of products and a catalyst for service orientation in the Indian financial services sector, expressed his concern: "Launching a credit card in a large country like ours with little infrastructure has great potential to be a major headache down the road. It's a dog. Let us delay it."

Card Business Basics

Banks issued Visa or MasterCards, both of which were organized as international franchises. Any bank or financial institution could become a member of these franchises by fulfilling certain eligibility criteria. On becoming a member, they all had to follow a certain common set of practices. An example was Gold Cards; they had to be a gold color, and the issuing bank was obliged to provide travel accident insurance and a 24-hour help line for its cardholders. In general, Visa/MasterCard set common standards for card-logo design and operating rules that its member franchises all had to abide by. It was up to the individual banks, however, to decide on pricing, branding, positioning, and customer acquisition strategies. The franchisers, Visa or MasterCard, provided the banks an extensive information network both within the country and internationally to clear transactions. Member banks and financial institutions paid Visa and MasterCard a fee in proportion to their volume of network usage, and a franchise royalty (a small percentage of sales volume) as well. Banks and financial institutions in addition to issuing cards could also participate in the Visa and MasterCard Merchant Acquisition franchise. The objective here was to enlist retail merchants to clear their credit card transactions through the "acquiring" bank. That is, regardless of which bank issued the card to the customer, the retail merchant would forward transactions to its "acquiring" bank for clearance. Visa and MasterCard provided a worldwide communication flow, via satellite hookups and computer networks, to enable a convenient consummation of the credit card transaction—often involving a merchant, a customer, an acquiring bank, and an issuing bank, all within a matter of seconds.

When a Citibank cardholder approached a Citibank merchant to purchase goods, the following round of transactions would result: say the customer bought $100 worth of goods on her Citibank card. The merchant would present the $100 chargeslip to the acquiring bank and receive $97.00 for the same transaction. Hence in this transaction, the acquiring bank would generate a merchant discount revenue of $3.00 (or 3.0%) from which it would have to make franchise payment to Visa or MasterCard, pay the card issuer (Citibank) an interchange fee, and also cover all its expenses related to the acquiring business. Citibank, the card issuer, would bill the cardholder the $100 in full, in the monthly statement. The cardholder would then have the choice of making a part payment or full payment, depending upon the payment terms. (**Exhibit 6** provides a graphical representation of a typical transaction cycle.)

The gross discount percentages shown in the above illustrations, though representative, differed from country to country, and even by merchant to merchant, depending on the competitive context.

Local banks held back merchant discounts in the 1.5% to 2.0% range—far lower than Citibank's 3.0%. As a result, merchant acquisition was getting to be very tough in developed markets. Citibank had enrolled about 3,000 merchants in Hong Kong. In order to compete effectively with the local banks, it guaranteed merchants a faster transaction settlement time. In most Asia Pacific markets, American Express had the higher-caliber merchants. Even though, like Citibank, it charged a 3% discount rate, most quality hotels, restaurants, and retailers accepted its affiliation in order to attract and retain travel-related international clients.

As part of a strategy to counter American Express's growing international presence, Citibank decided to look for an international proprietary card payment system. In 1981, Citibank acquired

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Diners Club International (DCI) which managed an international franchise for the Diners Club card. DCI allowed only one franchisee to be signed up in each country. The franchisee would be the sole issuer of Diners Club cards and the sole acquirer of Diners Club merchant business in that country. While Citibank owned the Diners Club franchise in some countries, private companies managed the franchise in most other countries.

Positioned as a travel and entertainment card for senior executives and successful businessmen, the Diners Club card is a charge card, i.e., all outstandings on the card have to be settled in full at the end of every billing month. With no interest revenue, unlike bankcards, the primary revenue sources are fees and merchant discounts.

Launching a Credit Card in Asia Pacific

While opinion was divided on whether a card launch made sense, Talwar wondered whether a staged, sequential plan could be the basis for any possible consensus and a regional thrust if he chose in favor of the credit card. This way, each subsequent country launch would benefit from the experience of all the countries preceding it. Management debated which country to lead off with, how to enter the market, and how to develop the rest of the region.

Profiles of the target countries in Citibank's Asia Pacific markets are provided in **Exhibit 7**. **Exhibit 8** provides a quick overview of the distribution of cards by income group for each country, and **Exhibit 9** provides comparative information on card pricing.

Market Entry Costs

Citibank could enter the market either by acquiring an already existing card portfolio from another company, or do greenfield market development to build a customer base, or adopt a combination of the two.

Acquiring an existing card portfolio would facilitate a quick entry into the market. Further, the bank could consider leveraging off an already developed operations infrastructure and trained human resources in the acquired company to further consolidate the market share. On the other hand, there were several arguments that questioned market entry through acquisition. Looking back at the Hong Kong entry, one manager reflected:

> We never really started a credit card business in Hong Kong. We simply acquired the existing Bank of America business with all the baggage that usually accompanies such an acquisition. Further, the bulk of our branch banking business was aimed at a limited target market, whereas the credit card business was targeted at the mass market. There was a mismatch right there.

If Citibank chose greenfield market development, it would need to invest in a direct marketing program, typically consisting of (1) direct mail, (2) take-ones, (3) direct sales force, and (4) bind-ins. Each had its advantages and drawbacks. Direct mail could target applications to the intended audience. However, it was much more expensive than some of the other methods available. “Take-Ones,” applications distributed at in-store countertop displays, offered a much broader reach; yet being available to the general public regardless of qualification, more than half of the applicants usually would not qualify. Using direct sales representatives was very expensive, although a competitor had achieved enormous success at a very low per-customer acquisition cost in South

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Korea. Finally, newspaper and magazine inserts (known as bind-ins) were by far the least expensive to circulate but they had a very low response rate.

The Hong Kong launch following the acquisition had used a combination of widespread Take-One displays in more than 4,000 merchant locations and direct mailings as well as cross-selling to existing branch customers. Bursts of thematic television and print advertising were also used to enforce brand positioning to achieve maximum effectiveness in customer acquisition efforts and to promote customers' spending on the card.

A regional market research agency estimated that in order to acquire about 25,000 customers in Singapore (see **Table A**), Citibank would typically need to invest in a multifaceted direct marketing program consisting of direct mail, take-ones, direct sales force (making about 10 calls a day), and bind-ins. The agency further estimated that of the prospects who had responded through direct mail or direct sales, nearly two-thirds would qualify for a card, and of those who responded to take-ones or bind-ins, nearly one-third would qualify for a card. Over 80% of those who qualified would usually become a card customer. An additional $1.6 million would also have to be invested in TV advertising to complement the direct marketing program. Such a budget would typically support 300 30-second spots during Christmas, New Year, Chinese New Year, and Eid ul Fitri (Islamic Festival of Breaking the Fast.) Such image advertising not only helped to bring in prospects, but also converted qualified prospects into firm customers. While a $1.6 million to $2.5 million advertising budget was adequate to reach a broad customer base within a country, a similar expenditure would be needed in each country if Citibank chose to enter several markets.

Table A Customer Acquisition Cost

Channel	Unit Cost ($)	Prospects Reached	Response Rate
Direct Mail	1.5	300,000	2%
Take-Ones	0.25	2,000,000	1.5%
Direct Sales	18,000/sales person	30,000	50%
Bind-Ins	0.15	3,000,000	1%

In addition to the launch costs of the card program, the infrastructural support (that is, computer systems, software development, customer support, merchant liaison, and other such fixed overhead costs) were estimated at about $35 million per year for supporting about 250,000 customers. For every incremental 250,000 customers an additional $10 million per year to $15 million per year of overhead would result. The direct cost, including that of the card itself, mailing, correspondence, and so on, currently cost about $25 per card in 1989, but was expected to drop to $6 to $8 per card when volume reached about one million cards.

Card Business Operation Economics

Revenues from cards could come on an ongoing basis from several sources: joining/annual fee, interest payment, merchant discounts, and other transaction-related fees. (**Exhibit 9** provides some basic information on how the card transaction settlement cycle works.) Setting the proper joining/annual fee was of some concern. Pricing the card too low would conflict with Citibank's stated positioning and would have a major impact on break-even projections. However, pricing it too high might mean low customer acceptance. One proposal was to waive the joining fee to induce more customers to buy the product, and charge a higher annual fee to provide a steady recurring revenue. Conventional wisdom, however, dictated a joining fee to cover the cost of acquisition, and a low annual fee to retain customers. Results from the Hong Kong card operations could be used to

estimate revenues based on the income levels of the customer base. As **Table B** shows, the Hong Kong business projected revenues of $16,279,144, or $162.65 per customer, in 1989.

Table B Net Revenue Impact of Citibank Hong Kong Credit Card Business, 1989

Annual Income	% of Card Owners	Average No. of Cards Owned	No. of Card Owners	No. of Cards	Annual Interest Payment[a] per Customer	Other Annual Revenue[b] per Customer	Total Annual Revenue[c] per Customer
Less than $6,200	--	--	--	--	--	--	--
$6,200 - $12,400	67.5%	1.49	67,507	100,633	$102.18	$34.70	$136.88
$12,400 - $23,200	20.9%	1.96	20,938	41,118	$134.44	$62.87	$197.31
Greater than $23,000	11.6%	2.43	11,640	28,249	$166.97	$82.84	$249.81
Total	100.0%	1.70	100,985	170,000	$116.46	$46.19	$162.65

[a]The interest payment reported is net after subtracting the cost of working capital to the bank.

[b]This revenue consisted of merchant discounts and annual fee.

[c]Though a large proportion of customers usually paid the interest and other charges on time, about 3% to 7% usually defaulted on payments, of whom only about 50% were able to eventually pay.

Options and Controversies

Citibank's management were concerned that consumers' attitudes and credit card usage patterns differed by country. This formed the basis for debate on introducing one card with a single set of features versus developing customized offerings for each market. (**Exhibit 10** provides a qualitative description of the various customer markets and their competitive environments.)

One of the most controversial ideas was that of premium pricing a card product. One of the proponents explained, "In Asia-Pacific, we started business as a commercial bank. Our relationships were with large business houses. As a result, we have had a steady flow of high-status clients. Reaching out to the mass market here would certainly kill our unique positioning in the consumer's mind." Opponents argued that a premium price might mean staying out of the market, since almost all local card issuers were giving away free or low-fee credit cards.

Opinion was divided on whether each country should issue a local-currency credit card or whether the U.S. dollar should be the standard currency for all cards. American Express, which had a dominant market position in terms of market share and image, issued only a U.S.-dollar card in the

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region, while local players in each market issued local-currency cards. A decision in this matter would have to take into account two aspects. First, local-card spend patterns versus overseas-card spend patterns in each market would help decide which currency type would appeal to customers. Second, asset growth of a local-currency card would hinge upon steady, matching growth of funding through local-currency deposits based on the limited branch network of Citibank.

There was considerable skepticism surrounding the idea of a centralized data processing setup, the Regional Card Center. Country managers feared that centralized processing would slow the speed of response, and system developers would be cut off from local markets. "I don't know how we can call ourselves a service company, if our systems are all centralized in Singapore," queried a country manager. "Also, it does not make cost sense to spend so much money on creating a huge centralized unit, and on leasing unreliable local and overseas communication lines when we can instead piggyback on our local systems, which can be upgraded with less expense." Moreover, if the centralized system broke down, the service platforms in all countries would suffer.

The advocates of a Regional Card Center, however (except Hong Kong, which had its own system capabilities), cited two important benefits:

- 1) Lower costs because of scale economies, especially with respect to software development. For example, if Citibank introduced a new reporting feature for its card customers, the programming could be done centrally, and simply downloaded to the countries. There would be no need to customize by country.

- 2) Capability to do quick card product launches in Asia Pacific, because of the ease of transferring best practices.

Talwar attributed the root cause of his country managers' resistance to Citibank's Asia-Pacific organization structure. Responsibility for launching the card would rest with the country managers who were already handling the branch banking side of the business. In the United States and Europe, the card business was handled by a dedicated team outside the branch banking organization. Few country managers in Asia Pacific wished to take the initial huge losses of a credit card product their projections indicated was a distinct possibility. They argued that Citibank, instead of attempting to dilute its efforts in acquiring mass-market customers, should in fact focus on its upscale customers and reinforce its depth of relationship with Citi-One and Citigold types of products and services. Some of the country managers felt they were already stretched on resources, while aggressively developing the branch banking business. It would be difficult, they said, to fund the people needs in a demanding card business since the market had no trained talent available. Countries could, then, lose focus in branch banking and would not be able to do justice to the new card business either.

The credit card idea was not without its supporters. Rajive Johri, a business manager in Indonesia, expressed his exuberance:

> In a country of 180 million, it should not be difficult to find the right staff and a million customers. We have the expertise in the United States and other markets, and if we can source enthusiastic people, we can train them in the business too. We will not only be building new business in a virgin territory but be a catalyst for changing the cash societies in emerging and rapidly growing economies of Asia Pacific.

If a decision to "go-ahead" was approved, then questions of positioning, pricing, and launch economics would have to be carefully addressed. Jeannine Farhi, who had moved to Asia from Citibank in the United States, cautioned:

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> It is useful to remember that poor implementation can often kill great strategy. I am not really sure if the U.S. experience can be directly translated here. For example, I am not sure if the postal service here can handle the kind of direct mail program we often mount in the United States. Post offices here are not accustomed to handling such large masses of mail. Moreover, we have to be creative about how we put together the direct mailing lists to target customers. Ready-made lists, of course, are simply unavailable. The telecom infrastructure of many countries in this region is inadequate. Some countries take several months, or even years, to provide new telephone connections at high costs, and their reliability is poor. I have not heard of any credit bureaus which could help us evaluate potential customers. All these difficult issues should be addressed in any launch plan.

At Singapore's Changi International Airport, as Rana Talwar boarded his flight to Australia, he contemplated the diversity of his markets as well as his management's views on the card product.

> On the one hand, the expedient move would be to stick to our proven up-market branch banking strategy. This seems to have the support of a large majority of country managers. On the other hand, we cannot be unmindful of the growth opportunities that the card product offers us. It is not clear we have a strategy for the credit card positioning, pricing, or country selection.

We are never going to get a consensus; that's why it is important for me to make a decision soon, one way or the other.

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Exhibit 1 Citibank's Asia-Pacific Consumer Bank Performance: 1988

	($ million)
Net revenue from fund (NRFF)	$209.0
Fees/commissions/insurance	31.3
Customer net revenue	$240.3
Net credit losses/fraud	4.8
Credit/collection	11.7
Total credit cycle	$ 16.5
Delivery expense	$138.3
Other revenues/(expense)	$(15.9)
Net earnings before tax	69.7
Tax	$ 23.5
Profit center earnings (PCE)	$ 46.2
Customer liabilities ($ billion)	4.9
Customer assets ($ billion)	2.3
Average total assets ($ billion)	3.0
Full-time equivalent employees	3,536
Number of accounts (000)	846
Number of branches	56

Source: Company documents

Note: NRFF for the card business was about $10 million, with a PCE of (-$3) million. Concentrated in Hong Kong, this business was growing rapidly and by the middle of 1989 Citibank had nearly 100,000 customers.

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Exhibit 2 Citibank Background

With about $228 billion in assets in 1989, Citicorp was the largest banking company in the United States and ranked eleventh in the world. Its operations were broadly diversified across the banking industry in order to serve a variety of individual, institutional, and commercial customers.

Global finance Citicorp's commercial banking operation served the needs of the world's business community. Recognized as the leader in the foreign exchange market, its wide range of services included commercial lending, real estate, and services to financial organizations, such as insurance companies, securities companies, institutional investors, and other banks.

Global consumer The Global Consumer business aimed to serve the fullest possible range of financial needs for individual consumers. Its $106 billion in assets constituted 50% of the bank's asset base. The majority of Citibank consumers were in the United States, where one out of six American households had a relationship with the bank. However, its international presence had been growing rapidly, and while other large banks had been scaling back their efforts overseas, Citibank had expanded its services into 9 million households in 15 countries outside the United States.

By 1989 Citibank, which had started as a commercial bank, offered a variety of products for consumers as well, especially in the United States. In the United States alone, Citibank had grown its card membership from a mere 6 million in 1980 to more than 27 million in 1987.

Citibank: Summary of Aggregate Performance

	1986		1987		1988	
	Net Income (Loss) $ Millions	Average Assets $ Billions	Net Income (Loss) $ Millions	Average Assets $ Billions	Net Income\ (Loss) $ Millions	Average Assets $ Billions
Global consumer	362	71	556	85	626	106
Global finance						
Developed economies	538	81	513	84	810	88
Developing economies	143	18	195	17	285	17
Corporate initiatives/information business	(34)	-	(89)	1	(105)	1
Cross-border refinancing portfolio	124	14	(3,288)	13	278	12
Other	(75)	-	931	(2)	(36)	(3)
Total	**1,058**	184	(1,182)	198	1,858	221

Offices and Branches (1988)

United States	
Citibank, N.A.	
Branches	293
Subsidiaries	71
Citibank (New York State)	
Branches	39
Subsidiaries	8
Citicorp savings	252
Other Citicorp subsidiaries	522
Total Domestic	1,185

Overseas (in 89 countries)	
Citibank branches and representative offices	291
Banking subsidiaries	653
Banking affiliates	115
Other financial affiliates and subsidiaries	1,121
Total overseas	2,180
Total	3,365

Source: Annual Reports.

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Exhibit 3 Citibank: Global Consumer Bank ($ millions)

	1986	1987	1988
Net revenue from fund	$5,638	$6,476	$6,899
Credit cycle expense	1,701	1,580	1,746
Delivery expense	3,392	3,952	4,295
Total expense	5,093	5,532	6,041
Other income (expense)	92	65	92
Income before taxes	637	1,009	950
Net Income	362	556	626
Average assets ($ billions)	$ 71	$ 85	$ 97
Return on assets (%)	.51	.65	.64
Return on equity (%)	12.7	16.3	16.1
Assets ($ billions)			
Revolving loans	NA	$ 17.2	$ 21.8
Shelter loans		39.7	41.6
Student loans		1.8	2.1
Other loans		21.8	25.5
Other assets		12.0	13.3
		$ 92.5	$104.3
Liabilities			
Transaction account deposits	NA	$ 11.6	$ 13.5
Savings deposits		60.0	65.0
Other		20.9	25.8
		$ 92.5	$104.3
No. of accounts (millions)	NA	42.0	45.0

Source: Annual Reports.

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Exhibit 4 Country Profile

	Australia	Hong Kong	India	Indonesia	Malaysia	Philippines	Singapore	Taiwan	Thailand
Population (millions)	16.5	5.6	797.0	167.7	16.9	61.9	2.7	19.8	55.0
Urban population	85%	90%	23%	25%	38%	50%	100%	72%	20%
Economy									
1988 real GNP (US$ billion)	$196.8	$45.7	$222.5	$63.4	$34.1	$32.6	$23.8	$95.8	$51.1
Per capita (US$)	$11,929	$8,158	$279	$338	$2,018	$527	$8,817	$4,837	$930
1988 growth rate	4.0%	7.3%	9.7%	4.8%	8.1%	6.8%	11.0%	7.3%	10.8%
Five-year average growth rate	4.6%	8.4%	6.1%	4.2%	4.2%	0.5%	5.6%	9.3%	7.2%
Savings rate	6.7%	30.0%	19.6%	27.9%	23.8%	NA	NA	31.2%	10.3%
Inflation									
1988	7.6%	7.4%	9.8%	8.0%	2.0%	8.7%	1.5%	1.2%	3.8%
Five-year average	7.1%	5.5%	8.2%	7.6%	1.6%	16.6%	0.7%	0.5%	2.3%
Literacy rate	99%	88%	48%	72%	80%	88%	87%	90%	89%
Ethnic composition	95% Caucasian; 4% Asian; 1% other	98% Chinese; 2% other	80% Hindu; 10% Muslim; 10% Christian, Sikh, Parsi, and others	74% various Malay groups; 26% other (mainly Chinese)	60% Malay; 31% Chinese; 9% Indian	91% Christian Malay; 4% Muslim Malay; 2% Chinese; 3% other	76% Chinese; 15% Malay; 7% Indian; 2% other	84% Taiwanese; 14% Mainland Chinese; 2% other	75% Thai; 14% Chinese; 11% other
No. of passenger cars in use	7,244,000	250,000	1,351,200	1,170,100	1,578,900	352,900	251,400	650,000	770,400
No. of telephones in use	8,727,000	2,461,000	4,409,000	907,000	1,646,000	658,400	1,122,000	7,800,000	1,000,000
No. of televisions in use	7,900,000	1,400,000	6,000,000	7,112,000	2,350,000	2,200,000	570,000	6,386,000	5,600,000
(Some of these data are for 1985, others for 1987)									
Political/Economic Risk Factor	A	B	C	C	B	D	B	A	B
A—Most Stable D—Most Risky	Highly Westernized economy with opportunities for development	1997 return to Mainland China causes political uncertainty	Unstable federal government, political corruption	Large national debt, political corruption, speculation on new political leadership	Low inflation and fast high-tech growth, but political infighting	Political corruption, threats of Communist insurgency	Transition to new leadership after 30-year reign of Lee Kuan Yew	Strong economic and political stability	Strong growth, but heavy reliance on tourism. Political corruption

Sources: *United Nations Statistical Yearbook for Asia and the Pacific*, 1991, and U.S. Central Intelligence Agency, *Handbook of the Nations*, 1991.

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Exhibit 5 Citibank Asia-Pacific Consumer Bank: Core Products and Services

Core Products

In offering the *Citi-One* account, Citibank used its advances in technology to provide customers something none of its competitors could reproduce: a consolidated deposit and investment account based on the sum total of all of a customer's accounts with Citibank. By enrolling in Citi-One, customers benefited from

- a consolidated statement showing the status of all their Citibank accounts,
- banking by phone,
- an automatic checking overdraft facility,
- linked savings and checking accounts where funds were swept from checking into savings overnight in order to earn interest, and
- a designated customer service officer to manage their accounts.

In order to fully offer its resources to branch banking customers, Citibank imposed relatively high deposit requirements of its checking/savings customers--usually about $10,000.

Mortgage Power, targeted at housing loan customers, allowed those whose homes were worth more than the existing mortgage to obtain a revolving line of credit on top of their existing loan.

Citibank was also one of the largest providers of *auto loans* in Asia. The bank worked to establish and maintain relationships with car dealers as one way to gain access to new customers; auto loans were then sourced and marketed through car dealerships.

Unlike other credit line accounts, Citibank's *Ready Credit*, a revolving credit facility which worked like a checking account, enabled customers to apply for an overdraft line of credit without having to formally apply for a loan. This product was targeted at mid-level professionals and provided them a ready source of funds for unexpected expenditures or emergencies. It offered a number of benefits, including low mandatory repayment of the loan, no collateral or guarantors required, and ready cash withdrawals through ATMs (automated teller machines).

To attract the high net worth segment of the market, Citibank offered its exclusive, personalized *Citigold* service. Its creators likened the Citigold concept to traveling in the first class cabin of an airplane. With Citigold service, customers who met the minimum average deposit requirements (this varied from country to country but was usually around $100,000) did their banking in exclusive, lavishly furnished service areas where they did not have to wait in lines for teller service. Soft music, warm lighting, tastefully selected artwork, and service from immaculately groomed, more experienced representatives all served to differentiate this class of customer. Access to more sophisticated products, investment advisory services, complimentary magazine subscriptions, and updates on currency trends were just some of the additional benefits bestowed upon Citigold customers. The Asia-Pacific division innovated the Citigold idea, and a much larger proportion of its customers in Asia (compared with its U.S. operations) were Citigold customers.

CitiPhone banking enabled customers to complete routine banking transactions, such as fund transfers and account balance inquiries, via phone, from the privacy of their own homes or offices, or

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even from mobile phones. Moreover, with CitiPhone Banking, customers could access their accounts 24 hours a day, 7 days a week, and 365 days a year.

Citibank had also revolutionized the banking industry in Asia via *automated teller machines*. Customers could use ATM cards to access their funds from stylishly decorated, highly secured Citicard Banking Centers in the language of their choice, and all ATMs contained phones which automatically connected customers with a Citibank officer in case of a problem. With the International Citibank Citicard, customers could carry out transactions on their accounts virtually anywhere in the world.

Business Segments

In addition to its regular branches, Citibank operated separate offices to serve certain strategic customer segments. Each of these offered a portfolio of products designed to meet the unique needs of customers in those segments.

Citibank's *Non-Resident Indian Business (NRI)* was set up to capture the business of Indian customers who did not reside in India. Citibank offered special foreign currency time deposit accounts and rupee (local currency) savings accounts in India which enabled *NRI* customers to invest their overseas earnings in Indian rupees or in foreign currencies. The former earned a significantly higher interest rate. This helped Citibank develop relations with the Indian government by helping the Central Bank to procure foreign currencies. *NRI* had branches in major financial centers all over the world.

With 21 banking centers in 15 countries around the world, the *International Personal Banking (IPB)* business was designed to service the growing group of affluent Asian offshore clients with global financial needs. *IPB* provided such innovative products as the International University Plan, which would allow customers to create the funds necessary to send their children to prestigious universities in the United States, Canada, and Europe, while insuring the funding for college against death or disability. It helped them cushion political and economic instability, offering them foreign currency advisory services and access to global investment products, while providing unique local tax benefits. IPB's focus on personalized service (a personal finance manager specially trained in international transactions), confidentiality, and accessibility made Citibank the choice of more than 120,000 customers worldwide.

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Exhibit 6 Typical Credit Card Purchase Transaction Cycle

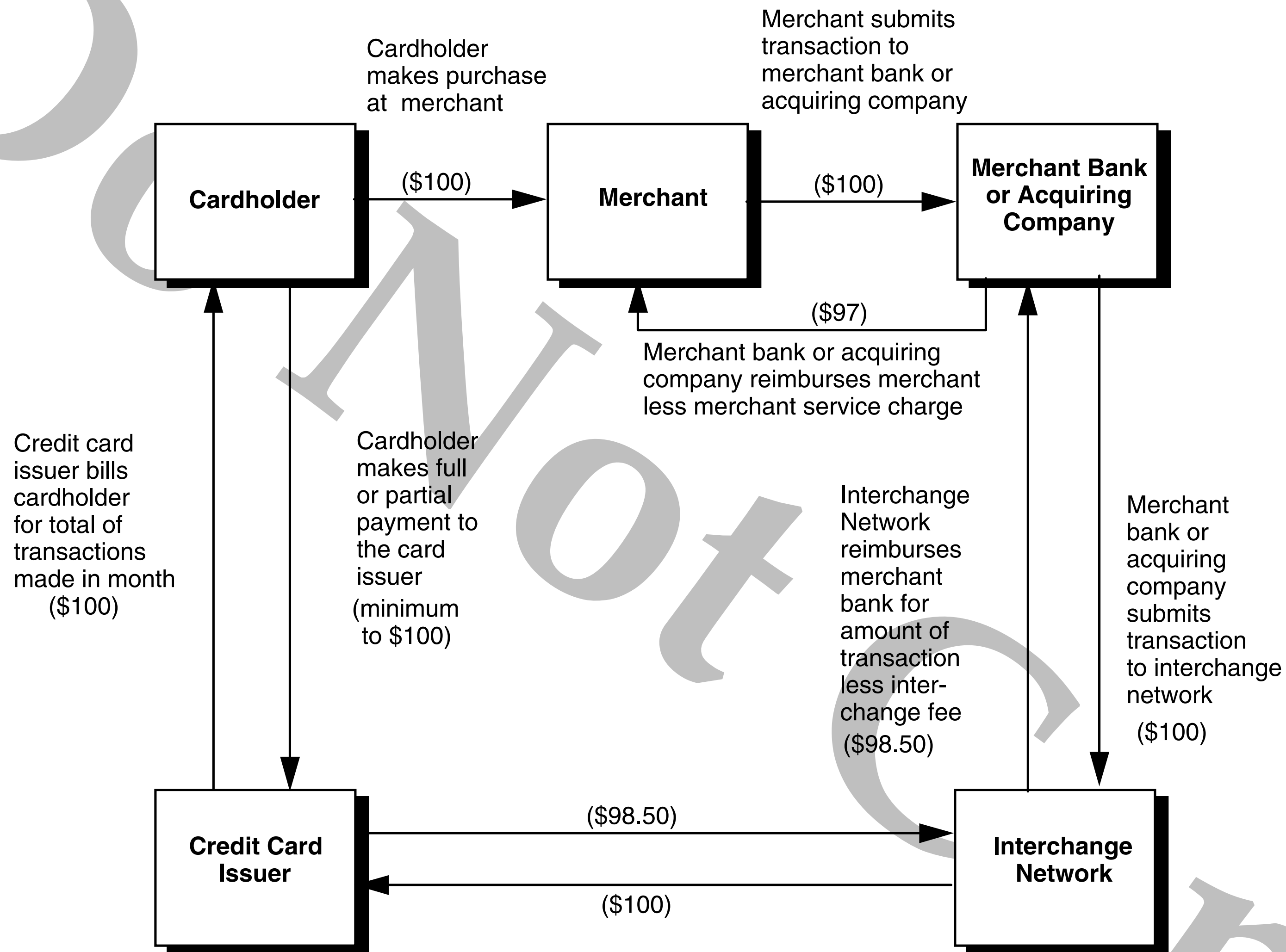

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Exhibit 7 xxx Citibank Country Profile (1988)

	Australia	Hong Kong	India	Indonesia	Malaysia	Philippines	Singapore	Taiwan	Thailand
No. of branches	9	27	6	2	3	3	3	2	1
No. of bank customers (‘000)	85	130	61	21	29	46	18	16	12
No. of bank accounts (‘000)	150	250	165	25	58	85	67	30	16
No. of Citigold customers	--	7,600	1,000	550	487	2,300	1300	680	--
No. of IPB customers	--	9,900	--	--	--	--	12,800	--	--
No. of autoloan customers ('000)	36	200	15	13	--	4	10	11	4
No. of mortgage customers ('000)	27	22	--	2	9	--	3	2	5
No. of card customers	--	102	--	--	--	--	--	--	--
% of bank customers owning Citibank card	--	6	--	--	--	--	--	--	--
Net revenue from fund ($ millions)	59	67	6	12	11	19	16	11	8
Average annual customer income (US$)	$60,000	$36,000	$10,000	$24,000	$14,000	$10,000	$20,000	$25,000	$15,000
Average customer bank balance (US$)	$24,000	$20,000	$3,500	$9,000	$23,000	$4,000	$13,000	$9,000	$5,000

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Exhibit 8 Estimated Distribution of Population and Cards by Income

	Annual Income (head of household)					
	Above $25,000	$12,500 to $25,000	$6,000 to $12,500	$2,000 to $6,000	Below $2,000	Total (in (millions)
Australia						
% of population	12.5[a]	30	37.5	15	5	16.5
% of cards	30[b]	35	30	5	0	10.5
Hong Kong						
% of population	10	25	50	10	5	5.6
% of cards	15	25	50	10	0	2.0
India						
% of population	1	2	2	5	90	800
% of cards	10	10	10	70	0	.280
Indonesia						
% of population	3	2	2	3	90	168
% of cards	40	10	10	40	0	.120
Malaysia						
% of population	5	10	20	45	20	17
% of cards	10	45	45	0	0	.380
Philippines						
% of population	3	5	22	30	40	62
% of cards	50	45	5	0	0	.240
Singapore						
% of population	5	5	10	25	55	2.7
% of cards	30	70	0	0	0	.630
Taiwan						
% of population	12.5	30	35	10	5	20
% of cards	30	50	20	0	0	.100
Thailand						
% of population	5	10	10	20	55	55
% of cards	12.5	12.5	50	25	0	.210

Note: The minimum age for cardholders was 18 years in Australia and 21 in the other countries. While the card issuers imposed their own income requirements, the government of Malaysia imposed a minimum income of $9,000/year, and Singapore imposed a minimum of $14,000/year.

[a] Of Australia's 16.5 million people, 12.5% were estimated to live in households where the head (of the household) had an income above $25,000.

[b] Of Australia's 10.5 million credit cards, 30% were owned by individuals with incomes above $25,000.

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Exhibit 9 Competing Product Profiles: Pricing

	American Express		Diners Club	Local Banks	
	Green	Gold	Regular	Classic	Gold
1. Australia					
Joining Fee	$30	$45	$45	Nil	Nil
Annual Membership Fee	$45	$60	$60	Nil	Nil
Payment Terms	Balance due monthly	Balance due monthly	Balance due monthly	Balance due monthly (overdue int. 2% p.m.)	Balance due monthly (overdue int. 2% p.m.)
2. Hong Kong					
Joining Fee	$32	$50	$32	Nil	Nil
Annual Membership Fee	$50	$83	$54	$28	$61
Payment Terms	Monthly	Monthly	Monthly	Monthly (overdue int. 2%)	Monthly (overdue int. 2%)
3. India					
Joining Fee	NA	NA	$25	Nil	NA
Annual Membership Fee	NA	NA	$40	$10 to $19	NA
Payment Terms	NA	NA	Monthly	Monthly (overdue int. 2.5%)	NA
4. Indonesia					
Joining Fee	$60	$60	$40	$15 to $40	$30 to $60
Annual Membership Fee	$50	$60	$35	$20 to $30	$30 to $45
Payment Terms	Monthly	Monthly	Monthly	Monthly (overdue int. 2.5%)	Monthly (overdue int. 2.5%)
5. Malaysia					
Joining Fee	$31	$38	$40	0 to $30	0 to $50
Annual Membership Fee	$54	$75	$60	$20 to $50	$50 to $75
Payment Terms	Monthly	Monthly	Monthly	Monthly (overdue int. 2.5%)	Monthly (overdue int. 2.5%)
6. Philippines					
Joining Fee	$35	$50	$40	Nil	$5 to $20
Annual Membership Fee	$50	$60	$50	$20	$50
Payment Terms	Monthly	Monthly	Monthly	Monthly (overdue int. 3%)	Monthly (overdue int. 3%)
7. Singapore					
Joining Fee	$50	$50	$45	Nil	Nil
Annual Membership Fee	$60	$95	$60	0 to $50	0 to $65
Payment Terms	Monthly	Monthly	Monthly	Monthly (overdue int. 2%)	Monthly (overdue int. 2%)
8. Taiwan					
Joining Fee	$40	$60	$45	Nil	Nil
Annual Membership Fee	$72	$120	$80	$48	$96
Payment Terms	Monthly	Monthly	Monthly	Monthly (overdue int. 1.5%)	Monthly (overdue int. 1.5%)
9. Thailand					
Joining Fee	$40	$60	$40	Nil	Nil
Annual Membership Fee	$65	$120	$80	$20	$40
Payment Terms	Monthly	Monthly	Monthly	Monthly (overdue int. 1.5%)	Monthly (overdue int. 1.5%)

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Exhibit 9 (continued) Competing Product Profiles: Services

	American Express	Diners Club	Banks
Card replacement	24 hours or next business day at 1,500 locations worldwide	24 to 48 hours at Diners offices	1 to 2 weeks Written loss report required
Loss/misuse liability	$100 maximum	$100 maximum	Some provide no coverage until loss reported, others provide $100 maximum
Spending limits	None	None	Yes
Emergency check cashing	$1,000 (Green) $5,000 (Gold) at AMEX locations $250 at hotels $100 at airlines	$1,000 at Diners offices and Citibank branches $250 at hotels $100 at airlines	$250 at hotels $100 at airlines
Cash advance	None (except through Express Card ATM)	$1,000 at Diners office and Citibank branches	$1,000 to $10,000 or up to credit limit
Year-end summary	Gold Card only	No	No
Interest-free period	45 days	30 days	25 days
Minimum payment	Full	Full	10% of balance
Replacement card	Free	Free	$20 to $50

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Exhibit 10 Asia-Pacific Markets: Country Profiles

From the bustling financial metropolis of Singapore to the rice fields of Indonesia, the eight additional Asian markets Citibank considered for expanding its credit card business represented a broad spectrum of cultural, industrial, and economic diversity. Moreover, the level of credit card penetration and market development differed from one country to the next, as did consumers' attitudes toward card ownership and usage. Detailed descriptions of the market in each country follow.

Australia

With its highly developed service sector, high per capita GDP, and predominantly Caucasian population, Australia closely resembled the commercialized, industrialized nations of the West in many ways, including its financial services and banking infrastructure. Compared with other developed economies, Australia ranked second only to France in the number of outlets, such as branch offices and ATMs, offering banking services per capita.

In contrast to other Asia-Pacific markets, Australia's credit card market was already saturated by 1989. With about 10.5 million cards in force, the average Australian carried two cards. Of these, about half were Bankcards, cards issued by 10 local banks for local use only. Bankcards were an introduction to credit cards for many consumers, and most still reported owning at least one. Because they had been in use for so long, and because of their usage limitations outside the country, consumers perceived Bankcards as becoming less popular, if not almost obsolete.

Visa and MasterCard had also developed large franchises in Australia, with 17.6% and 16.8% of the market, respectively. Though both were known for their wide domestic and international retail acceptance and were highly regarded in overall reputation, consumers viewed the Visa card as slightly more prestigious and higher in merchant acceptability. Twenty-three local banks and six foreign banks offered a total of 4.1 million Visas and MasterCards, though the majority were issued by Australia's four largest banks—Westpac, Commonwealth, ANZ, and National Australia Bank.

American Express and Diners Club also operated in Australia; with 600,000 and 180,000 cards in force, respectively, their franchises were much smaller than the other brands. Both cards had been known as symbols of status and had been very strong businesses at one time. However, by 1989 both were experiencing problems, due primarily to decreases in retailer acceptance and consumers' negative attitudes toward AMEX and Diners Club membership fees. Unlike the local banks, both AMEX and Diners Club charged consumers a joining fee as well as an annual membership fee.

In Australia, as in other parts of Asia, consumers recognized credit cards as an important shopping tool that freed them from carrying cash and allowed them to shop whenever and wherever they wanted. Credit card purchases varied, but most of them were related to travel, entertainment, or shopping. However, card usage had become so commonplace in Australia that prestige and image associated with the card or the issuing bank was no longer an important consideration when choosing a credit card. Australian consumers, more concerned with how credit cards could be used in conjunction with other banking services to better manage their finances, viewed credit cards as an extension of an existing relationship with their banks. Therefore, MasterCards and Visas that allowed for easy cash withdrawal through ATMs, provided for payment of monthly bills, linked all of a customer's bank accounts, provided lost wallet protection service, and had no annual fee were the most popular. The MasterCards and Visas offered by the four major national banks offered one or more of these features.

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Debit cards were also available; however, penetration was less than 5% and these were primarily seen as a nonbank financial institution product linked to savings accounts.

Hong Kong

Citibank had been in the credit card business in Hong Kong since 1983, when it acquired the Diners Club card business from Hong Kong's Standard Chartered Bank. The business was expanded in 1987 through the acquisition of Bank of America's Visa card portfolio, that had grown to 75,000 customers over the previous 12 years.

With the country's impressive economic growth and rapid industrialization, the relatively affluent population of 5.6 million with an average annual income of $8,158, and a high concentration of people living in urban centers, the people of Hong Kong were no strangers to the use of credit cards. By the late 1980s, consumers were sophisticated in their knowledge and usage of credit cards—using them for a variety of occasions from daily trips to the grocery store to business travel to family vacations. They had a number of credit card options to choose from. Visas and MasterCards issued by the local Hong Kong Bank and Standard Chartered Bank were considered popular. By 1989, Hong Kong had nearly two million cards in force, with cardholders owning an average of 1.7 cards each.

Citibank viewed its Hong Kong card business as a way to grow its customer base by targeting customers outside its branch business; the bank would then deepen its relationships with these customers by actively cross-selling other Citibank products and services. By 1989, Citibank's 140,000 Classic and Gold Visas held an 8.7% share of the credit card market. In addition, it owned 100,000 Diners Club card customers. This charge card competed directly with American Express, which had issued 175,000 cards in Hong Kong.

India

With 80% of the country's population living in rural areas, agriculture formed the foundation of India's economy. Growth in the country's key industries—textiles, food processing, and pharmaceuticals—and in the service sector contributed to India's strong economic development in the late 1980s.

Because the majority of the country's wealth was concentrated among a small group of urban households, credit card penetration in India was extremely low. Credit cards served as status symbols for India's upper-middle-class consumers and provided the convenience of not having to carry lots of cash. Consumers preferred to pay on time and not use the card as a means of revolving credit. Though merchant acceptance was generally not as high in India as in other Asian countries, consumers were able to use their cards for a variety of purchases, more than half of which were related to travel and entertainment.

To this select group of card owners, wide acceptance, brand/bank image, and ease of the application process were a card's most important features. With regard to these preferences, only Diners Club, with about 70,000 members, was strong and presented a distinct positioning. American Express did not issue a local credit card. The other major competitors were bank cards. Two of them with about 100,000 cards had already overtaken Diners Club. The local banks did not charge a joining fee and kept the annual fee at about $15. All foreign-exchange transactions in India were heavily regulated by the central bank. As a result credit cards issued in India could be used only for local transactions in local currency.

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Indonesia

Despite its 9 billion barrels of proven oil reserves and its wealth of other minerals, Indonesia remained a relatively poor country, with about 80% of the population living in rural areas and earning less than $500 per year. A significant portion of Indonesia's small but rapidly growing wealthy class was the local Chinese business community—part of a larger network of some 27 million mainland Chinese whose growing international business interests had prompted them to settle in foreign places around the world.[1] But many wealthy Indonesian business people shared a similar international outlook as their business travels took them frequently to Malaysia, Singapore, and Australia.

The government did not impose restrictions on card ownership, but because of low income levels many did not qualify for membership, and this severely limited the size of the customer base. Thus, Indonesians perceived card ownership as a measure of high social standing. Among the major competitors were Visa and MasterCard issued by local banks. American Express and Diners Club also operated there, offering products and services for the small pool of professionals and well-to-do citizens. Three local banks, American Express, and Diners Club shared the market equally. Whereas all charged a joining fee as well as an annual membership fee, the local banks priced their offerings significantly lower.

To those few who were able to use credit cards, a number of features were important in choosing which card to use, especially outstanding service, prestige, billing in rupiahs (local currency), and extra "perks" of membership, such as prizes for joining and purchase protection. Even among those eligible for membership, low credit limits kept consumers from using their cards intensely. Consumers were able to use their cards for a wide variety of purchases, including travel expenses, groceries, and hospital bills.

Malaysia

An important world producer of rubber and timber, Malaysia was largely a rural country, with 61% of the population living in rural areas. However, as a growing industrial nation, it was also the world's third-largest producer and largest exporter of semiconductors. As with neighboring Indonesia, Malaysia had a prosperous business population of nearly one million (half of whom were of Chinese origin) whose business interests took them to many countries in the Asia-Pacific region as well as to the United Kingdom.

Convenience and extra credit were important reasons for owning credit cards. Malaysians considered it acceptable to revolve credit, so that though some customers paid their monthly bills in full, many others relied on their cards to finance short-term expenses. Cards were used mostly to pay for personal and family retail purchases, with the exception of a small group of corporate customers who used the cards for business travel and entertainment.

Malaysians had plenty of card options to choose from in 1989. American Express, for instance, with a 15% share of the market, offered a charge card that was recognized internationally for its premium image and superior customer service and that had no preset spending limit. The rest of the market was divided between international banks, which used credit cards as a way of reaching new customers (foreign banks were limited to three branches in Malaysia), and local banks, which tapped into their base of branch customers to develop their card businesses. Established international banking groups, such as Hong Kong Bank and Standard Chartered Bank, offered their cards globally

[1]Source: "The Worldwide Web of Chinese Business," *Harvard Business Review*, March-April 1993: 24-37.

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and were particularly attractive to customers with international interests. With its extensive branch and ATM network, Malayan Banking Berhad, with a 10% share, was viewed as an established local bank whose cards were a vehicle of convenience. Finally, offering high credit limits but lacking in customer service and prestige, Malayan Borneo Finance offered numerous card types with varied pricing levels in order to be all things to all people and gain the widest possible market share. In general, MasterCard and Visa were known for their flexibility and wide retail acceptance, and the reputations of the banks issuing these cards helped consumers decide which one to choose. Local banks usually did not charge a joining fee for the classic card, but they all charged an annual fee, and they all offered an exclusive Gold card. According to Malaysian law, only consumers with an annual income of $9,000 or more could own a credit card.

Philippines

After a deep recession from 1984 through 1986, the Philippines during the late 1980s was in the midst of a booming recovery. Jumps in consumer demand helped fuel the economy as more and more jobs became available through new sources of capital and government programs. Food and beverage consumption was rising tremendously, as were sales of "big-ticket" items.

Even in the context of this rapid economic growth, credit card penetration in the Philippines was extremely low.

The credit card market was relatively underdeveloped, with only two major banks issuing MasterCards and Visas. Consumers valued these cards for their wide acceptance and revolving credit facility. American Express, perceived as the card for the international consumer, and Diners Club, known as the prestigious card, were also available. Between the two, they had nearly 50% of the market.

To their owners, credit cards provided value by allowing them to make purchases and pay for services at any time without having to worry about carrying large amounts of cash. Groceries were the most common kinds of card purchases, followed by restaurant meals, clothing, and gasoline. Wide acceptance was therefore by far the most important factor considered in selecting a card, followed by its terms, such as interest rate, repayment terms, and credit limit. The reputation of a card and its issuing bank was also important to consumers, but far less critical than other factors. Credit cards issued in the Philippines could be used only for local transactions in local currency.

Singapore

Thirty years of political stability under the strong-handed rule of Prime Minister Lee Kuan Yew helped Singapore develop into one of the world's largest centers for international trade and services, as well as the site of one of the world's biggest oil refineries. A host of multinational corporations had clamored to set up operations in this "high-tech Mecca." With an average per capita income of $8,800, the standard of living in Singapore was closer to that of industrialized Westernized nations than to that of its neighbors.

By 1989, Singaporeans were quite familiar with credit cards. In fact, with cardholders owning an average of two credit cards each and with nearly 500,000 cards in force, many felt the market was already saturated. In consumers' minds, cards fell into three categories. First, American Express, with about a 15% share, the high-price charge card with no spending limit, was known for its prestige, worldwide acceptance, and outstanding global service. Second, large international banks such as Hong Kong Bank, Chase, and Standard Chartered Bank offered MasterCards and Visas with worldwide acceptance and an international image. Consumers perceived their service and prestige

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to be lower than that of American Express but greater than that of the local banks. Finally, a number of local banks such as UOB, DBS, OUB, and OCBC offered low-priced MasterCards and Visas with worldwide acceptance but no international image. These cards were considered to have minimum levels of service and prestige, but were seen as patriotic and conservative choices. Consumers attached a lot of importance to the reputation of the issuing bank when choosing a card. American Express was the only card to charge a joining fee. By also waiving annual membership fees, local banks UOB and DBS had each captured a 20% share of the market.

As members of a society that prided itself on introducing the latest technology and service to make things run most efficiently, Singaporean consumers viewed credit cards as vehicles of convenience. At the same time, because government regulations required all cardholders to be at least 21 years old and to earn at least $14,400 per year, credit cards were also considered a status symbol. Because the market was so well developed, cards were used to purchase high-priced and low-priced items alike, from clothing, appliances, and electronics to restaurants, entertainment, and travel.

Taiwan

As the world's twelfth-largest trading power, Taiwan was a major investor in the Philippines, Thailand, Malaysia, Indonesia, and Mainland China. Once a rural nation, Taiwan had rapidly developed its capital- and technology-intensive industries, making its population one of the wealthiest and best educated in the region.

Though heavy government protection and support helped foster this industrial growth, it was a barrier to growth in the credit card business. Prior to 1989, laws prohibited consumers from owning more than one credit card, from revolving credit, and from using their cards to obtain cash advances. Also, international cards could not be issued in Taiwan. Anyone wanting a charge card from Citibank, American Express, or Chase Manhattan had to obtain it in Hong Kong. (The Taiwanese branches of these companies supported the Hong Kong branches in promoting these cards.)

Reforms in banking regulations, passed in July of 1989, lifted the restrictions on international cards, on multiple-card ownership, and on revolving credit. However, the government retained much control over the entire industry through its National Credit Card Center (NCCC), which engaged in developing merchant acceptance, maintained an extensive database on all member cardholders, and settled overseas transactions. Though the government exempted American Express and Diners Club from NCCC control, any bank wanting to issue a MasterCard or Visa had to obtain authority from the NCCC.

Such heavy regulation had kept all but a few players out of the credit card business, making it an industry in relatively early stages of development. Based on their global networks and premium-quality service, American Express and Diners Club developed a prestigious reputation, which they used to attract their target customers: executives, world travelers, and upper-class Taiwanese. Conversely, China Trust and Cathay Trust provided a lower-cost MasterCard and Visa suited for a wider audience. Consumers perceived American Express as the card to use for travel, Diners Club as the highest symbol of prestige, Visa as the most popular, widely accepted card in the world, and MasterCard as the second card to have in the wallet. American Express had about 50% of the market share. Unlike American Express and Diners Club, the local banks did not charge a joining fee.

To the Taiwanese consumer, the charge card was a badge of status. Taiwan was a cash-oriented society in which it was considered unacceptable to owe other people money. Even when it became legal to revolve credit, the majority of Taiwanese refrained from doing so. With an average purchase

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valued at $80 to $110, most credit cards were used in department stores, supermarkets, nightclubs, restaurants, and, of course, for travel—50% of credit card purchases were made overseas.

Thailand

With its economy growing at an average of 11.6% from 1986 to 1989, Thailand was one of Asia's most rapidly developing nations; foreign investment was growing faster there than anywhere else in Southeast Asia. Most of the increases came from the country's small but strong industrialized sector and from tourism, Thailand's largest source of foreign exchange. This continued strong economic performance resulted in a growth in consumer affluence and spending.

Compared with the more industrialized nations such as Singapore and Hong Kong, the card market in Thailand had relatively few major players. Card products could be divided into two groupings. First, there was American Express and Diners Club, whose core business was charge cards and which issued about 50% of the cards in the market. Prestige was the key to their positioning, as they focused on acquiring an upscale customer base. Second, the local banks issued Visa or MasterCard credit cards. These were often aimed at the bank's customers and did not have the same upscale image among consumers.

Korea

Local regulations did not permit banks to issue cards with revolving credit. Further, due to strict foreign exchange control measures, only local currency cards could be issued. As a result, several local banks were issuing Visa/MasterCards as charge and debit cards. For many years, Citibank had been managing the Diners Club business in Korea. Management experience with the Korean card business was far from satisfactory with financial losses as well as labor problems.

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