

A raging war in Syria, skirmishes in the streets of Tripoli, a spate of kidnappings and a tourism sector in crisis. You could be forgiven for thinking that Lebanon is heading towards an economic slump. But the Lebanese are defiantly shopping — and perhaps more importantly borrowing — undeterred by the debacle of civil strife around them.

The increase in the use of credit cards is an indication that consumer borrowing is thriving and that credit cards remain a growth market for profit-hungry banks.

Recent studies show that the credit card market in Lebanon is growing at around 15% per year, in line with similar growth in other more “stable” countries in the region, like KSA and UAE.

But unlike western markets, where the uptake of credit cards signals an economic downturn, the contrary is the case here.

Lebanon’s commercial banks are investing in the future with new credit and debit cards coming onto the market from Bank Audi this month, BBAC in December and in the near future a special credit card just for paying your tax bills, which the government is about to unveil soon (and which Credit Libanais is confident it will win through a tender).

HOW BIG, HOW FAR

Banks in Lebanon are fiercely competing for the next generation of customers and are pulling off increasingly ingenious marketing gimmicks to pull in the punters into what is still considered a vacant market (still only less than half of the adult population has a debit or credit card).

In terms of market share for number of credit cards issued, Bank Audi is the leader, with BLOM second and Credit Libanais third. But their market shares are not quite so clear when you look at other criteria.

Number of clients, number of point of sale terminals, actual outstanding debt generated are all factors to take into consideration.

For example, in the early days, there was more consolidation with technolo-

gy, but some banks (like Audi) are now going more independent with their own in-store terminals to try and gain margins in a business that pays high dividends — monthly interest rates vary from 1.25% to a staggering 3% — but also comes loaded with high management costs and risk.

“We own 47% of the acquiring market,” says Randa Bdeir, who introduced the first credit card to Lebanon in 1994. In other words, Audi has its exclusive swipe machines in almost half of all retail outlets that accept plastic (and in the majority of cases, they claim they have exclusivity in those same shops). This advantage explains why many Bank Audi credit card holders are customers from other banks.

The entire market is \$3.2 billion a year, and Audi claims to be way ahead of the pack on growth, with its own increased revenues reaching close to 30%-35%, with credit card revenue representing about 5% of the bank’s total profit last year.

Credit Libanais is aligned to the Credit Card Management payment platform (along with Fransabank, BBAC and Bank of Beirut) which operates around 10,000 terminals, while Audi has around 12,000.

“Between 2006 and 2011, the credit card market increased by 37% and almost 8% between 2010 and 2011,” says Alain Hakim, Credit Libanais’ marketing chief, during an interview with BOLD.

“We have almost 10% of the total card market in Lebanon, which is about 1.8 million cards, so I believe we are number three behind BLOM, and of course, Bank Audi.”

TRENDS AND GIMMICKS

Banks tend to fall into one of three categories of motivation when it comes to credit cards: pure revenue, public relations and image, or simply serving customers’ needs (to prevent them transferring their loyalties to the competition).

When it comes to being proactive, the most aggressive are Audi, BLOM and to some extent Byblos Bank and



RANDA BDEIR: THE ARCHITECT BEHIND BANK AUDI'S **45 CARDS**

If you have a plastic card in your purse or wallet, you can thank Randa Bdeir, who today is the group head of electronic banking and card services at Bank Audi, a position she has held since February 2004. Mrs Bdeir, who is often called Lebanon’s “credit card guru” by banking industry chiefs, was the first to introduce the plastic payment card to Lebanon in 1994.

Nine years later she also brought the credit card to the Syrian market. Bdeir more recently launched the “Loubnani” card, which is “specially designed to represent you as a Lebanese citizen and to fit your unique lifestyle.”

Rather extraordinarily the card has an embedded cedar scent which “adds flair to the card.”

Bdeir was the first Arab woman on the board of directors of MasterCard in 2000, invented the first internet card for MasterCard in 1997 (which introduced e-commerce to Lebanon) and was one of Sayidati magazine’s top 70 Arab women for the year in 2008.

CREDIT CARD MARKET LEBANON

NUMBER OF CREDIT CARDS IN
LEBANON IN DEC 2003

107,774

TOTAL GROWTH OF CREDIT
CARD PURCHASES (2012)

Between 2-3%

TOTAL NUMBER OF CREDIT CARD
PURCHASES PER DAY

**Around
50,000**

TOTAL NUMBER OF CREDIT CARD
MACHINES IN STORES

**Around
25,000**

NUMBER OF CREDIT CARDS
CURRENTLY IN THE MARKET

87

MARKET GROWTH
FROM 2006 TO 2011

37%

NUMBER OF ATMS
IN LEBANON

1,359

CREDIT CARDS AS SHARE
OF OVERALL CARD MARKET

24%

SHARE OF LEBANESE IN A
MASTERCARD SURVEY WHO
SAID THEY USE CREDIT CARDS
AT RESTAURANTS

22%

OUTSTANDING CREDIT CARD
DEBT AT BYBLOS BANK

\$7.46m

Source: *Economia Analytics, Infopro*

BankMed. More prudent banks are BBAC and Credit Libanais. CL's own assistant general manager to the Credit Libanais Group tells BOLD magazine that his own strategy is "all about being revenue-focused."

Hakim is scornful of Audi's "gimmicks," which has led it to create 47 cards, with two more in the pipeline — one a business debit card and a second (credit) card which is targeted at mid-to high-end shoppers, in association with ABC.

He admits that when it comes to

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trends in the market, Bank Audi is certainly leading the way but adds sharply that CL is not following. "It's mainly fashion and at Credit Libanais we don't believe in fashion. Our strategy is to target our own customers from our own customer database."

Bank Audi tends to cover as much of a demographic as is practically possible, with apparently no limit to its marketing campaigns.

The target groups of its cards are youth, travelers, fashion lovers, cigar lovers, young married couples, computer lovers, women and, of course, companies.

Competition is hot among banks with cards targeting the same demographic. Bank Audi, for example, has a card



for those that are part of Middle East Airlines' frequent flyer program, while BankMed has an identical card.

Audi's card, the Cedar Miles Visa Corporate Card, lets a company manage and monitor its employees' expenses, and it also offers a company the opportunity to turn these expenses into benefits by collecting "Cedar Miles" for every dollar spent on this card.

Meanwhile, BankMed recently launched a co-branded card with MEA called the MedMiles Visa Credit Card, which promises customers "a bouquet of lifestyle privileges especially sculpted and designed."

BBAC bank, like CL, is also a cautious player in the credit card market. Its marketing boss, Tarek Bilal, believes the growth of the entire market is around 12% and says that BBAC's profits from credit cards is only about 3.4% of its total profit.

Bilal adds that the market is becoming more competitive by the day. He believes the reward schemes and "gimmicks" are here to stay as banks chase new customers prepared to add another card to their wallets.

The battleground, says Bilal, is for middle-income cardholders, the sector of the market that is the most profitable due to its size and the fact that balances are not automatically cleared each month.

"With top end clients, like VIPs, we do not make much money, since these clients never pay any interest as they clear their debt the next month," he explains.

"So for these people, we are making revenues on usage as transactions bring us commissions, of course," he added.

"But I should say that it's the middle-income category which is really more interesting simply because of the numbers."