

Emerging Opportunities in the Philippines' Cards and Payments Industry

**Market Size, Trends and Drivers,
Strategies, Products and Competitive
Landscape**

Product Code: VR0939MR

Published Date: September 2013

Sample Page

TABLE OF CONTENTS

1	Executive Summary	7
2	Market Attractiveness and Future Prospects of Cards and Payments Industry	8
2.1	Analysis of Cards and Payments Industry Drivers	10
2.2	Macroeconomic and Consumer Drivers	11
2.2.1	Strong GDP growth	11
2.2.2	Growing urbanization	12
2.2.3	Government agencies adopting e-payments	13
2.2.4	Rising consumer confidence	13
2.3	Infrastructure Drivers	14
2.3.1	Increasing number of internet users	14
2.3.2	Emergence of contactless payments	14
2.3.3	Migration to EMV technology for secure transactions	15
2.3.4	Growing number of POS terminals	16
2.3.5	Increasing number of ATMs	17
2.4	Business Drivers	18
2.4.1	Growing retail sector	18
2.4.2	Growing remittance business	18
2.4.3	Rising e-commerce	19
2.4.4	Increasing outbound tourism spending	19
2.5	Card Fraud Statistics	20
2.6	Regulatory Framework	21
3	Emerging Consumer Attitudes and Trends	22
3.1	Market Segmentation and Targeting	22
3.1.1	Retail customers	23
3.1.2	Corporate customers	26
3.2	Consumer Preference	27
3.2.1	Price	27
3.2.2	Services	27
3.2.3	Convenience	27
3.3	Online Buying Behavior	28
4	Competitive Landscape and Industry Dynamics	29
4.1	Overview of the Payment Channels	29
4.2	Debit Card Category Share	30
4.2.1	By bank	30
4.2.2	By scheme	31
4.3	Credit Card Category Share	32
4.3.1	By bank	32
4.3.2	By scheme	33
4.4	Charge Card Category Share	34
5	Strategies Adopted by Key Operators	35
5.1	Market Entry Strategies	35

5.2	Marketing and Product Strategies	36
5.2.1	Debit cards.....	36
5.2.2	Credit cards	36
5.2.3	Prepaid cards.....	39
5.3	Pricing Strategies.....	40
6	Size and Growth Potential of Card Payments Channel	41
6.1	Industry Share Analysis by Type of Card	41
6.2	Total Channel Size and Forecast of Payment Cards	42
6.2.1	Analysis by number of cards	42
6.2.2	Analysis by transaction value	43
6.2.3	Analysis by transaction volume	44
6.3	Debit Card Category Size and Forecast.....	45
6.3.1	Analysis by number of cards	45
6.3.2	Analysis by transaction value	46
6.3.3	Analysis by transaction volume	47
6.3.4	Other key performance indicators	48
6.4	Prepaid Card Category Size and Forecast.....	50
6.4.1	Analysis by number of cards	50
6.4.2	Analysis by segment – open and closed-loop prepaid cards.....	51
6.4.3	Analysis by transaction value	53
6.5	Charge Card Category Size and Forecast	54
6.5.1	Analysis by number of cards	54
6.5.2	Analysis by transaction value	55
6.5.3	Analysis by number of transactions.....	56
6.5.4	Analysis by frequency of use.....	57
6.6	Credit Card Category Size and Forecast	58
6.6.1	Analysis by number of cards	58
6.6.2	Analysis by transaction value	59
6.6.3	Analysis by transaction volume	60
6.6.4	Other key performance indicators	61
7	Company Profiles, Products and Marketing Strategies	63
7.1	BDO Unibank, Inc. (BDO).....	63
7.1.1	Key financials.....	63
7.1.2	Product portfolio.....	63
7.1.3	Strategies.....	65
7.2	The Bank of the Philippine Islands	66
7.2.1	Key financials.....	66
7.2.2	Product portfolio.....	67
7.2.3	Strategies.....	70
7.3	Metrobank.....	71
7.3.1	Key financials.....	71
7.3.2	Card portfolio	71
7.3.3	Strategies.....	73

7.4	The Land Bank of the Philippines (LBP)	74
7.4.1	Key financials.....	74
7.4.2	Card portfolio	74
7.4.3	Strategies.....	75
7.5	Citibank Philippines	76
7.5.1	Product portfolio.....	76
7.5.2	Strategies.....	77
8	Appendix	78
8.1	Methodology	78
8.2	Definitions	78
8.3	Contact Us	78
8.4	About Timetric.....	79
8.5	Timetric's Services.....	79
8.6	Disclaimer	80

LIST OF FIGURES

Figure 1: Growth of Various Card Categories in the Philippines (%), 2008–2017	8
Figure 2: Growth Drivers of Cards and Payments Industry in Philippines	10
Figure 3: GDP Growth Rate in the Philippines (%), 2008–2017	11
Figure 4: Urban vs. Rural Population in the Philippines (Million), 2008–2017	12
Figure 5: Governments' E-payments Adoption Score in the Asia-Pacific, 2011	13
Figure 6: Number of Internet Users in the Philippines (Million), 2008–2012	14
Figure 7: EMV Adoption Rates Across the World, 2012	15
Figure 8: Number of POS Terminals in the Philippines (Thousand), 2008–2017	16
Figure 9: Number of ATMs in the Philippines (Thousand), 2008–2017	17
Figure 10: Remittance Money Received From Overseas Filipinos in Various Regions (%),	18
Figure 11: Spending on Outbound Tourism in the Philippines (PHP Billion), 2008–2012	19
Figure 12: Card Fraud Statistics in the Philippines (PHP Million), 2008–2012	20
Figure 13: Customer Segmentation of Card Payments Channel in the Philippines	22
Figure 14: Customer Segmentation of Card Payments Channel in the Philippines	23
Figure 15: Special Discounts and Offers on Metrobank's Femme Visa Card	24
Figure 16: Snapshot of UnionBank Corporate Card	26
Figure 17: Product Categories with Highest Conversion from Browsing to Purchases (%), 2012	28
Figure 18: Value of Check and Card Payment Channels (PHP Billion), 2008–2012	29
Figure 19: Filipino Debit Card Category Share by Bank (%), 2011	30
Figure 20: Filipino Debit Card Category Share by Scheme (%), 2011	31
Figure 21: Filipino Credit Card Category Share by Bank (%), 2011	32
Figure 22: Filipino Credit Card Category Share by Scheme (%), 2011	33
Figure 23: Filipino Charge Card Category Share by Scheme (%), 2011	34
Figure 24: Promotional Reward Programs by HSBC in the Philippines	37
Figure 25: Filipino Card Payments Channel by Category (%), 2008–2017	41
Figure 26: Filipino Card Payments Channel Size by Number of Cards (Thousand), 2008–2017	42
Figure 27: Filipino Card Payments Channel Size by Transaction Value (PHP Billion), 2008–2017	43
Figure 28: Filipino Card Payments Channel Size by Number of Transactions (Million), 2008–2017	44
Figure 29: Filipino Debit Cards Category Size by Number of Cards (Thousand), 2008–2017	45
Figure 30: Filipino Debit Cards Category Size by Value of Transactions (PHP Billion), 2008–2017	46
Figure 31: Filipino Debit Cards Category Size by Number of Transactions (Million), 2008–2017	47
Figure 32: Filipino Debit Cards Category by Frequency of Use, 2008–2017	48
Figure 33: Debit Card Transactions at ATMs and POS Terminals (Million), 2008–2017	49
Figure 34: Filipino Prepaid Cards Category Size by Number of Cards (Thousand), 2008–2017	50
Figure 35: Filipino Open-Loop Prepaid Cards Segment Size by Number of Cards (Thousand), 2008–2017	51
Figure 36: Filipino Closed-Loop Prepaid Cards Segment Size by Number of Cards (Thousand), 2008–2017	52
Figure 37: Filipino Prepaid Cards Category Size by Transaction Value (PHP Billion), 2008–2017	53
Figure 38: Filipino Charge Cards Category Size by Number of Cards (Thousand), 2008–2017	54
Figure 39: Filipino Charge Cards Category Size by Transaction Value (PHP Billion), 2008–2017	55
Figure 40: Filipino Charge Cards Category Size by Number of Transactions (Million), 2008–2017	56
Figure 41: Filipino Charge Cards Category by Frequency of Use, 2008–2017	57
Figure 42: Filipino Credit Cards Category Size by Number of Cards (Thousand), 2008–2017	58
Figure 43: Filipino Credit Cards Category Size by Transaction Value (PHP Billion), 2008–2017	59
Figure 44: Filipino Credit Cards Category Size by Number of Transactions (Million), 2008–2017	60
Figure 45: Filipino Credit Cards Category by Frequency of Use, 2008–2017	61
Figure 46: Filipino Credit Card Category Size by Average Transaction Value (PHP), 2008–2017	62

LIST OF TABLES

Table 1: Remittance Cards Offered by Various Banks in the Philippines.....	23
Table 2: Cards Targeting Internet Shoppers in the Philippines.....	25
Table 3: Foreign Banks Entry Modes in Philippines	35
Table 4: Value-Added Services on Card Products in the Philippines.....	36
Table 5: Co-branded Cards Offered by Banks in the Philippines.....	38
Table 6: Prepaid Gift Cards Offered by BPI Bank	39
Table 7: Charges on Card Transactions at Other Bank's ATMs in the Philippines (PHP), 2012	40
Table 8: Annual Maintenance Charges on Credit Cards in the Philippines (PHP), 2012.....	40
Table 9: Filipino Card Payments Channel by Category (Thousand), 2008–2017.....	41
Table 10: Filipino Card Payments Channel Size by Number of Cards (Thousand), 2008–2017	42
Table 11: Filipino Card Payments Channel Size by Transaction Value (PHP Billion), 2008–2017	43
Table 12: Filipino Card Payments Channel Size by Transaction Value (US\$ Billion), 2008–2017	43
Table 13: Filipino Card Payments Channel Size by Number of Transactions (Million), 2008–2017	44
Table 14: Filipino Debit Cards Category Size by Number of Cards (Thousand), 2008–2017.....	45
Table 15: Filipino Debit Cards Category Size by Value of Transactions (PHP Billion), 2008–2017.....	46
Table 16: Filipino Debit Cards Category Size by Value of Transactions (US\$ Billion), 2008–2017	46
Table 17: Filipino Debit Cards Category Size by Number of Transactions (Million), 2008–2017.....	47
Table 18: Filipino Debit Cards Category by Frequency of Use, 2008–2017.....	48
Table 19: Filipino Prepaid Cards Category Size by Number of Cards (Thousand), 2008–2017	50
Table 20: Filipino Open-Loop Prepaid Cards Segment Size by Number of Cards (Thousand), 2008–2017.....	51
Table 21: Filipino Closed-Loop Prepaid Cards Segment Size by Number of Cards (Thousand), 2008–2017	52
Table 22: Filipino Prepaid Cards Category Size by Transaction Value (PHP Billion), 2008–2017	53
Table 23: Filipino Prepaid Cards Category Size by Transaction Value (US\$ Million), 2008–2017	53
Table 24: Filipino Charge Cards Category Size by Number of Cards (Thousand), 2008–2017	54
Table 25: Filipino Charge Cards Category Size by Transaction Value (PHP Billion), 2008–2017	55
Table 26: Filipino Charge Cards Category Size by Transaction Value (US\$ Million), 2008–2017.....	55
Table 27: Filipino Charge Cards Category Size by Number of Transactions (Million), 2008–2017	56
Table 28: Filipino Charge Cards Category by Frequency of Use, 2008–2017	57
Table 29: Filipino Credit Cards Category Size by Number of Cards (Thousand), 2008–2017.....	58
Table 30: Filipino Credit Cards Category Size by Transaction Value (PHP Billion), 2008–2017	59
Table 31: Filipino Credit Cards Category Size by Transaction Value (US\$ Billion), 2008–2017	59
Table 32: Filipino Credit Cards Category Size by Number of Transactions (Million), 2008–2017.....	60
Table 33: Filipino Credit Cards Category by Frequency of Use, 2008–2017	61
Table 34: Filipino Credit Cards Category Size by Average Transaction Value (PHP), 2008–2017	62
Table 35: Filipino Credit Card Category Size by Average Transaction Value (US\$), 2008–2017.....	62
Table 36: BDO Unibank's Key Financial Indicators (PHP Million), 2011 and 2012	63
Table 37: BDO Unibank – Cards Offered and Key Features	63
Table 38: BPI Bank's Key Financial Indicators (PHP Million), 2011 and 2012	66
Table 39: Bank of the Philippine Islands – Cards Offered and Key Features.....	67
Table 40: Metrobank's Key Financial Indicators (PHP Million), 2011 and 2012	71
Table 41: Metrobank – Cards Offered and Key Features	71
Table 42: LBP Bank's Key Financial Indicators (PHP Million), 2010 and 2011	74
Table 43: LBP Bank – Card Products Offered and Key Features	74
Table 44: Citibank – Card Products Offered and Key Features	76
Table 45: Key Definitions.....	78

1 Executive Summary

Steady growth was recorded in the Filipino card payments channel during the review period (2008–2012), as the number of cards in circulation increased at a CAGR of X.XX%, rising from XX.X million in 2008 to XX.X million in 2012. This growth was primarily driven by the prepaid cards category which registered the highest growth rate at a CAGR of XX.XX%. Over the forecast period (2013–2017), the number of cards in circulation is expected to increase from XX.X million in 2013 to XX.X million in 2017, after registering a CAGR of X.XX%.

International banks dominate the credit card category while domestic banks lead the debit card category

The card payments channel is dominated by four large domestic banking groups – Metrobank, Banco de Oro, Bank of the Philippine Islands (BPI), and Land Bank of the Philippines. In the debit card category, domestic banks held a collective market share of XX% in 2011. Foreign banks such as Citibank and HSBC dominate the credit card business. In terms of number of credit cards in circulation in 2011, Citibank held the highest share of XX.X% with X.X million cards, followed by HSBC with XX.X% and XXX,XXX cards.

Remittances driving debit and prepaid card categories

The cards and payments industry benefits from international remittances due to the large number of Filipinos migrating to other countries. Remittance money rose by X.X% to US\$X.X billion in the first quarter of 2013 and it is expected to grow further as more Filipinos seek employment abroad. In response to this, banks are offering a number of remittance debit and prepaid cards, allowing migrant Filipinos to transfer money to beneficiaries in the Philippines. OFW Cash Card and On-time Remittance Card are examples of some of the prevailing remittance cards in the country. In 2011, BPI held XX% of the remittance business market share, followed by Philippine National Bank (PNB), the Metropolitan Bank & Trust Co. (Metrobank) and Rizal Commercial Banking Corp. (RCBC) with respective market shares of XX%, XX% and X%.

Increased focus on technology to differentiate offering

As competition intensifies, banks are implementing innovative strategies to attract new customers and retain existing ones. Shopping rebates, raffles, installment programs, discounts and freebies at partner retail merchants on credit card purchases are common tactical promotions. To differentiate their offerings, banks are adopting new technology and redefining customer segmentation. Analytics-based platforms are used to improve customer segmentation and develop targeted offering. There is also an increased focus on rewards to retain customers and drive revenue growth. BPI Bank provides BPI Express credit cardholders with instant rewards at merchants while tracking each purchase made through a smart chip embedded in the card.

Interconnectivity is driving transaction volumes

The number of card transactions was positively impacted by the interconnectivity of domestic ATM and POS terminal network operators such as MagaLink, BancNet and Expressnet. In 2010, these three domestic operators connected their POS terminals across the country. Interconnectivity drove card transaction growth at a review-period CAGR of XX.XX%, rising from XXX.X million transactions in 2008 to XXX.X million in 2012. Transaction volume at ATM terminals grew at a slower pace compared to transactions at POS terminals, at a review-period CAGR of X.XX%, representing the shift from cash to cashless payments.

2 Appendix

2.1 Methodology

Timetric's dedicated research and analysis teams consist of experienced professionals with industry backgrounds in marketing, market research, consulting and advanced statistical expertise.

Timetric adheres to the Codes of Practice of the Market Research Society (www.mrs.org.uk) and the Society of Competitive Intelligence Professionals (www.scip.org).

All Timetric databases are continuously updated and revised.

2.2 Definitions

Table 1: Key Definitions

Categories	Description
Gift cards	Suitable for a variety of purposes, such as key religious festivals or specific anniversaries including marriages and birthdays. The card can also be used by corporations as gifts to employees, vendors or clients.
Meal cards	Offers employees a meal allowance and eliminates the logistical problems associated with the procurement, stock-keeping and distribution of paper-based meal vouchers.
Payroll cards	Used to pay employee salaries by eliminating the need to put funds into a specific bank account. The payroll card is loaded with the salary amount or reimbursements, which can be spent by using the card.
Travel currency card	Targets international travelers and are available in a number of currencies.
Remittance card	Targets those who receive remittances from abroad.
Multi-purpose prepaid cash card	Used to purchase various goods and services from affiliated merchants.
Average Transaction Value	The average value of transactions made through each card in a year.
Frequency of Use	The average number of transactions made using different cards in a given year.
Turnover Per Card	The value of transactions generated by various cards in a year.
Online Spending Through Mobile	Value of transactions made through mobile using various payment options.
Card Penetration (per '000)	Average number of various card types available per thousand populations.
Contactless Transactions	It reflects the total number of NFC enabled cards in circulation.
NFC-enabled Cards	It reflects the total number of NFC enabled cards in circulation.

Source: Timetric analysis

© Timetric

2.3 Contact Us

If you have any queries about this report, or would like any further information, please contact info@timetric.com.

2.4 About Timetric

Timetric is a leading provider of online data, analysis and advisory services on key financial and industry sectors. It provides integrated information services covering risk assessments, forecasts, industry analysis, market intelligence, news and comment.

Timetric helps over 1,500 financial services institutions and their partner companies around the world benefit from better, timelier decisions.

Timetric provides:

- High-quality data including proprietary, specialized industry data, survey-based research, social media monitoring, macroeconomic data and forecasts
- Expert analysis from experienced economists and analysts, who use robust proprietary models, indices and forecasts
- Powerful proprietary visualization and workflow technologies developed over years of extensive investment

Timetric has office locations in London, New York, San Francisco, Hyderabad, Seoul, Singapore and Sydney. It employs 500 people, including 150 analysts and economists, and 200 professional researchers.

2.5 Timetric's Services

Intelligence Centers

Timetric's industry intelligence centers are premium web-based services that provide access to interactive tools, comprehensive research and expert analysis in key sectors. They provide invaluable decision support presented in an easily digestible format and grounded in deep research.

Timetric offers Intelligence Centers covering the following industries:

- Banking
- Insurance
- Wealth
- Construction
- Travel and Tourism

Briefing Services

Timetric offers a range of briefing services, which offer cutting-edge thought leadership and expert commentary on and for the financial services industries. Driven by influential and respected editorial teams with years of experience in their respective fields, these services deliver need-to-know insight and analysis to decision makers across the financial services value chain.

Timetric offers briefing services covering the following financial sectors:

- Accountancy
- Asset Finance
- Banking
- Cards and Payments
- Insurance

Consultancy

Timetric specializes in the development and delivery of innovative research solutions designed to provide competitive advantage and profitability to clients.

Dedicated industry analysts and economists provide expert advice and actionable recommendations underpinned by Timetric's market and country knowledge, experience and proprietary databases, panels and research infrastructure.

For projects requiring quantitative data, Timetric undertakes special research projects using its in-house panels and survey technology. These provide ready access to an extensive source of specialist business executives and consumers.

Core capabilities include:

Economic Research and Consulting

Highly experienced economists provide a number of bespoke research services covering subjects ranging from macroeconomic forecasting to sector outlooks, business presentations and workshops.

Industry Analysis and Consulting

Information analysis, independent expert opinion and advice, facilitated decision or strategic support, are provided by Timetric's extensive body of proprietary data and analysis models. It provides expertise-based consulting to deliver solutions that best suit its clients' requirements.

Quantitative Research

Timetric connects with thousands of potential customers for various markets every day. Using sophisticated, interactive and highly engaging graphical surveys, research speed is increased and costs reduced, while ensuring that respondents deliver the insight needed.

Qualitative Research

Timetric's Qualitative Research service helps customers understand the emotional and cultural behaviors of a target audience. Timetric provides unique access through market-leading publications and information services to decision makers specifically brought together to discuss topics that are important to the client.

Technology Solutions

Timetric has built a unique technological platform to collect and visualize data, and employs some of the world's leading experts on data collection and visualization. Through technology and software consulting services, Timetric can provide clients with the means to gather and visualize the data the client has, or wants to collect.

2.6 Disclaimer

All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher, Timetric.

The facts of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that Timetric delivers will be based on information gathered in good faith from both primary and secondary sources, the accuracy of which Timetric is not always in a position to guarantee. Timetric will accept no liability whatsoever for actions taken based on any information that may subsequently prove to be incorrect.