

Payment card market in vietnam



Typically a payment card is backed by an account holding funds belonging to the cardholder, or offering credit to the cardholder. Payment cards can be classified into types depending on how this account is managed consists of credit card, debit card, charge card, stored-value card, fleet card, gift card, petro card, etc.

There are many application of payment card in reliability. The most popular payment card services are non-cash payments. People can use payment card for cash withdraw mini-statement, money transfer, bill payment for electronic power, water supply, cable tivi and online bill payment.

In fact, payment cards are so much part of the daily lives that people take them for granted at the present. Millions of transactions are being made every day in all part of the world with payment cards. People are using payment cards to buy groceries, clothes, shoes, household good, books, and gifts; paying for movie tickets or booking flights and hotels, renting cars, eating at restaurants, paying for electricity and water. Even at the places that cash predominantly used, it is highly likely that it has been obtained from a card machine using a payment card. Obviously, at every second of the day, people use card instead of cash for payment to make their lives simple and convenient.

Payment Card Market in Vietnam

The payment card market in Vietnam, one of the main players of retail banking market, is relative small but one of the most dynamic markets in the world. Just in the past couple of years, the population of Vietnam's payment cards has explored significantly. Card holders increase using payment cards

at shopping malls and various on-line portals that carry luxury consumer goods. The market has grown nearly three-fold over the last two years ending August 2009 (research firm RNCOS, Vietnam Plastic Card Market Forecast to 2013 report, 2010).

At the present, there are 40 Payment Card Suppliers (PCSs) provide the payment card services in Vietnam. They are three State Owned Commercial Banks (SOCBs), 33 Joint Stock Commercial Banks (JSCBs), eight Joint venture banks/ Branches of foreign banks and Vietnam Postal Savings Services Company (VPSC).

Among 40 PCSs, 30 PCSs stand in one of three card alliances, including Smartlink (headed by the Vietcombank), Banknetvn (headed by Agribank), and VNBC (headed by Dong A Bank). The card holder of all PCS in the same alliance can use merchants of leader or few members of alliance. The 10 left PCSs, five national banks, four foreign banks and VPSC, are not belonging to any card alliances.

At the end of year 2009, Vietnam has total 21, 675, 002 issued payment cards, 9, 723 ATM and 36, 620 POS with revenue of payment card achieve VND330, 000 billion (Vietnam Card Association Report, 2009).

In addition, upon WTO's accession, majority of the banks in Vietnam have invested heavily in their banking IT system and IT infrastructure in the last 2 years since 2007. Typical investment from USD2 – USD5 million for core banking and acquiring/issuing card system platform indicate a major shift toward modernization in the banking sector in Vietnam.

However, in spite of investment's scale, the payment card industry is not developed as forecasting. A great amount of payment card is issued but many of them were not active to be used in reality, many ATM and POS were invested but not easy to access and use. Vietnames people mostly use payment card just for withdrawing money and then payment by cash. This situation requires great efforts of all PCS to satisfy customers.

Rationale

Payment card service, big player of retail banking, has immense opportunities in a growing economy in Vietnam. Firstly, the Instruction No. 20/2007/CT-TTg of Prime Minister dated August 24th 2007 on payment salary via bank accounts for cadres, workers, and officials who get paid from the government budget, bring a bright future for payment card in Vietnam. Secondly, the penetration of many large international retailers into Vietnam market creating chances for the development payment card services. In fact, the number of issued cards is dramatically increased in recent years.

However, the development of payment card in Vietnam is not correlative with market orientation to satisfy the customer demand. Some PCSs have competitive advantages to publish and accept card payment such as ACB, Vietcombank, ect (credit card) or Vietcombank, Dong A Bank, BIDV, ect (debit card) while others are strong at merchants network. In general, few PCS meet both the requirements of convenient and comfortable in card and merchants. In order to ensure the competitive advantages, PCS must build and develop their payment card services to distinguish from the others in customer awareness and benefit.

But in banking industry, where the competition environment is hard, product differentiation is impossible (Ioanna, 2002). Banks everywhere are delivering the same products, including payment card services. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank processes are fixed and driven by the marketplace. In payment card, the barrier between PCS is low, card holders easily switch from one PCS to another PCS.

The best suitable solution to differentiate their firm from competitors is customer satisfaction level, which is the imperative element impacting success and survival of any business organization.

In fact, customer satisfaction is very important. Customer satisfaction is one of the main ingredients of success in the market place. Jochen Wirtz (2003) listed the results of customer satisfaction as follow: repeat purchase; loyalty; positive word-of-mouth and increased long term profit.

Therefore, payment card service providers should measure their customers' satisfaction to understand the matter and find solutions, in the card holders' viewpoint, to fortify their strengths and improve their weaknesses, as well as to be competitive in next economic stage of WTO's accession.

Problem Statement

The research aims at finding the most important factors that affect customer satisfaction in payment card industry in Vietnam.

Objectives

In service-based enterprises, customer satisfaction plays the very important role in organization success and payment card service is not an exception. Understanding what the customers need and expect from the providers is the key for the survival and successful of payment card service provider.

The research is conducted with the following objectives:

Identify what customers expect from payment card services

Evaluate overall customer satisfaction towards the payment card industry

Clarify some main factors that influent customer satisfaction

Recommend some solutions to improve the customer satisfaction in payment card industry

Scopes and Limitations

Due to limit time and resource, the research focuses on customers that currently have card payment business with Vietnam Card Association members in Ho Chi Minh and Hanoi only. Besides, this study has some limitations which could not be avoided during doing the research. That is limited available and access to bank information due to trade secrets and business confidentiality. In addition, there is no available literature on customer satisfaction of the payment card industry in Vietnam or in the world.

Future research could focus on diversifying the sample across different ethnic groups, income, and education.

Structure

The Thesis Research consists of Reference, Appendices and 6 chapters as following:

Chapter 1: Introduction

Chapter 2: Literature Review

Chapter 3: Payment Card Industry In Vietnam

Chapter 4: Research Methodology

Chapter 5: Data Analysis and Finding

Chapter 6: Recommendations and Conclusions