

Case study: CRDB Bank

CRDB introduces smart card services to Tanzania with TemboCard



Background

CRDB is a leading Tanzanian private commercial bank. Established in 1996, it today provides quality financial services and insurance products to its retail and corporate customers through its countrywide branch network of 25 outlets, 8 mini-branches and 20 ATMs. All CRDB branches are connected via satellite communication, and it is regarded locally as a leader among the domestic banks in Tanzania.

Challenges

- Provide smart card capabilities
- Introduce the concept of a cashless society
- Create a distinctive CRDB e-wallet system
- Deliver easy access and more services points
- Provide secure electronic transactions

Challenge

- To provide an ATM network and secure smart card facility for CRDB customers
- To deliver fast-cash services for non-account holders of the bank.

CRDB established its branch network of 18 branches in 1996, but soon realised that ATM services and complementary card facilities would be needed to expand the banks reach. It also had ambitions to be the first bank in Tanzania to provide a country-wide smart card scheme. CRDB recognised that there was an opportunity to provide non CRDB account holders with access to cash in a safe and secure manner. By attracting new customers, this would enable the bank to increase its market share, and encourage clients, that would not normally be eligible for banking services, to avail of low-value transaction services.

Why CR2

- Implement an e-purse system – SmartBank (Prepaid)
- Launch CRDB's smart card offering – TemboCard
- Introduction of Visa Electron facility
- Channel infrastructure to include POS and ATM

"In 2001, CRDB set specific business goals. To deliver these, we needed to enhance our systems technology. CRDB's main objective was the introduction of smart cards, and to make improvements in the bank's efficiency in serving our customers with convenient products, along with opening up additional and easy access to service points," said Dr Charles Kimei, Managing Director, CRDB. "We also wanted to use less risky payment instruments for the payment of goods and services at point of Sale (POS) terminals. And we wanted to create an opportunity for 'unbanked' Tanzanians to be part of the cashless society, emerging from the use of smart cards." concluded Dr Charles Kimei.

Results

- Increased market share in excess of 20%
- Affordable financial services for all Tanzanians
- Diverse use of TemboCard
- Increased revenue generation

Why CR2

Following application evaluation, CRDB, via its partners SCI, Tanzania, selected CR2's electronic purse solution, SmartBank. It also chose CR2's software modules Sparrow POS, BankWorld ATM Client, and CardWorld Producer along with selected hardware from SCI for NCR ATM's and servers, POS terminals and card personalisation equipment.

SmartBank was a proven and scalable application that was already in use at other CR2 customer site-locations within Africa. Furthermore, CR2's software was certified for connection to a number of national and international card networks, and its global expertise and sound project management were additional factors in the decision.



SmartBank (Prepaid)

CR2's SmartBank (Prepaid), based on chip and pin technology, consists of a plastic card embedded with a microchip which can be programmed to facilitate different functions. It can operate as a credit card, debit card, an e-wallet and can hold pre-paid spending limits. SmartBank cards can be topped up at ATMs, in the branch or at merchant POS devices and is designed to replace cash and cheques.

For high value transactions, PIN validation is required. The card can be used for a variety of transactions including

- cash withdrawal
- bill payment
- cash transfer
- mini-statements
- balance enquiry

SmartBank operates in both offline and online modes. This is ideal in countries where there is a limited telecommunications infrastructure. SmartBank also allows banks to manage both debit cards and smart cards through one integrated system.

Results

▪ Increased market share

In November 2002, CRDB launched 'TemboCard', the first country wide smart card scheme in Tanzania. Since then the bank has successfully increased its retail market share to over 20%. Today more than 50% of CRDB's account holding customers actively use TemboCard for debit card payments.

▪ More electronic banking channels and services

CRDB has introduced ATM's, POS terminals and smart cards to Tanzanians. Its self-service network is expected to rise from 20 to 35 units by the close of the calendar year. CRDB now has in excess of 500 POS devices and close to 200,000 cards in circulation. The bank produces its own branded Visa debit cards through the use of CR2's CardWorld Acquirer enabling the bank to accept Visa cards at its ATM and POS terminals. As a result, CRDB, today, is still the only bank that provides smart card debit card facilities in Tanzania.

▪ Distinctive e-wallet

Over the past 24 months, additional improvements have been incorporated by both CR2 and the bank's IT staff. This has created a distinctive e-wallet system for CRDB's local and regional requirements. SmartBank is now used in variety of ways by the bank for its diverse customer base:

TemboCard : This chip based e-cash/debit card system offers security and convenience in making and receiving payments. It enables CRDB's individual retail account-holding customers to make payments without using cash, even in remote areas where electricity supply may be intermittent. Cardholders can access cash services 24x7 from CRDB's ATM network, 500 POS merchant outlets or through the banks VSAT-connected country-wide branch infrastructure.

Tembo Express : For non-account holders, many of whom deal with CRDB's 90 strong MFI¹ partner network, most of which are SACCOS's², cash can be securely stored on the card as a prepaid value amount. These card holders can then pay for goods or obtain cash via the banks POS, branch and ATM network. Subsequent top-up amounts can be added onto the smart card as and when needed using these channels as well as via merchants.

Tembo Card Business: Some of CRDB's large corporate clients, such as Tanzania Breweries Ltd (TBL), use TemboCard as a chip based payment and secure transaction mechanism for corporate sales and payments. The wholesale-retailers are able to pay for goods by direct debit or by cash payment via the card's chip.

Tembo Fuel Card: This is used for company management of fleet fuel consumption, as in the case of Gapco, where the card is used for fuel purchases and additionally can have the benefits associated with a loyalty card scheme.

▪ Improved cash management and secure card scheme

For CRDB's business community, these smart cards have facilitated improved cash management, as 'chip' base payments are more secure and are less risky. It has also reduced fraud, and increased customer confidence. Corporate clients of CRDB recognise the benefits associated with plastic versus cash payment.

The TemboCard has brought affordable high-quality financial services to all Tanzanians. The prepaid cards contain a 'protected' purse, which requires PIN validation, and an 'unprotected' purse for low-value transactions.

For CRDB, the introduction of the smart card system has been an efficient way to grow transaction volumes and fees, while reducing cash handling and its associated costs. Furthermore pre-paid value on the TemboCards provides the bank with funds, which can facilitate short-term investment opportunities.

▪ Return on investment and increased revenue

The rising use of CRDB's TemboCard and its ATM channel has contributed to the bank's strong revenue growth and increased profits over the past two years. It has witnessed a return on its investment primarily from its ATM network which currently handles an estimated 124,000 transactions per month. This will increase with the intended infrastructure expansion plan from 20 to 35 self-service terminals.

In a society where the culture is still dominated by cash, CRDB has recently initiated a consumer and merchant education programme to encourage its account holders to increase the usage TemboCard for the payment of goods and utilities via debit card, rather than electronic cash. This will therefore augment the use of the POS channel even further, and will bring CRDB's customers closer to a cashless society.

The introduction of TemboCard using CR2's SmartBank has become an intrinsic element of our IT and networking system. The convenience, security, and personalisation features associated with TemboCard have made this form of e-banking more accessible and more compelling for all Tanzanians. CRDB is now a unique bank in Tanzania, and will continue to deliver competitive banking products, while encouraging our customers to move closer to a cashless society.

Dr Charles Kimei, Managing Director CRDB