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HDFC Bank Ties up with E-tailers to Offer Best Deals to Customers

HDFC Bank is set to give its customers the best deals from e-tailers. It will not sell goods directly. Instead it has tied up with online players in travel, bill payment, grocery, hotel and shopping.

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Soon, You Can Shop On HDFC Bank Website

Bank ties up with e-tailers to provide best deals; has been working on SmartBuy which will provide an online platform to customers

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Mumbai: HDFC Bank is set to double up as an online shopping mart of sorts, selling grocery, clothes, shoes and other lifestyle products on its website, and getting its customers the best deals from e-tailers such as Snapdeal, Flipkart and Amazon.

Given the rapid growth in e-commerce, this is a timely move on the part of India's second largest private sector lender, said a senior executive.

"We are a large retail and payment bank...about 30-40% of customer spends on e-commerce happens through our credit and debit cards," said Parag Rao, senior executive vice-president and business head (card payment products and merchant acquiring services) at HDFC Bank. "We are also a large acquirer; so, as a bank we thought while being the payment provider why don't we give customers the option to shop for a host of products on the bank website and get offers and preferential treatment to increase

customer stickiness."

Rao said that the bank will not be selling goods directly as the rules do not permit it. "We have tied up with partners in travel, bill payment, grocery, hotel and shopping who have their sites anyway," he added.

The bank, based on customer feedback for the past one year, has been working to launch SmartBuy, which will provide a platform to its customers to get better discounts and facilities at one place.

E-commerce spends grew at a compounded annual growth rate of 34% between 2009 and 2014 to touch \$16.4 billion, according to a PwC India report. The sector is expected to expand to \$22 billion by the end of this year.

The Reserve Bank of India, taking note of the growing importance of e-commerce companies, had asked banks to form joint ventures with them or appoint them as business correspondents. The central bank's move to licence niche payment banks has also led to increased focus among banks on digital banking.

Click and Buy

HDFC Bank ties up with online partners

\$16.4b

E-commerce spends, which grew at a CAGR of **34%** between 2009 & 2014

\$22b

Expected expansion of sector by end of this year

It promises to get the best deals from e-tailers such as Snapdeal, Flipkart and Amazon

RBI had asked banks to form JVs with them or appoint them as biz correspondents

RBI's move to license niche payment banks has also led to increased focus among banks on digital banking



"The increase in e-tailing is something that doesn't matter to banks. They want these transactions to be executed through their website so that they get the fee income," said Ashvin Parekh, managing partner, Ashvin Parekh Advisory Services. "They are just gearing up for payments banks. Banks like ICICI Bank, HDFC Bank and Axis Bank want to ensure their transactions are not routed to any

third-party website, for if a payment bank comes and these are routed to its website these banks may lose customers," said Parekh.

Fee income is a major contributor to HDFC Bank's profits. Its other income, which includes fees and commission from offer of banking services, grew 29.9% to ₹2,563.8 crore in the quarter to March, which led to a 20% growth in its net profit.

"HDFC Bank is the largest acquirer (of customers) in the country and it cannot leave the acquisition space. Banks are just trying to pre-empt products that the payment banks would come up with," said Parekh.

Aditya Puri, the managing director and chief executive officer of HDFC Bank, has been pushing the digital initiative since December 2014, replicating the best practices of some of the global banks such as US-based Wells Fargo and Poland's mBank. The private sector lender last year appointed Nitin Chugh as the head of its digital banking initiative.

Chugh, who visited the mBank, found out that the Polish bank rolls out loan products in 30 seconds. "When I came back we tried to improvise and launched a similar product where our customers can avail of personal loan in 20 seconds," he said.

The bank is also in the process of launching a new wallet facility on mobile phones that will allow customers to store their virtual credit and debit cards to perform transactions.