

Playing with a Full Deck

Japanese held a total of 140 million credit cards as of the end of March 1989. By the end of March 1990, the bank cards (cards issued by affiliates of the six big commercial banks) had upped their membership totals about 20% and the eight big credit companies had increased their memberships about 10%. Including the retailers' cards, the total number of cards outstanding was estimated at over 170 million. This works out at about 1.8 cards per Japanese adult.

There has also been good growth in card transactions, buoyed by the strength in personal consumption. According to interim figures from MITI's Survey of Specified Service Industries, the credit card industry's sales were approximately ¥11.3 trillion (\$86.9 billion) in 1989. This was equivalent to 5.1% of private-sector personal consumption. Of this ¥11.3 trillion, ¥7.8 trillion was in credit sales and the other ¥3.5 trillion was in consumer financing and cashing services. The bank cards' dominant position is shown in the fact that they accounted for 50.0% of credit card sales and 52.9% of consumer finance.

One of the reasons why bank cards dominate is that the banks have made a strong retail effort, including building on their traditional networks to enroll employees at client companies. The bank cards also benefit from being truly national in their reach, as opposed to the retailer cards' concentrations on the particular regions where their parent stores are located, and from the fact that people are used to trusting the banks for their financial needs. The banks' already-bright prospects are further improved by the



Japan Credit Bureau is issuing these team affinity cards in an agreement with the professional baseball Central League.

agreement in the Structural Impediments Initiative (SII) talks to move to allow bank cards to offer revolving facilities within two years, which is expected to enhance the frequency of bank card use.

Card transactions in fiscal 1990 were helped by the popularity of dual-issue cards (cards offering both the issuer's own credit services and either Visa or Mastercard services) starting in fiscal 1989 and the fact that card use has become more convenient as more and more shops accept a greater variety of cards. However, profit margins are down in the face of higher interest costs, higher differentiation costs as dual-use blurs the distinctions among cards, and higher advertising and publicity costs.

Among the more notable developments in fiscal 1990 was the strong drive by the bank cards. For example, JCB, the market leader, has issued team affinity cards in an agreement with the professional baseball Central League, while Sumitomo Credit Service (which handles Visa) has entered into an affinity-card arrangement with the Japan Olympic Committee. These affinity arrangements have the advantage for the card companies of offering immediate access to tens of thousands of potential cardholders.

Seeking to fend off this assault by the bank cards, Nippon Shinpan, the largest of the credit sales companies, has started offering support for the marketing efforts of outlets accepting its card and is making an effort to strengthen its ties with its business partners. One manifestation of this is the customer shopping data service



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enabling stores to check on the cardholder's identity and use pattern.

Not to be outdone, the retailers are building on their stores' strengths to promote their cards. One of the main innovations here has been the development of a system eliminating the need for the cardholder to sign for each purchase—a system that is based on setting credit limits for use at specific outlets and that has already been put into use at a number of supermarkets, convenience stores and other outlets that have not traditionally seen much card use.

With the increasingly fierce competition among credit cards in the Japanese market, it is expected that all of the card companies will make a renewed effort in 1991 to position their products in the market and to grab a larger share of the growing card volume.

(Ken Niimura, economist)

Credit Cards Outstanding by Type of Issuer

(million)

Type of Issuer	Number of cards outstanding
Retailers	32.68
Manufacturers	5.50
Credit sales companies	50.89
Retailer associations	4.74
Banks	47.46
Petroleum companies	2.35
Others	0.85
Total	144.47