

A Study of the Diffusion, Acceptance  
and Marketing of Credit Cards  
in the Middle East

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Abstract

The rise of Islamic banking and its restrictions on the use of credit and interest represent a challenge to the continued expansion of the leading international credit card companies. In this paper, the implications of Islamic banking are briefly surveyed. Then attention is turned to aspects of consumer behavior as they relate to the diffusion, acceptance and marketing of credit cards in North Africa and the Middle East. Finally, a case study on Morocco is presented featuring the introduction of Visa and Carte Blanche.

Introduction

In a recent paper by Hawes (1987), the following rather ironic closing statement was made: "It is clear that "plastic" has become part and parcel of most Americans' lives. What is still not understood, however, is how, as one of many possible payment systems, they fit into the consumer's lifestyle." Hawes concludes by drawing attention to the need to study the general market environment in which credit cards are used by individual consumers: "Marketing academicians...need to focus on how various payment systems...fit into a market segment's life-style. From a macromarketing perspective, there are many social and ethical issues regarding consumer debt levels, perception of credit and credit agreements, credit card interest rate levels, and consumption versus saving." (Hawes, 1987, p.68).

These unanswered questions take on particular significance when one considers a developing market such as that in the Middle East and North Africa, where politics and religion are unavoidable intertwined with the financial system, and more specifically with the topics of credit and interest payment. Recent innovations concerning Islamic banking lead one to ask how it is possible to reconcile increased worldwide expansion by credit card companies with the restrictive practices which characterize Islamic banking

It was this paradoxical question which led the present author to undertake research on the topic of the diffusion, acceptance and marketing of credit cards in Middle Eastern markets. The paper is therefore presented as follows:

- methodology and data sources;
- a brief survey of some of the issues implied by Islamic banking;

- a review of aspects of innovation in developing countries, with particular reference to financial services.

The paper concludes with evidence from a case study on the introduction of two new credit cards into the Moroccan market.

Methodology and Data Sources

A two-pronged approach to data collection was adopted. First, five major international credit card companies were contacted by mail and requested to provide information on five topics of concern. These were market coverage in the Middle East and North Africa; marketing objectives; profiles of target consumer markets; promotional strategies employed; and problems (if any) in gaining consumer acceptance of the credit card concept.

Responses varied from non-response (MasterCard and American Express) to self-elimination (Bank America) to a qualified response (Diners Club International) to a full disclosure of requested information (Visa). Bank American was not currently marketing its credit cards in the target markets at the time of the survey, while DCI was using a franchise system. Further requests for information from the franchisees in the various national markets did not produce any responses. Cultural reluctance to share commercial information and a mistrust of the mail questionnaire method were assumed to be key factors causing this non-response. In the case of MasterCard and American Express, requests for information at various corporation levels in the U.S. failed to produce any response. Hawes (1987) has commented upon the difficulty he also encountered in trying to obtain proprietary profiling information (p. 64).

The second data source which was used to complement the information gained from Visa, consisted of data from a field case study in Morocco concerning the marketing launch of two credit cards - Visa and Carte Blanche.

A Brief Survey of Islamic Banking

In recent years considerable media attention has been paid to an innovation in the Muslim world generally characterized as "Islamic banking," which is typically taken to mean interest-free banking. (The reader is referred to Cooper (1981, 1982) and Bashir (1982) for a full discussion). For the purpose of the present research, concern centered upon how credit cards could be effectively promoted in markets where interest-free financial

transactions were becoming well-established. Such markets include Egypt, Sudan, Kuwait, Saudi Arabia, Bahrain, Jordan, Pakistan and Malaysia (Weiss 1985).

In countries where "sharia" or Islamic law prevails, Islamic banks seek to generate income for depositors by pooling their funds for investment in profit-making ventures, as opposed to interest-bearing instruments. Depositors also share the risks of incurring losses as well as profits. At the heart of the interest-free banking approach is the desire to avoid usury, which is prohibited in the Koran. However, when looked at from the outside, "Islamic banks differ little from such familiar Western institutions as merchant banks, trading firms, and investment houses" (International Management 1983).

Related to the Muslim distrust of usury is a dislike of the concept of life insurance. In the West, many credit card companies tie the benefit of accidental death insurance policies to their cards when used for common carrier charges. This would be inappropriate to offer in promoting credit cards in this region. As Choudhury (1983) states: "The modern life insurance business in all its different aspects is inadmissible in the Islamic perspective as it negates (fundamental) principles of Islamic contract" (p. 20). With this background in mind, attention is now turned to an examination of aspects concerning the diffusion of innovation among consumers in developing countries.

#### Aspects of Innovation in LDCs

North African and Middle Eastern countries have been classified by the author into three groups: resolutely modern societies; crossover societies; and slowly evolving or resolutely traditional societies (see Amine and Cavusgil 1986). Among the crossover societies are those markets mentioned earlier with reference to Islamic banking i.e., Egypt, Kuwait, Saudi Arabia, Bahrain, and Jordan. Morocco also fits into this group, while Sudan is classified as slowly evolving. The crossover markets demonstrate a paradox. While fundamental values are still rooted in tradition, economic development priorities and consumer lifestyles are firmly turned toward the future. The benefits of modern technology and innovation are sought as a means of achieving a better standard of living. It is in this type of multi-faceted environment that the introductions of Visa and Carte Blanche were undertaken.

Within these crossover societies, distinct lifestyle segments have been identified (Amine and Cavusgil 1986). The "new rich" includes three groups: (i) migrant workers who are based abroad and return home only for brief periods of vacation each year; (ii) expatriate managers and experts who may spend up to five years living and working in a country; and (iii) wealthy local entrepreneurs and professionals. It is the last group which is the main target for credit card usage in each market. Another

lifestyle group identified by Amine and Cavusgil (1986), the "young and the modern," is well-disposed toward the adoption of credit cards as a symbol of modern living, yet as a group, these consumers lack the financial resources to represent a major target market for international credit card companies.

Wealthy local entrepreneurs and professionals represent a very attractive target market for credit card introduction, due to their social status and visibility within their reference groups. They assume the role of opinion leaders in a society where consumers are intrigued by novelty in all its forms. The fascination with novelty is often expressed as simple curiosity and a desire to imitate. The demonstration effect can be set in motion through the use of testimonials and slice-of-life TV advertising. "Keeping up with the Joneses" is as real in these markets as it is in western markets. Use of the social multiplier effect can lead to rapid new product acceptance and diffusion within market environments such as these.

Because of their economic resources, the wealthy elites in each society are sophisticated and often well-traveled consumers. Thus, the high-tech accompaniments of credit cards, such as retail verification terminals, automatic teller machines, and even home banking opportunities do not present obstacles to credit card adoption. Obstacles may however be encountered among retailers who may need convincing proof of the profitability of the undertaking.

Throughout this region, word-of-mouth advertising is a specific phenomenon not to be underestimated by any marketing company. Rumormongering is also a well-established social habit (Amine and Cavusgil 1986ii). Thus, it behooves any company introducing a new product or service to address promptly any problems that may develop during the launch, in order to dispel any associated negative publicity.

Early experiences by companies of introducing credit cards into elite market segments in the Gulf have proven somewhat unusual. For example, one new card holder charged \$2 million worth of jewelry in London in one week. The company had not imposed any credit line but was unsure whether the bill could be paid. Rather than refuse the charge and risk negative word-of-mouth, the company approved the purchases. In the meantime two executives were dispatched to Riyadh with a copy of the bill. The client was somewhat perplexed by the arrival of the two employees, but paid the bill at once - in cash (World Business Weekly 1981). According to the same source, Arab card holders tend to use their cards frequently and make charges that exceed \$100,000.

After this review of aspects of consumer behavior which are likely to impact acceptance of an innovation such as credit cards, we can now consider the case study concerning the Moroccan market.

## Case Study: Visa and Carte Blanche in Morocco

The introduction of these two credit cards in Morocco illustrates how innovation can be accomplished in two sectors, the retail sector and the consumer market. The Visa card was first introduced into Morocco through a leading bank named Credit du Maroc. This bank was already servicing American Express and used Amex's network of retail merchants as a conduit through which to introduce Visa card. The objective was to offer tourists a choice of credit card facilities in locations such as hotels, restaurants, car rental agencies, travel agencies, and bazaars. Retail merchants were given the same guarantees as for their American Express service and so there was very little difficulty in achieving a piggyback market introduction. The staff of the 39 branch agencies of the Credit du Maroc used a personal selling approach to ensure adequate geographic coverage by retail merchants in touristic areas.

The Carte Blanche was targeted at a very different segment, the wealthy, local professional and business class. The Compagnie Marocaine de Credit et de Banque (CMCB) positioned the Carte Blanche as a charge card. Mass media TV advertising was used to create an elitist image and the card was depicted as a status symbol. Sometime after the launch of the Carte Blanche, Visa was introduced to the same segment through a low-key print ad campaign. It was positioned very clearly as a travel and entertainment (T and E) charge card.

The positioning of the Visa card as a T and E charge card in the Moroccan market was consistent with Visa's overall strategy for the Europe, Middle East and Africa Region, (although different in its execution). Objectives were stated as: (1) "To generate a desire to actually use the Visa products rather than the products of the competition," and (2) "To create a T and E image for Visa in terms of acceptability, internationality, and confidence" (Visa International Advertising Campaign 1985).

In this region, Visa considers its main competitors to be American Express, Diners Club, and to some extent Eurocard and MasterCard.

In order to achieve these objectives, a highly visible "umbrella" print campaign was designed which would allow a degree of regional flexibility. A mix of international magazines serving general readership and business segments was used to target the international traveler, along with a number of in-flight magazines on major airlines covering the region. The general layout featured either modern or ancient landmarks for individual markets, short copy, and standardized positioning of the Visa logo.

Since that time, Visa has continued its innovations in Morocco and has introduced ATMs and home banking services through the intermediary of the leading foreign trade bank, the BMCE.

Again the target was the upper class which has the education and level of sophistication necessary to benefit from such innovations.

## Conclusion

This case study on the introduction of Visa and Carte Blanche into Morocco offers several interesting lessons in the context of the earlier discussion of Islamic banking:

1. The key to successful introduction of credit cards in Middle Eastern and North African markets appears to lie in the choice of positioning. Three options are available, either as a credit, charge, or debit card. As shown, the charge card concept is acceptable since emphasis is placed on full payment of monthly balances. With the increasing spread of support technology, particularly in the wealthier Arab markets, it is quite feasible that the debit card will become the most preferred as it is closest in kind to a cash payment.
2. Clearly, selection of the target market for charge card introduction is a deciding factor. Consumer behavior theory offers guidance through the use of the problem-solving model. Both groups, the retailers accepting Visa and the upper class accepting Carte Blanche, had entered the problem recognition stage and so were open to new product offerings which could meet a recognized need. In the case of the retailers, they wished to expand their credit services to the tourist segment, and the local elite needed a means to facilitate handling of T and E expenses.
3. Typically Morocco is considered to be one of the more "open" Muslim societies and is pursuing important modernization goals. Even though Morocco has not yet made a move toward Islamic banking, it is interesting to note that Visa and Carte Blanche were not positioned as credit cards. Admittedly, the tourist segment targeted first by Visa would already be aware of this use. The success of these two card introductions must be attributed to a careful understanding of the Moroccan market environment. Even though the concerns associated with interest-free banking were not evident in the market, due care was taken to avoid provocation through insensitive positioning and promotion. This demonstrates that great sensitivity is needed when launching a new product in a developing market since what is apparent on the surface may prove to be more subtle and complex in reality.

In conclusion it has been shown that careful positioning and selective target marketing can be used effectively to offer the benefits of modern financial services in markets where

environmental factors might suggest, at first sight, that there is little opportunity for innovation.

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