

## Chapter 6

# Premium International for Credit Services: Application of Value-Based Management

**Eskandar Tooma**

*American University in Cairo (AUC), Egypt*

**Aliaa Bassiouny**

*American University in Cairo (AUC), Egypt*

**Nourhan El Mogui**

*American University in Cairo (AUC), Egypt*

### EXECUTIVE SUMMARY

*Despite its success in creating a strong market for its product and growing its customer base, PICS is going through a restructuring phase to overcome a variety of operational and financial challenges. This case study examines the concept of value-based management (VBM) and how applying it to the company's restructuring process would help PICS'S management track its performance and make sound strategic decisions for the company. The protagonist is PICS CEO Mr. Paul Antaki, who is being presented with a proposal from 'Val-U' consultants on how VBM would create value for all PICS stakeholders.*

*The case follows through the history of PICS, presenting the business model and the market for its products. It then moves on to outline the financial position of PICS over the period 2002-2005, which shows that, despite double-digit growth in revenue, the company has suffered from poor bottom lines that have put the company in severe financial distress.*

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## **ORGANIZATIONAL BACKGROUND: THE HISTORY BEHIND PICS**

On an early Sunday morning in his elegant office in Dokki, Zafer Paul Antaki, CEO of Premium International for Credit Services (PICS), was sitting at his desk, looking through some of the company's latest financials. Taking a sip of his morning coffee, he began flipping through a report from 'Val-U' Consultation. The report included several corporate success stories on the application of value-based management (VBM) and a full-fledged proposal on how the application of VBM could help PICS create value for all its stakeholders.

The first spark for PICS came to Antaki back in 2000, when he was Managing Director of Consolidated Casuals Ltd, a market leader in the fashion retail business in Egypt and a licensee of well-known European brands, including Naf Naf, Mexx and Daniel Hechter. Antaki introduced a loyalty program using a card, called Premium Card, that provided a payment plan for purchases made through the company's different outlets. Within a year, the demand for the Premium Card by both clients and merchants increased significantly. The success of the program captured Antaki's attention. He began thinking of how the company could capitalize and expand on the program in an emerging and growing market of credit card users. The involvement of new retail stores would better serve current customers, as well as attract potential customers.

After three years of study, the company formed a consortium with new business partners to establish PICS in 1997, with a 61 percent ownership for the Antaki family. The vision of the new shareholding company, which was managed by Paul Antaki as CEO, was to be the world's leading interest-free credit card provider and the leading role model for banks, end-users and merchants within the consumer credit card industry throughout Egypt and internationally, starting with the MENA region.

To fulfill this ambitious vision, PICS management put together a mission statement to guide their decisions:

- To develop Premium International's logistics and infrastructure for international deployment
- To offer the Premium Card through all major banks
- To be the preferred credit card amongst consumers by offering them excellent services, a strong marketing and retailing environment such as department stores, and online and catalogue shopping
- To be recognized by a large merchant network as the highest generator of customer purchases with continuous growth

PICS™ became the first private sector credit card provider in the MENA region. The actual operation started in February 2002 after the official establishment of the first interest-free credit card, Premium Card, in Egypt. Through this step, PICS had validated a business model featuring an interest-free credit card designed to benefit consumers by improving their buying power rather than to maximize fees and interest charges.

PICS's uniqueness in the market of credit cards lies in being the only consumer credit card service provider offering 10 months interest-free payment plans for consumers. This feature distinguished its main product, Premium Card, from all other credit cards on the Egyptian market, giving PICS an edge and turning it into a market leader within a period of five years. The interest-free installment payment plans appealed to Egyptian society, especially the Muslim majority, since it did not entail any form of usury. Moreover, PICS'S extended network of merchant and bank alliances encouraged consumers to make use of the facilitated payment scheme. The number of subscribers had reached 70,000 customers by the

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