Point of View

It’s Time for Your Card Portfolio Checkup

You probably “know your numbers” because of an annual biometric screening or physical. But have you ever applied that approach to your debit and credit card portfolio? A simple examination can help you weigh your cards strategy, ensure you’re aligned with your consumers’ needs and drive healthy results.

Sustaining your business frequently requires renewing a commitment to program fundamentals that have been foundational to your success: Know your consumers and address their needs. By adding this rule to your card portfolio strategies and tactics, and executing against it, you can have an immediate, positive impact on your debit and credit program. You’ll drive revenue and provide an enhanced consumer experience – an approach that will keep your program healthy, help you prosper, and secure the prime spot for your card in consumers’ wallets and mobile devices.

Here are some tried-and-true recommendations and suggestions to help you efficiently guide your portfolio – simple steps you can review and implement that will lead to happier consumers and a robust bottom line.

Start by Assessing the Health of Your Program – and Know Your Consumers

A card portfolio is most profitable when consumers are activating and actively using their cards. Your consumer data is the essential building block to developing and sustaining your program and understanding its overall health.

Prudent examination of your consumers’ debit and credit card usage patterns – coupled with an understanding of industry trends – can help you discover opportunities that address your activation and usage performance goals, resulting in measurable results that positively impact revenue and promote long-term portfolio profitability.

Examine your card portfolio holistically to identify strategies that will support long-term portfolio growth. Begin by benchmarking your consumer data, including:

- Reviewing card activation statistics to track inactive cards or activated cards that have not been used
- Identifying merchants where consumers are using your card; use this information to explore both domestic and international merchant volume
- Viewing card data by BIN to determine high-performing areas of your portfolio or comparing statistics for old and new BINs
- Viewing status trends, such as the volume of cards available for use or reported stolen. Download statused card lists to assist in evaluation of cards to be purged from your rolls

Once you’ve conducted this elementary research, you’re ready to devise approaches and design campaigns that drive targeted consumers to action. You can begin building consumer engagement with mailings that incent and reward consumers for activating their cards, and supplementing with targeted usage campaigns that will increase transaction volumes and increase consumer spend.

It's important to identify solutions that increase consumer engagement and grow revenue through increased usage and adoption. A smartly designed campaign can drive consumer satisfaction and retention, and add to your overall relationship.

Monitor Your Network Participation

Are you over-networked?

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that all issuers participate in no fewer than two unaffiliated networks. This rule is in place to foster price competition and avoid monopolization of transaction routing by a single network.

Yet many financial institutions still belong to four, five or six payments networks when two are all that are actually required to ensure your consumers can transact with their cards when and where they choose.

Perform an analysis of your network participation and performance. Be sure to identify your consolidated actual interchange income – by network – and pay close attention to interchange transaction counts, monthly interchange totals, switch fees and your net position. With this data at your disposal, you can:

- Make data-driven business decisions that identify the networks delivering the most value to your financial institution
- Identify trends and fluctuations due to merchant activity, market changes and seasonality

Dissecting your overall network participation and performance will provide a consolidated view of your point-of-sale activity and guide your go-forward strategy.

If you are over-networked, paring down your participation may actually prove that less is more.

Control Card Reissuance

The scene is all too familiar: You detect real or potential fraud, notify your consumers and prepare to reissue cards at considerable expense.

The overall process can put your activation and spend rates at risk.

Earlier fraud detection and a more precise way of scoring the risks to individual cards can help you stem fraud losses and restrict the volume of new cards to be reissued. With new in-market fraud tools, you may be able to identify compromised cards from breached locations much faster than the major networks – up to 60 days faster.

Generally, only a small percentage of cards that have data exposed in a breach end up getting used in fraudulent transactions. Having more intelligence about those breaches and exposed data enables you to set specific rules for the reissuance of individual cards and potentially save money.

Use appropriate fraud detection technology that enables your financial institution to be more precise when determining which cards might need to be reissued in the wake of a compromise and which cards can stay in customers' hands.

For instance, data from a specific card may have been exposed in a breach, but because the intelligence received through your fraud detection technology shows that the risk of fraudulent use is relatively low, you might decide not to reissue that particular card. Those card scores will help you determine when it makes financial sense to reissue cards or change your risk mitigation strategy.

Issuers that are careful about reissuance can save on direct reissuance costs and also reduce the odds of longer term losses. When card fraud occurs, consumers are frequently reluctant to use the compromised card and could choose to use a different card. And if the card is reissued a few times, you may have to worry about activation rates.

In fact, any type of hurdle placed before your consumers – whether real or perceived – can increase the risk that consumers will lose trust in a particular payment card. Many consumers whose cards are denied due to suspected fraud that turns out to be false end up abandoning those cards. Our research suggests that two or more false declines can result in 20 percent of consumers not using the cards in question.

When Issuing Cards, Consider Using a Low-Cost PIN Mailer Alternative

PIN mailers for debit and credit cards remain a tried-and-true delivery method for many financial institutions. Generally, when a card is mailed to a recipient, a separate and distinct mail piece is sent that contains the PIN and instructions for activating a card.

But the mailings come with a considerable expense:

- The mailers are generally sent to the consumer's address using the Postal Service
- More recently, financial institutions have begun using overnight carrier services as a postal mail alternative

Today, however, alternative cost-effective delivery methods for PINs are available:

- Email is ubiquitous
- Text messaging on mobile and smartphones is omnipresent
- Online banking promotes two-way communication

Use newer, lower cost PIN delivery systems to satisfy your consumers and improve your bottom line. Consumers are looking for speedy, efficient and safe alternatives – a nice complement to your need to enhance the consumer experience while reducing cost.

Review Your Transaction Authorization Controls

Transaction authorization controls are the fundamental building blocks for effective transaction authorization processing. Set appropriate parameters regulating the strength of your controls in addressing fraud. Our recommendations are based on the dual goals of providing a reliable consumer experience and maximizing your reduction of risk.

Set Appropriate Transaction Limits

Limits are used to identify the maximum dollar amounts allowed for specific transaction types (for example, ATM, POS) within a given period of time. These maximum amounts can be specified for online processing and offline processing by the processor and the branded association. In some cases, limits for signature-based transactions – where a preauthorization request is sent, followed by a completion message – are adjusted each time a preauthorization or completion message is received or a hold expires. This type of limit operates based on activity instead of a set time period.

Financial institutions should review their transaction limits for cash (ATM) and merchandise (POS) activity based on a consumer's spending profile. Defining appropriate amounts will keep consumers happy while safeguarding against card abuse. (Transaction dollar limits work independently of velocity limits, discussed below.)

Review Consumer Spending Velocity

Velocity support defines the maximum number of times a card can be used for ATM, POS or cash-equivalent transactions within a specified time interval. There is wide variance regarding how individual consumers use their cards, so be sensitive to the differences among your consumer base. Be sure to adjust your velocity limits to account for individual consumer usage patterns for the following transaction types:

- POS transactions (for both signature and PIN)
- ATM transactions
- Cash equivalent transactions

Balance consumer needs against criminal attempts to "test" accounts to find pieces of data such as PIN, CVV/CVC or the expiration date. Setting appropriate limits for the number of transactions that can be performed in a defined time period is important because it can lead to a more satisfied consumer.

It’s Fundamental

Successfully addressing consumers’ most important needs often involves nothing more than executing basic, fundamental tasks. Simple steps can help you fine-tune your card portfolio’s performance without major capital or human resource investment – and keep your card portfolio healthy.

About the Author

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