

Let's Get Digital: Preparing Your Card Portfolio for the Next Era in Payments

Digital payment technologies have radically changed consumer purchasing habits. Consumers who once visited brick-and-mortar stores now use digital wallets to shop online. Mobile marketing platforms enable merchants to interact with customers in real time. These new connected commerce systems deliver fast and easy buying experiences that enhance brand loyalty and drive revenue. By adding digital payments capabilities to their credit and debit card programs, financial institutions can stay relevant and retain their trusted relationships with consumers as the payments landscape evolves.

Advancements in payments technologies have forever changed consumer expectations. Digitally-minded shoppers now seek real-time solutions that enable quick, easy purchases and payments using online tools and mobile apps. More than ever, they demand financial services in step with their busy, mobile lives.

Financial institutions must respond – with products and services that deliver new levels of convenience, freedom and control. By enabling secure and easy digital transactions through debit and credit cards, financial institutions can continue to remain relevant to cardholders.

Here are four steps for differentiating a card program.

1. Digitize: Develop and deploy digital solutions, including wallets, alerts and card controls, that provide an integrated, seamless and efficient payments experience.

Consumers have an array of choices for their financial services, and they will go where they find the greatest value. Nonfinancial competitors are adept at capturing consumers via embedded payment options that deliver a streamlined experience. Their goal is to gather cardholder information, cross-sell new services and extract a growing share of the payments value chain.

Developing a digital strategy focused on driving deep cardholder engagement can help financial institutions ensure their cards remain top-of-wallet. Digital wallets are the place to start.

The adoption curve for digital wallets is strikingly similar to that of online banking in its early years. This suggests a sharp rise in the use of digital wallets is on the way. The following research data confirms digital wallets' growing popularity with retailers and consumers:

- A majority of the largest retailers now accept contactless payments (Boston Retail Partners, 2019 POS/Customer Engagement Survey)
- One in six U.S. banking consumers says they have paid with a digital wallet within the last 30 days (Fiserv Expectations & Experiences: 2018 Consumer Payments Survey)
- 72 percent of cardholders say paying for purchases is more convenient with tokenized mobile payments (Mercator Advisory Group, Mobile Payments: Greater Value Needed for Widespread Adoption, Customer Monitor Survey Series, Insight Summary Report Volume 7, Report 2, 2017)

With available digital tools – and others that are rapidly emerging, such as merchant-based geographic reward offers – financial institutions can deliver significant benefits to consumers and reap measureable returns.

2. Utilize: Provide cardholders with comprehensive information about how digital solutions can meet their expectations and needs.

By implementing digital tools and providing a frictionless financial service experience, you can empower consumers to transact in real-time on one or multiple devices including mobile phones, computers and tablets.

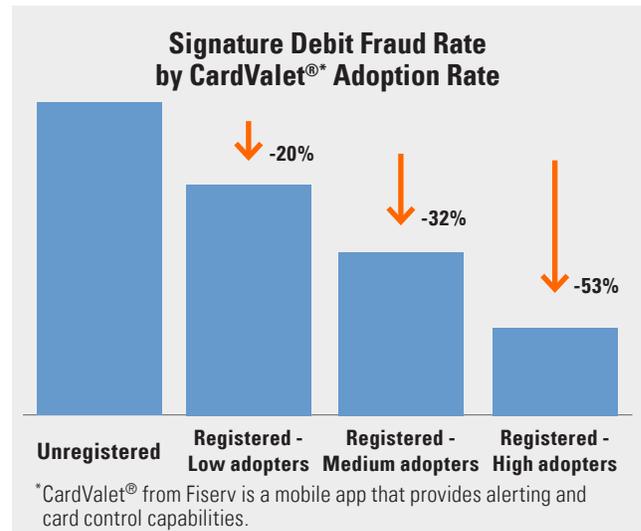
But new digital tools only provide value when consumers understand their benefits and know how to use them. Once digital products and services are implemented, communications programs are important to encourage adoption and use.

3. Securitize: Balance digital innovation with risk mitigation strategies that keep consumers safe – without disrupting transactions.

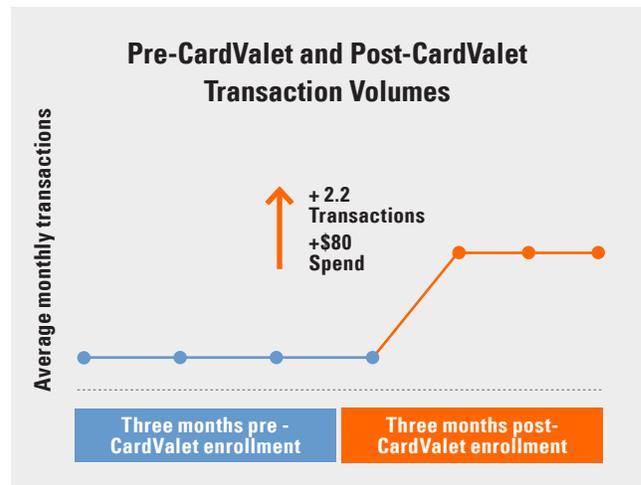
Digital payments are highly secure due to tokenization – a process in which numerical values replace consumers’ personal information for transaction purposes. Tokenized digital wallet transactions are an important first step toward preventing mobile payments fraud.

Moreover, mobile apps that enable cardholders to receive transaction alerts and actively manage card usage are significantly improving card security. Fiserv analysis shows use of a card controls app may reduce signature fraud by up to 53 percent while increasing card usage and spending.

Transaction Alerts and Card Controls Help Reduce Fraud and Increase Card Usage



Source: Fiserv, fraud analysis conducted on debit signature transaction, April 2016 – March 2017



Source: Fiserv, debit card analysis conducted on transactions made between June 2016 and December 2016, with an average ticket price of \$37. Analysis of CardValet users reviewed transactions done three months before registering for CardValet and three months after registering.

Beyond the security benefits inherent in the technology, there is a need for strategies focused on detecting and preventing fraud in real time without impacting card usage and cardholder satisfaction. This can be a significant point of differentiation for card providers.

A prudent approach includes implementing predictive analytics and decision-management technology. And because consumers want to be involved in managing and protecting their accounts, they should have the option to create customized transaction alerts and controls. Finally, direct access to experienced risk analysts who work to identify evolving fraud threats can significantly improve overall results.

The Federal Reserve System measures basis points (BPS) to convey the average value of fraud in comparison to total transaction dollars. A recent analysis from the Federal Register indicated debit fraud is running at approximately 11.2 BPS. Fiserv debit card clients are experiencing only 5.08 BPS of fraud.

Source: Board of Governors of the Federal Reserve System, 2017 Interchange Fee Revenue, Covered Issuer Costs and Covered Issuer and Merchant Fraud Losses Related to Debit Card Transactions, published 2019.

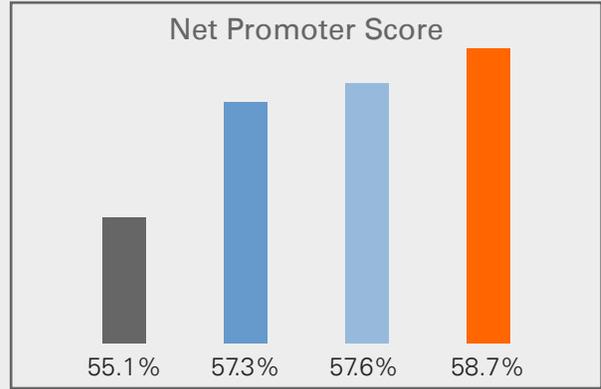
Card issuers are also confronted with balancing risk rules, which help mitigate fraud, against cardholder disruption due to falsely-declined transactions. These lost transaction opportunities reduce revenue and increase reputational risk. An experienced risk mitigation partner can help financial institutions achieve the right balance between fraud detection and consumer satisfaction in a way that maximizes profitability.

4. Monetize: Turn digital solutions into engines of growth by creating stronger, more lasting consumer relationships.

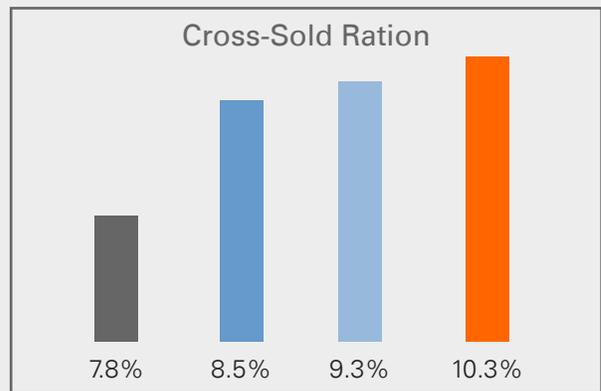
A digital portfolio can be more than just a set of solutions – it can drive significant new revenue and growth opportunities. By delivering the secure, frictionless digital services consumers need, when and where they need them, financial institutions can maintain their positions as trusted financial service providers. As The Raddon Performance Index, 2017 by Raddon, a Fiserv company has shown, engaged users are profitable users.

More Engaged Users Are:

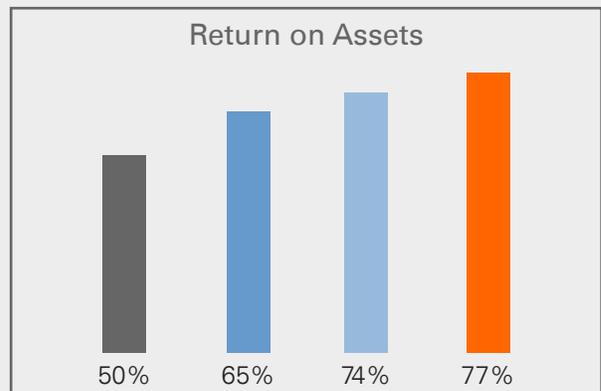
Happier With Their Financial Institution



Buy More Products



More Profitable



Based on these average monthly debit transactions:

- Gray = Low 12.6
- Blue = Casual (medium) 18.3
- Light Blue = High 21.4
- Orange = Super (highest) 28.4

Net Promoter Score = Measure of cardholder loyalty and value in institution relationship

Cross-Sold Ratio = Percentage of householders with a DDA for longer than six months but open a new deposit or loan account in the most recent six months

Return on Assets = Percentage of profit related to earnings

The “-ize” Have It

Digitize. Utilize. Securitize. Monetize. Achieving the right combination of innovative products and exceptional consumer experiences will enhance card portfolio growth, operational efficiency and market share.

About the Author

Wes Suter is a client solutions consultant for Card Services at Fiserv. He helps financial institutions deploy payment products, services and toolsets to meet their key business objectives and drive card portfolio performance.

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For more information about improving digital cardholder experiences, call 800-872-7882, email getsolutions@fiserv.com or visit www.fiserv.com.

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