



The Card Processing Platform Working For or Against You?

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The Card Processing Platform: Working For or Against You?

There are choices available to a financial institution regarding who processes its credit, debit, and ATM cards. However, institutions do not always think through the potential consequences of this decision. Many do not even consider that they *could* make a change, or that a change might be well worth the effort.

With careful analysis, you may find that sticking with the status quo could result in missed opportunities for increasing cardholder loyalty, boosting income, better cardholder service, decreased card fraud, and in general, protecting your brand reputation.

This white paper focuses on the qualities, tools, and technology that financial institutions need to demand from a card processing provider. Among other issues, it examines card programs, loyalty programs, and the ability to use card analytics to fight declining interchange income.

Risks of Using the Wrong Processing Vendor

Starting with the most obvious pitfall, it's important to look at the vendor's customer service. Some institutions have accepted a vendor's poor service level and just see it as an aggravating but normal cost of doing business. It isn't.

What they may fail to consider is how important the income from credit card usage is for their institutions, and how slow or unsatisfactory service has a direct impact on that income. Inadequate customer service means inadequate cardholder service, which reduces usage, affects retention and acquisition, and reduces top-of-wallet opportunities.

Features that demonstrate a solid commitment to technical support:

- Friendly, determined, knowledgeable representatives
- Locally-based (not offshored)
- Equally devoted to all financial institutions, regardless of size
- Does not leave you on hold for long periods or take overly long to respond

Without these attributes, a company is not acting as a partner in your success. In a time when institutions really need to increase card wallet share, the vendor ought to be working closely with you to maximize value, and have a track record of doing so.

Another risk factor is settling with a processor that cannot offer the features, services, and technologies needed to satisfy cardholders. An obvious one is the quality of its fraud mitigation. Here are some other topics to consider:

- Are adequate reporting tools provided and how easy are they to use? Can you create ad hoc reports?
- How well do the various vendor services and products talk to each other and to your systems?
- Can you choose between full-service and in-house, and between Visa® and Mastercard®?
- Are you offered support for all digital payments – Apple Pay®, Samsung Pay®, Google Pay™, Masterpass™, Visa Checkout, Fitbit Pay™, Garmin Pay™ and Microsoft Pay?

The answers to these questions can help tell the story of whether a card processing provider is working for or against you, and also point out the danger of choosing the wrong vendor. Let's take a closer look at some specific features that make a big difference.

Data Analytics is More Important than Ever

Access to cardholder behavioral data is the key to making informed business decisions. It unlocks the door to a more insightful view of a financial institution's portfolio and cardholder needs. A card processor needs to offer advanced analytic tools and streamlined reporting to help institutions understand the performance, profitability, and opportunities in credit, debit, and ATM portfolios.

Rather than being a passive service provider, a card processing vendor should be tracking purchasing histories and trends, and providing customized, actionable insights on engagement and retention. There should be clear dashboard views of performance and growth opportunities. Ask a prospective vendor if it compares your performance against peer group benchmarks, and offers techniques to improve performance.

In an era of shrinking interchange income, a partner is needed that will use data to help drive cardholder engagement, satisfaction, and retention, and will recommend and assist with portfolio optimization campaigns.

Fraud Mitigation – Experience and Expertise Required

According to a study published by [The Nilson Report](#)¹, the U.S. suffered approximately \$8.45 billion in payment card fraud in 2016. It predicted that fraud will only increase in the following years. Obviously financial institutions want a card processor that has a track record of providing effective tools to mitigate fraud.

A great card processor limits loss with minimal roadblocks in the way of a cardholder's usage. It stays ahead of trends, and keeps on top of day-to-day issues. There need to be multiple techniques involved to reduce fraud. At a minimum, a good card processing vendor offers:

- Analysts who watch fraud-to-loss ratios and advise institutions with individualized tactics based on their experience.
- An easy-to-use mobile app that enables cardholders to set spending and alert rules for cards.
- Real-time transaction scoring using neural network analysis technology integrated with a powerful rules engine.
- The ability to combine transaction analytics with merchant profiles to shut down fraud trends faster.
- A quick contact system that can automatically use text, email, or phone to reach cardholders when fraud or potential fraud is suspected.

Even with the best monitoring technology, an institution may suffer outsized losses unless fraud-stopping techniques, limits, and blocks are fine-tuned to the needs of that specific institution. The cardholder demographics, the region of the country, the ever-shifting trends – they all mean that a one-size-fits-all anti-fraud strategy is impossible. A card processor should provide deep-level expertise and individualized help to maintain an effective fraud shield.

Loyalty Programs that Work for You

In 2016, the financial services company, [Kasasa](#)², conducted a survey that found 83% of millennials would switch financial institutions for better rewards. This helps confirm that potential cardholders do take rewards seriously. If they are serious about having a high-quality rewards program, they will also be mindful of *using* the card that generates rewards.

A card processing vendor should offer loyalty programs that makes it easy to earn a meaningful award in as short a time as possible. That provides the positive feedback to keep this card at the top of a consumer's wallet. Cardholders want a variety of redemption options and benefits, including merchant-funded awards, gift cards, cash rebate, and travel, including rebates for travel booked outside of the awards site.

There are two important feature areas to look for:

- **A strong, accessible mobile site** that clearly illustrates a cardholder's standing. Both mobile and desktop sites should be branded for your institution, and offer a shopping cart method of redeeming awards and making travel purchases.
- **Reward programs should be highly flexible**, so you can reward customers based upon products, services, and relationships, not limited to just their cards, to build a rich portfolio that aligns with your strategic goals. Customization should enable you to create incentives as needed.

¹"Card Fraud Worldwide," The Nilson Report, https://nilsonreport.com/constant_contact_promo.php?id_promo=16

²"Are Rewards a Switching Motivator for Millennials," Kasasa, November, 2016, <https://kasasa.com/landing-pages/switching-millennials.html>

Core Integration

Smart institutions are always trying to move the needle on operating efficiency. Workflow management and automation are used to improve productivity and customer service. The level of integration between the core processor and card processor results in proportional productivity gains. A great vendor is highly experienced with all the core platforms and able to link its services to each core with minimal trouble.

Services that Make a Meaningful Difference

Chargeback and dispute resolution. There are significant benefits derived from giving the complex and time-consuming management of chargebacks and disputes to a team of professionals who know these processes backwards and forwards.

Card use and activation consulting. This service generally helps institutions understand cardholders and their behavior. It will help you create promotional strategies to increase both usage and activation rates.

Fraud mitigation consulting. This service supports anti-fraud efforts by analyzing transactions and fraud history, and making recommendations for using limits and rules that make sense for your particular institution. It helps create the right balance between curbing fraud and not placing undue restrictions on cardholders. It also keeps up to date with the latest trends and best practices for fighting them.

Portfolio consulting. A vendor should offer assistance to those who are either entering or re-entering the credit card business, or want to re-evaluate their portfolios. The service helps both launch and create the right mix of card products, with an eye toward maximum benefit for you and for cardholders.

The Fight for Card-Related Income

The Durbin Amendment, as well as market forces driving more transactions to domestic debit networks rather than the global brands, have reduced interchange income. Institutions need to work harder to make card programs profitable. As mentioned above, your vendor ought to be on the front lines offering consultation. Here are three areas where your card processor can help:

- **Targeting.** With planning, foresight, and help from a trusted advisor, institutions can align the features of a card with a market segment attracted to those features. For example, if you're targeting young cardholders, they may prefer a program with low fees. Older customers may look for travel rewards.
- **Marketing.** Take an objective look at how easy it is to find and apply for the credit card offerings on your website. Is it front and center on your home page or buried in a product page? Compare your programs to similar institutions to learn how competitive your cards are. Develop a marketing calendar and stick to it with regularly scheduled promotions. Look to your card processing vendor for marketing ideas, assistance, and cross-promotions with the major card brands.
- **Actionable behavioral data.** Successful targeting and marketing depend on comprehensive, actionable data. Your processor ought to have detailed transaction figures, including data about types of transactions, bill paying, and spending habits to drive targeted promotions and rewards to individual cardholders.

In-House or Full Service: Do You Want a Vendor that Offers Both?

Banks and credit unions choose an in-house processing environment when they want complete control of their payment card accounts. They agree to handle statement processing, loan payments, transaction posting, and more on their own. Full service processing, on the other hand, outsources all of these functions, including back office support, marketing, security, and regulatory compliance.

There are multiple factors to consider when selecting between these two modes of operation, and addressing that is beyond the scope of this paper. An important fact, however, is that over an institution's lifetime, it may switch from one to another. A likely route is starting out with full service credit cards, when lending expertise, IT, and back-office staffing is minimal, and later switching to in-house after gaining the internal resources to handle the processing and attention to details.

The point is that a changeover will be much smoother if you can stay with the same processor. If you are in a situation where a change might occur down the road, use a processor that offers both.

Personalization

The card processor should offer plastics manufacturing and personalization for an institution's physical cards – credit, debit, ATM, chip-enabled, and contactless. Be sure your vendor provides:

- Institution branding
- Digital edge-to-edge images
- Personalized photo cards
- Embossing or flat print
- Fulfillment services
- Customized card carriers
- Cost-effective card mailings
- Tracking management

This is an area where exceptional customer service and in-depth understanding of the cards and your needs make a big difference.

Platforms and Opportunities

The possibilities and advantages described above reveal that it's worth taking the time to examine your card processing platform options. The choice of processing vendors is greater than it used to be, and more options mean more research on your part.

Cornerstone Advisors published a paper in 2017 called "**Breaking the Conditioned-Response Habit in Your Vendor Relationships.**"³ One portion of the paper notes the arrival of the newly enhanced Jack Henry & Associates' Card Processing Solutions™. It says, "This exciting addition to the vendor landscape will bring more, much needed competition to the marketplace for credit card processing, which will only lead to continued innovation, " and reports that this is "... great news for both banks and credit unions ..." The paper remarks on increased prospects for banks:

For banks, the [Jack Henry] deal means another extremely viable solution for credit card processing. Banks looking to re-enter the credit card processing environment and leave their agent programs behind have been finding their options limited. Now, they'll have the option of utilizing Jack Henry for credit card processing even if they are not a Jack Henry core client.

Explore the opportunities, and look closely at the level of customer service provided by the different players. Today's offerings enable institutions to "say yes" to cardholder requests, staff-requested features, security, and greater efficiencies.

³ "Breaking the Conditioned Response in the Vendor Relationship," Cornerstone Advisors, 2017, <https://www.cornstone.com/publications/breaking-the-conditioned-response-habit-in-your-vendor-relationships/>

What if you could find every service related to card processing under one roof, along with the best customer service in the industry?

Make the change to **JHA Card Processing Solutions™**, the enhanced platform from Jack Henry & Associates, Inc.®

+ Credit, Debit, ATM Card Processing

- A single authorization platform for all signature, PIN, and ATM activity
- Full service or in-house options

+ Fraud Mitigation

- FICO® Falcon® and the DefenseEdgeSM rules engine.
- Mobile app enabling cardholders to set spending controls and alerts

+ Digital Payments

- Apple Pay®, Samsung Pay, Google Pay™, Masterpass™, Visa Checkout®, Fitbit Pay™, Garmin Pay™, and Microsoft Pay

+ Loyalty Programs

- Mobile device display, shopping cart, wish list
- Relationship programs and merchant-funded rewards options

+ Comprehensive Data Analytics Tools

+ Advisory Programs

- Cardholder retention and growth
- Portfolio management
- Fraud mitigation

+ Plastics Manufacturing and Personalization

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