



Informed Banker Series
Cardholder Satisfaction – How to Remain Top of Wallet

Presenter: Renee Jones, Product Manager

Presenter: Joel Schloemer, Senior Manager, Harland Clarke Card Services

Nathan: Good day, and welcome to Harland Clarke's Informed Banker webcast series, "Cardholder Satisfaction, How to Remain Top of Wallet." This webcast is being recorded and will be provided to you in a few days. If you have questions, please use the chat box located in the control panel. Your questions are private and are only seen by the presenters. I will now turn the call over to Christine Albren with our marketing department at Harland Clarke. Christine, you have the call

Christine: Thank you, Nathan, and welcome to everyone who's joining us today. We hope you'll find significant value in this segment of Harland Clarke's Informed Banker series. The series is designed to cut through the noise and bring you succinct, timely information on topics that are critical to community and financial institutions. Those topics are chosen by you, our audience, via the survey feedback you continually provide us.

Our next topic, A Marketer's Guide to Justifying Your Existence, will be delivered in three segments beginning in April. Part 1 will be entitled "Using Analytics to Attract the Right Account holder," and we'll be discussing the key role of analytics in illustrating a return on marketing spend. Keep an eye out for that invite, which should be arriving in your inboxes in early April.

As for today's presentation, Cardholder Satisfaction and How to Remain Top of Wallet," we're proud to bring you the expertise of Renee Jones and Joel Schloemer of Harland Clarke. They'll be discussing cardholder satisfaction and loyalty as they relate to your institutions' ability to keep payments secure and convenient in post-EMV environment.

First, a little bit about our presenters, and then we'll get started. Joel Schloemer is a Senior Manager with Harland Clarke Card Services. He has significant experience working with financial institutions to build highly successful card programs for over 18 years. Renee Jones, our card program manager, has spent the last 20 years developing, executing, and analyzing innovative marketing approaches for credit card products and services.

Thanks for being here, folks. Now, let's get started. As an introduction, we understand now that most FIs have completed their card migrations to EMV and are now turning their attention back to cardholder experience to increase transaction usage and to make their cards top of wallet. Renee, in a post-EMV environment where FIs can finally get back to managing and growing their card portfolios, what should they be thinking about?

Renee: Thank you for having me today, Christine. There are several things that institutions should be thinking about to increase cardholder engagement and satisfaction, a few of which could include refreshing their reward program, considering a new product launch, and accenting that with segmentation marketing, all of which are designed to drive higher spend and usage.

Now, most of these levers can be considered really one-dimensional, meaning they're really geared mostly to credit card products versus trying to maximize cardholder satisfaction for debit and credit together. There are other strategies that we're going to walk through today that should be thinking about that's more impactful for both their debit and credit card portfolios.

Let's move into the next slide, which is our agenda page. These are really the key trends that we see that FIs can use for both their debit and credit card portfolios, and it will really contribute towards increasing their customer satisfaction and engagement, the first of which are mobile

fraud management tools. I'll just highlight this topic a little bit. With the recent mandates from the associations to provide the alert services for cardholders, card portfolios managers should be thinking about not just mitigating card not present fraud but how to use these tools to drive further usage and engagement.

The second is dual interface or contactless cards. Contactless cards are gaining traction among consumers because they're really cutting through the perception of the delay with the chip card, and they're really seen as more seamless and fluid in the purchasing experience.

The last strategy or activity FIs should look at is instance issuance. This is really gained transaction – gained a lot of traction, I'm sorry, as a competitive differentiator because account holders are able to immediately walk away from their branch to use their card for daily purchases versus waiting seven to ten days.

Joel:

Thanks a lot for that introduction round around the points we're going to be looking at today. I'm sure there are a number of ways that FIs are looking at these issues and tactics that they're going to be leveraging. I wanted to take a sec to see if we could find out from our attendees what they're doing. If we go to the next slide, we're going to have our poll questions for today. I'd like the participants to complete where you guys are looking. What are some of your top card portfolio priorities? Are you looking at doing a new product launch, maybe a product extension within your existing portfolios? Are you doing an enhanced rewards program, something to really drive the transaction volume, doing some type of integrated security tools and alert services as we've been talking about, the dual interface or contactless cards to try and speed transaction rates, and then also the instant issuance solution.

If you guys could take a sec, enter in which one is your top priority right now. Give you a couple seconds. Then once we've got the results in, let's see what we're running into. Mobile security is our top, top returner. Rewards program, always a popular one. Coming in tied for third or fourth, depending on how you do your ratings, the new product developments and extensions and looking at instant issuance, and then the – trailing in the back is the dual interface. It'll be good talking points there as we're going through these. These are not dissimilar, and I'm not actually surprised where dual interface is coming in right now. As we talk about it, we'll see if that changes any minds here.

Christine:

That's great, Joel, and again, what we've heard from our audience today, why don't we dive into the mobile fraud management tools. Renee, you talked about card not present fraud. Can you explain what it is and how a financial institution can use mobile fraud management tools to improve the cardholder experience?

Renee:

Sure. I'd like to start off by providing a little bit of background about how mobile fraud management tools came about and started surfacing in the card space. With the EMV immigration to chip being so successful, card issuers experienced a really dramatic decline in counterfeit card fraud. What that did is it's really shifted the attacks from fraudsters to online activities. That's where you enter into the room the card not present fraud. That card not present fraud is really those unauthorized transactions that are made on the internet.

Now, the volume of the card not present fraud has increased according to an iTake group study of about almost 100% over the last 7 years, and that's a lot. As a response to attempt to mitigate the rise in card not present fraud. The associations issued mandates for FIs to provide transaction alert tools for their cardholder to opt into. Now, VISA's requirement – their requirement data just passed. It was this last October of 2016, but MasterCard has an April 21st deadline that's just around the corner.

Now, what these requirements do is it really presents a viable opportunity for institutions to

not only mitigate their fraud losses due to now the card not present activity but now to take the time to leverage mobile fraud tools to further nurture the cardholder relationship and increase satisfaction and engagement.

Just to talk about mobile transaction alerts, they are really another medium that FIs should be looking at to offer meaningful contextual information to their cardholders. The ability to send transaction-relevant information increases the level of trust, satisfaction, and card usage among the account holders, especially when their FI is providing them these notifications based on their preferences that enable them to maintain purchase continuity. What it results in is that institution being able to keep their cards top of wallet.

Now, there are a couple of statistics I'd like to share with the audience today that really supports this assertion. When expressing concerns about their cardholder experience, security is really one of the biggest concerns among cardholders. About 50% of card users say unauthorized use or insufficient fraud protection is the biggest concern when they're transacting with their card. That's a big red flag for issuers to understand security tools should be one of the primary features to their credit cards or debit cards.

Another statistic is 41% of consumers really want to be proactively engaged with managing their card and card spend. I would assume that that's growing more in the Millennial/young adult market because this is an audience that really wants to manage most, if not all, of their financial transactions through digital or mobile mediums.

What does that mean for institutions? They should really be striving to provide their cardholders with more than just the basic transaction alert notifications. There are a whole host of mobile alert features that position cardholders to be more informed about their purchase activity, card account status updates, and even there's the ability to integrate professional point of sale cross-sale offers.

In addition to just getting alerts about purchase and transaction and fraud activity, there are control features that enable cardholders to be able to proactively manage their card use by location, purchase by merchant category, and also again, the point of service offers. The mobile fraud management tools really should be considered as a tactic to transform the cardholder transaction experience to be proactive versus reactive. What it does is it'll meet the need to help ensure that the institutions' cardholders experience is secure, controlled, and seamless.

Joel: Renee, I think that's really an important piece. I think that purchasing experience, as always, is really an area that should be focusing on. That's why we're really starting to see more attention coming into the contactless and as a solution that can be used to leverage that experience.

Christine: Joel, would you mind speaking a little to that contact risk card? What should an institution consider when they're thinking about whether or not to make a contactless card available to their cardholders?

Joel: Well, I think, in the first space, we're talking about contactless. What we're really referring to is a dual interface card, so a card that has both – and when I'm saying dual interface, I'm already discounting the swipe because the swipe transaction is the assumption. In the dual interface world, we're looking at a card that's chip-enabled. It has the contact plate for an inserted or dipped transaction, as well as a contactless antenna that allows you to run a proximity transaction. They're really designed – that whole product is designed to improve the user experience. I think the real watch word here is ease and speed.

There's a real perception out in the marketplace right now that the EMV transaction is taking longer. In many cases, that longer is really a consumer habit drag. There is some evidence and

really looking at how processes are handling the EMV transaction that is causing a delay. In the end, whether it's I take my card out; do I swipe? Do I insert? How do I handle that is really creating a realm where the transaction's taking longer. That is really the driver here.

What the contactless card is really trying to do is create a seamless, fluid transactional experience where the cardholder can just place the card in front of the reader, the transaction begins. They can use that time to be replacing their card into their wallet and not having to wait for it. We're seeing some real early adopters where contactless was used in a pre-EMV world. Really in those scenarios, we're seeing a greater perception, if you will.

From the FI's perspective, I think obviously vendor support is going to be the first thing they're going to want to look at. What is my process I'm offering and how can I roll this out to my cardholder base? Beyond that, they really need to look at and understand their cardholder demographics. Areas where you have a consumer base that is more, if you will, either heavy transactors, people using their cards in many different environments – they're not just for big purchases They're for picking up that coffee at that corner shop, or when you're going to the drug store, etc. Those types of environments, along with ones where you have very savvy customer base, that is really a good early adopter environment. People who are doing a lot of low dollar value transactions is another feeder to it.

What we're really looking at in another sense is the marketplace. What is the marketplace offering up? Do you have a lot of merchants that are currently supporting contactless? The greater the penetration on the merchant side, the better off you are. Then also, the openness in the marketplace to other types of contactless payment solutions, whether it's do you have RFID transactions at your mass transit systems; are you seeing a higher use of tokenization from different payment methods and other payment competitors? I think really, you'll see that as a driver. Really, the goal that you should be looking at is seeing if contactless in your environment will help enhance the cardholder experience in the marketplace in general.

Christine: That's really interesting stuff. I've heard you talk about managing this cardholder experience through self-served fraud tools and contactless cards, but how does instant issuance help with the cardholder experience?

Joel: I think where what we're really trying to do with the contact – excuse me, with the instant issuance is really all of these things are tagging on what consumers are looking for and aligning the services with their lifestyle. They want obviously immediate, quality services. They want the convenience, and they want flexibility. These tools we've talked about are really fed to those items. Where instant issue is really targeting on is a couple of points. One is that immediate quality service. They want to be able to have that card in a – the current transaction. I don't want to have to commit a transaction saying, “I want to have my card,” and then wait for it. They're wanting to be able to have that card immediately and begin their purchase process.

There's a couple of good drivers on that from the financial institution sense. We're seeing some industry forecasting around this that's looking at approximately 50% of financial institution locations will be offering instant issue by 2020. Now it's obviously forecasting but what we're seeing here is some pretty good penetration into the marketplace. Instant issuance is really going to become – start to become a service differentiator. Anecdotally, we actually – I was in a branch, one of my financial institution I use, and I was overhearing one of their customers actually talking with the service rep asking for a debit card because he was leaving the country the next day. I'm listening to this knowing maybe 200 yards down the street was a branch from a different financial institution that I knew had instant issue. That whole interaction would've been completely different.

The other piece of it that's really driving from the financial institution side is usage. A different

ITA survey or actually study was looking at user habits for people who were instant issued cards that were given to them right at the branch versus one that was mailed to them, and they were seeing a 32% increase in the usage in the first 30 days of that card, any instant issue card, versus one that was mailed to them. What we're really seeing there are some real numbers that are driving activity, driving revenue, and driving habits for the cardholder as well.

Christine: Joel, you started to talk about the benefit to the financial institution for having or employing an instant issuance program. Can you talk about that a little bit more?

Joel: Really, it's a complementary service in an institution's branch transformation strategy. We're really providing an opportunity here where you've got a cross-sell conversations that can be had for the new account holder. You also have time where the account opening is occurring, and it's really going to help them with their activation, as well. If you've got a new account strategy, here you've got a scenario where I'm giving you your card right now. That's really going to push that top of wallet status. I'm not having to wait; I'm not having to activate. It's going to be useful immediately.

The other piece is when you've got account holders visiting a branch, they're going to be able to get this in place right away. They don't have the interruptions on their purchase experience, and they don't really – you don't risk another FI not – getting their card in the way, if you will. You give them something that's working today, they're going to start building their purchase habits based on that.

Really, there's some over-arching benefits here that we're looking at. It really doesn't – it allows you to have that purchase experience. It allows you to then begin your relationship with the financial institution right then versus having to wait seven to ten days to get that card in the mail. Obviously, that has increased activation and utilization tied to it. There's the enhanced security of having the card right then versus having to deal with any possible mail interception issues. Beyond that, it gives you a very effective and quick solution for your lost, stolen strategies. You can now have the card right there in the branch. You can create it at that exact moment, even if you're having to then deliver it to the customer remotely. You don't have to wait. You can do it immediately.

Christine: That has a lot of great information, Joel and Renee. Thank you so much for your insight I want to stop there so we can take a moment to get to some of the questions that have been inputted to us from the audience. Folks, if you still have a question, please feel free to go to the chat panel on your GoToMeeting, and we'd be happy to get to that question if we can fit it in.

Let me see. The first question that we have here says you talked about transitioning to contactless cards. Is there momentum on the merchant side for that? Is it worth moving forward when there are a lot of places that don't use that technology yet?

Joel: I'll take a stab on that.

Christine: Thanks, Joel.

Joel: Really looking back to the marketplace side of it, there are some areas where it's a little bit more of a stretch and others where it's really not as far off. Really look at what the marketplace is doing right now. One of the things that's helped drive this is as new EMV terminals are being delivered on the merchant side, most of these terminals are going out dual interface-enabled. They'll have that contactless hardware in there, and it's just a matter of whether they've got it enabled with their merchant processor.

It's really tying into both the consumer trends and the merchant trends. If consumers are used

to contactless cards, either from a pre-EMV world where they were using it one of the other contactless solutions, that's really going to drive it. I think that's really the biggest piece of it that's going to be driving your strategy as a financial institution

Christine: Thanks, Joel. We have one more question here. Again, if anyone has something that hasn't been answered, please feel free to enter a question in the question panel. For right now, I will read the last question that I have. The question says we may currently offer fraud detection services, but how do we know what we offer is sufficient? Renee, do you want to take that one?

Renee: Yes, that's a really good question, Christine. What institutions really need to look at is operational efficiency. There are several dimensions to look at. Operational efficiencies is one of them. Some institutions have whole teams that work strictly on fraud, and they try to be proactive about it. There are certain models that are put in to try and predict and have outreach calls to their cardholders if they see any type of fraud on the account. I think there's greater value into having these mobile fraud tools where that cardholder gets an alert and can immediately respond to it and let the institution know whether or not that is a fraudulent or legitimate type of purchase transaction. I think the fact of having a more proactive posture on the behalf of the cardholder raises a level of security from their perspective. They have better perception of their institution that they are supporting them in their purchasing experience, that it is safe and secure, and again, I'd like to dovetail back. That is a major concern. The cardholder really needs to feel like the card that they're using and their purchases are safe. I think it's very important to have mobile alert services from that perspective.

Then also to tag onto that, institutions really need to have those card controls. That will help also the cardholder have peace of mind that they are controlling their card and they know what's happening. If some of the features that are out there – if I have a young adult on my account and using the card, I can control the types of transactions that they're able to go. I won't have my daughter going out to a liquor store versus she should be buying books for school. If I am traveling, I can set geographic parameters to know or to set purchases that can happen. Maybe if I'm in Spain, I can turn off the transactions in the United States.

There are a host of just not the alerts that provide that exchange of communication between the institution and the cardholder and also those control features that really makes the cardholder feel empowered. All that translates into increased confidence, and loyalty, and really a top of wallet position for that institution.

Christine: That was a great explanation. It looks like that did – it looks like one more question. The question that we have should be the last question of the day given the time. With instant issuance cards, how are reissues handled?

Joel: In most cases – and it is a question on – that is linked into how your financial institution's card management system is set up. How is your core and your EFT processing system set up? Who's handling the system record, the primary record on it? In general, what you are seeing is that once the instance issuance is completed and you've done the account set-up on your core, your EFT processing system, that just blends in with your normal issuance strategy. When, two years, three years, what have you down the cycle, you hit your re-issuance timeline, that's just being mailed out, again, to the cardholder.

Now I say that as the usual strategy because it's difficult to manage re-issuance in an instant issuance environment. I'm not saying it doesn't happen, but the majority of institutions are using a blended strategy. Your instance issuance is really dealing with what's going on today in my branch; what's going on today with my cardholder out in the marketplace to get them back in it? When it comes to that monthly re-issuance, it just often goes to the central issuance provider. The card is then mailed out to the cardholder directly and you're off and going.

Christine:

Thanks so much. It looks like that's all we have time for today. As a follow-up to today's program, you all can expect an email from Harland Clarke or possibly from me directly with follow-up and a survey that will ask you to give us feedback on today's presentation as well as any thoughts you might have on future topics you'd like us to cover.

Renee and Joel, thank you again for sharing with us today. That was fantastic comment. I'd also, more importantly, like to extend a very sincere thank-you to the many financial services professionals who made time in their busy schedules to be with us today. I hope to see all of you today at future Informed Banker sessions. Nathan, any closing notes?

Nathan:

Just want to remind everyone that the recording of this presentation will be emailed to you within a week. Thanks for joining us.