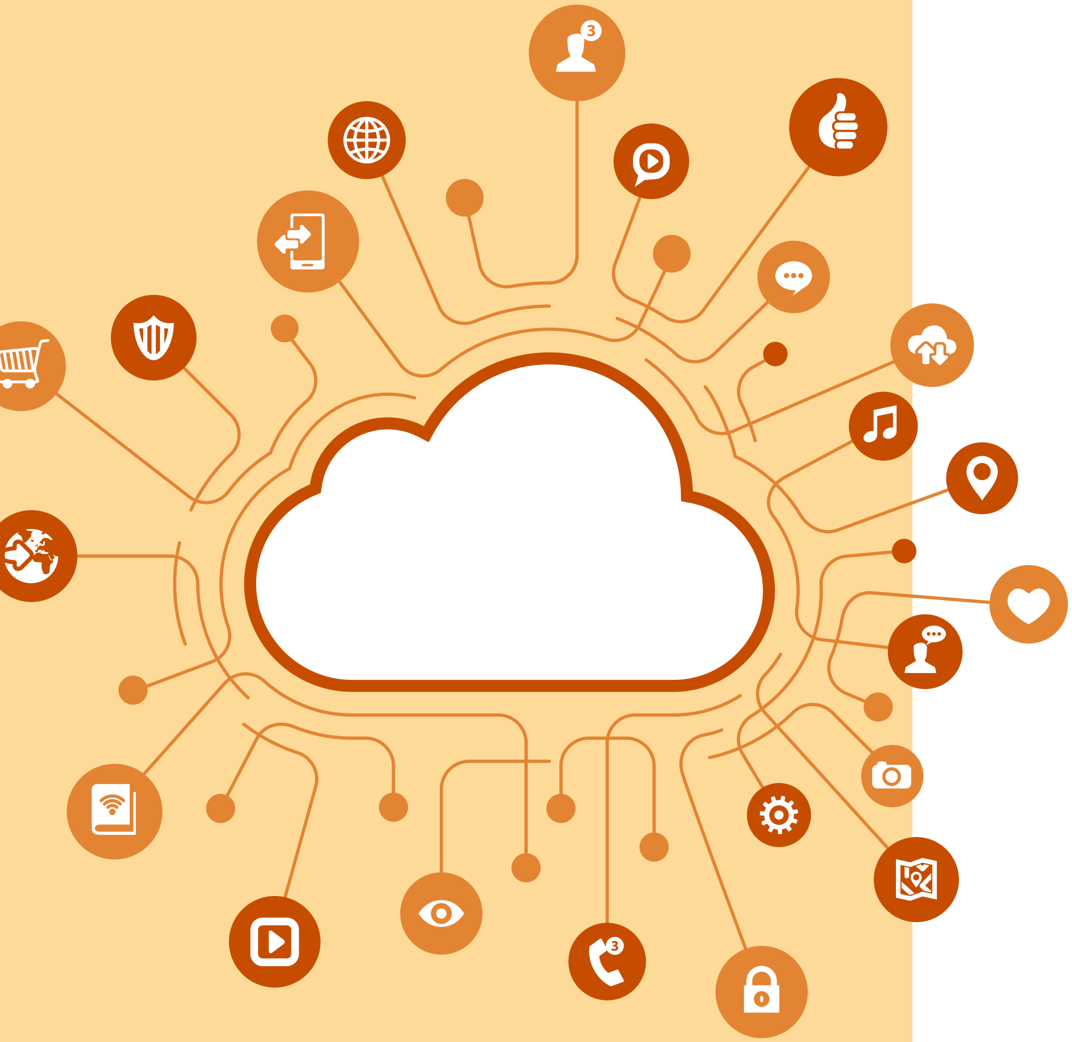
Immediate GRATIFICATION through the Cloud

Why You Should Consider SaaS for Instant Card Issuance

HARLAND CLARKE®

Software-as-a-service (SaaS) may be late to the banking world, but **its merits make a compelling argument for financial institutions to switch** from the traditional model of software-for-purchase (SFP).

SaaS is a "thin client" user interface where all updates, security and maintenance are handled by the host provider. SFP is hosted onsite where the end users are located, residing on servers and desktops. It requires a significant capital investment at the start and a dedicated IT team to install and maintain.



All Around Us

We're already surrounded by SaaS in our daily lives as consumers. Netflix's streaming service, for example, is essentially a SaaS format: the thin client interface is the software loaded on your TV, computer, tablet or smartphone, with the streaming done by the host provider.

Other popular SaaS services include Spotify, the music-sharing service; Dropbox™, the file-sharing platform; and Betterment, the robo-advisor. All of these services provide a key SaaS attribute — accessibility from any internet device.

Apple and Android smartphones, whose operating systems are updated with a swipe or tap, also have SaaS characteristics. Likewise, Google Docs, with its word processing, spreadsheet and presentation software resides on host servers. Facebook, perhaps the most popular example with 1.71 billion active users,[1] employs a SaaS format to store all its user data in the cloud.

Business Best Practice

Cloud computing, in general — and SaaS, in particular — is increasingly considered a business best practice. The reasons for this include:

- Affordability
- Convenience
- Scalability
- Accessibility
- Resilience

[1] Statista, *The Statistics Portal*, Q2 2016

Accelerated Adoption

Overall cloud software sales are expected to hit $113 billion by 2019 — up from $49 billion in 2014.[2] The worldwide market for SaaS, specifically, is expected to hit $37.7 billion in 2016 — a 20 percent increase in just one year.[3]

This growth is expected across all markets and continues the trend away from legacy IT services to cloud-based ones. Cost savings and competitive advantage are primary drivers. About 41 percent of SaaS adopters report reaching their goal of reducing total cost of ownership (TCO) by "a high degree."[4] Another 47 percent list competitive advantage as their primary reason for using SaaS.[5]

Implications for Banking

Financial institutions have embraced SaaS products to streamline previously disparate functions spread across the enterprise, including customer relationship management (CRM), human resources, reporting, and loan processing. With SaaS, all of these can be combined in a single cloud-based environment, accessible from a variety of interfaces across geographies, making collaboration and the accomplishment of dispersed tasks much easier.

Up Next: Core Banking Applications

Many banks and credit unions have core systems that go back 30 or more years. Known as "the Achilles heel" of the banking industry,[6] these systems were built when the pace of business was slow and code changes rare. While stable, secure and redundant, they lack the flexibility and agility to compete in the digital age.

In order to keep up with the times, many financial institutions have chosen application service provider (ASP) models — sometimes called "hosting" — to run their core systems. These ASPs have been vetted to comply with regulations for managing, securing, auditing and controlling all information flows. While a useful stopgap, ASPs lack the affordability and flexibility of the SaaS model and can suffer from inconsistent service levels.

Next-generation SaaS models (sometimes referred to as "Vertical SaaS") embrace the best of both worlds, combining the security and regulatory benefits of ASPs with the superior economics of cloud computing. **As the barriers to SaaS adoption continue to fall, financial institutions will reap the benefits of cloud solutions: performing their core services better, faster and cheaper.** Indeed, of the financial institutions that signed contracts to replace their core systems in 2015, 87 percent of banks and 66 percent of credit unions opted for SaaS solutions.[7]

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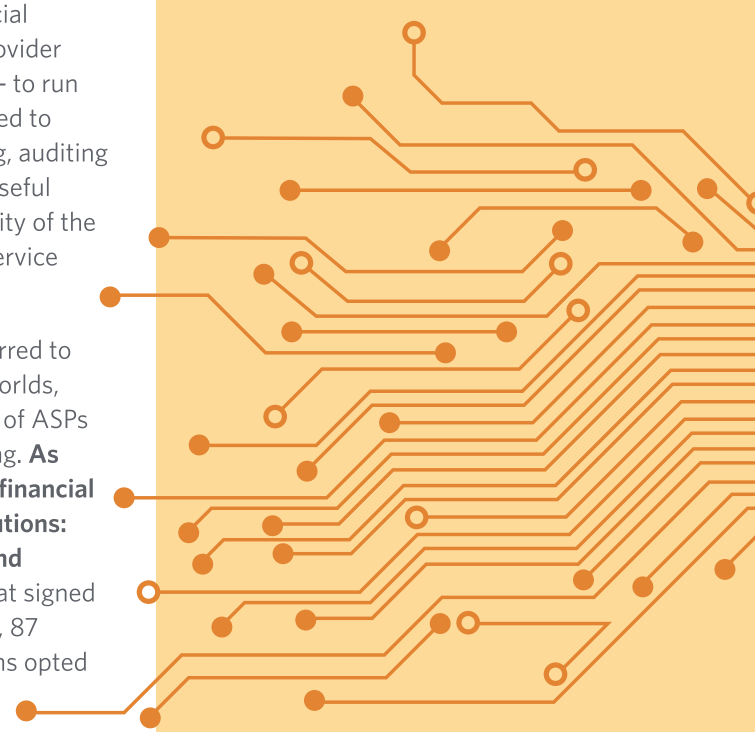

[2] Robert P. Mahowald and Benjamin McGrath, "Worldwide SaaS and Cloud Software 2015-2019 Forecast and 2014 Vendor Shares," International Data Corporation (IDC), August 2015

[3] "Gartner Says Worldwide Public Cloud Services Market is Forecast to Reach $204 Billion in 2016," Gartner Inc. press release, January 2016

[4] "Champions of Software as a Service," IBM, 2014

[5] Ibid.

[6] Jeffrey Pilcher, "Core Banking Systems: The Industry's Achilles Heel," The Financial Brand, May 2016

[7] David Albertazzi and Christine Barry, "Leading U.S. Core Banking Vendors: Entering the Era of Plug-and-Play Banking," Aite Group, July 2016

Why Your Financial Institution Should Use SaaS

We live in a world of instant gratification, thanks largely to the internet, wireless connectivity and mobile apps. Consumers can have products delivered to their doorstep in less than two hours. Meals can be delivered in minutes. Traffic congestion avoided in real-time.

It's no surprise that banks and credit unions are under pressure to meet these new expectations. Using SaaS may not guarantee you meet them 100 percent, but it will ensure your IT team and budget are focused on your core business. And with so many services available via the cloud, SaaS has become necessary to offer an omnichannel experience.

SaaS at Work: Instant Card Issuance

In today's world, walking into a branch to open a checking account and walking out ***without*** a debit card in hand fails the customer experience test. SaaS has played a pivotal role in allowing financial institutions to issue debit and credit cards on the spot — *and* meet the security requirements to be PCI-certified and association compliant.

Instant Issuance's Cumbersome History Via SFP

Twenty years ago, financial institutions had a difficult time issuing cards on the spot. It required creating new infrastructure and hardware within the branch. Using an SFP format, the bank or credit union had to manage the entire process, including servers and firewalls. The infrastructure requirements were so large that only the biggest financial institutions could afford to implement it, and even they were hampered due to the vast number of their branches.

In the ensuing years, the card market has changed drastically. The associations approved flat print capabilities in 2009, simplifying the production process over offset cards. It took SaaS, however, to open up instant issuance to all financial institutions, large and small alike.

A Logical Path

With a cloud-based platform, even single-branch institutions can afford to implement instant issuance — and in weeks versus months. For larger institutions, using SaaS avoids a drain on IT resources to roll out a system across thousands of branches.

SaaS platforms provide several advantages for instant issuance:

- **Speed to market.** Instant issuance via SaaS allows financial institutions to go to market quicker than using a SFP implementation model.
- **Secure.** You'd be hard pressed to find a vendor in the card space today that isn't PCI-compliant. What sets SaaS apart is the security requirements are already in place and verified at time of purchase, making an instant issuance program easier to implement and maintain.
- **Simple rollout and program management.** The vendor manages the implementation, set up, training and ongoing support. Vendors with customer service hotlines that operate 24 hours a day can help IT troubleshoot problems.
- **EMV ready.** Instant issuance printers on SaaS networks are EMV-ready terminals that give financial institutions the ability to replace lost or stolen cards, or open new accounts, with industry-compliant chip cards.
- **Transparent.** SaaS providers of instant issuance should have annual contracts with no software to purchase or licensing fees.

SaaS opens up the opportunity for financial institutions to implement an instant issuance like Card@Once® quickly and affordably, to generate immediate cardholder satisfaction, usage and revenue.

10 Reasons Why You Should Consider SaaS for Instant Issuance

1. Easy to install and operate
2. Minimal IT Resources
3. Lower cost
4. Scalability
5. PCI Compliant
6. Reliability
7. Security
8. Speed to market
9. User experience
10. Competitive differentiation

For more information on how SaaS instance issuance can work for your financial institution, contact your Harland Clarke representative today.

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