

## INSTANT FINANCIAL CARD ISSUANCE

Optimizing card programs to  
appeal to today's consumers

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## ABSTRACT

The U.S. financial crisis that began brewing in 2008 is well documented. Losses driven by residential mortgages and commercial real estate were clearly devastating for financial institutions of all sizes. The impact of the “crisis” has been compounded by changes in consumer behavior, new federal banking regulations and the formation of committees that promise a steady flow of new, restrictive governance.

The impact of all this turmoil is clear: Financial institutions and consumers are changing, and the old business models used to drive growth and earnings simply won’t work any more. For example, the deployment of Regulation E (limits on overdraft charges) requires most financial institutions to find replacement revenue. Overdraft fees are a dry well and are no longer even a moderately good source of revenue.

This poses an important question for financial institutions and credit unions. If the old ways do not or will not work, what will? Where can financial institutions turn for new revenue?

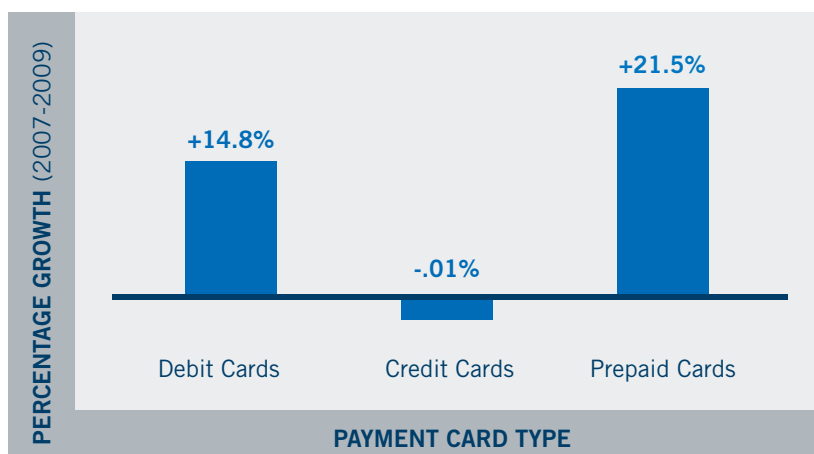
## THE OPPORTUNITY: CAPITALIZING ON A CONFIRMED TREND

As the financial environment transforms, building lasting, profitable relationships will require financial institutions to develop a deep understanding of consumer preferences and brand loyalty triggers. It will require providing products and services that become fundamental to the consumer’s daily life. For most financial institutions this opportunity lies in payment cards — with a special emphasis on fast-growing debit and prepaid cards.

A report issued in December 2010 by the U.S. Federal Reserve paints a clear picture of changes in consumer behavior — and identifies a trend in the payment landscape that will only grow stronger over time, regardless of the speed or strength of any economic recovery.

The Federal Reserve report states: *The annual use of debit cards increased by over 12.8 billion payments, the largest increase by any payment type during the survey period (2007-2009), reaching 37.9 billion payments in 2009, which represented a 14.8 percent annual growth rate. Debit card usage now exceeds all other forms of noncash payments and, by number of payments, represents approximately 35 percent of total noncash payments. Over the same period, automated clearinghouse (ACH) payments grew to 19.1 billion, an increase of 4.5 billion payments. Credit card payments declined by 0.1 billion to 21.6 billion in 2009. Prepaid card transactions had the lowest transaction volume of all noncash payments at 6 billion; however, these transactions represented the fastest growing payment type, increasing 21.5 percent annually from 2006 to 2009.*

## GROWTH/DECLINE OF PAYMENT CARD USAGE



This move to debit cards is a direct reflection of the thriftiness or frugal consumer behavior that appears to be a permanent change. From the financial institution's perspective, this change presents an opportunity to drive core deposit growth and generate new fee income through a strong debit card offering. Prepaid cards also fall into this "growth and profitability" category. While they represent a smaller share of the current payment landscape, recent growth is staggering. The prepaid concept aligns perfectly with the emerging "spend only what I have" mentality. The prospect of 21.5 percent annual growth also speaks to great opportunity.

While the residential and commercial mortgage crisis continues and the clean up of toxic assets slowly progresses — and while Regulation E and other new legislation eats away at previous revenue streams — financial institutions can step away from the old model and generate new revenue through a consumer-centric card issuance program that offers credit, debit, ATM and prepaid options.

### MARKETING STRATEGY: TRULY UNDERSTANDING CONSUMER PREFERENCES

Clearly, there is opportunity for growth in the credit, debit, ATM and prepaid card space. However, simply offering these products will likely not create the revenue generation or revenue replacement that most financial institutions seek.

In order to effectively attract and retain cardholders, financial institutions will need to design card issuance programs in ways that align with consumer preferences and behaviors. Simply stated, there is virtually an unlimited number of provider options in most markets. It is not just a matter of making these financial card products available — it's how financial institutions offer them that will allow them to differentiate their brands, acquire new market share and grow revenue.

So, what do consumers really want?

In a recent Compete.com survey, 52.6 percent of respondents stated they chose their primary financial institution because of convenience. No surprise, considering consumers want convenience in every aspect of their life. Banking is certainly no exception.

In another survey conducted by the *Journal of Consumer Marketing*, 68 percent of respondents who left their financial institutions did so because they experienced indifferent treatment by staff members. This is so important to understand considering that consumers interact with service representatives every day. Any “bad” experience with a staff member can easily cause a consumer to switch financial institutions.

These findings point to the power of instant issuance.

Instead of issuing cards strictly from a central location, financial institutions are discovering that providing customers with ready-to-use credit, debit, ATM and prepaid cards while they are in the branch aligns perfectly with consumer demand for convenience.

Perhaps more important, instant issuance surprises consumers (in a good way) and helps differentiate a financial institution’s brand. Consumers have been conditioned to expect a multi-day or multi-week process when acquiring financial cards. Instant issuance disrupts that experience and provides consumers with a compelling reason to choose and stay loyal to a financial institution.

## BENEFITS OF INSTANT ISSUANCE

<b>Improved Customer Experience</b>	Consumers do not have to wait days or weeks to receive cards. Printing card text and images on-site also allows financial institutions to offer increased customization with personal photos, co-branding logos and other elements.
<b>Enhanced Security</b>	By instantly issuing permanent cards, the risk of cards lost or stolen in the mail is eliminated. Allowing cardholders to select PINs at time of issue also eliminates PIN mailers and the possibility of PIN interception in the mail.
<b>Increased Card Usage</b>	A large percentage of cards delivered by mail are never activated and never used. By issuing the cards immediately to the customer, the activation is automatic.
<b>Increased Profitability</b>	Increasing card sales, activation and usage increases profitability. Also, banks and credit unions have the ability to charge an annual fee for highly personalized cards.
<b>Emergency Card Replacement</b>	Banks and credit unions with an instant card issuance program in place have complete control of the reissuing process. The risk of losing cardholders and their business is reduced when a card can be reissued quickly.
<b>Brand Differentiation</b>	Instant issuance is an innovative marketing tool that financial institutions can use to optimize their debit and credit card program. It ultimately increases cardholder retention, acquisition and cross-selling opportunities.
<b>Cardholder-selected PIN</b>	A recent study conducted by Deloitte shows that debit cards without a known PIN will fall to the bottom of wallet and will likely never be used. Instant and on-site PIN selection ensures no additional steps are required before card use.

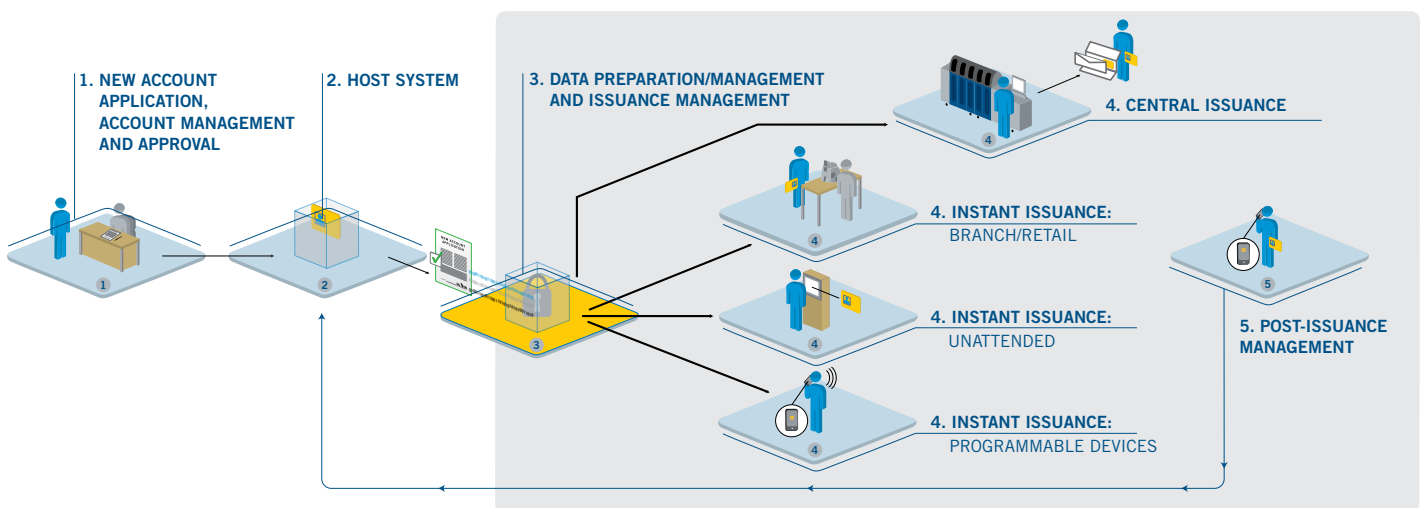
## ENABLING TECHNOLOGY: ISSUING PERMANENT CARDS IN THE BRANCH

Over the past few decades, many large financial institutions have developed central issuance facilities for their card programs. Smaller and mid-size financial institutions tend to outsource the process to service bureaus. Consumers submit applications and if they are approved, a card is personalized and mailed to them. As part of the process, they receive instructions on how to activate the card and set PINs (while this process typically takes about five to seven days, a recent survey shows that, on average, consumers believe it typically takes about three weeks).

An instant issuance deployment moves this process to the branch level. Consumers walk into the branch and provide application information to a staff member. That information is entered into a software program that drives both the approval and the card personalization process. In many cases, financial institutions will create a hybrid infrastructure that combines both central and instant issuance.

In most deployments, approval is virtually instant. Consumers typically choose a card design, which can include personal photos, co-branded logos and other meaningful elements. Ready-to-use, fully activated cards are printed instantly and handed directly to the consumer. Information is retained in the system in the event replacement cards are needed. Consumers are immediately able to use their permanent cards to make purchases or withdraw cash from ATMs.

This instant issuance process statistically improves key metrics, such as card activation rates, card usage, share of wallet and brand loyalty. In today's rapidly changing and somewhat uncertain banking environment, improving these metrics is critical to driving core deposit growth and fee income growth.



Many financial institutions and credit unions integrate instant issuance with existing central issuance infrastructures. An integrated solution gives issuers the best of both worlds — highly personalized instant issuance of financial cards and extremely efficient handling of re-issuance when cards are lost, stolen or expired. Integrated issuance solutions can easily be configured to align with an institution's business plans and existing infrastructure.

## ABOUT DATACARD

Datacard Group is building on a 40-year heritage of innovation and customer success. Our portfolio of solutions, backed by expert service and support, enable card and secure ID programs for financial, government and other institutions worldwide. With an unmatched commitment to customer satisfaction, Datacard remains the industry's best-selling brand of secure ID and card personalization solutions. [www.datacard.com](http://www.datacard.com)

## WORLD LEADER IN INSTANT ISSUANCE SOLUTIONS

When you select Datacard Group for instant issuance, you are leveraging more than 40 years of experience and expertise. That means you can expect unmatched service and support from a stable, proven company that serves customers in 120 countries. It also means you can rely on us for solutions that deliver:

- Secure Issuance Anywhere™ via central or instant issuance
- Industry-leading card image quality
- Full range of issuance hardware: direct-to-card printers, embossers, retransfer printers
- Comprehensive service: installation, maintenance, support, security and consulting
- Tailored configurations for your specific program requirements
- Affordable deployment with no additional workstations, branch servers or software required

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