

Instant issuance in retail breaks new ground for banks

The most obvious consumer trend today is the expectation of immediacy. You can download movies and music, and shop online with instant results. Consumer expectations spill over into all aspects of life. Bringing the essential services of banking and retail together, is an innovative solution.

Executive Summary

The banking environment is in a state of transition. It needs to change to meet technological and social changes. Finding the best recipe to engage customers and enhance user experience can be a challenge. In a high-paced, instant gratification world instant issuance is becoming expected, and no longer just a differentiator. To best meet the expectation of customers, banks need to meet those customers where they are.

MagTek, in partnership with IA360°, and Canada's largest grocer, brought essential services together. This innovative solution for the banking world is a global retail first. Providing instant issuance systems in the retail environment not only helps in the battle for increasing customer expectations but it also provides direct institutional revenue and cost savings.

Bringing instant issuance of a full chip-and-PIN enabled EMV credit card into the retail environment breaks new ground in reaching customers. This provides new revenue and meets the challenges of engaging a new customer base to grow revenue cost-effectively.



Card Issuance

Card issuance began with central issuance where consumers complete an application form, either online or in person. After approval, cards are issued and mailed out. This process that takes from 7 to 14 days, resulting in lost revenue to the banks.

In the early 2000s, credit unions and smaller banks began using instant issuance technologies. Today, 42 percent of the top 50 US debit card issuers instantly issue debit cards. Instant issuance increases brand loyalty, attracts new account holders and aligns with your customers' busy lifestyles. With instant issuance now an 'essential' service for financial institutions, the challenge becomes growing market share.

Traditional





Developing Loyalty

The banking environment is in a state of flux. Consumers are time poor and the Internet has changed how people like to do business. Consumers expect instant gratification and seek out solutions and services that can provide it. Financial institutions need to take their services to where consumers spend their money. Most consumers have some sort of loyalty to brands or stores. This includes businesses such as grocery and clothing stores that meet their regular needs. These days most people do not want to queue up at a local bank when they can go online to deal with financial matters in a matter of minutes. Taking instant issuance into a retail environment is the next step for banks to capture new business.

A Gallup poll (Adkins, Amy, June 15, 2016, "Brands aren't winning millennial consumers"), indicated only 31 percent of millennial consumers are fully engaged and loyal to their financial institutions. This compared to 95 percent full engagement with their wireless providers. With this generation the least engaged with banks of all generational demographics, financial institutions need to rethink their strategies to reach millennials to convert them into customers. According to Adkins, millennials spend a lot of time social networking. They have no trouble openly expressing their dissatisfaction with retail services and companies on online forums.

While millennials are difficult to 'fully engage', once you engage them they are more loyal and profitable than customers in other generations. The Gallup poll found millennials' loyalty to their wireless providers could be because of consistent service and the ability to deal with everything online. Most millennials do not consider price the most important factor when choosing a service provider. It is about service and convenience, not getting consumers through bank branch doors.



Industry Environments

According to Adkins, financial companies engage inconsistently across all age groups. The issue with the millennials is they are influenced by digitization and convenience more than any other age group. Possibly because they have grown up in the digital age they value the convenience of doing business online.

Engaging millennials is a key challenge for the financial industry. This generation most commonly uses mobile and online banking. Gallup found that 73 percent preferred to deal with their bank online than face-to-face. Only 37 percent will go in to a branch if they have an issue and a huge 84 percent of millennials indicated the only relationship they had with their financial institution was online. This is 15 percent higher than Gen Xers at 58 percent, baby boomers 43 percent and traditionalists 28 percent who felt the same.

The Gallup poll further showed a gap in the banking sector's ability to satisfy millennials' needs. Only 55 percent of millennials felt extremely satisfied with online banking and 59 percent with mobile banking compared with 67 percent and 64 percent respectively of baby boomers. This clearly shows where financial institutions need to create better strategies to capture new markets. The key is to find the right balance between digital and traditional banking to meet the needs of all generations of consumers.



Bringing Customers In

In this digital age, there is an increasing need for customers to feel connected to their local bank. Yet getting new customers through bank branch doors remains the challenge.



MagTek, in partnership with IA360°, and Canada's largest grocery chain, understands the challenge and began issuing permanent EMV chip-and-PIN enabled cards in a retail environment in 2014. This innovative concept links essential banking services with retail shopping. Providing instant issuance systems in retail environments helps access a new customer base while meeting organizational growth strategies.



Instant Issuance

After the credit application is complete, a permanent credit card is placed in customers' hands in 3-minutes for immediate use. There is no waiting for replacement cards or PIN mailers, and no loss of transactions during the 7-14 days standard issuance typically takes. Being able to issue the card face to face also gives the staff the opportunity to explain the benefits of the card and its rewards, creating a deeper loyalty and immediate revenue opportunity for the bank, including increased transactional volume and same-day multiple merchant spend.

Cardholders are 22% more likely to be very-to-extremely satisfied with their bank overall if they receive an instantly issued card instead of a centrally issued card.

Eliminate fraud risk

In-store kiosks minimize fraud as much as instant issuance in the branch. There is almost no risk of fraud since the card is handed straight to the customer before they leave. Being able to actually talk to a customer, you have the option to add ID scanners and other fraud mitigation technologies.

This is the same for retail issuance where:

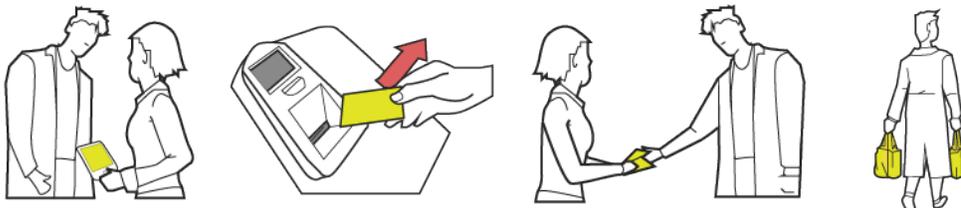
- ID verification is immediate and the personal nature of the instant issuance application can deter fraudulent individuals from applying for a card.
- The risk of mail fraud is eliminated. Cards are not at risk of being intercepted, lost, or stolen while in the post. This costs the industry over \$5 million in fraud loss every year.
- PIN numbers are secure immediately since the customer creates their own PIN.



Smooth error handling

Top class technology includes designing to cater for unexpected events. MagTek and IA360° deliver a smooth error handling system to cater for scenarios that fall outside primary processes. This ensures ease of use for the consumer.

Instant Issue



These scenarios may include:

- Applications not immediately approved, but not declined: These are sent to the bank for further details from the customer. When this happens, the bank takes over the process and contacts the customer. This removes any further responsibility for the transaction from the kiosk attendant, business, and customer.
- If a card cannot be printed: The card will go into a batch queue for mailing to the customer during end-of-day processing.
- If the quality of embossing or printing fails to pass the sales representative's visual inspection: The card can be reprinted right then and there.



Top level security

Hardware, software, and security work together to interconnect into banking services that manage account opening and servicing, and card management and inventory services.

Card creation begins when the core banking system messages the central instant card-issuance application system. The instant issuance system processes the data and a secure, encrypted print file is electronically sent to the system. Desktop printers encode the personalization data, generate the card, and prompt for PIN creation. A network encryption device is interfaced with the main electronic funds transfer (EFT) system to transfer data to activate the card and PIN.

Software systems record the events, monitor inventory, administer system configuration, and users manage security elements and provide reports. This complexity is hidden from the kiosk operator. All they see is an easy user interface on a tablet device for card applications and approvals/declines, and the printing and PIN functions.



Key Management Made Easier

MagTek's web service is secured by 128-bit TLS encryption. In addition, the encrypting PIN PED uses triple DES encryption and DUKPT key management. Key injection is done in-house in the US-based facility.

MagTek is a TR-39 Visa certified key injection facility and is registered to ISO 9001:2008 and is a VISA/PCI ESO organization. MagTek is also certified to MasterCard TOM and PCI PTS requirements for secure manufacturing of PIN entry products. Magensa, MagTek's fully owned subsidiary and payment protection gateway, is a PCI level one Service Provider and is a fraud prevention, detection, and advisory service.



Financial impact and benefits

The financial impact is significant:

- Credit and loyalty in a single card
- Branded EMV chip and PIN enabled card within 3 minutes of approval
- Increase in applications
- More than double activation rates day 1
- Achieve top-of-wallet status: multiple same day merchant spend
- Increase in spend and transactions
- Increase in interchange revenue
- Eliminate/reduce fraud costs
- Lower operational/fulfillment costs

Conclusion

The banking industry needs to change its mindset. Instead of focusing on trying to get consumers through 'bank branch' doors, when branch visits are declining, the banking industry needs to focus on bringing the bank to the customer, and deliver instant gratification in an easy to access environment. Digitization is clearly here to stay. So are the expectations of immediacy from consumers.

For financial institutions that accept this shift, capturing new market share will be easier. Taking the banking services to the people and setting up branded instant card issuing kiosks in retail environments captures new business. Sophisticated technology makes this possible. As soon as consumers leave with an activated card their loyalty increases and they start spending. This results in achieving instant growth in market share.



Find out how you can get started

Call to see how you can earn a 6-point lift even after 30-days of issuance, reduce operational costs, and improve customer experience.



Secure. Instant. Payment Solutions.

About MagTek

Founded in 1972, MagTek is a leading manufacturer of electronic systems for the reliable issuance, reading, transmission and security of cards, checks, PINs and identification documents. Leading with innovation and engineering excellence, MagTek is known for quality and dependability. Its products include secure card reader/authenticators, token generators, EMV contact, contactless and NFC reading devices, encrypting check scanners, PIN pads and distributed credential personalization systems for secure magstripe and EMV enabled cards. These products are used worldwide by financial institutions, retailers, and processors to provide secure and efficient payment and identification transactions.

Today, MagTek continues to innovate. Its MagneSafe™ Security Architecture leverages strong encryption, secure tokenization, dynamic card authentication, and device/host validation enabling users to assess the trustworthiness of credentials and terminals used for online identification, payment processing, and high-value electronic transactions.

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About IA360°

An industry innovator in Technology, Development, Instant Issuance and Payments, IA360° is a full-service solutions provider that gives organizations the competitive edge to be leaders in today's fast-paced environment.

IA360° gives Financial Institutions and Retailers a single point of accountability in providing secure instant solutions for payment cards & emerging payments. The company removes all of the challenges of connecting major North American institutions immediately with their customers.

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