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smarter/faster/easier/payments.

More Practical Payments

3 Steps to Smarter Transactions



pay•ments in•tel•li•gence

1. the ability to better know and understand your customers through data and information uncovered from the way they choose to pay.

More Practical Payments: 3 Steps to Smarter Transactions

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3 Steps to Smarter Transactions

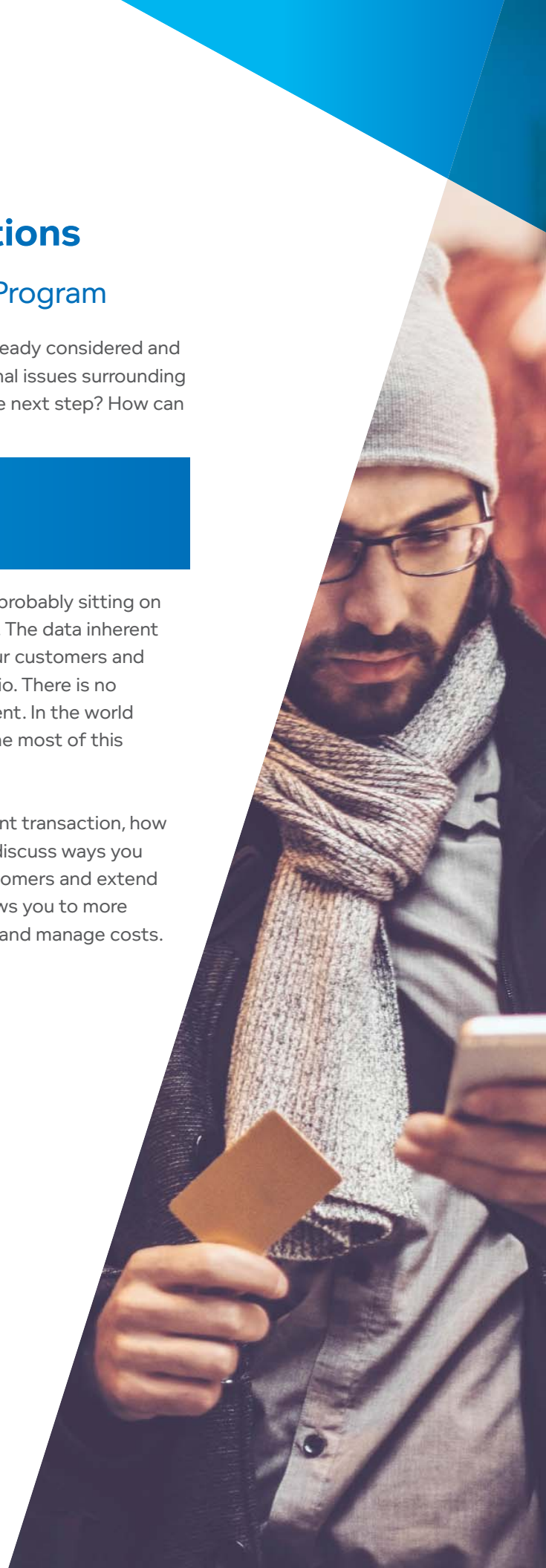
Extend the Power of Your Payments Program

Interchange. Chargebacks. General best practices. You've already considered and implemented practical approaches focused on the operational issues surrounding payments acceptance in a digital environment. So what's the next step? How can you optimize your payments program even further?

Start by thinking differently about your customers' payments.

What do we mean by that? If you process payments, you're probably sitting on a treasure-trove of untapped, unused customer information. The data inherent in your payments stream can unlock valuable insight into your customers and uncover hidden business opportunities in your client portfolio. There is no stronger expression of a consumer's intent than their payment. In the world of better knowing your customers, it's imperative to make the most of this information.

This Vantiv eBook explores the data that lies within a payment transaction, how to extract and analyze it, and how to make it valuable. We'll discuss ways you can use payment processing to better understand your customers and extend customer lifetime value. Getting smart about payments allows you to more effectively process payments, maximize sales, minimize risk, and manage costs.



Step 1

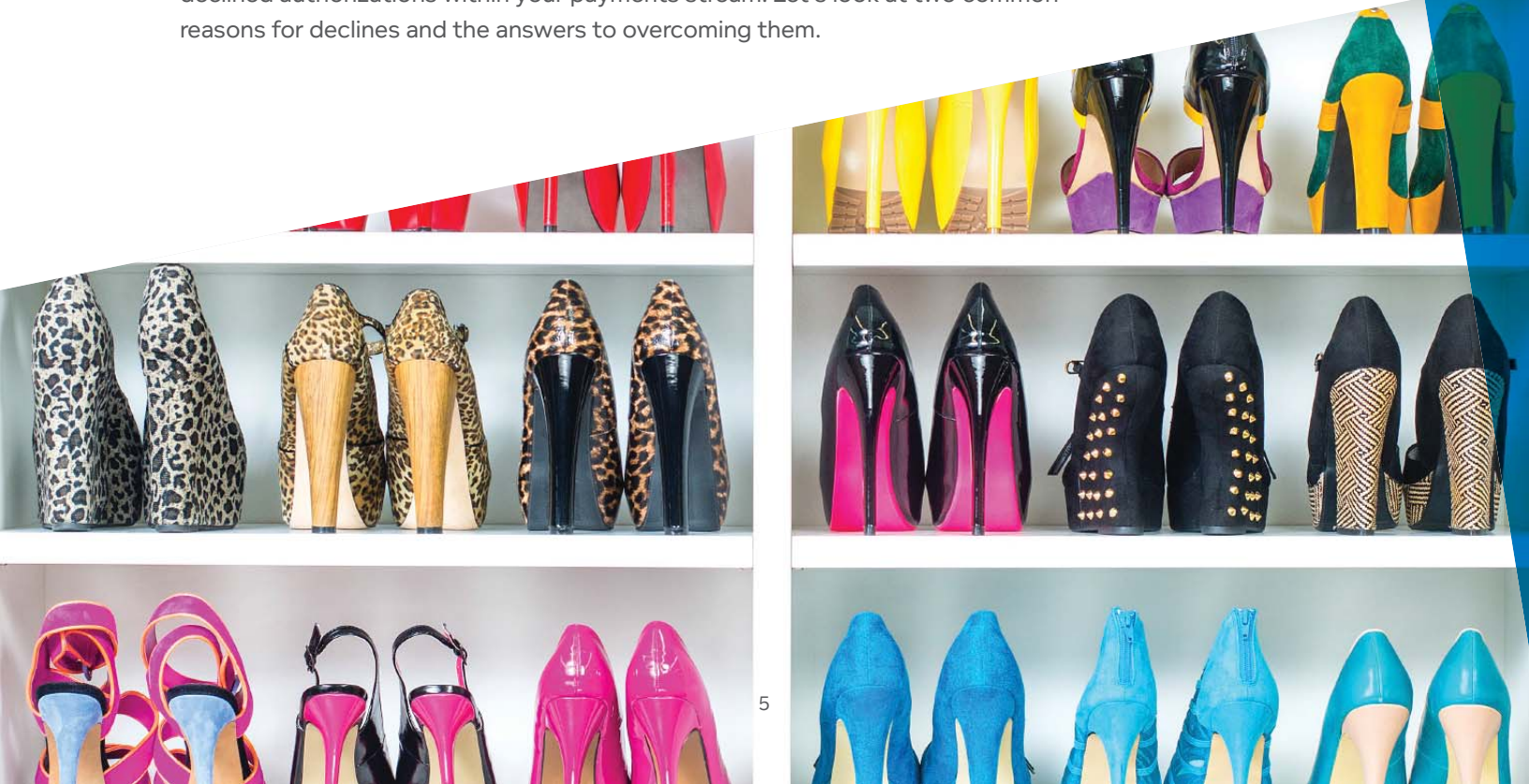
Getting Payment Authorizations & Securing Card Data

Before we take a deep dive into exploring your payments data, you must first get payment authorizations. There is no stronger expression of a consumer's intent than their payment. Therefore, successful authorizations are the first step in the journey toward better knowing your customers through their payments.

In a digital environment, securing payment authorizations doesn't always happen on the first try. Communicating with your customers during these transactions is challenging since you don't have the luxury of interacting with them at the point-of-sale. So when declined authorizations occur, your options for turning them into successful payments are limited.

Declined authorizations happen for a number of reasons and you likely already have strategies in place to try and turn them into successful payments. Depending on your type of business and outreach options (such as call centers, email, and direct mail), reaching out to customers for payment authorizations can be costly and unpredictable. Time is of the essence, especially if you bill on a recurring or installment basis, because losing subsequent payments directly impacts customer lifetime value.

The good news is that there are proactive solutions that can help prevent declined authorizations within your payments stream. Let's look at two common reasons for declines and the answers to overcoming them.



Challenge: Outdated Card Information

Customer card information can change for many reasons including data breaches, lost/stolen cards, issuance of new chip-and-pin (EMV) cards, portfolio transitions, and more. Payment attempts using old card data can lead to failed authorizations, extra costs to recover correct information, and lost revenue.

Answer: Automatic Account Updating

Automatic account updating ensures that you have the correct card information. In doing so, it helps you reduce billing breakage while optimizing cardholder retention and customer lifetime value. Your processor may be able to do this on your behalf automatically.

Challenge: Declined Authorizations

When a payment authorization fails, businesses may continue to retry the authorization attempt and/or initiate direct outreach to the consumer. These approaches can prove to be costly and ineffective. It's important that your business uses an optimized and efficient approach for retrying declined authorizations based on predictive data, especially if you bill on a recurring or installment basis.

Answer: Authorization Recycling

A fully managed authorization recycling solution can allow you to retry previously failed attempts in a data-driven and efficient manner. Doing so can help you increase approval rates and shorten time to approval. It can also help lower the risk of account and/or service cancellations.

Now that you know what tools are available for overcoming declined authorizations, let's look at an example of how these solutions could work for you.





Scenario: Preserving Customer Lifetime Value

You're a cloud-based company that provides web hosting solutions and you bill on a recurring basis. Unfortunately, you have no insight into card information that has expired or changed until payments are submitted and authorizations are declined. You've also noticed a significant increase in your number of failed authorizations due to insufficient funds.

You've historically relied on call center staff to reach out to your customers when a payment attempt is interrupted. The time and expense invested in recovering this missed revenue has you wondering if there's a better way to combine direct outreach efforts with "behind the scenes" payment recovery solutions.

Solutions: Automatic Account Updating and Authorization Recycling

By implementing an automatic account updating solution, you may never have to miss another payment due to outdated card information. It proactively updates any card-based changes either before the payment is scheduled or after an authorization is declined.

You can take this a step further by combining it with a fully managed authorization recycling solution. Implementing a recycling program that is based on logical retry patterns (not urban myths) can limit service disruption due to insufficient funds and help reduce costly customer outreach efforts. As payments continuity is preserved, so is customer lifetime value.

Securing Card Data

Getting payment authorizations is just the beginning. How can you protect sensitive card data after you've successfully processed these transactions?

All businesses should be concerned with their customers' security, especially when dealing with cardholder data. You likely adhere to PCI-DSS requirements and invest in the latest technology and solutions to ensure that your customers' personal data is behind lock and key, protected from would-be attackers. But is sensitive cardholder information included in your security plan? There are countless considerations as businesses fortify themselves against the threat of data theft and its associated losses. Let's look at the hurdle of cardholder data security and how you can overcome this challenge.

Challenge: Cardholder Data Security

News headlines of name-brand businesses coping with the aftermath of data breaches have never been more prevalent. As you accept or process payments, sensitive cardholder information is likely top of mind. Your payments security strategy should go beyond PCI-DSS requirements to better protect your business and your customer data from being compromised.

Answer: Tokenization

Tokenization is one of the most simple and straightforward ways to protect your customers against the negative impacts of a data breach.

How does it work? A proxy (also known as a token) is stored and used for future payment transactions. Each token is specific to the merchant and useless to anyone else who might get their hands on it. In addition, some tokenization solutions provide tokens that retain the same format as a card number, with the last 4-digits on the card remaining intact. What does this mean? This means your customer service representatives can use the tokens to field customer service inquiries.

How can tokenization work for your business? Let's look at a scenario.

Scenario

You're an Internet retailer accepting online transactions who has kept access to encrypted credit card data in-house. Your business is growing and the costs of keeping this data secure and in compliance with PCI-DSS requirements are rising.

Solution: Tokenization

By turning to your payment processor for tokenization solutions, you're able to remove sensitive cardholder information off of your servers and on to your processor. This can reduce your PCI-DSS compliance costs and turn customer payment card information into a valueless token if your servers are hacked.



Step 2

Extracting Payments Intelligence

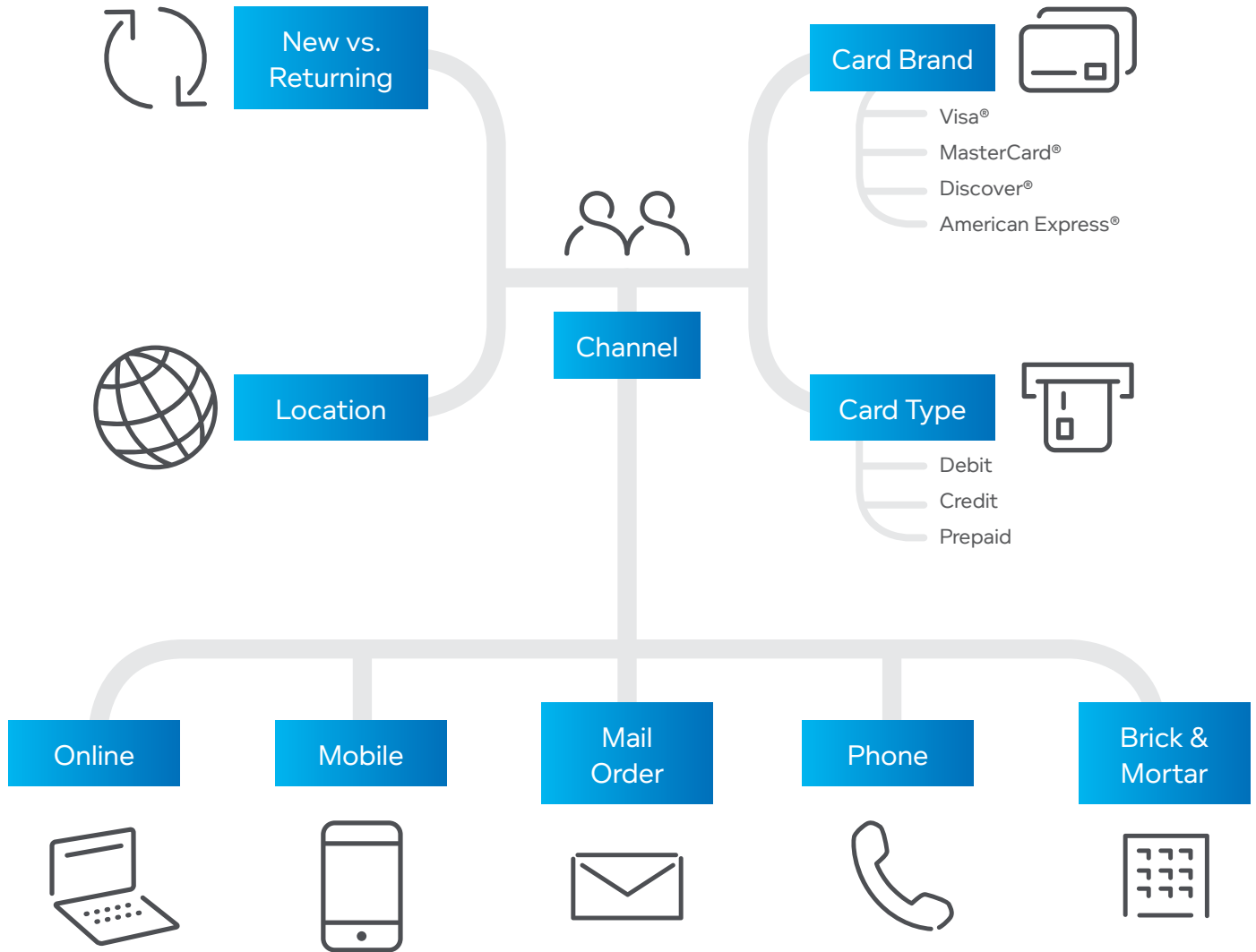
Now that you've successfully captured payment authorizations and secured cardholder information, you've built a mass of data that's incredibly valuable, if you know where to look. Examining data in new ways can be overwhelming, so we've outlined key areas on the following page that you can focus on to learn more about your customers through their payments.

Why do this? Because this data is the foundation of what we call "payments intelligence." Payments intelligence empowers you to better know, acquire, and retain customers. It helps you think differently about your client interactions and business strategies. Most importantly, it reframes payments as customer expressions and not just transactions.

Use this as a foundation for extracting meaningful information that can help you build stronger, more mutually beneficial relationships with your customers through payments. The best part is that this information is available in your payment processing flow right now. The infographic on the next page illustrates what you can learn about your customers through their payments.



Know Your Customers Through Payments



Now that you know what your payments can tell you, how can you extract that knowledge and apply it to your business? Payments intelligence is all about elevating your payments program from an operational function to a *strategic* business partner. But what are the practical, real-world steps you can take to make it come to life?

Going beyond the basics of core payments processing, there are solutions available that indicate types of customers and return actionable data directly to you. Let's look at the hurdle of identifying your customers and the answer to overcoming it.

Challenge: Identifying Your Customers

Payments create a treasure-trove of information that is not well understood or well used. You want to segment and study this information, but don't even know where to begin.

Answer: Card Indicators

Your payment processor may be able to provide card indicators derived from your payment authorizations that scrutinize each transaction and return data that segments customers. This data can help you drive decisions that maximize revenue and minimize risk and breakage. Card indicators can also help you increase customer lifetime value.

How can you use these indicators to identify and segment your customers? Let's review the types of card indicators.

The Indicators



MASS AFFLUENCE

Reveals cardholders with income greater than \$100K.



VIRTUAL ACCOUNT NUMBER

Identifies limited-use account numbers linked to card accounts that can be created and deleted on-demand by cardholders.



AFFLUENCE

Cardholders with income greater than \$100K who spend more than \$40K per year on the card.



INTERNATIONAL

Conveys valuable global audience data.



PREPAID

Shows card type and available balance.



CORPORATE

Separates corporate and/or commercial cards from personal cards.

But how can these indicators work for you? Let's walk through a scenario for each.

Scenario #1

You're a nonprofit development director looking to build out your sustainer model. You have a strong base of one-time donors and want to develop marketing programs focused on turning one-time donors into monthly sustainers.

Solution: Affluence Indicators

Affluence indicators allow you to segment your donor base by identifying members who are using cards targeted toward the affluent. As a result, you can run targeted campaigns to this audience with the goal of increasing your monthly sustainer base.

Scenario #2

You work in direct marketing and offer your customers the option of installment billing, making your products more affordable. You've recently noticed an uptick in prepaid cards and revenue losses caused by shipping items after the first payment, with subsequent payments unfulfilled. Also, you're spending more on customer service outreach to try and collect these payments.

Solution: Prepaid Indicators

Prepaid card indicators allow you to identify prepaid cards and determine if there are sufficient funds to pay for subsequent installments. With this intelligence, you can contact customers and request backup methods of payment.

Scenario #3

You're a marketing manager for a multichannel merchant selling office supplies both B2B and B2C. You want to develop a catalog for each audience and increase revenue coming from your B2B business line.

Solution: Corporate Indicators

Corporate indicators allow you to separate corporate card transactions from personal card transactions. This allows you to target your corporate customers with tailored marketing materials and upsell them in real-time when they are engaged on your website.

Scenario #4

You're a payments manager for a growing U.S.-based retail outlet. As you look to move into new markets, you want to identify transactions coming from a particular country code.

Solution: International Indicators

International indicators convey valuable global audience data, allowing you to identify transactions coming from specific country codes. This can help inform your internationalization strategy when expanding into new markets.



Step 3

Bringing Payments Intelligence to Life

Payments data can be extended across your organization and leveraged in various ways to enhance your overall customer experience. Marketing, customer service, and finance/accounting are all departments that can benefit from payments intelligence. Let's explore some use cases around how these departments may value payments data and how you can begin to make your payments program central to your organization.

Marketing

The roads of payment processing and marketing are intersecting. As marketers constantly try to understand their customers in different ways, they need new data to help them uncover valuable customer insights. Payments data can provide a new understanding of customer behavior. For example, marketers can identify buyer behaviors from card types used to pay. They also may observe a contrast in average ticket value between affluent cardholders and prepaid cardholders.

By analyzing payment card benchmarks and overlaying it with your own data, marketing can predict propensity for the next purchase, number of times a customer is likely to purchase, and even customer lifetime value.

Customer Service

Your customer service representatives may be the only team of people who speak directly with your customers, especially if you operate in a digital environment. They should be well informed and provide a personalized experience for each and every customer. Since they typically handle activities such as new orders, order research, refunds, and information requests, they need all the information available to provide a seamless customer experience. Giving customer service representatives access to payments intelligence through tools like a reporting and analytics dashboard can provide them with a view into the customer (e.g., purchase history) to optimize each and every interaction.

Finance and Accounting

Your finance and accounting teams are likely crunching the numbers to determine areas of cost savings — don't let payment processing join this list. By providing your finance and accounting departments with reporting and analytics showcasing payments intelligence, you can illustrate the impact that payment processing has on your bottom line. Reporting isn't just about operations, customer service, or fiscal reconciliation — it's also about payments intelligence.

Conclusion

Getting smart about payments is built on the foundation of getting payment authorizations and securing card data. There is no stronger expression of a consumer's intent than their payment. Getting successful payment authorizations allows you to unlock valuable customer data and turn it into payments intelligence.

Extracting and applying payments intelligence can help you better know and understand your customers. Likewise, it can enhance your overall customer experience, inform your business strategy, and meet the rising expectations of today's consumers. Further, it can extend your overall payments strategy across your entire organization, moving payments from an operational function to a strategic business partner.

We hope this eBook has shown you new ways to add value to your organization and to your customers through payments.



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