



**Debit Card Know-How:**  
Top Ways to Maximize the Effectiveness of Your Portfolio

A WHITE PAPER





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Fidelity National Information Services® (FIS™), a Fortune 500 company and member of the S&P 500 Index, is a leading provider of core processing for financial institutions; card issuer and transaction processing services; and outsourcing services to financial institutions and retailers. FIS has processing and technology relationships with 40 of the top 50 global banks, including nine of the top 10 and was ranked the number one banking technology provider in the world by American Banker and the research firm Financial Insights in the 2008 FinTech 100 rankings. Headquartered in Jacksonville, Fla., FIS maintains a strong global presence, serving more than 14,000 financial institutions in more than 90 countries worldwide. For more information on Fidelity National Information Services, please visit [www.fidelityinfoservices.com](http://www.fidelityinfoservices.com).

## About Card Services for Credit Unions (CSCU)

With more than 3,100 member credit unions representing more than 13 million Visa® and MasterCard® accounts, CSCU is the nation's largest credit and debit card processing association exclusively for credit unions. We're dedicated to helping our members build and maintain profitable card programs. Together we can strengthen your portfolio's performance and the relationships you have with your members. For more information about CSCU, please visit [www.cscu.net](http://www.cscu.net).

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## Debit Card Know-How:

### Top Ways to Maximize the Effectiveness of Your Portfolio

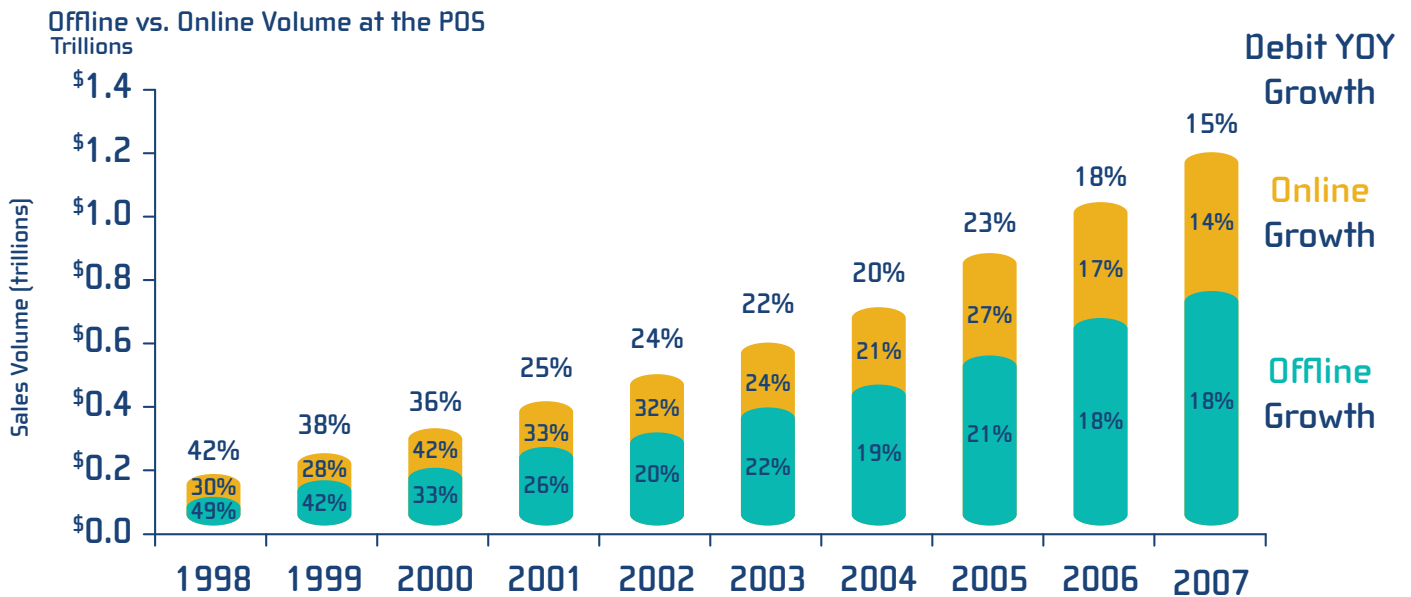
Your debit card program has the potential to become one of your highest earning assets, with industry performance indicating that you can generate significant earnings, thanks to the growing consumer preference and reliance on debit cards. To leverage these trends into bottom line results for your credit union, it just takes some basic know-how.

In this paper, Fidelity National Information Services (FIS) and Card Services for Credit Unions (CSCU) have joined forces to summarize the eight ways you can focus on critical components and turn an underperforming card program into a vital portfolio – one that will deliver not just superior profits, but tangible benefits that will improve the overall performance of your credit union.

#### Areas of discussion throughout this white paper include:

- Know how to analyze your portfolio's performance
- Know how to keep them secure
- Know how to market your program
- Know how to communicate with cardholders
- Know how to keep cardholders happy
- Know how to reward cardholders

## Industry Debit Volume Growth



Source: The Nilson Report issues #879 & 902 and Visa estimate for 07 Online debit industry includes consumer and small business.

Read on to gain the know-how you need to develop and manage a high-performing debit card program.

## 1 Know How to Analyze Your Portfolio's Performance

The return on your portfolio, while important, is not the only goal of a debit card program. The fact is that debit cards serve as a great springboard for establishing additional relationships with your members and increasing loyalty and retention. Nevertheless, it's important to make a habit of regularly reviewing and analyzing the key indicators reflected below, and then formulating strategies to adjust them to maximize your results.

**Revenue.** Five years ago, card issuers relied heavily on revenue generated through credit card finance charges. However, in 2004 when global debit volumes surpassed credit volumes for the first time, issuers began to see a change in these financial models. These changes have continued as the industry has witnessed recent milestones such as debit cards boasting more transactions than credit cards in 2008. These trends combined with tightening interest rate margins have made interchange fees an increasingly important part of the revenue equation.

### Demographics by Debit User Segment

- Heavy debit-card users tend to be younger, married, employed full-time and to have children present in the home
- Debit non-users tend to be older, male, more educated, have higher incomes and were more likely to be retired than the other user segment groups

#### TOTAL DEBIT CARDHOLDERS

CATEGORY	ALL DEBIT CARDHOLDERS	HEAVY DEBIT USERS	MEDIUM DEBIT USERS	LIGHT DEBIT USERS	DEBIT NON-USERS
<b>Segment Size</b>	100%	28%	28%	20%	24%
% Female	52%	57%	57%	50%	44%
Average Age	43 Years	41 Years	43 Years	42 Years	46 Years
Average HH Income	\$71,006	\$69,982	\$65,297	\$69,049	\$80,355
% Married	60%	67%	58%	52%	62%
% Husband/Wife Only	21%	18%	19%	20%	27%
% with Children	47%	57%	49%	39%	40%
<b>Education</b>					
High School or Less	29%	28%	29%	31%	27%
College Degree	35%	34%	30%	31%	43%
Employed Full-time	60%	65%	59%	54%	60%
Retired	10%	5%	10%	11%	13%

Source: Visa Payment Panel Study, 4Q'07 - 3Q'08

**Penetration.** On average, seven out of 10 consumers carry a debit card from some financial institution. Your job is to ensure that you're getting an adequate share of them. Take a look at the percentage of your members who have a debit card with your credit union. For the remaining percentage – those not carrying your card – consider why they are not. What are your issuance policies? Do you offer a debit card to every member that opens a DDA with your credit union? Do members have concerns about debit that are preventing them from accepting the card? Top concerns typically include security, questions around functionality, record keeping, and concerns about fees related to overspending. Others are simply hesitant to change their habits. Your credit union can help overcome these barriers with early education. This is one of the many reasons that in-branch marketing has become an increasingly important and effective channel for acquisition. Be sure your staff is trained in how to turn these member questions and concerns into new debit cardholders.



**Activation.** It takes more than just issuing cards to make a healthy debit card portfolio. Your members need to be actively using them. In fact, Visa and MasterCard both report that members who activate during the first three months tend to use their card more regularly and frequently. Be sure to keep your eye on the number of members that become active within the first 90 days, and think about action you can take to encourage usage. For example, you can take advantage of FastTrack™ for Debit from FIS, a turnkey program that identifies inactive cardholders and targets them with a mailing campaign that provides incentives for activation.



**Usage.** Turning a member from an occasional debit user into a loyal cardholder who regularly uses debit instead of cash is the surest path to increased revenue and a long-term cardholder relationship.

**Transactions per card. To help put your portfolio's performance in perspective, consider these statistics:**



- In active debit card programs, the average member uses the card 19 transactions/month.
- Consumers spend one dollar out of every six on debit purchases.
- Ninety-two percent of transactions (40 percent of volume) were paid for with "ready funds," while only eight percent of transactions (55 percent) were paid with general purpose credit cards.

To continue the upward trend of these usage statistics and ultimately, building top of wallet preference and driving interchange revenue, be sure to remind members that paying bills online with debit cards is an option. Although some may prefer to take advantage of your credit union's online banking services or pay online with their credit card, Bill Pay with debit is gaining more traction with consumers and is experiencing strong growth.

## Debit Issuing

Quick serve restaurants are expected to be the fastest growing debit segment in 2009.

### Top 5 Fastest Growing Merchant Segments

RANK	MERCHANT SEGMENT	COMMENTS
1	QSR	A lot of runway still remains in QSR. Visa and Mastercard will continue heavy support of QSR in advertising campaigns. Contactless will likely make its strongest mark on QSR.
2	Other	Continued growth is expected in tax payments, healthcare, and small ticket merchants such as movie theatres, dry cleaners, taxis, parking meters, mass transit, and vending machines.
3	Retail CNP (Card-Not-Present)	Internet retail will continue to be a high growth segment for the foreseeable future. New online wallet services expected to be launched by Visa and Mastercard in 2009 will only help.
4	Bill Payment	The use of debit cards for bill payment has been driven by increased acceptance, which is partially the result of incentive interchange rates. Issuer marketing can play a significant role in driving volume for this segment.
5	Fuel	Fuel prices are a key driver of sales volume growth at petroleum merchants. As a result, 2009 may not experience the growth observed in the first three quarters of 2008.

Source: First Annapolis Consulting analysis of historical growth, industry trends, and macro-economic factors.

If you offer rewards with your debit program, drive loyalty and usage by constantly reminding members that they are earning rewards with every purchase. Explain what your Rewards program is and how it works, not just at the account opening but also throughout the lifecycle of the account.

Finally, encourage members to use their debit cards for purchases everywhere, not just for gas and groceries. Remember, thanks to the "No Signature Required" regulation introduced a couple years ago, signatures are no longer required on most purchases of \$25 or less at certain merchants. This strategy has been very successful in increasing micropayment transactions and taking market share away from cash, specifically with Gen Y and other debit-heavy users. Think Starbucks and McDonalds. In 2007, Quick Services Restaurants (QSR) reported 36.4% growth!

**New Account Generation.** How many new accounts are you gaining? How many are closing? Why? How can you maximize the former and minimize the latter?



Some credit unions have had success with bundling other services with their debit card, such as offering free checking or a complimentary subscription to an identity protection program. Another tactic that has worked well for financial institutions of all types and sizes is to attach the debit card to a rewards program that enables members to earn valuable points for every dollar spent using their debit card.

To help track your success and overall program performance, credit unions can utilize performance analysis tools such as CSCU's Virtual Card Consultant (VCC). Each month, credit unions can directly upload signature and PIN transaction data from their core processor into VCC. Then VCC combines that information with key data points from FIS' system platform and creates easy-to-understand reports and graphs, complemented by proven penetration, activation, usage and retention strategies.



## 2 Know How to Keep Them Secure



In recent years, losses from the fraudulent use of debit cards have cost issuers millions of dollars. Because fraud comes in many forms, these losses occur even with various control mechanisms in place, such as card activation and verification. As more and more credit unions invest heavily in fraud management systems, criminals are beginning to target smaller institutions. To protect themselves, some institutions are imposing stringent limits on how their members may use their cards, for example, limiting per-day transactions to as few as two and declining any that exceed that number. Not only are these credit unions depriving their members of the convenience they need and deserve, but they are also sacrificing the interchange fees that can help make them profitable.

By leveraging today's advancing technologies, it's no longer necessary to fear this important line of business, because fraud can be managed. However, you need more than one or two deterrents – you need a comprehensive package. Look for a partner that can provide solutions encompassing all of the following:

- Robust authorization services
- Card activation
- Predictive software applications
- Sophisticated neural network scoring models
- Analytics performed by risk operations
- Fraud challenge, investigation and reporting



A good example of a solution that embodies all of the above is FIS Secured™. This bundled fraud package has a neural network component that enables cardholder profiling to analyze fraud trends and spending patterns, as well as real-time authorization information to calculate a fraud score for every transaction. For example, if your cardholder seldom uses his card outside his home state, and then it is suddenly used in a foreign country, the score will be higher and FIS will take appropriate action, such as blocking the account. Likewise, if a member's card has been phished through a phony e-mail scam and a counterfeit card has been created, FIS' neural network technology and scoring models are likely to detect the suspicious activity and potentially deny the transaction.

The FIS Secured package also offers an industry-leading service guarantee that reimburses you for fraud losses that may have slipped past the barriers.

Even greater protection against catastrophic fraud is available for credit unions with the FIS Secured package, as well as insurance through CUNA Mutual Group (CMG). These institutions are eligible to add a self-insured retention rider to their CMG policy that entitles them to reimbursement for fraud losses that can in turn be applied directly against their insurance deductible. For more information, contact your CMG representative.

### 3 Know How to Market Your Program

As with any marketing undertaking, you need to start by establishing goals that are both reasonable and measurable. By studying industry averages of the various components of your plan, and then applying them to your own credit union's experience, you should be able to develop objectives that are clearly defined, achievable and trackable.



Because your debit card represents a potentially important part of your product mix, be sure to include it in your annual rotation of marketing campaigns. You will want to prominently showcase your offering on your Web site's home page and include banners on numerous pages throughout. Of course, your branches are the prime place to promote your products and services, and take-one applications are one of the best, most cost-effective ways to market your program. Also, be sure to rotate your debit card promotion into your schedule of lobby posters, table tents and literature racks. Don't forget to include your offers in any regularly published newsletters, and promote the program via statement inserts and messages.

Other means of promoting your card include advertising in the local media, as well as direct mail and e-mail campaigns. Be sure you don't overlook opportunities such as a display on the local Little League scoreboard, a low-cost promotion of this nature can go a long way in positioning your credit union as a full-service institution.

As mentioned in an earlier section about analyzing your portfolio's performance, you may wish to consider offering new card designs that appeal to members' special interests, such as sports, charities and the like. One credit union that did so increased volume by nearly 12 percent and increased penetration (as a percentage of checking) by almost 75 percent.

Both Visa and MasterCard run nationwide, multi-media campaigns during the weeks preceding the end-of-year holiday season, the summer vacation months and other times of the year when spending patterns tend to spike. By participating in these programs, you benefit at the local level from heavy national media support in the form of television commercials, radio spots and print advertising in newspapers and consumer magazines.

Because of the strength of CSCU, members receive special marketing opportunities that are available only to the industry's top issuers. Throughout the year, Visa and CSCU work together to help member credit unions focus on acquisition, activation and usage relating to their debit card portfolios. Participation is easy, and marketing materials – brochures, tent cards, teller counter mats, door decals, lapel stickers and even statement inserts – are available at very reasonable prices, and often complimentary.

Artwork is available if you wish to customize your own direct mail or e-mail campaign. If you were to attempt to create a similar campaign on your own, even at the local level, you would likely invest tens of thousands of dollars and hundreds of hours of staff time. And, because the national campaigns are thoroughly researched many months in advance to ensure consumer appeal, you can be assured your cardholders will be motivated by the promotion, and that it is in compliance with any sweepstakes-related regulations.

# Choose Your Next Adventure

Win \$10,000 toward your next adventure, whatever it is.



Apply for a Visa card  
for a chance to win.

2009 Visa Instant Win Game

NO PURCHASE, APPLICATION OR OBLIGATION NECESSARY TO ENTER OR WIN. See details inside.



The 2009 debit card acquisition promotion from Visa entitled "Choose Your Next Adventure" included free marketing kits, employee training modules and member instant win cards. The marketing kits contained in-branch posters, table tents, take ones and much more. The interactive, online employee training modules helped to familiarize staff with the benefits of debit cards and showed how to educate members about the credit union's debit offering. In addition, staff members who successfully completed the training were rewarded with instant win cards redeemable for gift cards from merchants such as Burger King® and Amazon®.

Other popular promotions included Visa's Mega Fan Giveaway sweepstakes, as well as special Visa merchant offers targeted at increasing debit card activation and usage around Mother's Day, Father's Day, graduation and the holidays. MasterCard's holiday sweepstakes is also effective in making credit union debit cards top-of-wallet during the end-of-year holiday season.

## 4 Know How to Communicate with Cardholders



### Visa Best Practices Key Messaging

When communicating debit card benefits  
remember to use C.A.R.S.:

**C**onvenience  
**A**cceptance  
**R**ecordkeeping  
**S**ecurity

If you are wondering when it's the best time to communicate with your debit card members, the answer is easy: the right time is all the time. Only through continual dialogue can you encourage members to select your card, keep it top-of-wallet and sign for their purchases rather than use their PIN – a habit that offers them advantages and maximizes the interchange fees that can keep your institution healthy and make it possible for you to offer the best possible value.

If your members are earning rewards points with every purchase, don't let them forget it. If you offer 24/7 toll-free service to members who may have lost their cards or suspect fraudulent activity, remind them of that value. Regular communication and ongoing education is essential to keeping your members active and loyal.

With card fraud top-of-mind for credit unions and members alike, use your Web site, statement messages and inserts to remind your members of all the ways you are protecting them, including the safeguards required by regulation or law. Your cardholders will take comfort in being reminded they have zero liability if their cards are compromised and that you are leveraging methods such as authentication name matching and neural network technology to keep them safe. Explain the virtues of the card verification value (CVV) or card verification code (CVC). Educate them to the fact that they can benefit from added protection when shopping online by registering their card with Verified by Visa or MasterCard SecureCode™, which involves selecting a personal password that's used in place of the full account number during the transaction.

CSCU recommends that you keep your messages simple and understandable, explaining technical concepts in easy-to-grasp language that avoids credit union-speak and legalese. Your members will appreciate the straightforward enlightenment.

## 5 Know How to Keep Cardholders Happy

As with any product portfolio, you need to continually talk to your cardholders, not just about their card activity, but also about all the products and services you offer. It's a truism that the more accounts your cardholders have with you, the stronger your relationship with that member becomes.

Other tactics for retaining cardholders include:

- Designing easy-to-read share draft statements
- Responding to inquiries in a timely and accurate manner
- Resolving disputes expediently

Once you get past these basics, think about making special offers to debit card holders with multiple accounts, those who maintain high deposit balances and those who have responsibly managed credit with your credit union. For example, you may wish to offer them a free trial of FIS's ID Protection Service™, which costs your credit union just \$2.99 per month, per member. When the free trial period has expired, members may opt to keep the service at a higher price point, netting your institution a margin, better protecting your members and fortifying the relationship. You can also offer them relationship pricing in the form of discounts on loans or premium rates on a deposit account. Of course, the gift of your own product or service is one more way to promote member stickiness, so consider providing a freebie such as free overdraft protection or a complimentary safe deposit box.

## 6 Know How to Reward Cardholders



Because loyalty programs have proven to have such a dramatic effect on an institution's overall credit business, they have become the industry standard. Financial institutions have realized they are at a competitive disadvantage if they don't have a rewards program offering for their cardholders. Debit programs are now facing the same competitive need. People are offered a reward for everything from movie rentals to fast food chain loyalty. It's only natural that they would look to their credit union for debit rewards, especially if they are receiving rewards on their credit union credit card.

Although debit per-member average spend is lower than a credit card spend, credit unions are benefiting from a higher total number of transactions. If you incent for signature transactions and/or offer fewer earnings for PIN transactions, everyone benefits. Add householding of points so cardholders can combine points from all credit and debit accounts, and the relationship

is solidified. Among clients of FIS and CSCU, cards with no enhancements average a return on investment of 5.41%, while those that include a bonus point plan average an 8.57% ROI.

A robust and effective loyalty program is built around three core principles:

**Earning of points:** Cardholder activity follows a typical “reward for performance” model. In other words, the ability to earn points as a result of utilizing your institution’s card in a certain manner incents the cardholder to keep the card “top of wallet” and use it frequently. Effective loyalty programs offer a host of point earning options, but many typical programs award one point for every two net dollars in purchases. Additionally, establishing different earning rates for signature vs. PIN transactions can serve to move behavior away from PIN usage, thus increasing the value of each transaction.

**Redemption of points:** Programs that offer a wide assortment of awards generate more interest and consistent behavior from your cardholders as compared to those that offer only a limited reward such as cash back. Rewards such as travel (airline, hotel, car rental, cruises, package tours, etc.), as well as name-brand merchandise comprise items of wide appeal. Another effective strategy is to make points redeemable for your own products and services, which lowers your costs and creates cross-sell opportunities.

**Promotion of the program:** No loyalty program can be effective if your current and prospective cardholders and members don’t know about it. Take advantage of lobby posters, tent cards and statement inserts that promote and explain the program, provide an overview of awards, highlight merchandise examples, showcase travel options and serve as reminders. Ongoing, consistent communication with your members will keep your card and program front and center.

At the core of having a rewards program are two advantages working for you: 1) float, fulfillment of a reward long after the purchase has been made; and 2) breakage, points earned but never redeemed. Float works in your favor because often participants save for one award, but then reconsider and continue saving for an even bigger item. As float builds, you profit by investing the assets of the accrual account, thus reducing overall expenses.

The concept of breakage recognizes that no program redeems 100 percent of points issued. Some members are attracted by the prize, but inertia prevents them from staking their claim. Up to a third of your members will never redeem, despite mounting points. Still others will reach a plateau and redeem an item worth less than what they have earned, relinquishing the remainder. Some accounts will be cancelled by you or the member, with points forfeited due to natural attrition.

Fundamentally, your program must be fiscally responsible, with the cost per redeemed point within acceptable parameters. In addition, it needs to be compelling, competitive, easily administered and understandable by the consumer.

As with any undertaking that has a potentially high payoff, there are also risks, so it’s important that you have a good understanding of how rewards programs work, or partner with a provider with expertise in the loyalty arena. When selecting a loyalty provider, be sure to ask for a statistical model that demonstrates reasonable expectations under different scenarios. Talk with other credit unions currently offering rewards and inquire about their experiences. CSCU credit unions have had success with ScoreCard, provided by FIS.

## Your Debit Card Portfolio — The Key to Healthy Member Relationships

Your card members represent a core of opportunity for cross selling additional products and services, so make sure you understand how to analyze your debit card portfolio's performance; make sure your offering stacks up well against the competition; and establish realistic guidelines for determining which of your members should be issued one of your cards. FIS and CSCU also recommend that you market it wisely, communicate with your cardholders regularly, reward them generously and protect them ferociously from fraudulent activity.

With a little debit know-how, the rewards will be yours in the form of satisfied members who stay with your credit union for life.



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