

White Paper

# Unlocking the full potential of credit cards for the next generation

A comprehensive guide for financial institutions to help grow your credit portfolio



FIS

# Are you ready to seize the credit card opportunity?

As money moves between banks, consumers, businesses and beyond in a complex, never-ending cycle, credit cards continue to play a leading role in the payment experience. For today's financial institutions, credit cards are becoming increasingly critical to attracting younger customers and achieving top-of-wallet status and ultimately driving primacy for your financial institution.

Banking is changing and so are its cardholders. In an increasingly digital world, where tech savvy Generation Z are now coming of age, as many as 37% of Gen Z and 26% of Millennials now consider their primary bank to be where they hold their main credit card.<sup>1</sup> And this number will grow as credit cards are expected to be one of the fastest-growing payment types of the next few years.

Credit card payments are likely to increase at a higher rate than most other mature categories of payments. And driven by inflation, the continued digitization of payments, pent-up demand for travel and e-commerce growth, credit card spend and revenue are both set to grow by more than 7% a year between 2022 and 2027.<sup>2</sup>

With credit cards, competitive advantage is yours to unlock. In the fight for primacy, that makes every payment card program a vital opportunity to seize competitive advantage and drive growth. But what does it take to run a successful credit card program from end to end – and which obstacles stand in your way?

## Rise to credit card challenges with a single partner

The payments industry keeps changing rapidly and credit cards are no exception. With so many new possibilities for your customers, it's an exciting time to launch a credit card program. But alongside opportunities to unlock, there are challenges to confront.

As a card-issuing financial institution, you need to give cardholders young and old what they want – rich digital experiences on demand, 24/7. You need to work smarter, faster and more efficiently. And in a tough and crowded market, you need to seize the credit card opportunity ahead of your competitors.

But that's all easier said than done. Budgets are tight, competition from fintechs and neobanks is fierce, regulatory change is intensifying and cardholders expect seamless experiences from card issuers.

There's a mountain to climb, but you don't need to scale it alone. Nor do you need to invest in disparate systems from multiple vendors. A single strategic technology partner can help you unlock the full potential of your credit card program – not just by providing a comprehensive range of solutions and services, but also by advising you on, and guiding you through, a complete digital payments transformation.

Together with the right card processing platform and partner, you can more easily meet objectives for credit card management. Read ahead for our top ten objectives:



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<sup>1</sup> PwC, Digital Banking Consumer Survey, 2021

<sup>2</sup> McKinsey, US Payments Map, Q1 2024

# Top ten objectives for credit card management:



## 1. Streamline the user experience

For an easy-to-use credit card processing platform, you must be able to access all your servicing tools together in a centralized user interface. That way, you can enhance workflows, improve functionality and deliver a superior user experience across consumer, small business and commercial card types.

To meet the requirements of modern credit card management, your interface should include:

- Multi-factor authentication for improved security and a centralized audit trail of access
- Increased data and reporting capabilities for greater cardholder insights for servicing, marketing and retention
- Self-service capabilities that streamline processes to enhance user and cardholder experiences
- Compliance with regulations and network obligations, including the eight-digit bank identification number (BIN) mandate

## 2. Accelerate time to market

Speed is critical when it comes to bringing profitable new credit plans to cardholders. So, you need a cloud-enabled technology platform that takes care of IT infrastructure on your behalf and helps you quickly bring new innovations to market.

That platform will also ease your compliance burden. In other words, it will make sure you consistently meet the latest regulatory requirements for card management, wherever you're based in the world.

Plus, with a single global version of the underlying software, you'll benefit from developments made for clients around the world. Now you've got the flexibility and agility you need to seize emerging opportunities ahead of your competitors.



### 3. Differentiate with APIs

APIs are key to payments innovation and delivering the dynamic, complex, differentiating experiences that will set your services apart from your competitors.

With a library of secure and scalable APIs, you can quickly, simply and confidently connect to an ecosystem of value-added payment solutions and new digital capabilities.

It's also critical that APIs are open, so they can integrate with other technologies you may use and give you rapid access to the latest digital innovations. As a result, you'll always be ready for whatever the future holds – and can continually take advantage of the next big thing in payments technology.

Using APIs will help you:

- Reduce friction in the account holder's journey
- Inform account holder transactions with data and analytics
- Integrate across channels to improve delivery
- Differentiate your offerings
- Innovate with ease

### 4. Protect customer identities with tokenization and push provisioning

Tokenization is an innovative way to shield sensitive customer data in a digital or mobile wallet payment transaction. Put simply, it replaces a primary account number (PAN) – the 16-digit number that identifies a credit card – with a pseudo number or “token.”

Tokenization was introduced to provide additional fraud defense by allowing the token to be stored and used in the public domain of the merchant environment in place of a PAN. It's a central tool to start you on your digital journey.

Through push provisioning, you can also make it easier and safer for customers to add cards to digital wallets – validating their identities without a phone call. Instead, in the provisioning process, a one-time passcode is sent to the cardholder via text or email for authentication.

And to eliminate back-office work, the account holder also gets an automated notification when a card is added to their mobile device.

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<sup>2</sup> McKinsey, US Payments Map, Q1 2024



## 5. Reduce risk and mitigate fraud

The goal of every fraud mitigation program is to balance fraud prevention against customer service and raise the performance of both. And the best way to reach that goal is to outsource fraud management to an expert managed service.

The most rigorous fraud, risk and compliance services will considerably reduce the risk of fraud while providing a seamless, best-in-class cardholder experience and reducing infrastructure costs.

With fraud a rising concern for every bank, prevention services must be on guard 24/7. If a neural network identifies suspicious activity that indicates potential fraud, the cardholder is contacted to verify the transaction. But if the cardholder can't be reached, a member of the services team evaluates the transaction and the cardholder history to determine appropriate action.

## 6. Increase card usage with digital solutions

The threat of fraud shouldn't deter customers from paying with cards. With controls and alerts, you can empower cardholders to stop fraud before it starts.

For example, technology now allows customers to set where their card can be used, how much they can spend by merchant category (dining, travel, etc.) or transaction type (in-store, online, mail order), with transaction limits on how much they can spend in, say, a month.

Digital self-service card management actions also put cardholders in control by letting them:

- Freeze or unfreeze cards
- Report card lost or stolen
- Activate a new or replacement card
- Initiate a transaction dispute
- Notify their financial institution of travel plans
- Set purchase alerts based on cardholder location, merchant type, transaction type and spend limits
- Receive notifications on card and account status, changes and deadlines
- Receive alerts and two-way communications for suspected fraudulent activity



## 7. Simplify the digital card experience

Shopping online should be simple for customers as well as safe. So, to accelerate online checkout, your card processing platform needs to allow cardholders to provide card credentials only once for use across their favorite card-on-file merchants and mobile wallets.

That means no more reaching for cards or remembering card credentials. With a secure and direct connection to a cardholder's financial institution, any changes to cards or personal information can be updated from that institution for any connected payment channel.

You can potentially also encourage cardholders to use their card as a "set it and forget it" for all their online purchases to minimize disruption through the checkout process.

And make sure you're the card of choice at the checkout. Enable click-to-pay for your cardholders, which can help your card become their preferred payment method for online shopping and enhance their experience too.

Now you can increase usage, encourage recurring transactions and grow both purchase volumes and transaction revenue.

## 8. Switch to digital card issuance

Digital issuance allows the cardholder to provision a newly issued or replacement card immediately into a mobile wallet, delivering speed, convenience and value to cardholders.

Activation at the time of card issuance maximizes activation rates, increases card usage and reduces downtime in reissuance situations.

With digital issuance, your financial institution can:

- Increase revenue opportunity through early use of cards
- Boost adoption of mobile wallets as a complementary option to traditional plastic
- Deliver more security through use of the mobile wallet
- Restrict card-not-present transactions until physical cards are activated
- Offer convenience by allowing customers to automatically order a physical card
- Attract and retain cardholders while building brand loyalty



## 9. Improve flexibility and drive loyalty

Innovative modern card processing platforms give cardholders the same repayment flexibility for credit card purchases as they get from merchants and buy now, pay later (BNPL) providers. At the same time, they help your financial institution maintain control over credit decisioning.

Cardholders get the option to convert their purchase into an installment loan when the transaction is complete. Then they can determine how many payments they will make over time based on the repayment plan and how much they will pay in interest/fees if they accept the offer.

It's a great way to encourage larger purchases, generate fee and interest revenue, increase cardholder engagement – and above all, differentiate your card program.

But don't forget: you can also delight your customers by offering incentives during the payment process via loyalty programs.

To reward transactional loyalty, you need to modernize your loyalty strategy and offer more relevant, personalized rewards. But at the same time, you must maintain the simplicity and stability that consumers appreciate. Get the balance right and you'll create holistic loyalty programs that meet your cardholders' needs head-on.

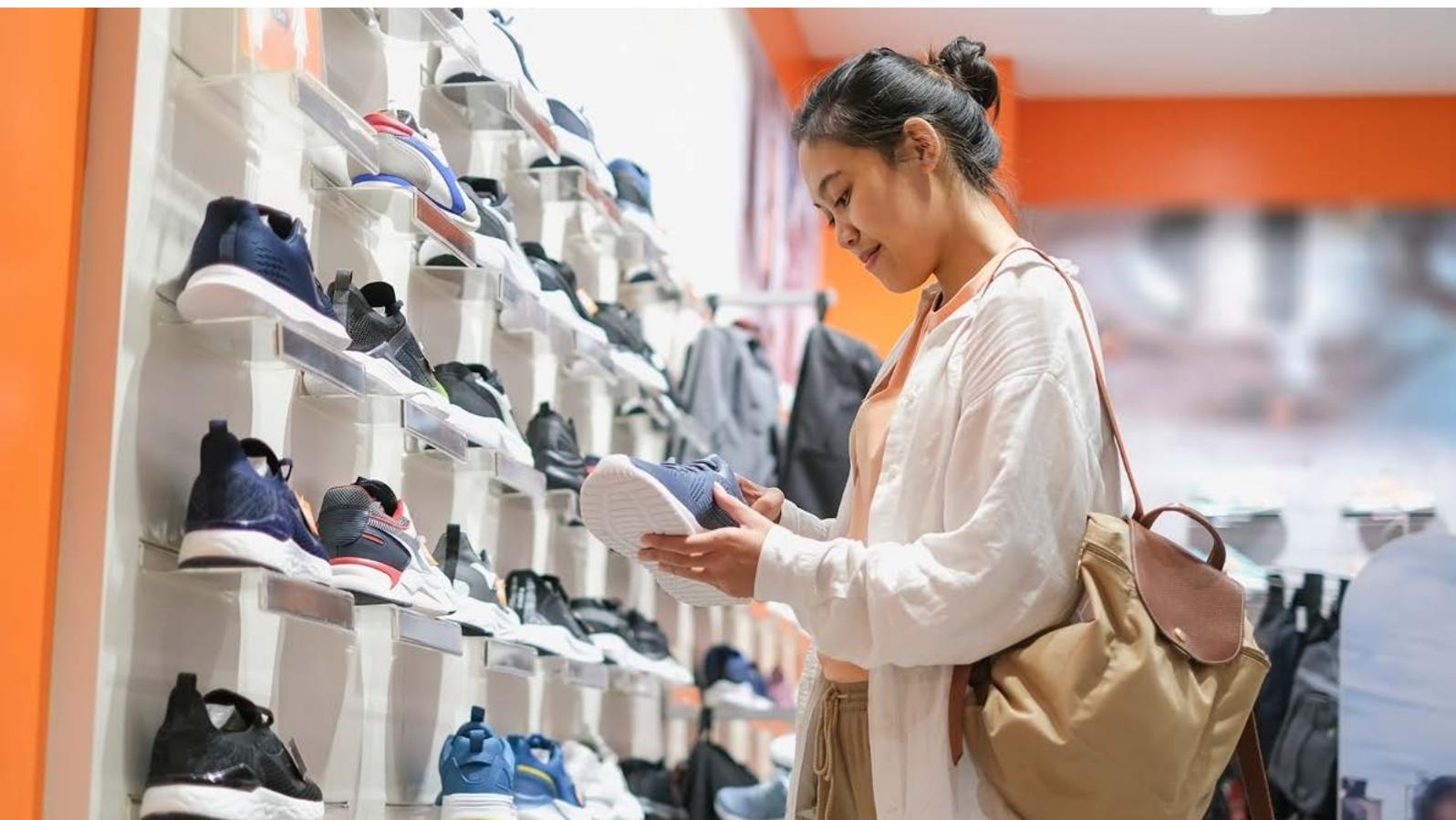
## 10. Optimize your portfolio and profitability with sharper card marketing

When you get credit card marketing spot on, you grow revenues and avoid unnecessary costs. But first you need to identify the opportunities in your portfolio.

Outsourcing your marketing to an advisory service can help you do just that and give you practical, cost-effective solutions that generate new revenue streams, enhance the cardholder experience and improve profitability.

With a marketing advisory service running your campaigns, it's easier to:

- Differentiate your brand
- Elevate awareness of your card program
- Benefit from enhanced monthly reporting
- Promote card activation
- Keep cardholders more engaged to drive card usage
- Increase transactions, spend and card balances
- Grow revenue without additional burden to your staff
- Build cardholder loyalty and retention



## Check the credit card checklist

Young digital native customers still want traditional financial services like credit cards, but also expect a digital first experience from their bank. It takes a lot of work to get the best from a modern credit card program. But the best modern card processing platforms and partners can do it all and provide:

- APIs supporting easy integrations with applications
- A switch-it-on service so you can easily scale as your card programs grow
- Support for consumer, small business and commercial card types
- Digital capabilities, including cardholder self-service tools, tokenization, digital issuance and flexible post-purchase loan tools
- Best-in-class solutions that make it easy to harness and use data as a competitive advantage
- Proven, proactive fraud and risk mitigation tools
- A centralized user interface that unifies information across credit, debit, fraud and disputes

## Unlock the full potential of credit cards with FIS

As a single partner for modern credit card processing, FIS® Payments One Credit holds the key to making your credit cards top of wallet and enabling more primary customers for your institution.

To learn how Payments One Credit can help you deliver digital experiences 24/7, drive differentiation and growth for less cost, prevent fraud and maintain regulatory compliance, consult your relationship manager or [click here](#).



## About FIS

FIS is a financial technology company providing solutions to financial institutions, businesses and developers. We unlock financial technology that underpins the world's financial system. Our people are dedicated to advancing the way the world pays, banks and invests, by helping our clients confidently run, grow and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses adapt to meet the needs of their customers by harnessing the power that comes when reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor's 500® Index. To learn more, visit FISglobal.com.

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