FOCUS ON VALUE ADDED SERVICES BY NETWORK COMPANIES – A PARADIGM SHIFT

– Rahul Kaushal, Ramakant Mittal

Infosys®
Navigate your next
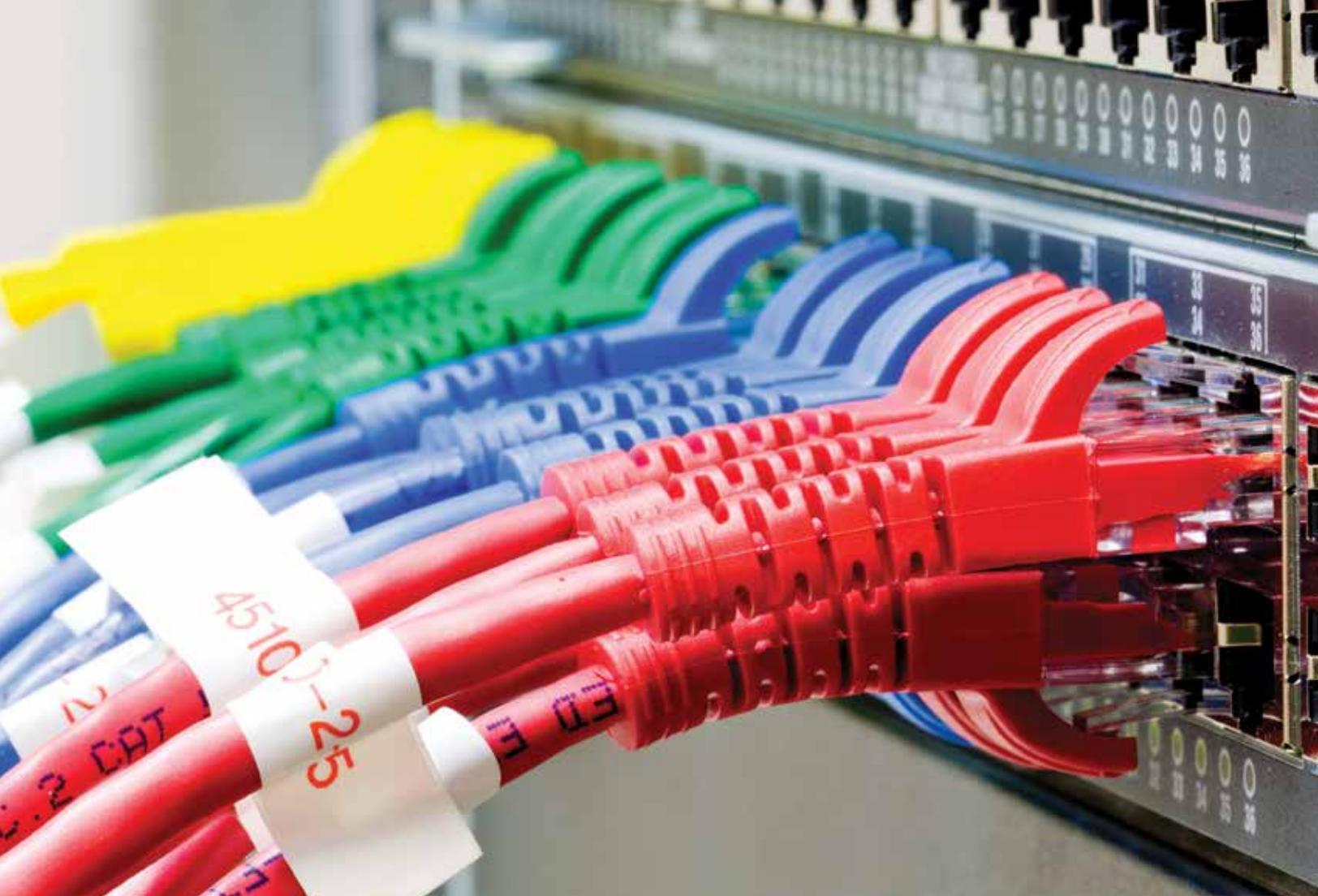
Introduction

Network association is the most critical player in the payment card industry. A typical card transaction has four parties in addition to the network – cardholders, merchant, issuer, and acquirer. The network connects all other entities and enables them to use electronic forms of payment instead of cash and checks. The core function of the network is to route payment transactions from the merchant to the institution that has issued the cards for authorization. In case the issuer and acquirer are different, then facilitate the settlement of funds between them. Networks earn transaction processing fees in return for processing payment transactions.

Evolution

The card payment industry is growing rapidly year-on-year, leading to intense competition. This, in turn, is bringing in innovation in products / channels such as mobile, social media, and stricter regulations and controls. Amid this challenging ecosystem, card network associations are feeling the heat. Factors such as emergence of local network (like RuPay in India, China Union Pay in China), innovation in new channel and method of payment (like Trusted Service Manager), and MNOs (mobile network operators) are reducing the transaction processing revenue opportunities for network companies. Revenue streams are under the microscope as competition and regulatory requirements are further dampening the prospects. Leading network players are targeting rising up the business value chain by adding a plethora of value added services to their product offerings.

In the last few years, all leading card network providers – VISA, MasterCard, American Express, etc., have started providing a number of value added services and solutions to their customers and end users (issuers, acquirers, merchants, and card members). As all key network associations already have a broad customer base and a strong basic transaction processing infrastructure, the focus is on making a difference by bringing in services that are traditionally provided by issuers and acquirers. With this addition, companies are not only planning to increase per transaction revenue but also attract more financial institutions partnering for card issuance and merchant acquiring. These services will help create a level playing field for small card issuers without any major investment and with only some additional fee.

Value added services

Some of the new capabilities developed by the network associations for acquirers and issuers are there to support and enhance overall products and solutions.

ON-BEHALF OF SERVICES

LOYALTY & REWARDS SOLUTIONS

Value added services

FRAUD PREVENTION & SERVICES

ADVISORY SERVICES AND ANALYTICS
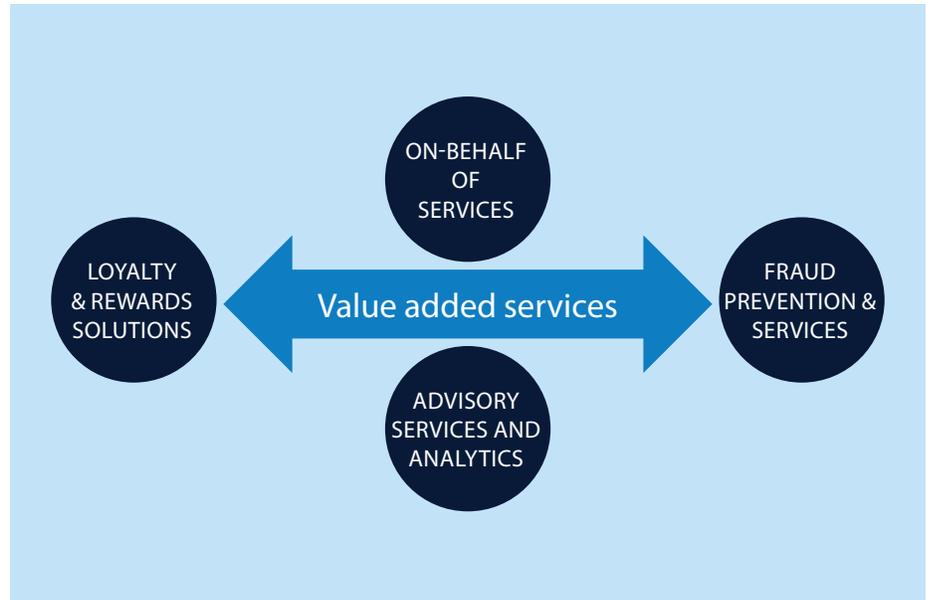
Loyalty and rewards solutions – Networks are providing a scalable and modular reward platform to support calculation and redemption of points functionality (earn and burn) for card members. They are also enabling issuers to provide personalized offers such as access to global airline lounges, global and local concierge services, and access to a wide-variety of goods through the Web catalogue of their card members. **'VISA Extras' by VISA, 'Loyalty solution worldwide' from MasterCard, and Loyalty Edge by Amex** are flagship loyalty platforms from network companies. Custom-made reward programs are considered as key differentiators these days. These solutions will help issuers to provide the best-in-class loyalty solutions to their card members.

Fraud prevention and detection services – Security is a major concern for card members and networks. Network companies are in the best position to provide fraud detection services because of the volume of the transactional information. Any risk model made on the data at the network level would provide a more comprehensive and accurate fraud probability score than any other method.

In light of this, Visa has introduced **Visa Risk Manager**. This calculates real-time risk scoring by checking transaction patterns. If Visa Risk Manager found the patterns to be dubious / not in pattern, it will pass on the information to the merchant as well as the issuer in real-time. MasterCard has a similar feature called **MasterCard Expert Monitoring Solutions,** a comprehensive suite of services designed to help detect and prevent fraudulent activity. Networks are providing the feature to calculate fraud probability score for each of the transactions to the issuer, who considers the probability score while taking a decision on the transactions.

On-behalf of (OBO) services, advance authorisations and alerts – Networks are concentrating on providing advance authorisations services such as EMV / contactless data authentication, CVV validation, 3-D secure data validations on behalf of the issuers so that issuers are able to launch advance products without developing such validation functionalities. Networks are also providing transactions alert facility to the card members on behalf of card issuers.

VISA

Risk Management
- VISA Fraud Protection program
- On-behalf of service
- Fraud probability scoring
- Risk services manager
- VISA Advanced Authorization
- Fraud call centre services
- Compromised account
- Management system
- Transaction alerts
- Verified by VISA

Reporting and analytics
- VISA data manager
- Campaign management
- Daily and monthly reporting
- Global MIS for corporate card customers

ATM
- Powerful cash management functionality
- Marketing and campaign management
- 24/7 ATM and network monitoring
- ATM terminal management ATM locator
- Support multiple transaction type, including gift card and pre-paid card top-up
- End-to-end deposit automation

Cardholder support
- Complete 24 / 7 customer care support – full or shared services

Network Infrastructure
- Network gateway services

Card management services
- Automatic card and pin mailers orders
- Automatic card re-issuance card and account maintenance file
- Card issuance reporting
- VISA account updater

Consulting and advisory group
- VISA consulting and analytics

Loyalty
- VISA Extras
- VISA Offers
- Merchant offer program
- Extended loyalty services
- VISA Feature Select

Master Card

Risk management
- MasterCard Expert Monitoring solutions
- Fraud scoring
- MasterCard Expert
- Monitoring solutions
- Compromised account service
- Fraud call center services
- MasterCard Secure Code
- PCI 360 Education Program
- FICO Fraud Predictor AND FICO Card Alert Services
- IPS virtual analyst

Reporting and analytics
- Predefined interactive report,
- Custom reports
- Graphical dashboards

Cardholder support
- 24/7 customer support, OBO services, and in-depth training programs,

Money management solutions
- MasterCard In Control
- Priceless Pointers
- MasterCard Money Send

Card management services
- Integrated cardholders
- Servicing functions
- Card member portfolio viewer

ATM
- ATM locator

Consulting and advisory group
- MasterCard Advisors – consulting, information services, and implementation services

Loyalty
- MasterCard Loyalty and Rewards
- MasterCard Market Place

American Express

Risk Management
- American Express SafeKey

Loyalty
- Concierge services
- Pay with points

ATM
- ATM locator

Mobility
- Mobile NFC
- Digital wallet

Discover

Network infrastructure
- Alliance with CUP and JCB

Reporting and analytics
- Spend analyser
- Paydown planner

Loyalty
- Discover loyalty and rewards program

Advisory services and analytics –
Networks have diversified into business consulting for their issuers and acquirer partners. As part of these offerings, networks help their members in building business strategy, problem-solving, process assessment, benchmarking of the best practices, etc. They also provide e-learning and classroom training for each of the payment solutions. Networks also provide program management and turnkey solutions such as product launches, platform migrations, and customer management services for their partners. Networks charge a fee for providing these professional services. MasterCard Advisory Services, VISA Consulting Services, and American Express Global Business Advisory are some examples of networks providing consulting services.

Advantages for the network

a. **Attractive source of revenue** – All these value added services will provide a fee-based income and will be critical to the top line as other network fees plummet.

b. These new capabilities will provide **competitive advantage,** particularly over local networks that have become a serious threat to the mainline networks such as VISA and MasterCard.

c. As the network is placed between the acquirer and the issuer, it is best suited to provide these **services in a most productive way.**

Advantages for the partner banks (issuers and acquirers)

a. Partner Banks do not require building all these functionalities, which requires **huge upfront investment**. They can opt for the network features based on their requirement.
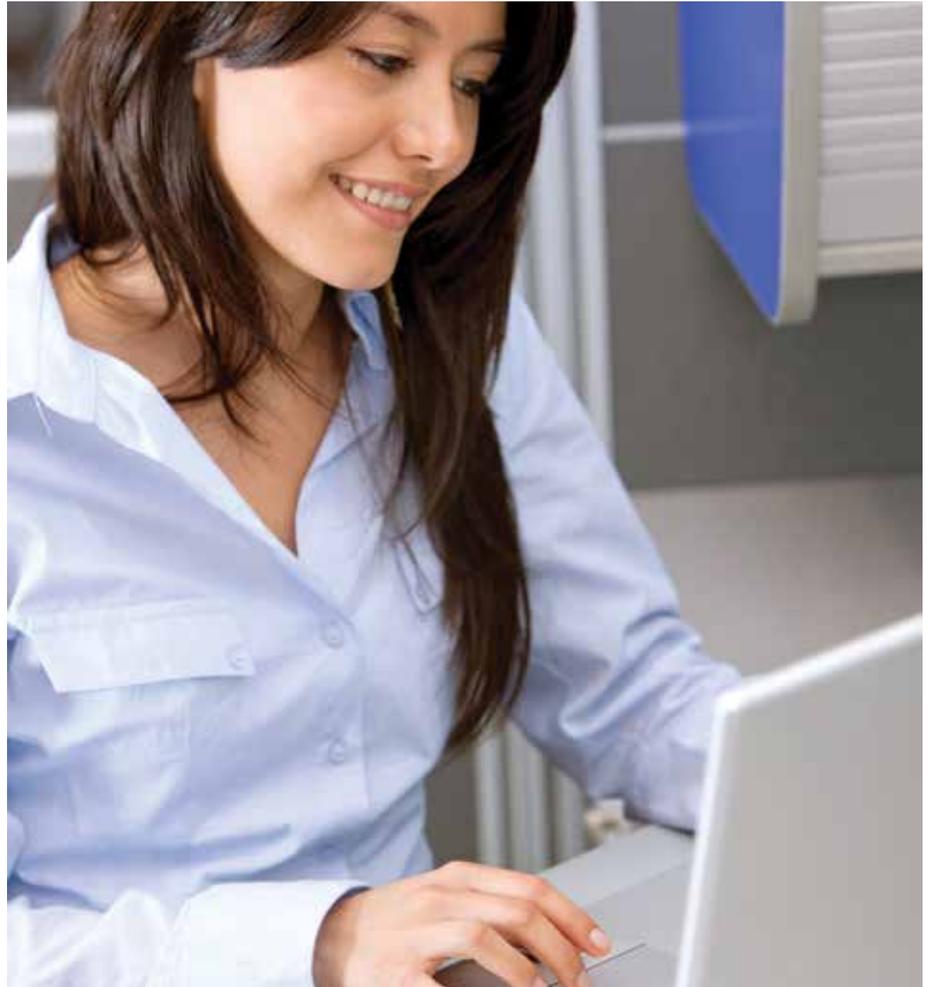
Advantages for the network	• Attractive source of revenue • Competitive advantage • Most productive placement
Advantages for the partner bank	• Huge upfront investment • Reduced time-to-market • Best-in-class solutions

b. Availability of such capabilities over the network would enable **quick time-to-market** for some of the new products that issuers were not able to launch in absence of these capabilities like EMV data validation.

c. Small issuers will be able to take advantage of **best-in-class solution and services** that were available earlier only to big issuers.

Conclusion

Considering the changes in the payment eco-system, network providers have now realised that value-added services should be the focus area. Significant investment is being made in this area by all the leading network providers. VISA and MasterCard are emerging as leaders in this space. Other networks, particularly American Express, are also making a serious leap ahead. The main advantage American Express possesses is its strong proprietary solutions. They only need to customize them to meet the needs of network partners.

A key thing that network providers need to consider is the security of its partners' data. As part of the services they provide, they will be storing / handling the card member data of other banks. Proper security mechanisms should be in place to avoid any legal / regulatory challenges.

The ideal platform hosted by network companies should be:

i.   Service oriented architecture (SOA) based

ii. Licensed product

iii. Modular – each module can be opted by issuer separately

iv. Logically partitioned – so that one partner cannot have access to data of the other partner

v.   Option to have both real-time and batch integration

vi. Special focus on data security – all card member-related data should be encrypted
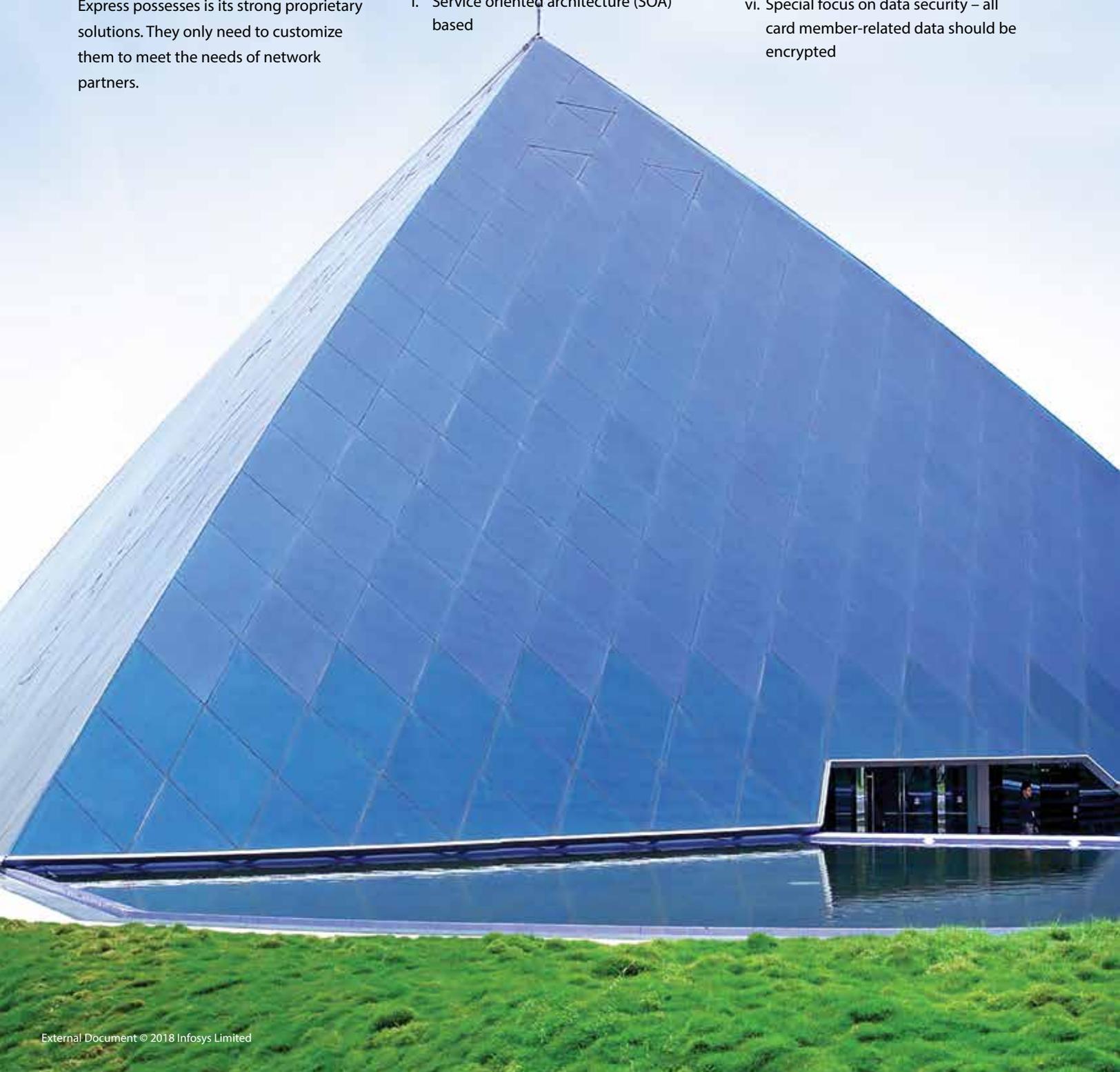
Infosys credentials

Infosys has a strong credential in this space; The Infosys team is responsible for development and maintenance of the CRM platform of a leading network association, currently used by all its leading issuers. Infosys is also involved in orchestrating a loyalty management platform for a leading network provider. This platform is expected to be used by multiple issuers. With strong payments and cards credentials, consulting and system integration practice, and CRM expertise, Infosys has the right skills and experience to focus on this new trend and help networks build these new capabilities.

About the Authors

Rahul Kaushal

Rahul Kaushal works as a Consultant with the Cards and Payments Practice Group which focuses on domain and process consulting in Cards and Payments domain. He has eight years of experience in versatile fields like **Banking, Cards and Payments, Business Research and Wealth Management. He specialises in Loyalty Solutions (Burn)**. He is a values and process-driven, self-motivated professional with high attention to detail and has strong enterprising leadership skills entailing strong analytical, problem-solving, and good organizational skills.

Ramakant Mittal

Ramakant Mittal is a Lead Consultant in the Cards and Payments Practice at Infosys. He has over nine years of business analysis and consulting experience in Cards and Payments across Card Issuance, Merchant Acquiring, Network Associations, and Loyalty domains. He specializes in Transaction Processing, CRM, and Network cards. He has a detailed understanding of the Cards and Payments value chain and has a special interest in tracking the leading trends in the Cards Industry.

Infosys®
Navigate your next

For more information, contact askus@infosys.com

Infosys.com | NYSE: INFY   Stay Connected   SlideShare