# Disruption and Opportunity Are in the Cards

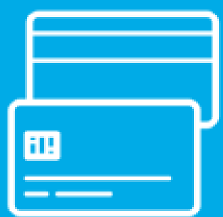

What a fascinating time to be in the payments space. It's difficult to imagine a segment of business with more moving parts and a greater sense of opportunity. While the mechanics are daunting enough, it's the financial and strategic implications that are taking center stage and commanding attention from leaders who likely never signed up to become payments experts.

There's no avoiding it – payments have become a core competency. In a cruel twist of irony, the already complicated maze of processors, networks, and associations has been hit with a healthy dose of additional disruption over the past few years. The pandemic in particular has not only reshuffled the deck but changed it entirely. Forget what you knew (if you knew it in the first place). The economy, federal regulation, and competitive pressures from all corners have created a new day with new challenges and opportunities.

So where to begin? Card processing has long been a go-to category for expense reduction as contracts expire, but the processing costs are only the beginning. In fact, for many financial institutions, the card brand and EFT network relationships have soldiered on largely un-scrutinized for years. It's easy to see why – the complexity of analyzing the financial impact is tedious. And, as you look around the management ranks, it's almost certainly nobody's day job. If this paragraph is giving you some tingling sense of déjà vu, then you already know that you need to go there. There's just too much expense reduction and additional revenue opportunity at stake to sweep it under the rug.

There’s a lot to take in. Let’s break it down further.

## Card Processing



Of the categories mentioned above, card-processing relationships are likely the most familiar. The expense side consists of a lot of line-item billing elements for things like cards on file, authorization and transaction processing, cardholder services, and the like. There are four items mentioned here, but your bill probably has 50-100 or more. While there’s always been a need to ensure the best mix of service, product, price, and strategic alignment, a few newer events have changed the game.

## Core Conversions

A decade or more ago, core processing conversions were largely entertained only in the event of something fairly imminent and daunting. Not that they’re taken lightly today, but the pace of change has dictated more frequent evaluation and a higher standard overall for the performance of the core-processing platform. As financial institutions consider changing core processors, the need for effective interfaces with card processors tends to kick off secondary evaluations of the card-processing relationships (at least for those who are paying attention).

## Contactless and Digital Wallets

Many financial institutions are scrutinizing their card programs in terms of processing partners, loyalty programs, card types and designs, and of course, brand. EMV, and the associated expense and disruption is kicking up a lot of complex decision points.

The good news is that there is no shortage of competitors for card processing services, and these vendors are now working harder for your business – as they should. Also, several of these providers offer both full-service and in-house options that can be configured to suit the level of involvement that any financial institution may choose. There’s a lot to consider in the analysis, and it can be fraught with slick presentations that obscure the true impact of what may appear to be a great deal. But, a careful selection process can yield significant expense reductions as well as operational efficiencies that will endure for the long haul.


## VISA, Mastercard, and Discover

Catalyzed by the growing digital payment space, the long-raging battle between the major card associations is heating up even further. True to form, this comparison is also complicated. Each brand has its own dizzying mix of costs and interchange revenue to consider, and they're highly motivated to secure the brand affiliation for your financial institution's cards.

However, these powerhouses are as convincing as they are confusing, presenting their product offerings to financial institutions in terms of marketing incentives, fee discounts, and growth opportunities, all while framing the interchange discussion in a way that's beneficial to their specific network. It's all-too-easy for credit unions to walk away without a full understanding of the impact of one brand over another to their bottom line, or the long-term benefits to their customers.

## Debit Networks

For many financial institutions, the merits and competitive advantages of networks like NYCE, STAR, Pulse, CULiance, Co-op, Accel and others are difficult enough to gauge. To pile on a bit, there's much more to consider. Here's the story in a nutshell:

The traditional signature brands are pitted against the traditional debit (PIN-based) networks in a fight for transaction routing revenue in a market that is increasingly favoring consumer convenience – in whatever form that takes. No longer are the two factions sticking to their own turf. VISA, Mastercard, and Discover – as a distraction from their usual practice of competing with one another – have each introduced measures designed to capture purchase volume that would otherwise be PIN-based, and the Debit networks have responded predictably with solutions of their own in a counter attack. Add-in the pros, cons and side effects of PAVD, Maestro, PIN-less debit, no-surcharge network participation, and you're stuck in a maze that's constantly shifting.

## You Can Turn the Tables

Enough of the jargon; there is good news in all of this. With the right partner, your financial institution can turn the complex mix of processing, network, and brand decisions into significant financial opportunities. It's no longer a game of shaving a few pennies off of a card processing fee – there can be millions at stake. The right partner can guide you through the process; decipher the differences between the various processors, networks and brands; shine a light on the savings opportunities, and negotiate for the best value on your behalf. The right time is now.

## What We Do

Pairing expert strategy and education to guide your institution to a solution that works for everybody.

- Strategic Planning
- Vendor Assessments
- System Evaluations
- Contract Negotiations
- Merger Assistance
- End-to-end Conversion

Engage fi is the fastest growing consulting firm for community financial institutions in the country, We help our clients make strategic technology decisions by analyzing, negotiationg, and selecting the right partners and solutions for growth. We place an emphasis on understanding your needs, your business objectives, and your definition of success. We're not just passonate, we're proven.