

Will 2008 Be the Year For Instant Issuing in Banks?

Issuing a card in a few minutes? That's the objective of instant issuing technologies, a decentralized personalization process that aims to grow transactions and improve customer relations. The offer is expanding, especially when it comes to chip cards. Several offers at the last Cartes show and from the EESTEL association have allowed early data to be gleaned from on-the-ground experiences.

"With technology growing at a fast clip, the need to offer customers a sufficiently fast response time on the web has become clear," said Bernard Morvant, director of Interactive Transaction Solutions. Allowing immediate use of the card and facilitating choices in a market becoming increasingly competitive are two of the needs expressed by both banks and merchants. Numerous installations worldwide have allowed first conclusions to be drawn from instant issuing. That's the case with Banque Accord, as explained by Cedric Hozanne, head of marketing and sales for Cardops, the bank's e-commerce subsidiary (Auchan Group). Reducing costs and proposing new areas for the group's brands are the objectives of the subsidiary, which handles 460 million transactions per year.

Banque Accord very quickly understood the interest in instant issuing, a technology that it has used since 1997 in France and since 1998 in Spain. The immediate usage of cards at the group's merchants are tops the list of advantages offered by the technology, followed by the possibility for customers to choose their PIN code, the lowering of the risk of card inactivity, and the general improvement in card customer service. The cards in question use mag stripe. With a link between the front and back office systems, the card is activated by the headquarters in five minutes. Card manufacturing itself occurs after a credit score is issued. According to Hozanne, the Auchan Group is

considering the possibility of using chip cards, where the chip would be pre-personalized in the factory and finalized at the store.

The printing of a visual on the card or contactless technologies are two areas also being considered. Concerning the important question of increased use rates with cards issued through such methods, Hozanne preferred to remain discrete. "We have noted a significant rate of increased usage," he said.

An investment that becomes profitable in six months

Nicolas Poire, an expert from Datacard, leading provider of instant issuing solutions worldwide, was less taciturn. Equipment for producing mag-stripe cards has been made profitable within six months in France by a credit organization linked to a brand that includes 70 supermarkets. They conjointly use the solution to produce loyalty cards. Results? "The company noticed 100 percent growth with compulsive purchase rates as well as better loyalty among customers," said Poire. In more general terms, the instant issuing system with mag-stripe cards becomes profitable at 70 cards per day.



Eric Bouvard, Evolis



The equation becomes more complex if different types of cards are issued. What is it in the banking world? Datacard has installed in six branches and manages some 25,000 accounts. The average investment per branch was in the neighborhood of \$1,500. The cost per card has fallen by 25 percent. Additional revenue grew by 40 percent (+\$9 per card). The usage level per card grew by 24 percent, or 87 transactions compared to 70 before. The card is produced on site in 45 seconds. "At a time when issuers increasingly segment their customers and when the demand for personalized cards is becoming stronger, the interest in instant issuing for EMV is growing," said Poire.

Decentralized bank and non-bank card issuing is becoming a major topic of conversation among institutions. Profits tend to follow because of the increase in revenues that result from issuing a card on site, which favors immediate purchases, while raising the amount of average transactions. Compared to cards issued by classic centralized procedures, the advantages that experiences have shown are numerous: no fees to send cards by the post, no problems with lost cards, etc. The organization constraints such as double controls and the need to have two people complete an operation must also be taken into account. Essentially, as recommended in Visa and MasterCard PCI guidelines, the same operator cannot carry out end-to-end card issuing. Respecting those rules allows a level of security that is similar for both centralized and instant issuing in branches (see chart). In fact, Visa and MasterCard are adapting security rules to fit centralized and branch-based solutions.

Offers on the rise

In terms of the market, instant issuing is finding various entry points outside of the banking and retail industry. Eric Bouvard, head of product marketing for Evolis Card Printer says that "the technology is strongly developing in the transport, health, identification and university sectors, which call for personalized solutions." That's why companies are making the choice. The company equipped several police trucks in Jakarta, Indonesia to allow driving licenses with photos to be issued, as well as biometric data. Each truck receives central issuance authorization from the Indonesian police through a satellite link.



Cédric Hozanne, Groupe Auchan

The manufacturer has its most significant banking business in South Korea. NACF, one of the country's leading banks with 5,000 branches, migrated its centralized mag-stripe card production system to an online EMV bank card production process. It took six months for Evolis to personalize the material to bring it in line with the precise needs of NACF. Its 5,000 branches were equipped in 18 months. The ROI seems favorable since an agency's equipment is profitable after 1,500 cards issued. In France, Evolis has been hired for the Intermarche Group's loyalty card production (the card is produced in 5 minutes).

While Evolis has made its mark with a personalized offer, Gemalto, the chip card leader, does not plan to rest on the sidelines. Nathalie Murat, head of banking and security marketing and development, said that nearly everywhere in the world "banks are developing new issuing strategies because differentiation needs are becoming more pressing." Such solutions easily become part of the branch of the future, she said. Deutsche Bank has started a large instant issuance program. But of course, integrating such solutions calls for a scoring system that functions in real time. They do not threaten centralized issuing solutions already in place. "They are perfectly complementary," said Murat. Centralized solutions are more effective when it comes to pre-personalization of chip cards. Murat says the question of PIN codes chosen on site by customers must be done on a case-by-case basis because some software does not accept the option. Any modification of such software would greatly increase the total cost of the solution. The delicate portion of an instant issuing project, according to Gemalto, has to do with branches equipped with the materials taking over the process. "Manufacturers must be able to guarantee card issuance time when they take over those duties," said Murat. On the saturated Hong Kong market, Gemalto has installed several solutions in the banking industry.

"To be located near a shopping center or to team with a retailer are keys to success with decentralized issuing," said Murat. In an unusual case, Gemalto installed instant issuance material in a van near a shopping center in a Chinese city, while at the same time respecting security. ■

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