

# From tap to app:

## Unlocking merchant data for smarter acquisition and underwriting



Common acquisition and underwriting challenges faced by co-brand credit card programs include limited data and finding the “right” prospects.

These challenges can hinder growth by limiting visibility into customer behavior and reducing the effectiveness of targeting strategies, ultimately impacting approval rates and acquisition efficiency.

## CHALLENGE 1:

### Limited data

**Issuing banks or issuers, often face challenges in evaluating co-brand credit card applicants due to limited access to customer data, which can result in a higher rate of adverse decisions, including declines and lower initial credit lines.** Sometimes data sourced via a traditional credit application isn't enough to fully assess an applicant. With supplemental data, an issuer could be positioned to approve more applicants and offer more favorable credit lines.



#### HOW TO ADDRESS

#### Share customer data frequently

Programs can use merchant data to address these challenges. Merchants can regularly share relevant customer-level data with their issuer partners, either weekly or monthly, using API or batch file transfers.

#### Examples of customer level data include:

-  For a retail company, loyalty status
-  For an airline merchant, average ticket size or booked class
-  For a fuel company, type of fuel purchased



#### IMPACT

#### Insights from customer level data can help fill in gaps and provide insights that can help grow programs

With supplemental merchant data, issuer risk models can continuously improve by learning that certain customer behaviors are associated with higher or lower risk than previously assessed. For example, an issuer's risk model can learn overtime that customers who purchase premium fuel are lower risk.



#### HOW TO GET STARTED

#### Collaborate with the issuers, merchants and partners to understand current capabilities and how to transfer data in a way that is secure and compliant

Ask the issuer for preferred format of merchant data to incorporate in risk models. Be patient. It will take time for the models to ingest the new data and understand risk.

## CHALLENGE 2:

### Finding the “right” prospects

**Issuers often face challenges when card programs struggle to identify quality prospects, leading to lower effective approval rates.** Marketing efforts, introductory offers and value propositions may fail to reach the right audience. By leveraging increased merchant data, issuers can identify strong candidates for pre-qualification and pre-approval. These customers are often the most desirable, as they tend to spend more and carry lower credit risk.



#### HOW TO ADDRESS

### Invest in customer segmentation

Program stakeholders can invest in customer analytics to understand the risk profiles, spend behaviors and values of their prospect pool (the merchant's customers) – in aggregate and by customer segment.



#### IMPACT

### Prioritizing customer segments can help improve appeal to the “right” prospects

Customer segmentation allows the co-brand program to identify the profiles of its most promising prospects and enhance program investments to reach them, yielding more quality applicants.

For example, a co-brand program may find that their most appealing customers shop online and value loyalty program status. This could lead to the prioritization of purchase path placements and a status benefit on their card.



#### HOW TO GET STARTED

### Use identifiable attributes, like level of spend, primary transaction channel and/or location to segment the customer base.

As the issuer, conduct analytics to understand the impact on risk scores, spend behaviors, lifestyle attributes and values.



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- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
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