



Visa Consulting & Analytics (VCA)

NORTH AMERICA

# 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.





## About Visa Consulting & Analytics

VCA is a team of 1,500+ payments consultants, digital marketing specialists, data scientists and economists across six continents.

The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics and machine learning, with exclusive access to insights from VisaNet, one of the largest payment networks in the world.



For more information, please contact your Visa Account Executive, email Visa Consulting & Analytics at [VCA@Visa.com](mailto:VCA@Visa.com) or visit us at [Visa.com/VCA](https://Visa.com/VCA).

Follow [VCA on LinkedIn](#)

**Forward-looking statements:** This content may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements generally are identified by words such as "believes," "estimates," "expects," "intends," "may," "projects," "could," "should," "will," "continue" and other similar expressions. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict.

**As-Is Disclaimer:** Case studies, comparisons, statistics, research and recommendations are provided "AS IS" and intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice. Visa Inc. neither makes any warranty or representation as to the completeness or accuracy of the information within this document, nor assumes any liability or responsibility that may result from reliance on such information. The information contained herein is not intended as investment or legal advice, and readers are encouraged to seek the advice of a competent professional where such advice is required.

