

DIGITAL TRANSACTIONS

Trends in the Electronic Exchange of Value

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Instant Issuance Builds Momentum, Looks to RFID, Prepaid, Credit

(July 12, 2006) The business of putting debit cards in bank customers' hands on the spot, at the moment they open an account, is growing rapidly and may soon include prepaid cards and credit cards, according to a supplier of software that controls the process. Dynamic Card Solutions, Englewood, Colo., says it now has installations in 1,500 branches, up from just under 1,000 a year ago. Among the biggest clients is Banco Popular, Puerto Rico, with more than 200 locations.

It has also cut a deal with DataCard Group to be the Minnetonka, Minn.-based card-equipment maker's preferred software vendor for instant issuance. One of four software companies reselling DataCard's 150i, a machine that personalizes card stock for on-the-spot issuance, DCS accounts for 65% of 150i sales, says Ron Zanotti, vice president of sales at DCS. "DataCard over the last 12 to 18 months has seen a substantial increase in 150i sales, and that drew their attention to the instant-issuance marketplace," Zanotti says, adding the machine has been commercially available for about nine years. "I think the 150i and instant issuance was a flyer on DataCard's part," he says. The growth of the market "probably surprised some" at the company, he notes, and "didn't surprise others." Under the agreement, the two companies will work more closely on market planning and sales calls, and DCS will train DataCard's customer-service department, which has full-time availability, to respond to client queries regarding the software. DataCard will continue to use the other resellers, as well.

Zanotti says the idea of on-site issuance now could extend beyond Visa- and MasterCard-branded debit cards, where it took root as a means of increasing card-activation rates by putting cards in customers' hands immediately. "We're starting to see interest in instant issuance of prepaid cards, [especially] payroll cards," he says. In this scenario, the cards, which would be loaded at the network level, would be issued either in-branch or at locations set up by banks at employer locations.

Even credit cards could be next, says Zanotti. "We're starting to see more and more interest in credit card instant issuance," he says. "A lot of credit card issuers are looking for ways to protect and increase their market share and are looking for ways to make the [issuance] process easy." With credit cards, he says, electronic links to credit bureaus could make it possible to streamline the lengthy application and credit-approval process. With either credit or debit cards, one big advantage of instant issuance to banks is the ability to collect interchange income sooner than is possible with cards that have to be mailed to customers. The average debit card holder generates between \$5 and \$7 per month in interchange, depending on the mix of transactions, says Zanotti. The software for on-site issuance is priced

according to the number of branches and the number of seats needed per location. A 10-branch network would pay about \$10,000 per branch (Digital Transactions News, Feb 27).

At the same time, the market is preparing for contactless payment, which relies on chip-and-antenna inlays embedded in cards to transmit card data via radio waves to point-of-sale transceivers. DCS is writing new software, Zanotti says, to handle on-the-spot issuance of RFID cards on the 150i, which can produce a finished card in about 60 seconds. The code should be available in two to three months, he says. Ultimately, says Zanotti, the form factor won't matter. "Our whole business is personalizing on the spot a carrier of data, whether it's in a card, a phone, or a fob," he says. "It doesn't matter to us."