

# Drive Debit Use, Increase Revenue with Segmentation and Analytics



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**D**ebit cards are the second largest non-interest income generator for financial institutions, representing \$9 billion annually in non-interest income to banks, credit unions and other card issuers according to a Saylent Technologies analysis. In this economy, more and more consumers are relying on debit cards to make purchases.

Increased use of debit puts an even greater emphasis on financial institutions' need to understand how customers are – or are not – using their debit cards. How can institutions gain insight into cardholder activity to ensure debit cards are the payment of choice?

## Payment Intelligence

The relatively new concept of leveraging “payment intelligence” – which provides financial institutions with an understanding of account holders' purchasing patterns – is being put into practice. By analyzing and segmenting customers based on their buying and payment behaviors, organizations are able to develop a deeper understanding of their habits.

Which account holders use their debit cards to pay at retail locations but not at restaurants? Which are not using debit cards for purchases at all, but are still withdrawing cash at ATMs? Which received debit cards but have not yet activated them?

By analyzing and segmenting cardholders according to specific criteria, financial institutions can offer targeted promotions of interest to account holders that encourage them to increase and sustain usage of their debit cards. Such programs help strengthen relationships and increase interchange revenues for the institution. A modest increase in card activation and usage can result in double-digit revenue growth for a typical card issuer.

## Turning Intelligence Into Action

Institutions can segment and analyze card usage patterns in a variety of ways:

- By activity (high vs. low users, PIN vs. signature vs. ATM use, electronic bill pay or ACH debit vs. recurring debit card payments, etc.)
- By demographics (age, geography, gender, etc.)
- By profitability (top revenue-generating account holders, underperforming or “at-risk” segments, etc.)

With this level of insight, institutions can understand their actual cardholders – not just the BINs the cards belong to. Where do they shop? How do they pay? What motivates those behaviors?

An organization can then devise more effective, targeted strategies for different customer groups and offer relevant, tailored incentives that provide account holder value and influence decisions. Those initiatives may include promotions with specific retailers, offerings by merchant categories, holiday promotions, activation-specific incentives, etc. The institution can measure campaign results by tracking debit card behaviors over time to determine the success of these initiatives.

A financial institution in Starkville, Miss., offered a “spend and get” campaign with a retail business partner. It first analyzed and segmented its customer base to create a target list of customers who used

their debit card but were not using it frequently at this retail partner's store, and who also lived within a specific geographic area. The institution then initiated a targeted promotion: use your debit card for transactions at this retail location over a six-week period, and receive a \$7.50 retailer gift card.

This campaign not only increased customer spend more than 118 percent at the partner retailer, but also increased debit card use overall for this group by more than 40 percent during the promotion period, regardless of location or merchant type. More than 90 percent of cardholders sustained usage at the retail partner six months post-campaign. The promotion also drove an increased number of new checking accounts with linked debit cards.

## Segmentation = Opportunity

To remain competitive in these tumultuous times, financial institutions must act now and capitalize on the opportunities that payment intelligence delivers.

Analyzing and segmenting account holders by their payment behaviors develops a deeper understanding of debit card usage and allows institutions to create, implement and manage personalized and cost-effective marketing strategies and loyalty programs that address the needs of both the account holder and the financial institution.

The insight gained, coupled with the relevant promotional initiatives, enables these businesses to improve the success of their debit portfolios, bolster and maintain cardholder relationships, capture more wallet share and increase revenue – all more critical than ever in this challenging economic environment.

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