



Digital-first payments, more than just an opportunity, a game-changer

PAYMENT

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The era of “everything now” is already here and to cope with this shift, banks need to adopt digital-first card capabilities to deliver seamless payment card experiences and keep up with Fintechs. Going digital first is also an opportunity to modernize card issuance and reduce both operational complexities and costs for banks.

Philippe Ledru, VP Sales Europe, Payment Services Business Unit at IDEMIA

A new payment card experience

Card issuers can take the best from both the physical and digital worlds to forge an ultimate card experience. However, their legacy systems are often siloed and unable to deliver flexible real time digital (first) services. Banks need to adopt and implement modern card issuing functionalities to reimagine the digital and physical card experience, **give cardholders more control over their cards** and – most importantly – reduce their operational costs and enhance their agility.

Transforming card issuance

Over the last decade, digital has become the “front door” for all businesses. Today it is a no brainer: physical and digital are feeding off each other, especially in banking and payments. When it comes to payment cards, digital first refers to the **delivery of a means of payment in real time**, without the need to issue and distribute a physical card at the same time.

It is wonderful to be able to pay before receiving a physical card! This concept transforms card issuance in profound ways which are no longer linked essentially to a physical means of payment, and it turns a mobile banking app into the preferred link between a customer and their bank.

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Blending the physical and digital universes

With digital first, once the customer has opened a bank account or applied for a credit line remotely, they get access to a **digital means of payment** (usually a digital version of a card in a mobile wallet) and can immediately start shopping in-store or online. Digital-first functionalities respond to the increasing demand for more autonomy and flexibility. A

great example of a card program based on digital-first capabilities is the **numberless card**. Besides the name of the cardholder, all other data is removed from the physical card, implying the need to retrieve the full card information details from the banking app to pay online.

Why should banks go digital first?

Digital first has many advantages, the most important being that it gives cardholders the option to **pay immediately** and save their card wherever they want without waiting for their physical card to be delivered. Also, losing your card or getting it stolen often means waiting several days to receive a new card and activate it. Several days without a means of payment is a long time and represents an important loss for the bank, on top of being a poor customer experience. Digital first is already provided by most Fintechs and retail banks need to revamp their card issuance capabilities if they want to hold onto their **“top of the wallet” position**.

Most importantly, going digital first means undertaking a major digital transformation, which will reduce current costs associated with card issuance and management. Lastly, in a highly competitive banking market, **innovative payment experiences** and mobile applications with Digital-first customer journeys have proven to be a persuasive argument in favour of customer loyalty and satisfaction for banks.

The cloud-based digital-first enablers

There is still a long way to go to modernize legacy systems, but banks can count on card issuance experts to expose cloud-based solutions relying on easy-to-integrate APIs¹ and mobile SDKs² to enable digital-first journey(s):

- **Instant card issuing:** This is the ability for banks to generate card data in real time. Digital first also means “digital fast” and the capability for cardholders to avail themselves of an instant means of payment. These days, most banks send batch requests – generally once a day – to card manufacturers and personalization bureau and legacy banking systems are not yet ready to support real-time data transmission. But **new Card Management Systems (CMS)** already being used by Fintechs can handle real-time data. Banks will really need to move up a gear and support real-time data if they want to compete on equal terms with Fintechs.
- **Card digitization:** Tokenization is crucial to enabling the digital card journey. For card issuers to leverage the digital services being exposed by the payment networks and rely on their **tokenization service**, integrating with the associated TSPs (Tokenization Service Providers) is key. Banks need to integrate with the exposed TSP interfaces, and this can become tricky when they issue cards that are different from those of the networks. Relying on a digital enablement partner to ensure and maintain this connectivity to the different TSPs is an option that several issuers already avail of.
- **“Push cards to”:** Once the card number is created at the CMS level, the consumer can decide to use this means of payment, registering it in a myriad of wallets, i.e., “Token Requestors”. Such push provisioning features in mobile wallets such as Apple Pay, Google Pay and Samsung Pay, in digital wallets such as **Click to Pay**, or with online merchants, are the “must have” of any digital-first journey.
- **Cards controls:** Cardholders are more demanding when it comes to immediate usage and control of their payment means. Independently of the – physical or digital – card form factor, banks require full visibility over their cards and associated tokens status, where they are stored and how to manage their lifecycle (i.e., suspend, resume, delete).
- **Front-end security:** Whether it is to secure the display of card data information, the card PIN code, virtual card numbers, or to enable the contactless payment feature (based on Host Card Emulation technology) on the Android banking app, it is crucial for banks to consider **mobile security** as a key pillar of their investment and value proposition to cardholders. Banks also need to be able to rely on **Strong Customer Authentication (SCA)** solutions if they wish to secure access to their digital-first features and authenticate consumers before any sensitive banking or payment use cases (such as self-care banking related operations, online payment transactions or enrolment of a payment card in third-party wallets).

Banking apps: the preferred link between banks and customers

Implementing a digital-first card program means enhancing the mobile banking app with card-related features to make it the focus of all interactions between customer and bank. The customer can order a new card, track its delivery, activate it, select or block a PIN code, or push a card onto a digital wallet. To enable such features, achieve scale and reduce their operational costs, banks need to **rethink their card issuance strategy** by harnessing modern tech stacks and new issuance capabilities. But there is no “one-size-fits-all” when it comes to issuance: digital first, physical later, physical only or digital only... once equipped with modern card issuance capabilities, banks can reinvent the card experience and integrate as **many journeys** as they have customer segments and card products into their roadmap.

¹API: Application Programming Interface

²SDK: Software Development Kit
