

simplicity | growth

Products are About More  
than Processing a Payment

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Let me start by getting this out of the way: I love my job. There has never been a more exciting time to work in merchant services. Innovation is all around us, and that's particularly true of payments. Payment technologies have made astounding progress in a short amount of time. Something that used to be confined to swipes and clicks is now much more versatile and complex.

I wear many hats at Security Card Services. But the most significant impact I bring to our bank partners (and their merchants) is realized through the payment products I help select and develop. The talent of your people and the depth of their commitment to service are only as powerful as the product portfolio at their disposal. It makes sense that banks prefer the widest variety of payment options available. But, we believe that it's how those products are chosen and deployed that truly sets a merchant services program apart.

I enjoy what I do so much that I've written two whitepapers that explore different sides of the same coin: "Product Selection" and "Customer Experience." In this paper, I'd like to offer some insights into best practices for payment product selection. The subsequent paper will touch on what those best practices mean for the merchant experience (or bank customer experience).

## Banks are Picky about Products

Community and regional banks often ask about our product selection approach because they want access to the same advanced payment technologies as their larger competitors. After all, community and regional banks can't expect their merchants to make sacrifices, particularly when it comes to payment acceptance solutions. Moreover, those banks see new technologies as a way to tap into millennials (on behalf of their merchants and themselves).

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When I'm asked about our approach to products, the short answer is usually: "Don't worry. We've got you covered." That conversation could begin and end with our product list, but I often warn banks that they shouldn't evaluate the strength of a product selection process by what's on the product roster today. The payments industry changes so rapidly that there's no telling how soon those products will be obsolete.

The true test of a product selection process is whether it can ensure that products keep up with advancements in technology and changes in merchant needs. That promise must be continuously renewed because if we rest on our laurels our bank partners (and their merchants) will lose ground. That's just one of many reasons that there's no room for complacency in merchant services.

It's important that banks look at more than today's product options – they have to understand the selection process that motivated today's choices and evaluate whether it's repeatable tomorrow. Before I take a bank through our product selection process, I also share two other hard-learned lessons.

## Breadth Won't Matter Without Depth

Community and regional banks seek to serve every possible type of business; they don't want to choose between traditional storefront and ecommerce retailers, mobile businesses and professional services firms. That means having access to a wide enough portfolio of payment products to accommodate any type of business. Moreover, those payment platforms must be cost-effective, easy to use and reliable.

There are many good reasons that community and regional banks prefer a pantry of the latest payment products. And while that preference is sensible, a pantry is not enough. When it comes to choosing products, a depth of understanding is every bit as valuable as a breadth of options. Actually, I'd take that a step further to say that a stocked pantry of products won't amount to much if your understanding of merchant needs is bare.

Cultivating a wide array of cutting edge product offerings will give

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you options. But having a firm grasp of what the merchant needs will ensure that you can capitalize on those product options to deliver the most value. That's particularly true as payment products come with more bells and whistles.

## “Proprietary” Often Means “Trapped”

Before a bank or merchant services provider can capitalize on a product selection and development process, they need the freedom to evaluate and choose options. Again, needs vary from merchant to merchant. Your program won't thrive unless you can understand those needs and have the product options to meet them every day.

*Processors place tremendous pressure on their sales teams to move proprietary products - even if that's not best for your bank or your merchants.*

Most large payment processors invest in developing their own proprietary payment platforms. Those technologies bring many benefits but they are not without drawbacks. When a community or regional bank limits itself to a processor's proprietary offerings, the bank is left with only so many product options. That means product evaluations aren't made for the merchant's benefit, or even your bank's, but the processor's.

To be clear (and perfectly candid), the problem isn't so much with the products themselves. Large processors have built some great things and made many valuable contributions to the payments industry. The problem has more to do with the incentives that banks face when their partner also owns the product. Have you ever heard the old saying, “There are no atheists in foxholes”? Well, I've learned that “There are no agnostics in proprietary product sales.” Processors place tremendous pressure on their sales teams to move proprietary products - even if that's not best for your bank or your merchants.

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It's one thing to have a limited product portfolio. Sometimes going above and beyond to meet merchant needs necessitates fitting a square peg into a round hole. But the real risk in proprietary products is being trapped. That's why we prefer to have the freedom to regularly evaluate and choose a diverse menu of products that we can customize from bank to bank (and merchant to merchant). For example, instead of being yoked to one or two tablet-based systems, we are aligned with five. We don't own any of the technology so we can make decisions free of any "home cooking." As a result, the only pressure we place on a tablet device is how well it nests with a specific merchant's business.

That flexibility gives us (and our bank partners) the freedom to choose payment products with the merchant in mind. That also keeps us nimble enough to evolve rapidly when merchant needs and payment technologies change.

**The Product Selection Process Must be Merchant-Driven**

We've talked about why product breadth alone isn't adequate. We've also discussed the risks of teaming up with partners that own proprietary technologies. Let's now dive into needs, since merchant insight is the foundation of our product selection process.

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Our product selection process is simple: we start by gathering insights into our banks' merchants – details on what they offer, how they sell those offerings, who they sell them to (consumers or other businesses) where they sell those offerings and the degree of integration between their payment solution and other systems (this is especially necessary for large merchants). I say we “start” there but listening to merchants is actually a continuous effort. We can talk to merchants regularly because we have enough representatives on the ground to keep the merchants close. Our banks appreciate that approach because it keeps them close to their merchants as well.

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We then take the inputs from banks and merchants and combine them with our own program data for a thorough analysis by a cross-functional product team. That's our opportunity to identify, in detail, the product features and functionalities that best mesh with certain merchants' needs. This step involves a lot of “why's” and “why not's.” We keep score for each product so that final decisions can be made with clarity.

This step also involves more “No's” than one would think. After all, there are countless point-of-sale products on the market. Some might have better reporting and integration than others. There are many point-of-sale systems with features that merchants can use in marketing their business. We have to select best in class products without being distracted by the bells and whistles. If the technology is too advanced for our merchants, or incompatible with what they need, then merchants will struggle with adoption. Those issues make life a little more difficult for a merchant sales team, but they're a total nightmare for a merchant retention team (and their retention rate).

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It's important that product teams make evaluations from the perspective of what banks and merchants need. But, it's essential that those teams be comprised of people who are experienced with different bank cultures. That's why our product team is comprised of people who have spent most of their careers working for banks. The product team structure is also designed to ensure that our company doesn't fall into the usual "silos" characteristic of large processors when it comes to big product decisions.

Once the product team has made their assessments, we have more than just a roster of products that jive with our various banks and merchants. Another outcome is a detailed dossier of merchant insights and product features and functionalities. Product selection is a major milestone, but it's not a sufficient milestone. The knowledge and clarity acquired during the product selection process has to be applied in the field. It has to drive operations, IT, training, marketing and other essential implementation functions. Meanwhile, the outcomes of product selection have to be communicated to banks and merchants. We don't have a team for those efforts, though. We dedicate most of our business to that instead.

As a quick aside, our product selection process also translates into rollouts of new technologies as well (EMV, for example). Our banks love that because we can lead them through complex rollouts instead of having to shoulder the burden. We can spend more time preparing our banks (and ourselves) for the task ahead instead of tweaking our own products or hoping our vendors will deliver upgrades that work.



## **Product Selection Enables Merchant Experience**

Product selection shouldn't be a search for the snazziest payment gateway or mobile solution. It's a continuous and collaborative exercise in gathering and applying merchant insights towards the right choices. It's knowing enough about your merchants to pick the payment products that will enhance their businesses (and make their lives simpler).

Happier merchants tend to stick around longer. Merchant longevity is good for program retention but it's also great for other areas of the bank as well. So, the reward for putting all of that effort into product selection is more than just the satisfying feeling of a job well done. There's good revenue in that, too. That's the reason we define the commercial success of a payment product a little differently. Our approach to merchant services demands a higher standard of performance from our product offerings. We believe a payment product isn't necessarily a commercial success when it sells; it's a commercial success once it retains merchants by making their businesses better.

The habits that drive a sound product selection process are the same habits that elevate merchant payments into merchant services: keeping close to the customer, remaining constantly curious about payment technologies, maintaining an attention to detail and sustaining a willingness to stay several steps ahead. Those details ensure your clients will have access to the right products. Those details will also allow you to build great merchant experiences around your products. I'll address that in the next whitepaper.