



DIGITAL PAYMENTS TRANSFORMATION WORKBOOK

FEB 2023



EXERCISE TWO



Exercise Two: Current State of Your Payments Market

KEY LEARNING:

Gain deeper insights into your current payments environment's strengths, weaknesses, and opportunities

For this second exercise, you'll be taking a holistic view of the current state of your payments market. We'll be asking you questions about your customer demographics along with the kind of payment types you support, historical volumes, and chargeback rates, for example. Next, we'll ask about other aspects of your payments business, such as how you deliver, maintain, and support these payment types. Then, we'll ask you to define your marketing programs and how you view your competitive market.

Before beginning this exercise, we recommend you collect available data on your payment programs for input. This should include the number of accounts by type, three-year payment transaction and sales volumes, and chargeback/fraud loss data. *Don't worry if you don't have exact numbers, you can estimate them as well.*

In the final section of this exercise, you'll be asked a series of questions designed to assess your current payments business, its capabilities, and gaps. This will be used for your Roadmap Input 2.

Instructions: Current Customer Base

Calculate or estimate the percentage of your existing depository accountholders (consumers and small business) that comprise the demographic categories in the table below.

| Age | 18–34 | 35–54 | 55+ | Income | <\$25,000–\$49,999 | \$50,000–\$99,999 | \$100,000+ |
|----------------|-------|-------|-----|----------------|--------------------|-------------------|------------|
| Consumer | | | | Consumer | | | |
| Small Business | | | | Small Business | | | |

| Household | Single | Couple – no children | Couple – with children | Employment | Employed Full-Time | Employed Part-Time | Unemployed |
|----------------|--------|----------------------|------------------------|----------------|--------------------|--------------------|------------|
| Consumer | | | | Consumer | | | |
| Small Business | | | | Small Business | | | |

Instructions: Geographic Reach

Answer the following questions about the current geographic region(s) you serve.

| | | |
|--|-----|----|
| In which states or regions of the U.S. do you currently operate full-service branches? | | |
| Do you offer a fully digitized checking account (requiring no branch access), which can be opened and serviced anywhere in the United States? | Yes | No |
| Do you participate in a surcharge-free ATM network? | Yes | No |
| Do you have branded ATMs located in retailers or other off-premise locations | Yes | No |

Instructions: Current Annual Payment Type Volumes

1. Calculate or estimate the percentage of your existing depository accountholders that use the payment products listed here (penetration rate). If you do not offer a certain payment type, indicate that by inputting “N/A” into the cell.
2. Calculate or estimate the annual transaction volume for each payment type.
3. Calculate or estimate the annual number of chargebacks processed for each payment type.
4. Calculate or estimate the annual amount of fraud losses for each payment type.

| Payment Type | Retail Debit Card | Retail Credit Card | General Purpose Prepaid Card | P2P Payments (Like Zelle) | Unsecured Consumer Loan | BNPL | Crypto-Currencies/ Stablecoins |
|-------------------------|-------------------|--------------------|------------------------------|---------------------------|-------------------------|------|--------------------------------|
| 1. Penetration Rate (%) | | | | | | | |
| 2. Annual Txn Volume | | | | | | | |
| 3. Annual # Chargebacks | | | | | | | |
| 4. Annual Fraud Losses | | | | | | | |

| Payment Type | Small Business Debit Card | Small Business Credit Card | Small Business Loan | Merchant Services |
|-------------------------|---------------------------|----------------------------|---------------------|-------------------|
| 1. Penetration Rate (%) | | | | |
| 2. Annual Txn Volume | | | | |
| 3. Annual # Chargebacks | | | | |
| 4. Annual Fraud Losses | | | | |

| Do you currently have any new payment types in active development? | |
|---|----|
| Yes | No |
| If Yes, briefly describe the product(s) and estimated launch date(s): | |
| | |

Instructions: Customer Acquisition and Servicing

In this section, you'll be defining the channels you currently use to acquire new customers, fund their account, and issue cards.

| | | |
|--|----|--|
| Which channels can new customers use to apply for a depository account? | | |
| | | |
| Do you support instant new account funding? | | |
| Yes | No | |
| If No, describe here how new depository customers initially funds their account and how quickly funds are made available. | | |
| | | |
| Do you offer an instant-issue physical debit card at the branch? | | |
| Yes | No | |
| Which channels can new customers use to apply for a credit card? | | |
| | | |
| Do you provision an instant-issue virtual credit card in your mobile banking app or other wallet such as Apple Wallet or Google Wallet? | | |
| Yes | No | |

Instructions: In this section, you'll define the channels you currently use to provide account management services to your customers.

| Which channels can customers use for self-service functions? | | | |
|---|----------------------|---------------------|--------------------|
| ATM | Bank Website | Phone Banking (IVR) | Banking Mobile App |
| SMS Messaging | Chatbot/ Online Chat | Twitter | Facebook |

Instructions: In this section, you'll define the third-party relationships you have to acquire or service accounts.

| Do you have account acquisition relationships with any third parties? <i>Indicate all that apply.</i> | | |
|---|----------------------|---------------------|
| Fintech Company | Retailer Brand | Home Services Brand |
| Medical/Dental Offices | Veterinarian Offices | |

| Do you provide back-office banking services, call center or dispute management, to any third parties? <i>Indicate all that apply.</i> | | |
|---|----------------------|---------------------|
| Fintech Company | Retailer Brand | Home Services Brand |
| Medical/Dental Offices | Veterinarian Offices | |

Instructions: In this section, you'll define your competitive market and the types of advertising and marketing you participate in.

| Which of the following company or organizational types do you consider your main competitor for new depository accounts? | | |
|---|---------------------|----------------------|
| National Bank Brand | Regional Bank Brand | Other Community Bank |
| Credit Union | Fintech Bank | Retail Brand |

| Which of the following company or organizational types do you consider your main competitor for new credit cards? | | |
|--|---------------------|----------------------|
| National Bank Brand | Regional Bank Brand | Other Community Bank |
| Credit Union | Fintech Bank | Retail Brand |

| What are your top three marketing channels for acquiring new depository accounts? | | | | |
|--|--------------|-----------------|--------------------|--------------|
| In Branch | Bank Website | Bank Mobile App | Print Advertising | Facebook Ads |
| Refer a Friend | Radio | Direct Mail | Statement Stuffers | Web Banners |

| What are your top three marketing channels for acquiring new credit card accounts? | | | | |
|---|--------------|-----------------|--------------------|--------------|
| In Branch | Bank Website | Bank Mobile App | Print Advertising | Facebook Ads |
| Refer a Friend | Radio | Direct Mail | Statement Stuffers | Web Banners |

| Do you have an in-house marketing department? | |
|--|----|
| Yes | No |

If No, describe here how your organization handles its marketing needs.

ROADMAP INPUT 2

The second input to your roadmap starts with identifying the strengths and weaknesses of your current payments environment as it relates to a digital services environment. Recall that the current competitive market for digital services demands such features as instant access to funds, the ability to use payment credentials upon approval, comprehensive self-service channels, and modernized risk management practices. As you work through these questions, refer to all your answers on the previous pages.

[RETURN TO CURRENT CUSTOMER BASE](#)

| | |
|--|-----------------|
| 1. Which demographic profile best describes your core customer base? Select the highest percentage from each of the four (4) demographic categories. | |
| | |
| Strength | Weakness |
| Indicate here your reasoning: | |

| | |
|--|-----------------|
| 2. Do your penetration rates align with transaction volumes, where, for example, a high penetration rate equates to high transaction volumes? | |
| | |
| Strength | Weakness |
| Indicate here your reasoning: | |

ROADMAP INPUT 2 CONT.

| | |
|---|-----------------|
| 3. Are you providing potential new customers access to convenient and relevant channels to open, fund, and begin using new accounts? | |
| | |
| Strength | Weakness |
| Indicate here your reasoning: | |

| | |
|---|-----------------|
| 4. Are you providing customer's convenient and relevant channels to access account services? | |
| | |
| Strength | Weakness |
| Indicate here your reasoning: | |

| | |
|---|-----------------|
| 5. Considering your primary competition for payments accounts, are you periodically reviewing their feature functions and servicing practices as a formal or informal benchmark against your capabilities? | |
| | |
| Strength | Weakness |
| Indicate here your reasoning: | |

ROADMAP INPUT 2 CONT.

| | |
|--|------------------------|
| <p>6. Considering your marketing outreach, has it been effective in reaching the goals you've established for new account growth?</p> | |
| <p> </p> | |
| <p>Strength</p> | <p>Weakness</p> |
| <p>Indicate here your reasoning:</p> | <p> </p> |

| | |
|---|------------------------|
| <p>7. Are you providing your customers the action-oriented digital experience (such as leveraging P2P, investing, or instant billpay) designed to deliver relevant value and enhanced customer lifetime value (CLV)?</p> | |
| <p> </p> | |
| <p>Strength</p> | <p>Weakness</p> |
| <p>Indicate here your reasoning:</p> | <p> </p> |

Instructions:

Review your responses to all the previous questions and complete the following analysis:

| Indicate here your three top strengths and weaknesses, then identify the gaps you've uncovered through your analysis. | | |
|--|-----------------|------------|
| Strength | Weakness | Gap |
| | | |
| | | |
| | | |

| Rank your readiness to provide competitive digital services to your consumer and small business customers on a scale of 1 to 10, where one is not ready and ten is completely ready. | | | | | | | | | | | | | | |
|---|--|--|--|--|--|----------|--|--|--|--|--|--|--|-----------|
| 1 | | | | | | 5 | | | | | | | | 10 |

| Document here your reasoning as to why you've selected this ranking. |
|---|
| |

NEXT EXERCISE:
Defining the Technical Environment that Supports Your Payments Portfolios and Services Offerings

In the next exercise, you'll be documenting and analyzing the existing technical infrastructure and capabilities used to provide payment services to consumers and small businesses.

