



## **Processor Perspectives: Today's Requirements Are Already Old**

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I find myself saying this a lot these days: "Today's requirements are already old." This simple statement, I believe, is relevant to any prepaid industry discussion regarding the critical role of a prepaid processor because it conveys a number of important points for consideration in selecting the right processing partner.

### **From the RFP to Post-Launch Learnings**

Let's start by looking at the RFP process. RFPs often are developed based on "today's" product requirements; that is, the requirements that an issuer knows it wants *now*. And, there is really no other way for an issuer to address the development of an RFP. So, based on the initial requirements established in the RFP, processors are selected, products are launched, data roll in and analysis is done.

But, something important happens during this process: Learnings are derived from hands-on experience. These learnings drive new requirements, which often are quite different from the original. This is because the issuer no longer is dealing in the realm of planning,

hypotheticals and program launch. Now, the issuer is relying on what it has learned and wants to put its experience to work to take its prepaid program to the next level.

Before I continue down this path, let me say that in my experience working with hundreds of prepaid programs, every program is unique and every program has its unique learnings.

Case studies and best practices devised by others are a valuable resource, but they are useful only to a point. Ultimately, if a prepaid program has the right business model, assets and capital resources, its scalability, profitability and long-term success will—to a large extent—be driven by the learnings that come *after* the launch and continually thereafter.

What is critical at this juncture is whether the processor that won the RFP can help the issuer translate the iterative learnings and analytics into "new" sets of product requirements that can be developed and implemented quickly and cost-effectively.

It's not likely that the original RFP anticipated how the issuer and the processor would work together to address the future and the unknown—based both on its unique learnings and the rapid (and, sometimes, unpredictable) market and technological changes inherent in this stage of prepaid development.

But, I contend, the flexibility for a processor to address future requirements that are unknowable at the time of developing the RFP should be an integral part of the RFP development process. Let me be even more emphatic: A processor's ability to deliver effectively on tomorrow's requirements should be at the top of any issuer's selection criteria.

## Every Program Is Unique

While there is a tendency for some industry participants or new entrants to view network branded prepaid products as one in the same, every program is unique—not just across product types but also within each product type. Appreciation for these unique product attributes cannot be understated.

A multitude of variables can impact the success and profitability of a prepaid program. While not exhaustive or applicable to all products, below is a laundry list of examples to illustrate some areas where, on an ongoing basis, there inevitably will be important, unique and new learnings resulting in “new” sets of requirements that will need to be developed and implemented by the processor:

*Pricing, acquisition, distribution, enrollment, Web, promotions, fraud-mitigation activities, packaging, inventory management, sweepstakes tracking, retail or teller platform integration, partner reporting, alerts, mobile integration, activation, pursing, reload strategies, branding, custom reporting, campaign management, savings, usage and spend options, IVR methods, bill payment, ID verification, account funding, overdraft, account-to-account transfers, customer care strategies, API integration and more.*

In most cases, a new strategy, a new feature or functionality, modified marketing plans or even cost-saving initiatives will require changes to be made by the processor. Even with what many people would call a simple branch-issued \$50 network branded gift card, the new knowledge that will come from one holiday season is guaranteed to generate a significant set of “new” processor requirements that are unique to the issuing financial institution.

Not being able to execute on the new requirements due to high costs, long lead times or technology deficiencies may not only negatively impact the P&L but also the teller’s desire to sell the product the following year. Having the right processing partner to effectively support your unique and ever-changing needs of your program is essential.

## Wrapping Up

The opportunity for network branded prepaid product growth remains huge. It can surpass \$200 billion in domestic annual spend (cash and sales transaction volume) within the next five years. And as the industry grows, the opportunity to increase revenues and profit margins for both niche and large-scale players will exist. In order to accomplish this, increased investment from existing industry participants and new investment from large financial institutions will be fundamental.

There is still no “secret sauce” to a successful network branded prepaid program. However, issuers and program managers that embrace the value of continuous improvement and partner with a prepaid processor that can flexibly, cost-effectively and quickly deliver on new sets of requirements essential to product success will be best positioned to garner a greater share of the future profits in prepaid.

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