

FinTech: A behind-the-scenes look at credit card market leader ICS

Innovation in the financial sector is taking place at an ever-faster pace. In the past, the big fish swallowed the little fish. But in today's world, companies that can act fast prevail over those that move slowly. International Card Services is a major player in the Dutch payments market, with more than three million credit cards in its portfolio. It doesn't see the rise of the FinTech industry as a threat but rather, as an opportunity.

BY NICO LODEWIJK

FinTechs were not so long ago viewed primarily as disruptive and competition. More and more people are, however, now becoming convinced that we can achieve more through collaboration and co-existence. ICS processes 72 million credit card transactions a year and is consequently a technology-driven company. The greatest challenge we and other financial services providers face is how to optimally integrate our technical IT platforms, which serve large groups of customers, with innovative apps that are specifically aimed at creating customer intimacy. In other words, how do we ensure Human2Human interaction in the digital world?

Friction-free payments

We put customers first at ICS. And as a financial services provider, it's our responsibility to look not only at our customers' needs and wishes,

but equally at what is in their best interest in the longer term. It is consequently vital that we learn to listen closely to our customers to understand what they consider important. One way we do this is by charting the customer journey, in other words the path a customer takes to purchasing a product or service. We also use an alternative method of listening based on innovation: gathering and analysing data on the buying and payment behaviour of groups of customers. As a data-driven organisation, ICS looks for anonymised patterns in the behaviour of groups of customers. This enables us to discover opportunities for developing new payment applications that are even more aligned to customer needs. Payments aren't a sexy product, so our main focus must be on security and convenience. Our core definition of convenience is the ability to carry out a transaction friction-free and have

real-time 24/7 contact via multiple channels. Some 1.4 million ICS credit cards currently enable contactless payments. The range of contactless payment options could in the future be expanded to include innovations such as a wearable in the form of perhaps a bracelet you can use to enter the parking garage, activate your laptop and make payments.

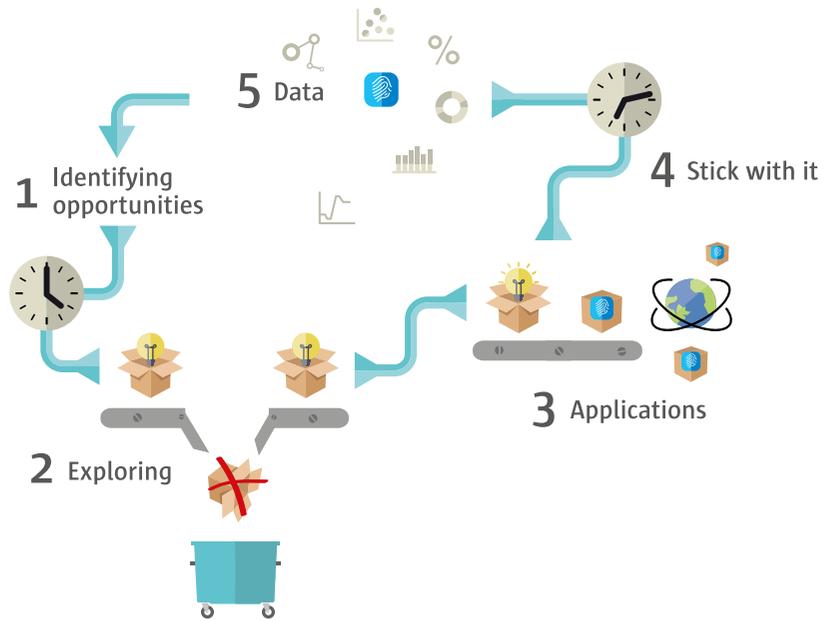


Learning cycle

Identifying opportunities for new development might seem simple, although it is anything but. We don't see innovation as something you 'do on the side' as an organisation. Our ultimate aim is to develop or help develop new applications that add value to our existing products and products under development. It's essential in order to achieve this aim that innovative processes are managed properly and form part of a larger and integrated plan. ICS uses what is called an innovation funnel for this. It assesses potential innovations and gives them a score based on a range of different criteria. We reassess during each phase of a potential innovation whether the idea is still practicable. The first phase entails proactively exploring the opportunities and possibilities, both from the viewpoint of the business and IT, in order to subsequently translate them into applications we can roll out. Everything revolves around these applications because they enable you as a company and industry to create value. The next key step after rolling out an application is to 'stick with it'. The data we generate after the implementation are subsequently used for the next innovative opportunity. This both creates a learning cycle and ensures that FinTech is embedded in the organisation's culture and DNA. We sometimes also call this applied innovation.

Innovation in the attic

FinTech calls for a change to the traditional financial sector. This is sometimes referred to as unorganised thinking and poses a real challenge to more traditional financial services providers. As a result, it is important to have an open attitude. Because if you're really serious as an organisation about innovation, you must look outward



Biometric payments

ICS is, in association with Mastercard, the initiator of a biometric payment pilot. Biometric payment is a new method of online payment using facial recognition or fingerprints. The Netherlands is the first country and ICS is the only provider to offer this form of payment. It may even be possible to explore the potential for using heartbeats to authenticate identity in the future. The current biometric payment pilot will run through January 2017. ICS is currently looking with Mastercard at the possibilities for turning this successful pilot into a standard product feature.



Startup Bootcamp and Mastercard Start Path

ICS is a collaborating partner in Startup Bootcamp and Mastercard Start Path. We co-finance startups in the FinTech industry within these initiatives. In addition to making investments, we coach these startups in their development, primarily by offering mentorship.

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and not stay in the comfort zone of your own company. This can be taken figuratively, in the sense of having an open mind, but also literally. It is simply a fact that it's easier to innovate in a proverbial attic than in a big office building. ICS could contribute to facilitating the conditions for this in the future. We are, for example, working on redesigning our application landscape. A key premise in this regard is that we want to use so-called open APIs that make it possible to set up innovation platforms on which new applications can be developed. They operate alongside

our standard product IT systems.

Artificial intelligence

ICS makes a well-considered selection from the vast offering of innovative developments and collaborations with startups. We assess, for example, whether a given FinTech is a sufficiently good fit with us before entering into collaboration. Because while daring to fail is a key prerequisite for companies focussing on FinTech, we are a relatively small player compared to the major banks and as a result can only take on a certain level of risk. The potential of the applica-

tion obviously plays a pivotal role when selecting innovations. The main trends we see in the payment industry right now are blockchains and artificial intelligence. The latter includes innovations such as voice recognition and a talking computer that can generate answers from the available data. This development does, however, lead to a considerable need for control. We can't just leave something up to the computer, but have to fully understand how it reaches its conclusion.

Empowerment

An added advantage of working with FinTech startups is the empowerment of employees. We see that our employees enjoy being involved in high-potential and innovative applications in the payments industry. They're inspired by them, which in turns makes them more passionate about their work. This is crucially important for a company such as ICS. In the war for talent, the opportunities a company can offer in the field of innovation are a decisive factor. ♦

Bank as a platform

The new European payments guideline PSD2 will go into effect in 2018. Banks will as a result be required to construct an API that will give third parties access to transaction data, obviously providing that customers have granted permission for this. ICS is anticipating these new regulations by developing open APIs in cooperation with various organisations, including ABN AMRO. The safety and trusted nature of banks are being combined with the innovativeness of FinTechs and both are consequently strengthening each other.



Nico Lodewijk