



Minimizing the Impact of **EMV & Churn** on Your Subscription Business



The Impact of EMV Technology

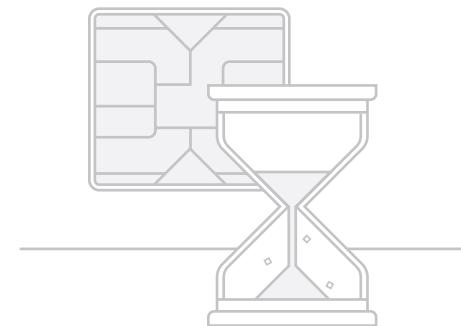
If you're a merchant — in particular, if your business is primarily online and accepts Card Not Present (CNP) payments — then you should make sure that you're familiar with the new EMV card technology and how it will impact your billing.

EMV Cards (also called *smart cards* or *chip cards*) are credit cards with built-in chip technology that makes them less vulnerable to hacking and counterfeit-card fraud. This technology has become the global standard, and the US is finally catching up, with approximately 120 million Americans having already received an EMV card to replace their old magnetic strip card, according to CreditCards.com. By the end of the year, that number is expected to reach nearly 600 million. And given that 88% of Americans prefer to use either a credit or debit card when making purchases — most obviously those online — any change to card technology and processing will have a significant impact on both merchants and consumers.

There are two ways that the new chip card technology can impact your e-commerce transactions:

- ▶ Increased churn
- ▶ Increased CNP fraud

To prevent potential declines, be sure that your billing solution has an automated process to update the new EMV card information before the card is run.





Reducing Your Churn

Because so many new EMV cards are being issued in the United States, this is sure to have a significant impact on any business that receives payment via credit or debit card. This is because many, if not most, of these new cards will have a new expiration date and CCV code. If you do not have measures in place to update your customer's card automatically, it will be declined, possibly resulting in significant churn to your customer or subscriber base. Your subscription billing system should have the capability to automatically and seamlessly address these types of credit card declines.

Prevent Churn with Account Updater

Visa and MasterCard provide an account updater that allows billing solution providers to automatically update card holder information to prevent disruption of recurring payments due to authorization declines.

Prevent Churn by Choosing a Billing Subscriber

If your billing subscriber does not provide this feature, you may be losing revenue due to these avoidable failed payments. You may want to switch to a service that automates this function for you.

What can you do to reduce this type of churn?

Ensure your subscription billing solution works preemptively to solve potential issues before the transaction — and the potential decline — even takes place.

- ▶ Enterprise-class billing solutions should automatically contact the issuer to update card information before the card is run. For instance, Recurly uses proprietary logic to accomplish this seamlessly behind the scenes.
- ▶ Visa and MasterCard (which account for approximately three-quarters of all cards issued) offer an automatic Account Updater service. While some payment processors will run the appropriate updater for you when needed (at extra cost) with Recurly, this service comes standard.
- ▶ Recurly has found that our customers recover revenue at an average rate of 7% of total credit card billings per month by using our automated account updater service.

These account updates take place without requiring any customer contact. You save time and money when your subscription billing solution automates this process for you, and your customers have a better experience not having to update their information themselves.



CNP Fraud Prevention

Because EMV cards have been in use in Europe for several years now, we know that as ways to combat the use of counterfeit cards in POS transactions improve, fraud moves to CNP transactions. Indeed, this has been the case in every country that has switched to EMV cards. As long as thieves can somehow obtain the credit card number and expiration date, they can still use the card to make online purchases.

Some best practices you should always follow to be vigilant against this type of fraud:

- ▶ Use **AVS match** (address verification) for all new orders.
- ▶ Verify the **CVV security code**, which only the actual cardholder should have.
- ▶ Be alert for any **suspicious transactions**, for example when the shipping address is in another country than the billing address.

Make sure to choose a Payment Gateway that includes fraud detection automatically as part of their service. Payment Gateways differ; some will have more advanced anti-fraud detection than others. As well, some of these fraud-detection routines may not be configurable by merchants. Contact your credit card processor to see what anti-fraud tools they support or provide.

EMV Card technology is here to stay and for good reason. As a CNP merchant, you need to know and be prepared for how the EMV cards may impact your business. You don't want to lose revenue over easily avoidable issues with outdated card information.

By following best practices and taking advantage of automated account updater processes and the latest payment gateway anti-fraud technology, you can minimize the impact of the new EMV card technology to your bottom line.

Ready to get started with Recurly?

Recurly

Recurly provides enterprise-class recurring billing management for thousands of subscription-based businesses worldwide.



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