

4 ways to improve your authorization rates

Avoid card declines that can cost merchants both sales and customers.

Not all card declines are a result of fraudulent activity or insufficient funds. Cards can be declined when customers enter their information incorrectly, and can also be declined when credentials have expired or were recently replaced. They can also be declined when transactions trigger false positives for fraud.

However, declines are far more common in transactions where the card is not present, such as e-commerce sales, says Sara Walsh, senior vice president, enterprise payments at Bank of America. According to Bank of America proprietary data, card-not-present transactions have steadily increased year over year, which means declines are hitting merchants harder, notes Walsh. Payment stakeholders are reporting as much as 50% of their purchase volumes are now card-not-present and 30% of those are done with a saved card on file. It's imperative that merchants and card issuers work together to keep card credentials up to date.

Fortunately, there are technologies, processes and systems that decrease the odds that a legitimate payment will be declined. Here are four strategies to try.

1. Embrace tokenization technology

Tokenization, which turns sensitive data into electronic "tokens," is generally considered one of the highest forms of data encryption. Not only are they secure, tokens also perform better and have a higher likelihood of being approved. Some e-commerce merchants have reported up to 10% higher approval rates when leveraging tokenization over traditional methods.

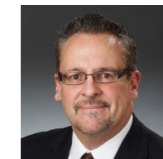
Account tokens are much easier and faster to update, compared to physical card numbers. Account tokens have the ability to be remapped to cards that were reissued with new expiration dates and/or new card numbers. This remapping process leads to a better, more secure customer experience and reduces declines related to "invalid card" or "bad expiration date."

Card declines can do serious damage to a business. And no single solution can address all of the reasons for declines. But by bringing together real-time account updates, informed retry strategies, proper transaction indicators and tokenization you can improve both your authorization rates and your customers' experience.

2. Apply accurate industry indicators

Card issuers utilize a large number of data elements and transaction attributes for decisioning. Each of these plays a role in the authorization and fraud detection process. It's critical that all transaction data closely resembles the type of business being conducted. Merchants are also encouraged to notify major issuers when making changes. Changes in major data elements such as Merchant ID, Merchant Name field, price, and even transaction velocity can be a source of friction, causing unnecessary declines.

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Key takeaways

- Card authorization rates are an essential performance metric for merchants, and can significantly impact both the customer experience and revenues due to cart abandonment
- New, powerful software solutions, involving real-time updates, data mining and artificial intelligence, have the potential to significantly reduce unnecessary declines
- Cutting-edge practices such as tokenization allow the card number to be maintained despite physical card number changes and add a level of protection that will lower card decline rates over time

Arguably one of the most important data elements is the Merchant Category Code (MCC), which is classified by the card brands. “While most businesses stick to the MCCs for their primary business activities, that may not be enough if they have multiple lines of business and brands,” says Gregg Kambour, senior vice president in technical solutions consulting with Merchant Services at Bank of America. “Think about a hotel, for example, that has several businesses just in the lobby — a restaurant, a coffee shop, a retail store, car rentals — and there might be many more.”

Similarly, as subscription models continue to thrive among businesses, it is important that merchants follow the proper guidelines for setting up these transactions with their customers. “For companies that offer subscription services, it’s important to use the available indicators to notify card issuers that these are recurring subscription charges,” says Walsh. A clear distinction between customer-initiated transactions and merchant-initiated transactions can drive meaningful changes to card authorizations among issuers. As businesses continue to expand and transform their operations, payments professionals must ensure that these changes are expressed in their transaction data.

To combat unnecessary card decline, merchants should take care to fill out all the soft descriptors about the various lines of business, as well as alternate business and brand names. These details also have a significant impact downstream as customers review their activity. For companies that offer subscription services, it’s also important to use the available indicators to card issuers that these are recurring subscription fees, says Walsh, adding, “If critical indicators within your transactions change, such as Merchant ID, price point, or velocity, let your major issuers know so they can prepare their strategies and avoid false positive declines. By describing the transaction accurately, you will also benefit because the customer will be able to clearly recognize their purchase and avoid the filing of an unnecessary claim.”



“A cutting-edge retry strategy can identify the times when the account is most likely able to afford the transaction and retry the transaction at that time.”

3. Leverage advanced retry technology

Fortunately for customers and merchants, declines aren’t one and done. Authorization optimization software will allow you to retry the sale later. But the timing of those retries can be critical. “The second-largest reason for declines, behind invalid account number as discussed above, is due to customers exceeding their credit limit or available balance,” says Kambour. “For those declines, a cutting-edge retry strategy can identify the times when the account is most likely able to afford the transaction and retry the transaction at that time.”

“To even further increase the odds that the billing will go through on the second try, consider using authorization optimization software that employs data science and artificial intelligence,” says Kambour. Software like this can analyze the reason for the decline and make the proper content adjustment and resubmit for approval.

4. Employ automatic, real-time account updates

A couple of major culprits in transaction declines are invalid card numbers and expiration dates, says Robin Reodica, senior vice president, global product management with Merchant Services at Bank of America. This could mean that a customer may have entered their personal information inaccurately, causing mismatch of account information when the merchant runs the purchase transactions. However, more often the issue is that a card has been replaced or has expired since last used with that merchant.

“When a consumer card is replaced due to lost/stolen, fraud or other card life cycle, the customers may not always remember to update their information with every single merchant or subscription service where they have an account,” Reodica says.

Traditional “card account updater” services can be used to periodically update customer cards on file as they expire or change for other reasons, but depending on how often the merchant requests card account updates, any numbers of cards are likely to be replaced or changed at any given time. Luckily, according to Reodica, newer services (such as ‘real-time card account updater’ as part of the authorization optimization solution) can automatically check for any card account updates as the sale is being processed, which will increase the approval rates. This new solution is driven by AI (artificial intelligence)- and ML (machine learning)-based models which interrogate the decline reason code and retry transactions with updated transaction payload in real time to reverse the decline to an approval.

How can we help?

Contact Bank of America today to learn more about solutions that are designed to improve authorization rates such as the authorization optimization service incorporating innovative card processing strategies.



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