

How issuers can approve more payments without cost of risk

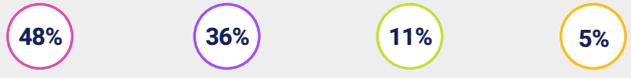
” But I have the money!



USE CASE

ISSUER BANKS DECLINE REASONS

Issuer banks decline card payments for various reasons. Kipp offers a new approach to enable the authorization of legitimate transactions associated with these use cases:



TRENDS

The costly trends of declined transactions

Based on our clients' feedback and data almost 50% of card issuers' declines are due to insufficient funds. Riskified's report from 2019 revealed that most customers who receive NSF declines are actually "life events" shoppers and travelers. Life events include larger payments for wedding planning, moving to a new home, or having a baby. Regrettably, this is the most inconvenient time for those individuals to deal with such a hassle.

Usually, consumers don't know whether merchants or issuer banks are to blame for payment declines, especially if they have the money. But when the reason for the decline is insufficient funds, frustrated customers tend to blame the issuing bank. Depending on their level of frustration, they call

the bank to complain. They might ask for a credit increase, which may be too late for this transaction. Worst case, they'll use another card or a different payment method – regardless, the card issuer will lose the top of wallet position.

While credit cards have credit limits for a reason, they also know their good customers. What if you could give your good customers a pass and approve the transaction even though it's over the credit limit? What if you could do it without added risk? With Kipp, you can.

CHALLENGE

How to authorize payments despite insufficient funds alert, and without adding risk

When a transaction is falsely declined (from the consumer's perspective), consumers "punish" the bank by using another card for subsequent transactions, causing banks to lose even more revenue. Unlike declines due to failed validation, payment declines due to insufficient funds are an entirely different ball game. The risk in approving the transaction is loss, not fraud. Fortunately, issuer banks know how to assess and price risks. Yet, they typically don't do it in real-time or per transaction.

The decision to approve or decline a transaction due to insufficient funds is a question of risk vs. reward. On the one hand, you risk financing a 'loan' the customer won't repay. On the other hand, the reward of having a satisfied customer who got what they wanted and paid the bill on time like they always do.

The booming Buy Now Pay Later markets methods are the go-to solution for many shoppers that couldn't complete their transactions because the bank declined them. Yet, they managed to grow into a market worth billions and projections say it will reach \$20.40 billion by 2028. So the question is, can banks afford to keep declining NSF transactions across the board?

If banks have enough data to define their good customers and they can price the risk of approving a payment despite "insufficient funds," the remaining challenge is covering the risk cost.

[Well, that's the idea behind Kipp's solution.](#)

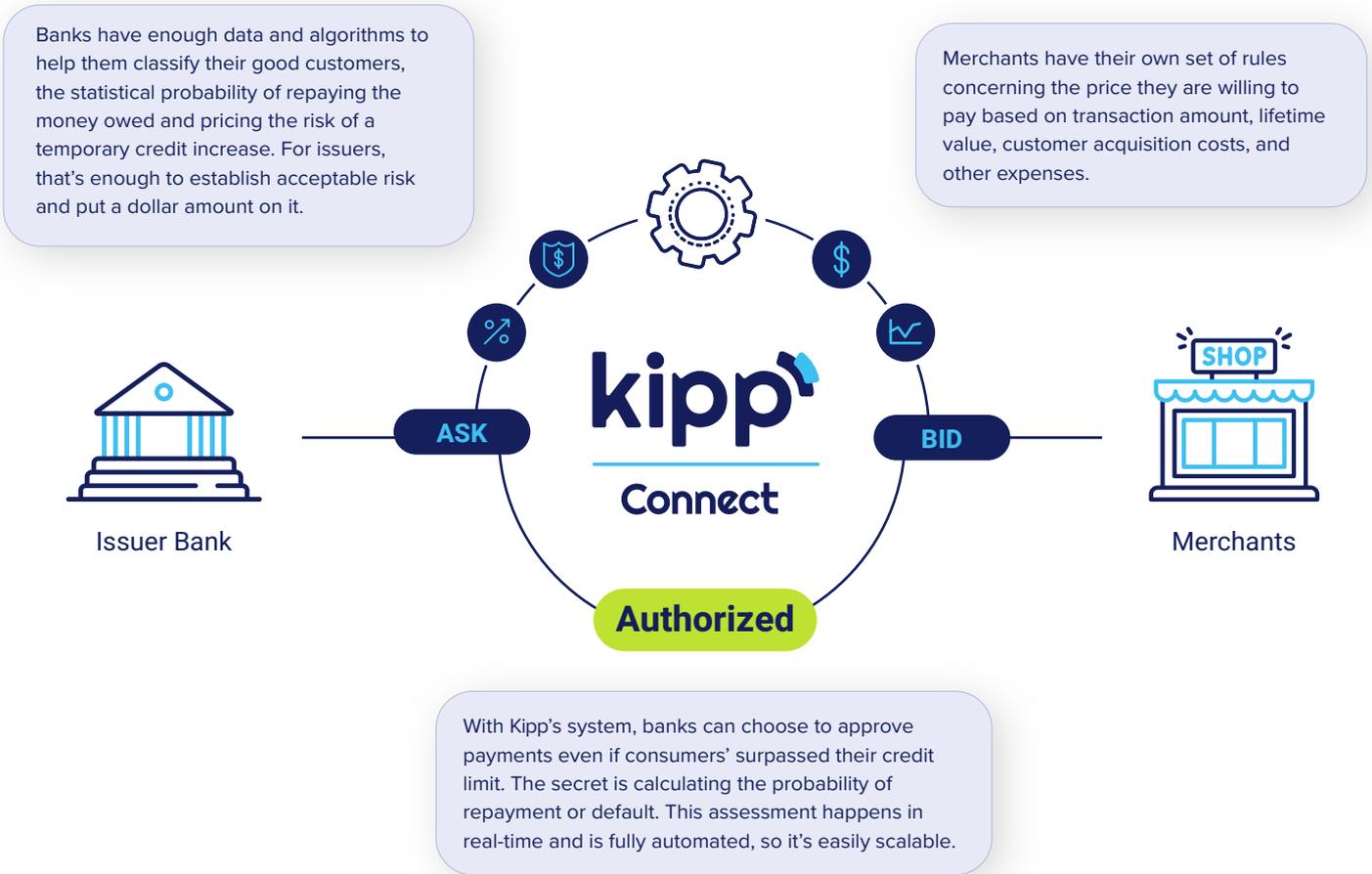


SOLUTION

Covering the cost of risk in real-time

Kipp offers an innovative approach to managing real-time risk assessment and compensation on every transaction without human interaction. Kipp leverages the aligned interests of issuing banks and merchants to authorize more legitimate transactions by having the merchants cover the risk cost, which is typically assumed only by issuers.

The diagram below illustrates Kipp's role and position between the merchants and issuer banks.



BENEFITS

Increased revenue and customer satisfaction with lower operating costs

With Kipp's help issuing banks can significantly reduce operational costs associated with complaints and instead increase payment approvals, revenue, and customer satisfaction. Kipp's solution meets the needs of card issuers, merchants, and customers of the digital age by optimizing the traditional payment model.

Kipp created a solution that provides more loyal customers for card issuers and merchants by covering the risk

cost using the world's first automated communication channel.

Helping banks replace the embarrassing moments of declined transactions with a seamless solution that optimizes payment authorizations.

Thankfully, Kipp works with all issuers, so if you want to start optimizing payment authorization to increase customer loyalty, [click here to get started](#).

ABOUT



Kipp is a Global Fintech innovator enabling Issuer Banks and Merchants win together legitimate transactions that are currently declined. Kipp's AI-driven technology optimizes the traditional payment model for increased revenue, customer satisfaction, and loyalty.

The company's solution leverages the aligned interests of issuing banks and merchants to authorize more legitimate transactions by providing a seamless system to split the risk costs in real-time based on predefined risk profiles. Kipp's founders and team are fintech veterans and payment optimization professionals.