

# SUCCESS IN INTERNATIONAL BANKCARD PROCESSING MARKETS: MARKETING AND DELIVERY OF BANKCARD SERVICES (TSYS)

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## CASE DESCRIPTION

*This case depicts a US-Based firm that painstakingly but successfully markets its bankcard processing services to international prospects. The basic modes of supply are a combination of services supplied from one country to another, corporate subsidiary setup of operations and local personnel recruitment. Prior to the establishment of operations, an extensive discovery, sales and marketing process leading to contract negotiation took place. This case examines the strategic challenges facing a services firm and the integration requirements necessary for successful market penetration. Any firm embarking on such exportation must be cognizant of and form entry strategies bearing in mind the specificity of promotion channels, early mover advantage, longer sales cycle and a need for direct in-country representation to achieve product awareness. This case is designed for a junior level undergraduate course in International Business, International Marketing or International Strategy in which the above topics may be covered. The case is designed to be taught in a one hour class and is expected to require two hours of outside preparation. This case endeavors to provide an enhanced understanding of delivery and execution of bankcard services marketing and delivery with the objective of long-term growth, increased revenue generation and improved market share.*

## CASE SYNOPSIS

*Service industry exportation entails a certain marketing-related complexity not similarly encountered with the export of manufactured goods. TSYS boasts top notch sales, technical and project management expertise that effects success in the services marketplace. Having thoroughly penetrated the US bankcard services market, TSYS set out to explore new and international opportunities through a customized sales approach of bankcard processing services. Just as regulations and other compliance issues vary from country to country, so do processing requirements, rules and other idiosyncrasies of the industry on an international level. The solution to ensure ultimate delivery is shaped by several elements "unique to a services solution that differentiate it from a [tangible] product solution" (Hill). Speed to market is greatly affected in comparison with that of tangible product offerings. Additionally, estimation and control of the timeliness of deliverables tended to be more elusive thus requiring increasingly skilled management of the process. TSYS' marketing with regards to cross-border service bankcard provision involved dealing with factors such as intangibility, customization requirements, lack of inventory, time sensitivity and change and quality management. The case is instructional in terms of the challenges such financial service firms may face and how to respond.*

## REFERENCES

Hill, Paul. (2003). The Internationalisation Of Services Marketing. Retrieved October 20, 2004, from <http://globaledge.msu.edu/KnowledgeRoom/FeaturedInsights/0002.asp>

Simpson , Burney . (2004) A Powerful Group Of Processors. Credit Card Management. 17 (8), 30-35.

## INSTRUCTORS' NOTES

### CASE QUESTIONS

Question 1:

Explain some of the factors and challenges TSYS met upon the launch of international expansion. Discuss the strategies employed in facing the challenges.

Question 2:

How can TSYS determine the value of diversifying into multiple markets? Is there a point at which further expansion becomes detrimental?

Question 3:

Using the internet, explore the global reach of various credit card processors such as TSYS, Certegy, First Data, Nova, Global Payments, and Capital One and bankcard associations such as Master and Visa. What does the future for the outsourcing for bankcard processing portend? Also consult the article: Simpson , Burney . (2004) A Powerful Group Of Processors. Credit Card Management. 17 (8), 30-35.

Question 1:

Inherent with bankcard processing is the sensitivity of data. The precision with which data is to be processed is essential in any market related to bankcard processing services. The due diligence required when exploring other markets entails the research of key channels, potential markets, and areas in which to benefit from economies of scale or strategically enhancing processing platforms to economically handle multiple smaller markets. Often has been the case that the larger customers would observe the results of the processing of smaller entities and employ a "wait-and-see" approach. A successful observation phase implied higher possibility of signing on the bigger clients. The sales cycle deals with contractual agreements and highly coordinated turning over of clients. That is, when a bank changes processor, there is a deconversion (from in-house or other vendor) and a subsequent conversion (in this case, to TSYS) of the live cardholder accounts. The processing of these accounts cannot be placed on hold while outsourcing changes are underway thus the meticulous nature of this process.

Question 2:

The pricing in the bankcard processing arena is rarely based on a standard worldwide price due to the factors in the negotiation process. In the services industry, there are not necessarily price increases due to distance as may be the case when a physical product must be shipped or direct investment in assets within the target market is a factor. The objectives of a firm as well as market conditions have greatly affected prior pricing decisions. This case depicts a firm using, in certain initial phases of a particular market entry, a market-differentiated price-setting strategy based on market-specific demand and potential rather than cost of the sales process, establishment of operations and project management. This can imply different foreign and domestic pricing. Further expansion may become detrimental if the different platforms on which processing takes place are not managed properly and either cause reduced economies of scale or data processing issues.

Question 3:

The bankcard processors continue to be greatly influenced by the merger and acquisition activity of the larger banks of the world. In many cases, this activity has resulted in changes in vendors for the processing service. There is presently a trend towards consolidation of the market share among the major processors. The problem for some processing firms, however, is the overall pieces of the pie are becoming larger as the banking industry consolidates under fewer and fewer roofs. Consider JP Morgan Chase as well as Bank of America and Fleet Bank. This implies that in the near future there will be some processing firms with greatly reduced market share and possibly some acquisitions or takeovers of the weakened firms.