

About Payments Data: For Marketing, Insights, and Analytics Uses

Commerce Signals
A TransUnion® Company

Signal loss is a constant topic of discussion and frustration for marketers. Evaluating reliable alternative signals isn't easy, but it is increasingly necessary. If you've been using location data from smart phones, purchase data can be a significant upgrade in both quantity and quality. You may already know that the data from credit and debit card purchases can be used in myriad ways to help marketers, advertisers, and insights pros, including:

- Campaign measurement: Improve ROAS by knowing what parts of your campaign are driving revenue
- Customer insights: Understand what your customers do outside your "walls"
- Activation: Target past buyers, competitive purchasers, heavy category spenders and more

However, to really evaluate payments data as a signal as well as different potential providers, you need to understand a few things about how payments work. Then you'll be armed with the right questions to evaluate typical areas such as privacy, permissions, source, and quality.

That's why we created this report. Most marketers know that their e-commerce sites need to be able to accept credit cards, but beyond that, they typically rely on finance pros for the rest. Marketing industry publications rarely cover payments and consumer marketers have little time or desire to read banking blogs to educate themselves, so this report shares what you need to know to evaluate payments data as a marketing or analytics option. Consider this Payments 101 and 201 – curated by marketers.

Card payments are growing

Even before the pandemic, there was a long-term shift away from cash to cards, with no sign of that receding. Card payments are up 12% over the last 12 months.

One of the closest corollaries to payments data is location data. Location data is ideal for store visits if that is all you need. Payments data will show you if those visits translated to buyers as well as the total dollars associated with the purchase.

While you don't see receipt and item level data, you do see the total purchase amount. Also with card data, you see everywhere cards are used. From online to in-store, in-app or buy online/pick-up in-store or delivery, all channels appear in payments data and it's always on. Unlike your location history, you can't request your card usage not be tracked as it is needed for the bank to process your purchase and therefore statements – and purchase data – will be accurate.

Comparing Payments Data to Location Data	Payments Data	Location Data
Store visits		✓
Buyers and basket size	✓	
Online, instore, in-app, BOPIS, delivery	✓	
Always on	✓	
Accuracy	✓	
Coverage*	✓	

**Potential to be higher depending on the source*

Beyond Signal Loss

At a high level, the company who understands their customer the best is going to win in the market. Today, that's often e-commerce and D2C businesses because they know 100% of their customers, not because of payments, but because people must enter their name and address to have goods shipped to them. Compare that to traditional brick and mortar retail; they only really know customers that use a loyalty card. The key to understanding your offline customers lies in payments data.

Use Cases

Insights or Competitive Insights: With payments data, you can measure down to a county level or even down to a store level how you're doing versus your local competition. For example, if you look up Starbucks data for a specific county, it will show year-to-date sales for online and in-store, then you can compare that to your local competition.

Audiences: With actual spending data as a core, a model can be developed that shows if Person A is a likely Instacart buyer or a likely Ralph's buyer, then those audiences can be used anywhere including digital, connected TV, etc.

Measurement: With payments data, one can understand the sales impact of ad campaigns, prove sales lift, calculate ROAS, and more.

Card payments by type

This chart shows share of spending in credit versus debit and the four big brands.

Share of \$ Spending	Credit	Debit
Visa	29%	33%
Mastercard	12%	13%
American Express	10%	-
Discover	2%	-

Source: The Nilson Report Feb 2022

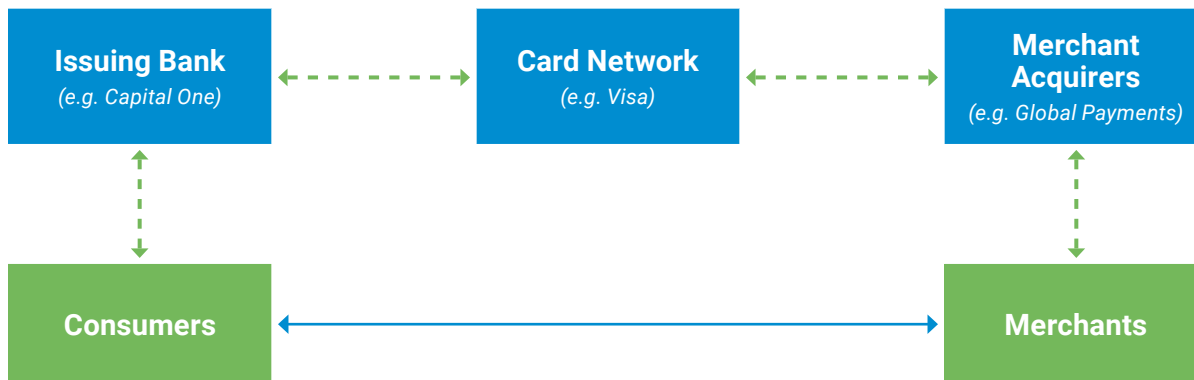
A few things in here are worth noting:

1. Visa has the largest share
2. Credit and debit are roughly evenly split
3. American Express isn't as big as you might think, capturing only 10% of purchase dollars (and 5% of transactions)

You don't need access to 100% of card spending to improve your return on ad spend, just a large enough portion to have confidence that the data is accurate and representative of your customer base.

Card Transaction Processing

When you think about payments signals, it's imperative to understand the basic data flows. While one might think of the Visa or Mastercard as a single entity, there are actually three different types of companies involved in a payments network, as illustrated in the blue boxes below.



On the consumer side is the **issuing bank** such as Capital One and Citi and Chase. These are the companies that everyone knows due to their extensive advertising to drive card sign ups and usage. These banks issue consumer cards and send monthly bills to their users.

The **card network** in the middle are the rails on which payments run. Visa and Mastercard are networks. They determine the rules that all involved parties abide by. The networks facilitate trust, fight fraud and more.

Merchant acquirers, also known as merchant processors or acquiring banks, sign up merchants or retailers to accept bank cards. They ensure the merchant ultimately gets paid. The merchant acquiring bank is typically the one who's supplying the POS terminal at the register that consumers scan or tap or swipe their cards through.

All three of these entities have payments data, but they all see a different slice. They have different usage restrictions as well.

Issuing banks, because of their relationship with consumers, see transactions everywhere that cards are accepted, but they only see the transactions for the customers that have their cards. It's very broad coverage, but not deep.

Acquiring banks, on the other hand, work with the businesses (or merchants) that accept cards. They have very deep coverage with their client retailers, but it's not as broad. For example, an acquiring bank might have the Best Buy business and they might see all the transactions for Best Buy, but then that same bank might not work with Home Depot, so they see none of the transactions at Home Depot.

Card networks see everywhere their card brands are used, but because of their role in the payments system, the data has usage restrictions. It also tends to be hard for card networks to use debit for marketing use cases. Usually, if you're working with a card network, you're just seeing credit data and not debit data

Additional Payments Sources

Bank Data Partners see data across multiple banks and can therefore offer both depth and breadth. For transparency, Commerce Signals falls into this category. Like other data sources, bank data partners vary in scale. It's important to compare the available scale to the needs of your use case.

Consumer panels are also a source of purchase signals. Many well-known named companies have consumer panels. These provide depth of insights and can track anonymized people over time however, their main downside is that they lack scale and thus granularity. Some panels include receipt scans which provide product level data but again, they lack scale.

Loyalty cards have great wealth of data based on purchases and is very strong in CPG when most grocery stores have loyalty cards, but outside of CPG and outside of food and drug, there's less data available for loyalty cards.

Suggested Evaluation Criteria

- **Scale:** Scale ultimately gives you significance. Its size builds trust, and it allows you to slice the data more finely to drill down into your required insights.
- **Fit:** Make sure the data set is representative of your customer base. For example, a QSR that skews heavily towards debit card usage should ensure their purchase data signals includes debit data.
- **Accuracy:** Beyond statistical measures of accuracy, it's critical that your leadership believes the outputs and recommendations made leveraging this data. Simple checks can be done to get a baseline read on whether the available data lines up with other data sources such as your own internal revenue reports.

Additional Questions to Consider

- What **percent of transactions** are included in the source? Because payments are a huge industry with almost \$7 trillion of payments running through credit and debit cards, it's easy to find big numbers in terms of number of cards or number of dollars. What marketers should consider is the percent of transactions that are covered by your source.
- If you're trying to find heavy buyers or see how heavy buyers behave, focus on the individual, not the card. The ability to **aggregate spending** across cards is important for marketers.
- Does the source include **credit and debit** card payments?
- **Household data** can be particularly useful when the buyer is not the same person as the decision maker or there are significant influencers in the household.
- **Time** lag and refresh rates (daily, monthly?) are also key considerations not to be missed as marketers need to know if the data they are measuring is relevant.

Privacy

Last, but most important, is privacy. As a rule, payments data is stored using anonymized, de-identified IDs. Consumers can opt out with their issuing bank if they don't want their data to be used in anonymized, aggregated marketing reports.

Additionally, even though every marketer wants their data scientists to be able to access the most granular data possible, raw payments data is never available to marketers. Imagine walking into a bank and asking for all their transaction data. That's a non-starter. Payments are a highly regulated industry. Marketers, analytics, and insights teams can access aggregated data or modeled data, but individual transactions are not accessible or necessary.

Conclusion

Card payments will continue to grow, and the availability of card data will not be impacted by third party cookies or phone operating system changes. That translates to much more accurate, reliable data available for marketers to use to propel their campaigns to even greater success. But before you switch to this "new" signal, be sure that the scale, fit, and accuracy match your business requirements.

Questions? Reach out to us at info@commercesignals.com.

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