

# Rising to the Top

How a Community Bank Turbocharged  
Its Debit Card Program with Discover®



Discover® Debit



American  
Bankers  
Association®



Colony Bank, based in Fitzgerald, Ga., is a bank on the move. Colony is the largest community bank in the state, with \$2.7 billion in assets after two mergers in 2019 and 2021. To meet the demands of its growing customer base, the bank added products and services including mortgage, government-guaranteed lending, and consumer insurance. Colony also launched a new debit card program, an effort that began as an exploratory mission in 2017.

Why did Colony make the card-brand switch? The idea that community banks struggle with change is as cliché as the old adage, “If it ain’t broke, don’t fix it.” In banking, the best moment to fix something is before it breaks, and community banks are well-positioned to do that. Smaller budgets and fewer staff mean innovation must be customer-focused and intensely strategic, and finding the right partners that understand the needs of community banks and their customers is paramount. Community banks also enjoy advantages such as the potential for nimble decision-making in response to a changing landscape; the ability to build upon a meaningful, more personal presence in the local community; and, perhaps most intriguingly, the opportunity to turn payments, a primary banking need for most consumers, into a significant source of non-interest income.

For Colony, it all started as a routine contract discussion. While negotiating with its electronic funds transfer (EFT) service provider, Colony Senior Vice President Jim Jowers fell into conversation with PULSE®, a Discover company, about switching the bank’s card brand to Discover® Debit. Jowers said he and the Colony project team were skeptical at first.

However, they looked at all three debit card brands, ran the numbers, and found that working with Discover would provide the most value in terms of interchange income and benefits to customers. But switching to Discover seemed like a risk, “so we presented every challenge we could,” Jowers said. “Discover met every one.”

What kind of challenges? In addition to the direct financial benefits, Colony required a solution with simpler, more transparent billing and reconciliation; responsive, engaged client service; and marketing support to increase community outreach and customer uptake. Most important, Colony wanted to find a partner that would help the bank deliver on its brand promise to cardholders. Discover met those demands and more.



## Streamlining billing reconciliation to 10 minutes

Community banks with their smaller staffs spend more time on average deciphering complex bill statements, putting them at a disadvantage. Bo Brannen, director of member services at the Georgia Bankers Association, explained: “Every bank looks very closely at efficiency ratios. It’s a good indication of whether they’re using capital the best way possible.” A time-consuming reconciliation process has a ripple effect, taking time and resources away from other activities that drive profit. “Simplifying the process affects everything — operational efficiencies, talent efficiencies. Our stakeholders are always trying to improve in that area.”

How much effort goes into reconciling a typical debit program statement? American Bankers Association Vice President Ed Gross points to anecdotal evidence suggesting the typical answer is eight to 10 hours per month. Discover Debit, on the other hand, offers an all-in-one, single-fee approach.

“Community bank employees wear so many hats,” Gross said. “Simplifying reconciliation on something that is such an important part of their business is huge. It does a lot to free up resources for them to create other opportunities for products and services. ... There’s a lot of value there.”

Colony now spends about 10 minutes a month on its debit program bill. “Discover is so much easier,” Jowers said. “It’s very clear. Very consolidated. Very transparent. You don’t need a doctorate to understand it, and I don’t feel like there are hidden costs.”



Discover is so much easier.  
It’s very clear.  
Very consolidated.  
Very transparent.  
You don’t need a doctorate  
to understand it, and I  
don’t feel like there are  
hidden costs.”

**Jim Jowers, Senior Vice President,  
Colony Bank**



## Client service is far ahead of the pack

At every stage of the implementation process, the Discover project team has been responsive, hands-on, and invested in Colony's success, Jowers said. That process included ensuring compatibility with Colony's EFT processor platform through its third-party core services provider. "I won't candy-coat it at all. It was not easy," he said. But the Discover team has been "awesome to work with. ... It's definitely been worth it on our side."

As a customer-centric bank, ensuring maximum merchant acceptance was paramount. Before Colony's new program went live, Discover "took three or four months of our transactions, scrubbed it against their current database and showed us where they believed there might be merchant acceptance gaps. Then, they worked with us and merchants in our community to close those gaps."

Discover representatives went in the field to conduct test transactions to find and fix any problems prior to card rollout. After the launch, Discover continued to track and report on merchant acceptance and address concerns — even troubleshooting minor issues with particular point-of-sale terminals. Of the 39,200 unique merchants used by Colony customers, 99.7% reported no acceptance issues, Jowers said. Discover is committed to working on the remaining 0.3%.

"If we do have any concerns with a merchant, the Discover team is so engaged in helping us take care of that," said Reagan Miller, Chief Retail Officer at Colony Bank. "It is very different than a lot of vendor relationships we've had. Their personal touch and dedication to service are beyond the norm."





## Marketing support kicked the program into high gear

Providing valuable benefits to Colony’s consumer and business cardholders is a top priority, Miller said. Discover’s debit program offers features including dark web monitoring, credit monitoring, and monthly FICO® scores powered by Experian®, and its marketing team assisted Colony in trumpeting these added value points. Discover helped with ads, promotions, and community outreach that differentiated the bank from other financial institutions and promoted card activation and use.

“Customers are going to be resistant any time they have to change their debit card,” Miller said, adding she was also concerned about customer resistance to a new card brand. “But I cannot stress enough how important the Discover team’s role was in meeting those challenges. It started with extensive up-front training so the Colony team felt more comfortable having the conversations. They provided resources that our marketing director could put in the hands of our team members. ... Discover’s people were incredible to work with.”

Bank leadership was particularly impressed with Discover’s boots-on-the-ground marketing approach for training, planning, and customer engagement. Discover’s marketing consultants not only work face-to-face with bank staff but also meet with local consumers in the community. Colony Vice President Courtney Crews said Discover provides a budget for sponsoring local community events — and funds the materials to create a “show-worthy” presence for both the bank and Discover Debit. Colony and Discover had planned an early 2020 appearance at the Tour de Troup, a bicycle race to benefit a new hiking trail system in Troup County, Ga. That event was canceled during the pandemic lockdown, but Colony and Discover are eagerly looking for new sponsorship opportunities as restrictions ease.

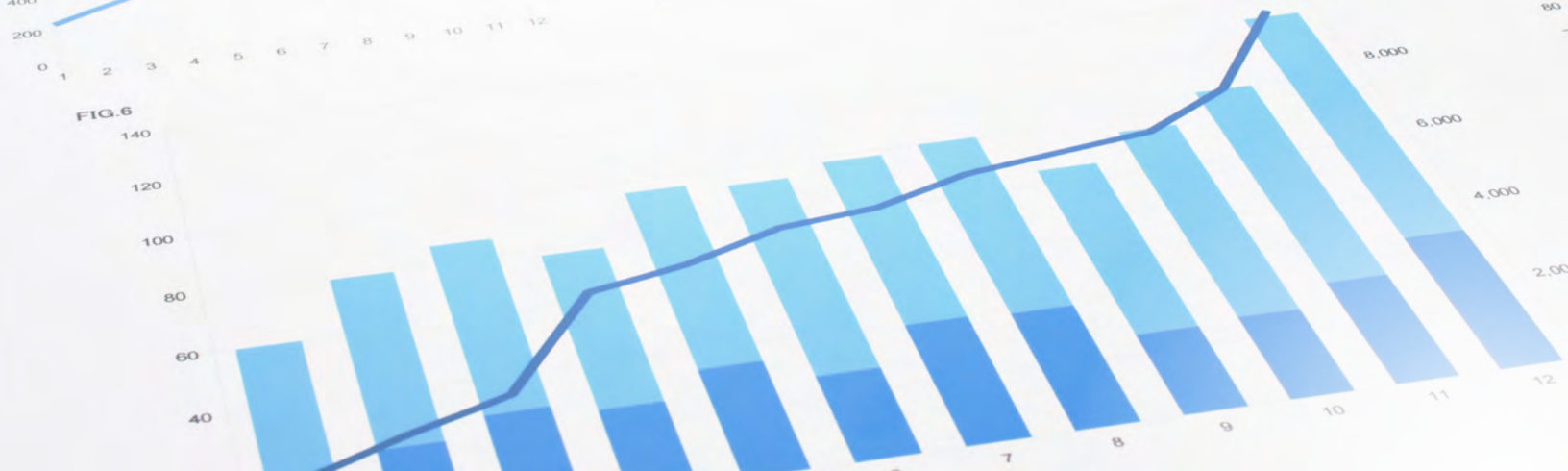
Meanwhile, the Georgia Bankers Association’s Brannen recalls Discover’s unforgettable presence with another Georgia bank at the Cordele Watermelon Festival. Discover set up a brand-activation event with a customized Airstream trailer to attract customers and local merchants and educate them about the benefits of the program. “They want to help their customers help their communities,” he said. From the perspective of the association, such engagement is “very attractive to us. It highlights the message that banks and bankers are vital to their communities.”

Crews added: “For a vendor to want to reach out and build relationships with our customers — it is really top-notch, and says a lot about them.”



Customers are going to be resistant any time they have to change their debit card. ... I cannot stress enough how important the Discover team’s role was in meeting those challenges.”

**Reagan Miller, Chief Retail Officer,  
Colony Bank**



## The victory lap: Increased interchange income

The most compelling story is told by the numbers.

Colony President and CEO Heath Fountain joined the bank in 2018, while Colony was still considering the debit card switch. Coincidentally, the smaller bank he had just left also chose to switch to Discover Debit. “When he came to us,” Jowers said, “he realized we were doing the same thing and greenlighted our project as well.”

The move to Discover was a smart one for Colony Bank. Customers love the card and interchange income is up 30 percent year over year.

This head-spinning growth is the result of Discover’s favorable rates dovetailing nicely with the bank’s strategic initiative to increase checking-account openings and net accounts, Miller said. “That, coupled with this change, has made a significant difference with interchange,” she added. Meanwhile, Colony Bank continues to optimize net interchange in the aggregate by teaming with an unaffiliated debit network that also provides premium interchange.

Brannen stresses the importance of non-interest income to a bank’s balance sheet. Depending on the market, loan demand can be hit or miss. And for many community banks, interchange is a major source of non-interest income. According to PULSE’s *2021 Debit Issuer Study*, debit interchange generates one-third of total non-interest income for exempt issuers, on average.<sup>1</sup>

He added: “When we partner with a service provider, we want something that will help banks do one of two things: Make money or save money.” Discover does both. “If banks are willing to take the time to learn more about it, they’ll find out all they can do with it.”

For Colony, the increased interchange income did not come at the price of other debit program priorities — quite the opposite. “Discover just kept rising to the top,” Jowers said, admitting that the team at Colony looked for good reasons to avoid the change.



Customers love the card  
and interchange income is  
**UP 30 PERCENT  
YEAR OVER YEAR.**

<sup>1</sup> <https://www.pulsenetwork.com/public/debit-issuer-study/> (accessed July 28, 2021)



## The right questions help jump-start a new debit program

Jowers says the switch to Discover Debit taught him a lot about payments — and what questions to ask about the process.

For banks looking at a card reissue within the next two years, ABA recommends asking these questions now:

- **How does your debit program fit into your bank's strategy?** Is your bank trying to increase the number and size of its checking accounts? Grow non-interest income? When strategic goals depend on a routine consumer behavior — such as payments — you need to know your customer, offer the products that meet their needs, and maximize your revenue potential.
- **Would a new debit solution be compatible with your existing EFT processor?** As with any new bank technology, system integration is a primary hurdle. Community banks need a dedicated partner on the vendor side who knows how to interact efficiently with the core banking systems, advocate for the issuing bank, and eliminate barriers.
- **Is a contactless debit solution right for your bank?** Contactless payments are expected to increasingly displace cash for small-dollar transactions, creating a potential new revenue stream for community banks. According to a panel discussion at the 2020 BAFT Global Payments Conference, tap-to-pay drives a 20 percent transaction lift in mature markets globally. Contactless capability might be the differentiator that puts your debit card at the top of your customer's wallet.
- **Does your bank have a strategic initiative to reduce costs and increase efficiency?** Look carefully at the costs of the available solutions. But don't forget to factor in the cost of bank staff tasked with implementing, troubleshooting, marketing, and managing the debit program. A partner that simplifies processes and provides ongoing support will reduce these costs.
- **What's your plan for marketing the debit card?** Do you have the in-house resources to support the program with comprehensive staff training, bank-branded collateral, and captivating marketing campaigns? If not, find out how your partner is prepared to help. The worst result for any debit program is for the card to sit dormant in a customer's wallet or drawer, displaced by a competitor's card.



## The Added Value of an Endorsed Solution

Discover Debit is a solution endorsed by ABA and 11 state bankers associations. For ABA member banks, that means a discount of two basis points off their all-in program fee, which is the network fee based on portfolio volume paid to Discover.

The endorsement also means a more level playing field for all community banks. "In payments, everything revolves around volume," ABA VP Ed Gross said. "Community banks have a smaller volume of payments, so it's a challenge getting the better pricing, features, and service available to big-bank clients."

Bankers committees and advisory groups are the impetus for every ABA endorsement. Bankers saw the need for improved debit programs, so ABA worked with Discover to provide small banks with access to the price advantages, ease of management, and vendor support available to bigger banks. ABA's Endorsed Solutions process improves the negotiation power for all community banks, no matter which vendor they choose.