Is Tokenization Right For Me?
Let Our "Value Behind The Vault" Checklist Be Your Guide

As tokenization technology emerges as a viable option for card data security, a number of solutions have entered the marketplace. Naturally, not all of these solutions offer the same feature set and same flexibility, especially when it comes to integration. The following is a list of checks and balances to consider when shopping for a tokenization solution

✓ Is it a format preserving tokenization solution?

By definition, tokens are strings that replace the card number or, more precisely, the Personal Account Number (PAN) on debit/credit cards. However, tokens can also come in different types and sizes. Some tokens are alpha numeric strings (i.e. digits and characters) that are much longer than the PAN on the card, while others are digit-only strings that have exactly the same length as the actual card number. Tokens that contain only digits and have the same length of the card number are called "format preserved" tokens. The benefits derived from using format-preserving tokens include ease of integration and reduced integration costs since tokens will be used in place of the card numbers across your systems and throughout your operations.

✓ What happens to the last four digits of the card number?

It is a common practice for merchants that accept card-not-present transactions to mask the leading digits of a card number and display only the last four digits for reference. When the card number is replaced with a token, the last four digits may no longer be available. When selecting a tokenization solution make sure the last four digits are provided with the token, either as part of the token itself or in a separate data field. Tokens that have the same last four digits as the card numbers that they replace provide the most convenience. When the leading digits of such a token are masked, the end result is identical to the masked card number.

✓ Can I run analytics based on card issuing banks using tokens?

Typically the first 6 digits of a card number contain the issuing bank information (i.e. its Bank Identification Number or BIN). Some merchants use this information to track the rate of authorization approvals, probability of chargeback challenges and other metrics on an issuing bank basis. When the card number is replaced with a token, the BIN digits may no longer be available. If your organization utilizes the BIN digits for any purposes, make sure the tokenization solution provides that information with the tokens.

✓ How do updates to the card numbers affect tokenization?

Due to bank mergers, acquisitions and fraud related activities, issuing banks occasionally replace existing card numbers with updated ones. Account Updater is a feature that enables merchants to get the updated card number information from the issuing banks on demand. With format preserving tokens, since the last four digits of the token are the same as those of the card number, updated card numbers will require new tokens. The tokenization solution that you select should support Account Updater seamlessly. This is especially critical for merchants that charge for goods or services on a recurring basis.

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THE PEOPLE BEHIND YOUR PAYMENTS.

✓ Can eCheck account numbers be also tokenized?

For most organizations the driver for tokenization is PCI compliance and scope reduction. PCI regulations cover card data only. For improved payment data security, you may consider tokenizing account number information that you store for other payment methods as well, such as eChecks. Tokenization solutions that support eCheck account numbers will provide more comprehensive protection in case of a data breach.

✓ What is the best pricing structure for tokenization?

There are various pricing models for tokenization. Some vendors charge for storing the cards and tokens on an ongoing basis regardless of usage, while others add a premium to every transaction that uses a token. Pricing models that avoid such recurring charges are generally preferred.

✓ Can I move my business to another tokenization service provider?

By tokenizing all of the card numbers that are stored in your system, you are exchanging a critical piece of your customer information with a proprietary string. Currently there are no standards on how tokens are generated and, in fact, each tokenization solution in the marketplace today has its own proprietary method to create tokens. This poses a problem especially when you decide to move your tokens from one tokenization service provider to another. To avoid "vendor lock-in", check if your tokenization provider offers a mechanism to transfer the credit cards that you have tokenized with them to a third party.

✓ Is tokenization the right investment for my organization?

Recent history is rife with significant card data related breaches. Whether they're viewed singularly (by organization) or cumulatively (as an industry), the cost and extent of recovery required of organizations that are victimized by them is substantial, magnified by such benchmarks as loss of reputation and erosion to their customer base. The 2009 Ponemon Institute research on the cost of card data related breaches has concluded that a business would spend $204 per compromised card. Even when the cost of less tangible items such as brand damage and lost business are subtracted from this figure, $60 per card (still) needs to be spent in order to cover legal investigations, notifications to affected parties, defense expenses and settlements. When multiplied with the number of cards that they process every month, this is a significant cost for many merchants. A reliable tokenization solution may help you reduce this risk significantly. After all, e-criminals and other online intruders cannot steal what you do not have.

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About Litle & Co.

Litle & Co. is a leading payments management company for merchants who sell goods and services directly to consumers. Providing payment processing and consultative merchant services for card-not-present (CNP) and alternative payments. Founded in 2001, and based in Lowell, Massachusetts, Litle & Co.'s growth has been acknowledged by a No.1 Inc. 500 ranking (2006) and a No.8 Entrepreneur Hot 100 ranking (2008).