The New Digital Consumers

Leveraging Next Generation Capabilities to Attract High Value Customer

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Visa's Global Product group commissioned this study.

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Contents

Introduction

Digital trends are reinventing consumer expectations, driven by universal connectivity, prevalent social media use, the rise of Internet of Things (IoT) devices, and increasingly interactive and personalized user experiences along the entire customer journey and across all channels. As the world embraces this digital transformation, consumer behavior has shifted to expect digital-first solutions embedded in everyday experiences. Mobile devices are so ingrained in daily life that the average person spends up to five hours per day looking at and interacting with their phones.[i] With the proliferation of apps and services that bring people into a digital-first world, consumers now expect the same access and ease of use from their banks and credit unions. Financial institutions who are unable to deliver a digital experience that meets consumer expectations may be replaced by new entrants in the ecosystem. This paper explores the evolving digital consumer, their current frustrations with financial services and outlines opportunities that exist for financial institutions to meet the needs of this growing cohort.

The New Digital Consumer

The New Digital Consumer

Leading Consumers

Defined as the most digitally engaged, six percent of surveyed participants fall into this trail blazing segment. Leading Consumers are generally mass affluent millennials and 100% of surveyed participants classified as a Leading Consumer use their mobile banking app.[ii] These consumers are actively trying new technologies, from wearable devices to new 'shared economy' apps.

New Consumers

Twenty seven percent of surveyed participants fall in this category.[iii] These consumers, though very comfortable with digital solutions, are not always the early adopters of new technology. While New Consumers are comfortable with digital innovation, they trail their Leading Consumers peers in adoption. 84% of surveyed participants who fell into the New Consumers bucket use a digital-only provider to manage a part of their life.[iv]

Established Consumers

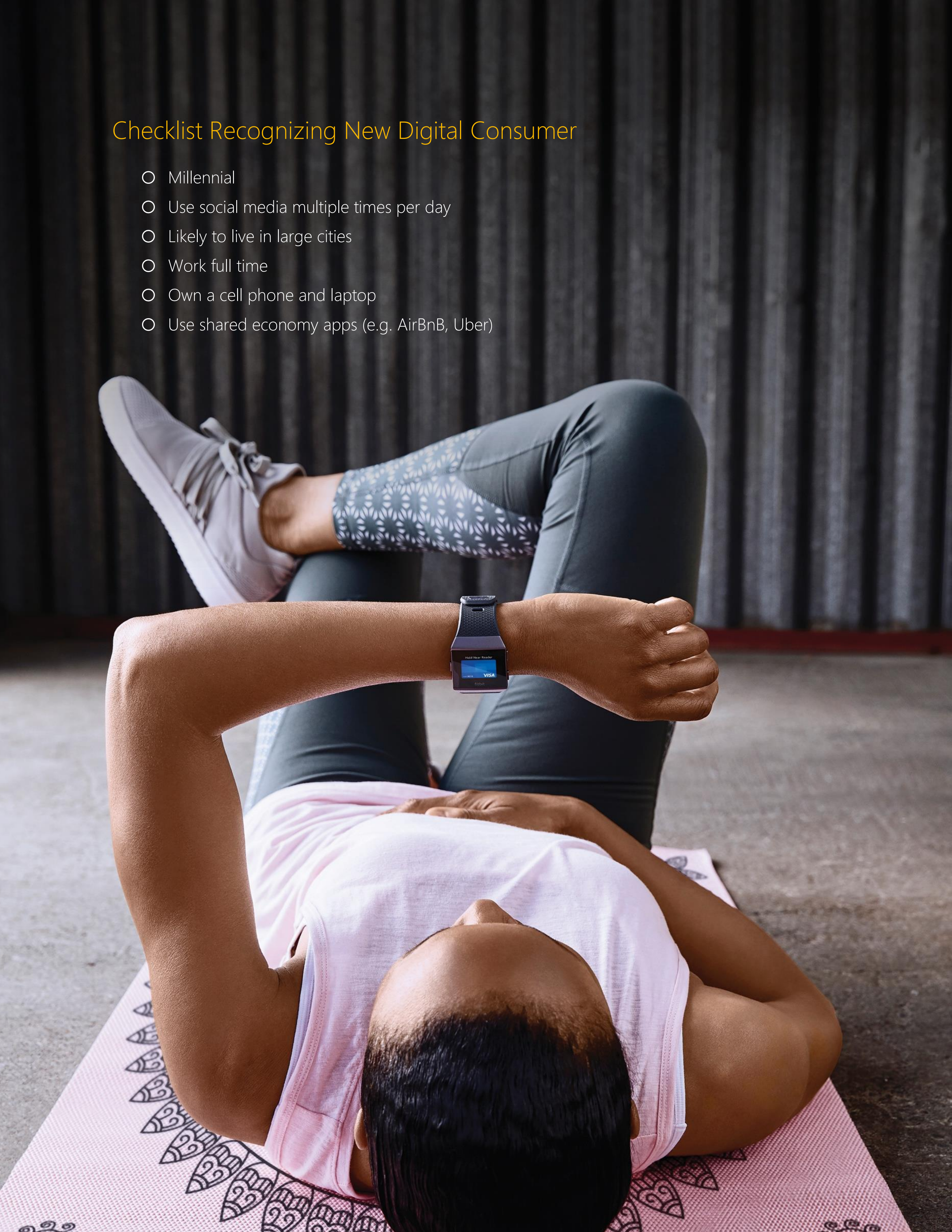
An estimated seventy three percent of surveyed participants into the Established Consumers segment.[v] These consumers rely less on digital platforms to manage their lives - only 63% of surveyed Established Consumers are satisfied with the digital experience their financial institution is providing.[vi] Established Consumers are not closed off to new technologies, they just do not adopt new digital habits until the products available become widely available and used in everyday life.

To attract the new digital consumer, financial institutions must first understand how individuals engage with digital products today and their current pain points with digital banking and payments. Then, they can deliver on expectations by integrating currently available solutions or collaborating to create new ones. Building products based on a knowledgeable foundation is what it takes to drive consumer engagement and shape financial services as an innovator in the market.

It is very important to note that while the Leading Consumers only make up 6% of surveyed participants today, their digital habits will become standard as technology adoption takes off. According to the Pew Research Center, smartphone adoption has almost quadrupled over the past five years for those 65+ and internet adoption for the group has seen similar growth.[vii] Thus, financial institutions must lay the foundation now to stay relevant in the long term.

Checklist Recognizing New Digital Consumer

- Millennial
- Use social media multiple times per day
- Likely to live in large cities
- Work full time
- Own a cell phone and laptop
- Use shared economy apps (e.g. AirBnB, Uber)



Defining The New Digital Consumer

Defining the New Digital Consumer

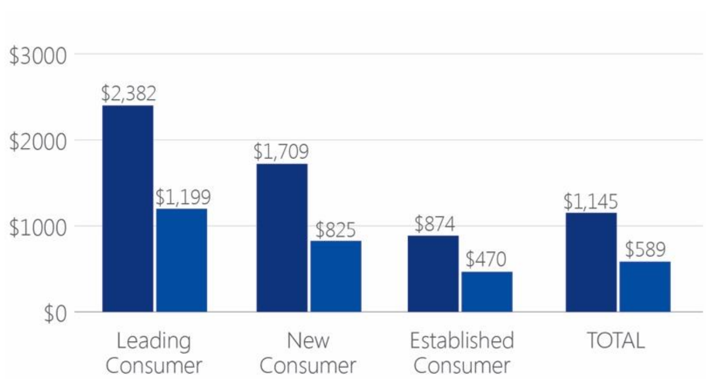
In the last few years, the U.S. has witnessed a significant shift in its population demographics with millennials (age 20-36 in 2017) expected to make up the nation's largest living generation by 2019.[viii] Because millennials are the first fully digitally native generation, it is not surprising that these consumers exhibit a heavier reliance on digital platforms to manage their daily lives. However, our research reveals an accelerating dynamic in their consumer behavior as they embrace newer digital features and products available in the market at a faster rate and deeper scope than previously understood. As financial institutions evolve to meet digital expectations, there are five traits important to understand in order to create and execute an effective digital strategy.

01 Digitally Savvy and More Valuable

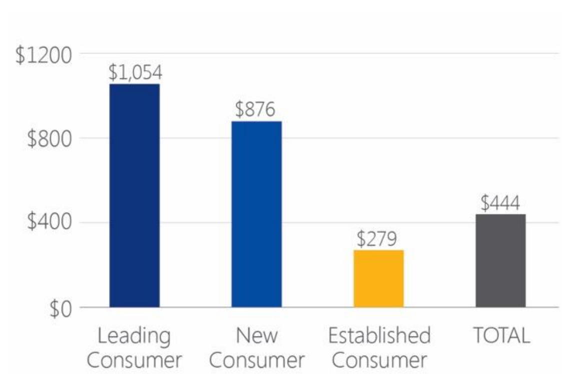
Leading Consumers present a significant financial opportunity for financial institutions as these consumers typically earn, spend, and have more funds under management than Established Consumers.

On average, Leading Consumers earn about $105,000 per year, almost two times more than Established Consumers.[ix] This earnings gap is expected to widen, as Leading Consumers are typically younger and thus have not yet reached their full earning potential. Establishing a relationship with Leading Consumers early in their financial consumer journey enables financial institutions to cross-sell additional financial products, including car loans and home mortgages, as the consumer's earnings increase and their financial needs evolve over time.

In a typical month, how much do you spend on your credit/debit card(s)?
By Digital Segments



Average spend online per month Consumers who make online purchases
By digital engagement segments



Base: All credit cardholders: (2017: Leading Consumers: n=127, New Consumer: n=488, Established Consumer: n=1,230, Total: n=1,718)
Base: Debit card holders: (2017: Leading Consumers: n=54, New Consumer: n=234, Established Consumer: n=575, Total: n=809)
Retail banking customers who shop online: (2017: Leading Consumers: n=129, New Consumer: n=538, Established Consumer: n=1,415, Total: n=1,953)

The strong financial footing of Leading Consumers enables them to spend more money. A majority of this spend occurs on credit cards, with Leading Consumers spending an average of $2,382 per month on credit[x]. Moreover, Leading Consumers outspend Established Consumers four to one online. Online spend is not restricted to traditional ecommerce websites; rather, it includes the use of ride-sharing applications, online food delivery services, or other subscription-based services. Although Leading Consumers use their debit cards more than any other segment surveyed, this spend is predominately in the physical space with mid-to-heavy debit users preferring debit for 63% of face-to-face transactions versus 44% for online spend.[xi] As ecommerce sales have increased 23.2% in 2017, financial institutions who deliver payment experiences designed for the digital channel position themselves well for increased payment volume in the future.[xii] To close the debit ecommerce spend gap, financial institutions should consider two strategic changes. First, financial institutions should consider focusing on engaging digital channels from their first interaction by enabling instant digital issuance and push provisioning to mobile wallets. Next, financial institutions should consider changing their messaging to address cardholders' security concerns regarding debit cards online. This includes launching digital campaigns that focus on mobile and online centric security with proactive language to ensure that cardholders understand that their financial institution supports their secure online spend. By creating a new narrative around ecommerce and debit, and proactively promoting digital channels for issuance and usage, financial institutions can improve ecommerce debit spend.

In addition to enjoying more disposable income, Leading Consumers also hold more funds under management than Established Consumers with their primary financial services provider.[xiii] These assets, which includes savings, mortgages, and loans, are fundamentally important for financial institutions, providing funding for their core businesses of lending and financing that generate 53% of industry revenues.[xiv] Consequently, appealing to this demographic is not only important to the profitability of the financial institution's payments business line, but also to its overall competitive positioning and revenue potential.

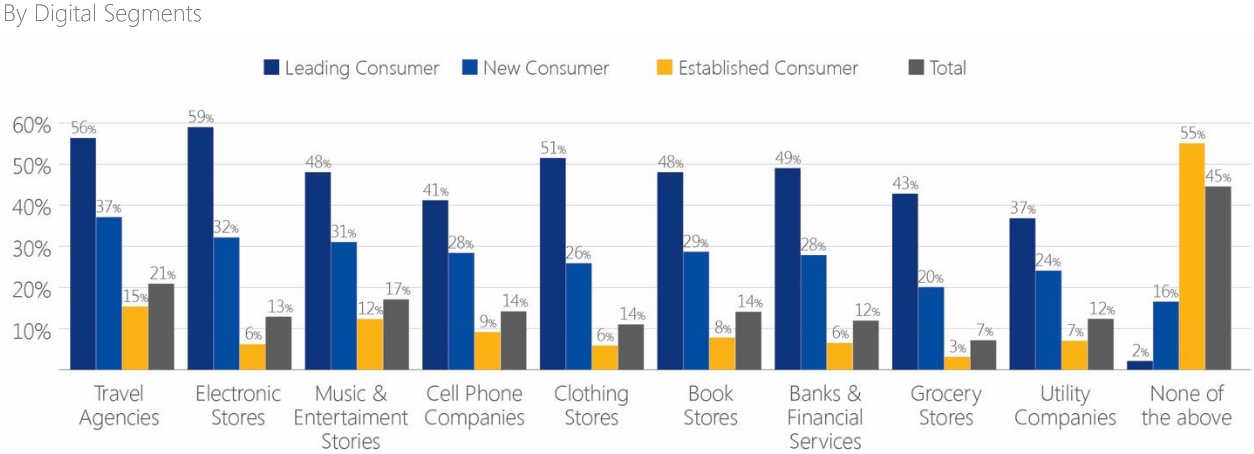
Winning digital consumers represents an opportunity to acquire new cardholders with higher spend and higher earning potential; thus, providing significant financial value to financial institutions across multiple product lines.

02 Won Over by Digital-Only Providers

Digital-only providers are service providers that exist without any physical stores, branches or outlets. 98% of Leading Consumers have tried a digital-only provider, with penetration highest for electronic stores (e.g. Amazon), travel companies (e.g. AirBnb) and clothing stores (e.g. Revolve). These digital-only providers have generally entered the market by disrupting traditional players and offering consumers a better value and a better experience. USAA Federal Savings Bank has tried to meet the changing demands and preferences of their clientele with a consumer-centric and straightforward approach to financial services. Without a large branch network, USAA leveraged new digital technologies (e.g. virtual assistants) as a means to interact with their growing consumer base. This focus on digital paid off, with 800,000 members per month engaging with their mobile app virtual assistant and 70 percent of members using the tool for help rather than escalating to a live representative.[xv] By truly understanding the banking needs of their consumers, and recognizing the strategic importance of creating a digital-first platform, USAA boasts a higher net promoter score than any other financial institution in the American Banker Saver Button study.[xvi]

Unsurprisingly, 49% of Leading Consumers have used a digital-only provider, like USAA, for their banking needs.[xvii] These same consumers rank the digital experience as the most important factor in influencing their choice of banking provider. Simplified digital product lines that enable consumers to deposit checks, request balance information, and easily review transactions, leave cardholders more satisfied with the overall experience. In fact, consumers gave digital banking transactions an average Net Promoter Score of 35, which is 15 points higher than the score given to traditional (i.e. in-branch or on-phone) experiences.[xviii] Financial institutions can learn from digital-only providers who provide consumers with frictionless digital products that satisfy their banking needs.

In which of the following categories do you use a digital-only provider?
A "digital-only provider" is a provider without any physical stores, branches, or outlets
By Digital Segments



Banks and credit unions are feeling pressure from disruptors who are using digital to revolutionize how customers interact with their products. Exposed to these new experiences, customers are becoming increasingly impatient with incumbents who do not meet the higher digital standard. Making it easy for consumers to find the products they need, simplifying onboarding, driving personalization, streamlining customer support and providing value-added services are now critical to attracting and retaining customers. Financial institutions that offer cardholders a fully integrated mobile experience with a comprehensive and functional suite of capabilities will win the new digital consumer.

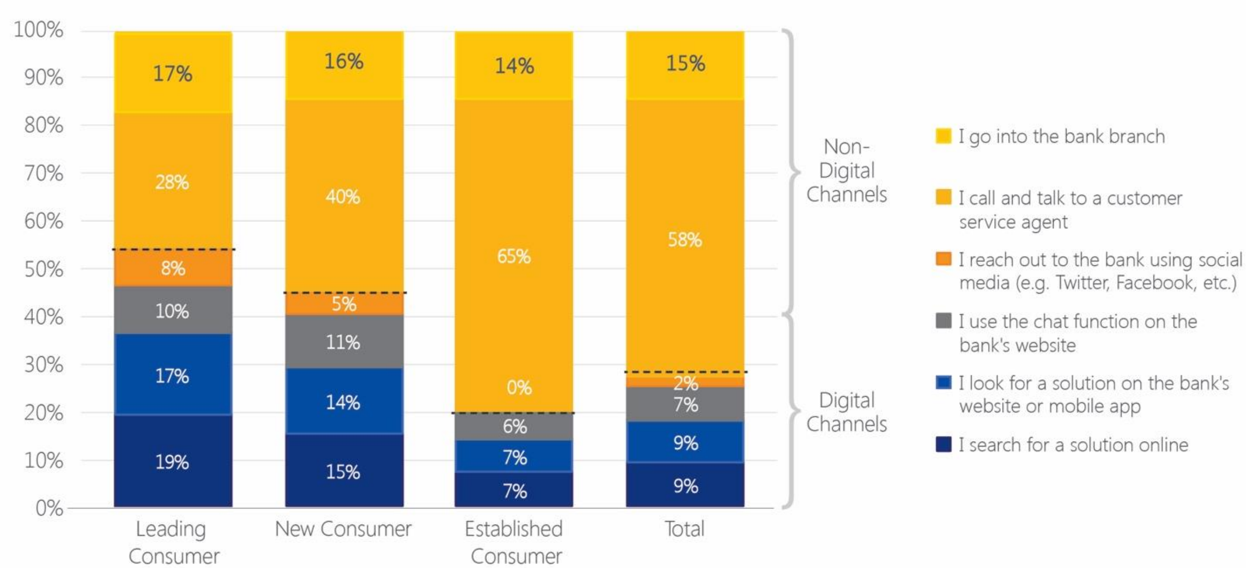
03 Social Media Titans

Digital consumers interact with social media on a daily basis – with 90% of Leading Consumers checking social media sites multiple times a day and 57% posting to social media sites at least twice a day.[xix] Top sites include Facebook, YouTube, Instagram, Twitter and WhatsApp.[xx] While New Consumer habits closely mirror the behaviors of Leading Consumers, Established Consumers are more likely to engage primarily with Facebook.

As these platforms gain popularity, businesses have taken advantage of social media channels to interact with consumers, answer common customer service requests and address complaints. While consumers still predominantly use call centers or branches for assistance, our study found that eight percent of Leading Consumers reach out to their financial institution via social media when addressing an issue with their credit or debit card. Leveraging the interpersonal aspect of social media channels can help financial institutions build good will with clients and drive user stickiness.

When you have a problem with your credit card and you need assistance, how do you usually seek help?

By Digital Engagement Segments



Specifically, engaging with cardholders through social networks helps financial institutions understand broad sentiment to products, services, etc. Consumers are quick to share both positive and negative experiences with their social networks, providing financial institutions the direct opportunity to answer requests and enhance their services. Shared opinions directly influence other consumer behavior – with 88% of consumers stating that they would be less likely to buy from a company who left a complaint unaddressed.[xxi] Interacting directly with consumers on social media sites promote feelings of authenticity and transparency for the cardholder.

A strong social media presence also promotes an omni-channel engagement strategy across traditional channels and digital channels. If customers are spending a little more than six hours per week on social network platforms, financial institutions need to showcase their presence as well.[xxii] Interacting with customers through their preferred mediums is a critical tenant of success.

As new social platforms enter the market, Leading Consumers are more likely to try them; however, the length of participation is limited. A 2017 Pew Report found that while more adults are using social networks, download rates for new social apps have dwindled significantly.[xxiii] The social media networks that have continued to dominate with consumers are messaging-based, with eMarketer projecting that 2.19 billion people will use consumer-messaging apps by 2019.[xxiv] These apps initially entered the market to address expensive smartphone data plans, but they have evolved to become the go-to platform for sharing content and interacting with friends and family.

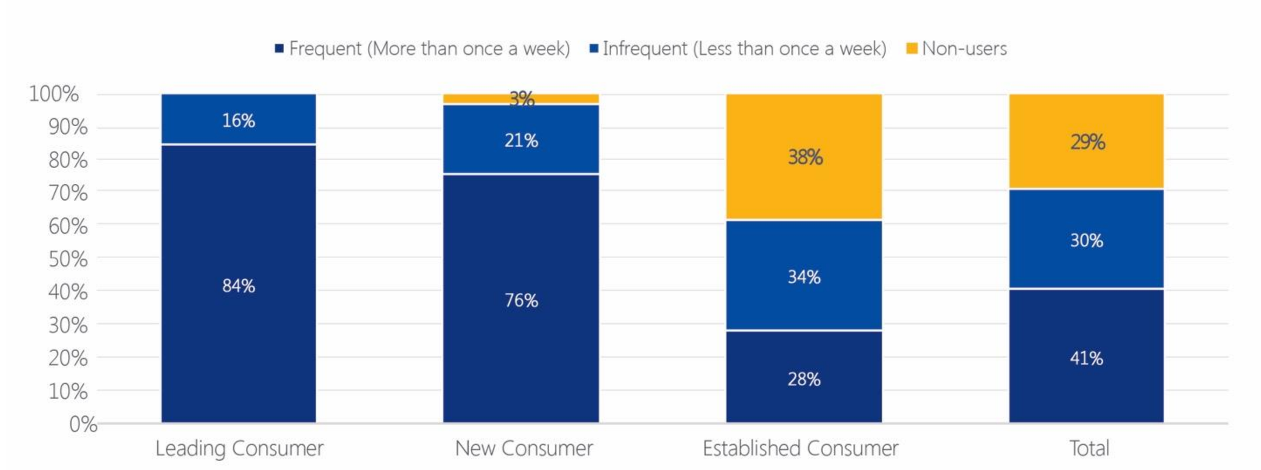
Technology players in China have perfected the evolution of consumer-messaging apps. WeChat, China's most popular messaging app, introduced mobile payments into their platform in 2013. Moving beyond messaging friends and family, WeChat users now engage the platform to pay bills, purchase games, send money to friends, and interact with their favorite brands. In fact, during the 2017 Chinese New Year, WeChat users sent 46 billion digital red "envelopes"[xxv], more than seven and a half times the 6.1 billion transactions PayPal facilitated during the entire year of 2016 – all in a few days.[xxvi] WeChat's success in expanding their capabilities has encouraged other tech titans, like Facebook, Alibaba, Apple and PayPal, to deliver their own all-encompassing digital payment experiences.

04 Looking for a Digital Differentiator

A few key attributes help consumers determine which financial institution to choose for their banking and payment needs. Security and rewards remain table stakes for all cardholders when choosing a credit card, making digital offerings the key differentiator for financial institutions to attract new customers and engage existing ones. Almost half of Leading Consumers (43%) cite managing their product digitally as their number one driver of card choice.[xxvii] While not the top driver for the other segments, a digital component to card management is a key consideration for every consumer segment. Creating a robust digital element can differentiate financial institutions in the market and attract digital consumers who are entering the market or looking to switch providers.

Easy to use mobile apps are one initiative that financial institutions can integrate into their strategy. Leading Consumers are frequent users of their mobile banking apps – with 84% of surveyed participants using it more than once a week. This is a stark contrast to the 38% of Established Consumers who do not use mobile banking apps at all. Strong mobile app differentiators include access to relevant information, easy-to-use interfaces, elements of personalized, dynamic content and tools to put cardholders in control of their own finances.

How Frequently Do You Use A Mobile Banking App?



Providing access to customer service via digital means is critical to maintaining customer satisfaction and realizing cost operational cost savings. 54% of Leading Consumers frequent a digital channel to resolve a problem with their credit card.[xxviii] Whether they use their financial institution's chat function or just generally search online, consumers today look to digital channels before calling or going to the branch. Consumers no longer want to use traditional customer service channels, with 32% of surveyed participants citing the phone as the most frustrating way to contact customer service.[xxix]

Every financial institution should search for digital opportunities to differentiate themselves in the market and engage the growing cohort of digital-first consumers.

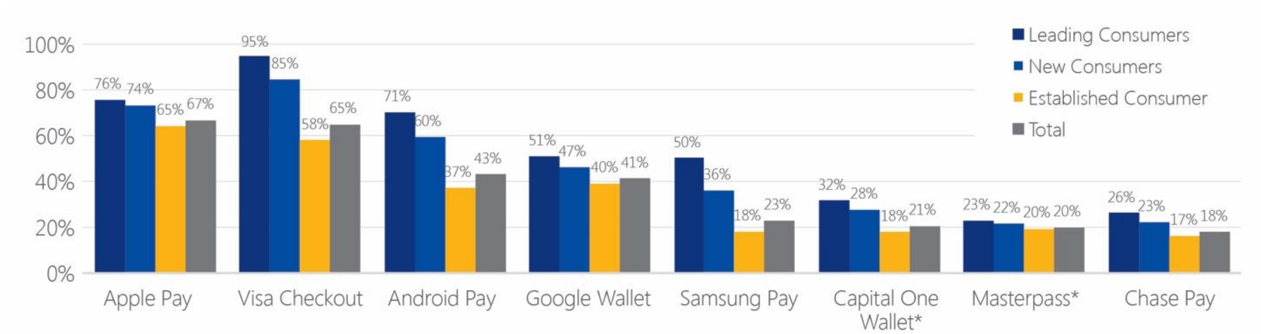
05 Paying in New Ways

By 2020, the number of connected devices is expected to exceed 20 billion.[xxx] This creates a substantial opportunity for cardholders to experiment with new forms of payments. Adoption of new payment methods is most popular amongst Leading Consumers as they are likely to try new technology as soon as it enters the market. According to a JPMorgan Chase and Forrester study, 41% of consumers are likely to try digital wallets in the next year and 72% of their most digital segment would be more worried about leaving the house without their smartphone than their wallet. [xxxi]

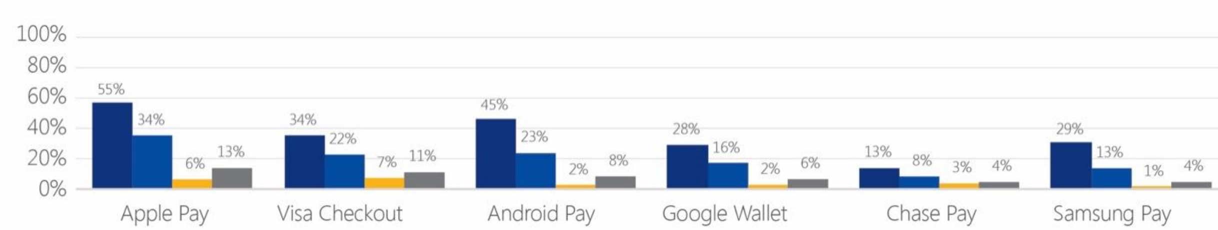
While a majority of consumers today are aware that digital wallets exist, a few barriers exist that prevent consumers from using the technology: security concerns, confusion regarding the value proposition, inconsistent user experience at the point of sale, and lack of understanding of the underlying technology. Raising awareness of the benefits of mobile wallets can help convert non-users and encourage them to try, and adopt, new ways to pay.

Young adults drive adoption with 36% of surveyed participants aged 25-34 having used a mobile wallet. Endorsement is much lower for older adults, with engagement at about 7% for surveyed participants aged 55-64. While adoption of mobile wallets is higher for young adults, there is still a significant opportunity for financial institutions and tech companies to drive usage amongst cardholders.

Awareness



Usage



Similar to mobile wallets, Leading Consumers drive digital peer-to-peer (P2P) payments engagement. 84% of Leading Consumers have made a P2P payment electronically, and 66% of these same consumers use the technology frequently (once a month or more).[xxxii] The most common apps for these transactions are PayPal, followed closely by the users' financial institution's mobile application.[xxxiii] P2P transactions have surged with the popularity of Venmo – in fact, in 2016, Venmo processed $17.6B in mobile payments, up 135% from the previous year.[xxxiv]

Enabling cardholders to spend in any way they desire helps improve consumer perceptions of financial institutions while also increasing payment volumes for financial institution.

Identifying Consumer Pain Points

Identifying Consumer Pain Points

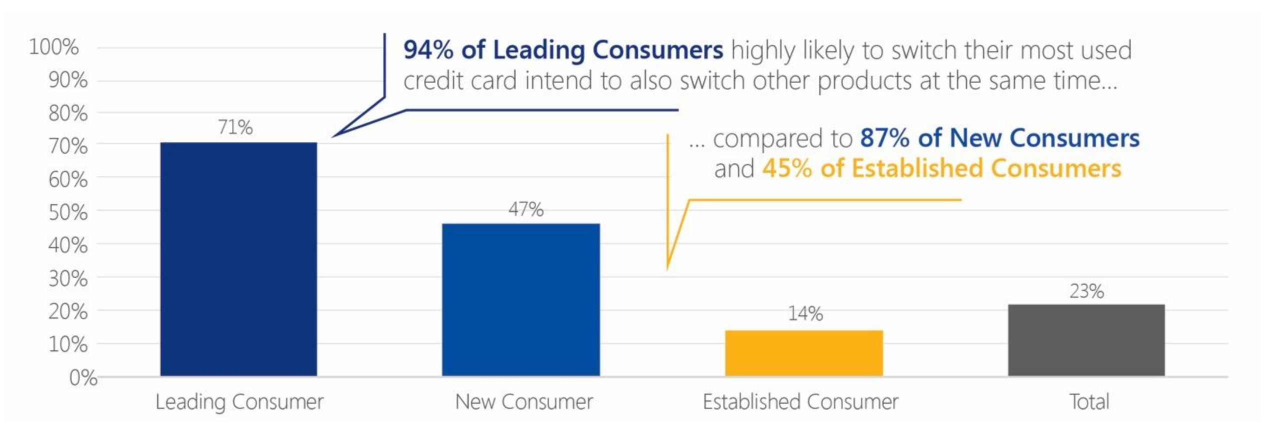
06 What Frustrates Consumers Today and How it Impacts Financial Institutions

To understand how financial institutions can better meet the needs of consumers, we designed a study aimed at understanding the customer journey and the key elements of that journey that contribute to the overall customer experience. Visa tested a range of situations related to cards and payments to determine key pain points along that journey. These questions were designed to not only identify consumer frustrations, but also determine the extent to which consumers would change their behavior if a solution to these problems was presented to them. Changed behavior includes applying for a new card, changing their primary card, or spending more on their primary card.

Unsurprisingly, consumers are frustrated with the time and energy it takes to complete tasks related to payments. From applying and receiving a new card to searching for answers to common questions, cardholders do not feel like their financial institutions are delivering them frictionless digital solutions. During the cardholder journey, too many touchpoints with their financial institution leave consumers feeling unsatisfied with the entire experience.

Over the next 12 months how likely are you to stop using your most used credit card from and use another credit card in its place?

% Highly likely to switch (8+/10) By digital segments



Cardholders also lack a clear understanding of how to take advantage of card benefits. Although the rewards available are attractive to consumers, with 38% of cardholders under the age of 40 citing better benefits as their primary reason for switching cards[xxxv], they feel confused on how and when to redeem them. This research also indicates that card spend increases 40% and customer satisfaction increases 21% when cardholders use their benefits, emphasizing how important it is to solution for this frustration.[xxxvi] Especially as the world becomes more consumer-centric, cardholders expect personalized notifications and advice in real-time, whether delivered through the digital or physical channel.

These omni-channel experiences also necessitate the need to pay for goods or services with new technology. Whether that be a connected car, a smart television or a parking meter, consumers are frustrated when payments technology does not innovate at the same speed as other technology around them.

While it is important to understand these consumer frustrations, perceptions of financial institutions are not yet significantly impacted. Today, over 69% of surveyed participants are highly satisfied with their financial institution's digital experience.[xxxvii] However, their satisfaction today does not mean it will last tomorrow. Despite current satisfaction with their digital experience, 71% of Leading Consumers reported that that they would likely switch their most used credit card in the next twelve months.[xxxviii] Taking note of cardholder frustrations today can help protect financial institutions from any negative effects tomorrow. Financial institutions who recognize aspects that decrease customer satisfaction have taken the first step in creating better cardholder experiences.

How Visa Can Help

How Visa Can Help

07 Digitizing the Cardholder Experience with Visa

The dynamic nature of the digital landscape means that financial institutions need to adapt their strategies to map the shifting payment habits of consumers. They must be aware of these shifts in real time to be present where consumers are focusing their spend. Visa's overarching digital strategy is to help financial institutions future-proof their digital strategy, providing issuers a digital platform that turns a friction-filled journey for cardholders into a seamless, integrated, digital experience that drives immediate card issuance, consumer activation and usage

Extend Usage & Reissuance

- Difficulty sharing digital card with others for limited time / spend
- Insufficient credit limits

Digitize Customer Service

- Time spent waiting to talk to customer service agent
- Time and effort to be refunded cost of faulty online purchase

Manage Risk & Reduce Fraud

- Fear card will be used fraudulently if too many online purchases made

Awareness / Customer Acquisition

Digitize Instant Issuance & Activation

- Time and effort to apply for new card
- Time spent waiting to receive new credit/debit card in mail

Increase Card Usage & Loyalty

- Difficulty understanding card rewards
  Failure to use reward points because poor redemption offers
- Time and effort to run a household [financial]

Enable Account Management

- Accidently overdrawing checking account when making debit card purchase
- Time and effort to update card credentials after card reissued
- Complexity of checking balance on mobile app

A potentially massive opportunity exists for financial institutions of all sizes to improve the consumer payment experience and position themselves as a digital leader. Through a variety of value-added capabilities, from enabling digital issuance to increasing card usage and enhancing account management, Visa enables its clients to accelerate their digital transformation by actively bringing the right digital experience to the right customer segment. Issuers should speak to their processor and Visa about the digital products and services available today and the timeline for future enhancements.

08 Automate Payment Experiences

A breakthrough digital customer experience begins at the acquisition and onboarding stage. Today, the customer

interaction is full of friction with multiple touchpoints and in ways that are highly manual. When cardholders apply for a card, they have to wait 5-7 business days for their physical card to arrive in the mail. When it arrives, they have to call customer support to activate the card, manually enroll in a digital wallet, and update their payment information at their preferred Card-on-File (COF) merchants individually.

Unsurprisingly, almost 50% of surveyed participants would change their behavior if their card provider could instantly upload a digital version of their new card into their phone and push it to their preferred mobile wallets.[xxxix] Respondents who are frustrated with the current experience and would change their behavior hold more banking products than everyone else – signifying the value of this cohort to financial institutions. This ability to access the payment credential immediately makes it more likely that cardholders do not switch primary cards in the interim while waiting for their new physical card to arrive in the mail.

Visa launched Network Hub Push Provisioning to improve this experience by enabling integrated financial institutions to provision card credentials to a customers' mobile device, IoT device, or Card-on-File merchant instantly. Once provisioned, cardholders can seamlessly use their card in their use case of choice. This ability also functions across devices, with consumers able to apply for a card via the web

and push the new card to a different device. By automating the experience, cardholders do not have to partake in a long journey from application to activation to digitization.

Similarly, 67 percent of surveyed participants would change their behavior if provided a solution that automatically updates card details for online services and wallets when a card expires or is replaced.[xl] Of the 67 percent, seventeen percent would apply for a new card – potentially altering their most used card. Visa Account Updater (VAU) can help avoid disruption in customer relationships and recurring payments due to Visa account information. By automatically updating Visa credentials when a card is reissued, cardholders do not have to update their card information at every location their card is on file. When paired with the Card on File Data API, cardholders enjoy full visibility into where their card is on-file and where their card credentials were updated. Providing visibility into where cards are stored, and reassurance that they have been properly updated, helps cardholders enjoy a fluid and seamless payment experience.

09 Improve Loyalty Behavior

Despite the common refrain that issuers need to be more consumer-centric, they are still struggling to put this approach into practice when it comes to their rewards programs: 67 percent of surveyed participants would change their card behaviors if given the option to pay with reward points at in-store or online checkouts[xli]. These frustrated consumers who would change their behavior also outspend everyone else on both credit and debit products two to one. With 33 percent spending more on their card if offered the solution, financial institutions would be remiss to not provide the ability for cardholders to understand what rewards are available and how to redeem them in real-time.

To provide a more transparent and easy-to-use experience, Visa Rewards Redemption allows clients to differentiate themselves and drive engagement by offering enrolled consumers more ways to redeem their rewards points online or in stores. With text message notifications that invite cardholders to redeem points after a qualifying purchase, cardholders better enjoy their card benefits. Contextual commerce also becomes more real with purchases occurring in both physical and digital spaces and reward redemption available real-time as consumers embark on the purchase journey. For example, La Quinta Inns and Suites launched their *Redeem Away!* program using Visa Reward Redemptions. By creating an extension of the La Quinta Returns loyalty program, participating cardholders can easily redeem their points using their mobile phone when they use their linked Visa card for an everyday purchase at a restaurant, grocery store, bookstore, etc.

10 Frictionless Payments

As the world connects to billions of connected devices, consumers desire the ability to manage their lives on the go by enabling devices with payment capabilities. In fact, 47% of surveyed participants would change their card behavior if given the opportunity to use devices, such as refrigerators, cars or watches, to be able to make purchases.[xlii] These purchases would all be seamless – enabled with biometric authentication.

Visa has extended customer offerings to these new channels, including IoT, through the **Visa Token Service.** This solution streamlines the process by which financial institutions, merchants, and technology partners enable payment form factors. For example, wearable companies can leverage the Visa Token Service to enable their devices with payments capabilities. In this use case, the Visa Token Service helps the wearable company deliver payments for on-the-go connected consumers, while also maintaining the financial institution's brand by presenting card art during the transaction on the wearable. Wearable companies, such as Fitbit and Garmin, have enabled payments using Visa Token Service. By allowing cardholders to load their card information into the Fitbit or Garmin mobile app, which, in turn, provisions the token to the activity monitor, cardholders can hold their smartwatches near an NFC-enabled terminal to make payments. This alleviates the need for consumers to carry their payment cards while on the go. With this anticipated rise of connected devices and ecommerce and mobile transactions, Visa expects that the demand for secure tokenized payment credentials will only increase in the future.

Collaborating on New Digital Solutions

Collaborating on New Digital Solutions

Digital opens up new possibilities in delivering seamless and valued customer experiences, often driving faster speed to market at a lower cost than traditional models. To realize these benefits, it is critical to build an ecosystem of partners that compliments internal digital capabilities. Doing so facilitates access to skills, expertise, and technology that help financial institutions stay current with the latest innovations and be more agile than if they were to build everything internally.

This type of collaboration helps drive innovative solutions in the payments ecosystem. Visa offers deep capabilities in user experience and user interface architecture based on Human Centered Design. Leveraging consumer insights, Visa's design process engages with clients and users to discover desired solutions that would drive changes in current behavior. For example, 56 percent of surveyed participants would change their behavior if offered the ability to shop online using your debit card and only have the cost of the purchases deducted from their account when the product has been delivered.[xliii] Prototyping based on this insight, and rapidly iterating to refine the product based on user feedback, allows Visa and its' partners to quickly deliver a compelling human centered solution to the market.

Co-creation with at Visa's Innovation Centers provides a space for partners to ideate solutions and interact with Visa products like the Visa Developer Platform in a real-life setting. Clients have access to Visa staff that provide digital payments thought leadership, designers that guide solution development, and engineers that bring prototype ideas to life. Client and Visa teams are able to pull in the right skills and knowledge from multiple sources in an efficient, flexible way to solve deeply rooted needs.

Final Key Considerations

Final Key Considerations

As the digitally savvy population ages, and more consumers adopt digital-first lifestyles, baseline consumer assumptions held by financial institutions will change. Cardholders will expect that their financial institutions provide them a frictionless experience where they can apply for new cards, seek assistance, redeem rewards, and more from their personal devices.

Our in-depth analysis of customer behaviors about new digital trends yielded several important considerations:

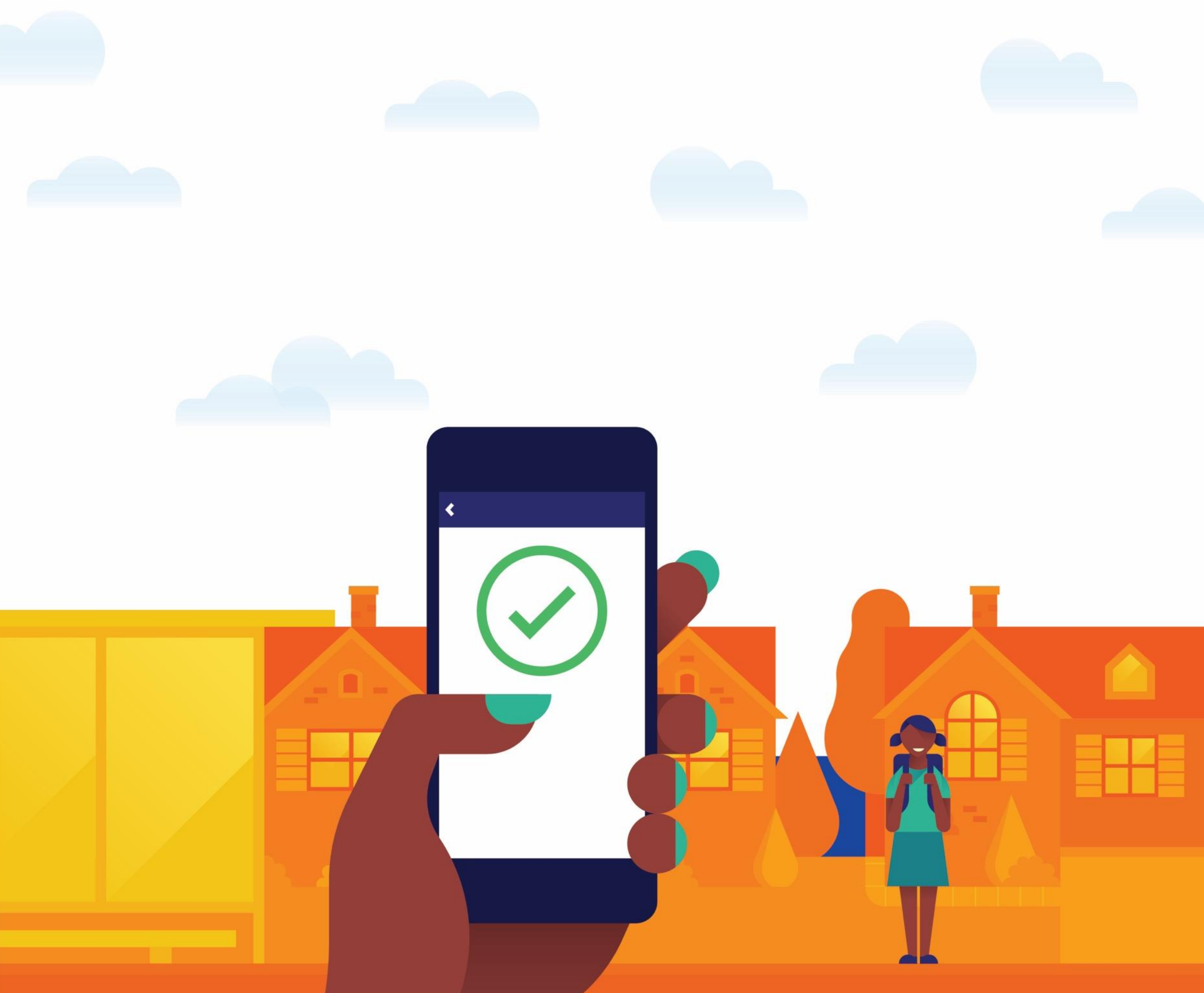
Attracting leading digital consumers presents a valuable financial opportunity for financial institutions. Digital consumers spend, earn, and invest more money than the rest of the population. Financial institutions must attract these consumers early on to ensure that they win the added payment volume and revenue.

Offering digital solutions is a key way for financial institutions to differentiate themselves. Cardholders today are already engaging with digital-only providers. While a majority of consumers have not yet engaged banking digital-only providers, interest in a provider that addresses digital banking pain points is growing. By leveraging brand trust, financial institutions who create a holistic digital experience can retain, and attract, digital consumers.

Leading Consumers are most frustrated with the amount of time and energy required to manage payments. Solutions to frustrations that enabled cardholders to save time were most likely to change card behavior. Surveyed respondents want payments embedded into their everyday lives so that they do not have to take the time to update card credentials or worry about whether new technology will be payment-enabled.

Closing

Businesses across many industries are undergoing a digital transformation. They are using technology to improve their performance by rethinking what customers want most and developing products and services which offer them greater differentiation. Helping cardholders easily sign up for new products, use their card in emerging use cases, streamline access to their rewards, and drive greater personalization will be critical to attracting new customers and increasing market share. The challenge for financial institutions is to deliver digital strategies that address the evolving needs of their digital consumers in a quick and effective manner. Reaching out to your Visa Account Executive is the right first step in understanding these changing needs and working to build a narrative around a successful digital approach.



Methodology

The New Digital Consumer study, conducted in partnership with RFi, collected 2,000 online survey across the USA in July 2017. The research reflects the views and opinions of online populations in the USA and is representative of the American population by age, gender, and household income. If you would like to see the full presentation materials, please reach out to your Visa contact. Published August 2018.

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