

Emerging Cards Trends, Technology, and the Benefits of an Holistic Approach to Optimization

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Presenters



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What We'll Cover Today

- Current economic conditions for card services
- How technology could affect the industry
- Staying nimble in a rapidly changing payments industry

Current Trends in Cards

Trend #1

The Economy Is Better and Non-Cash Spending Is Up

- Household debt increased 3.4% at an annual rate in Q3 2018¹
- Consumer credit grew at an annual rate of 5.4%¹
- Average American household has \$6,629 in credit card debt²
- Roughly three-in-10 U.S. adults (29%) say they make no cash purchases during a typical week, up slightly from 24% in 2015³
- Almost 32 million bitcoin wallets globally³



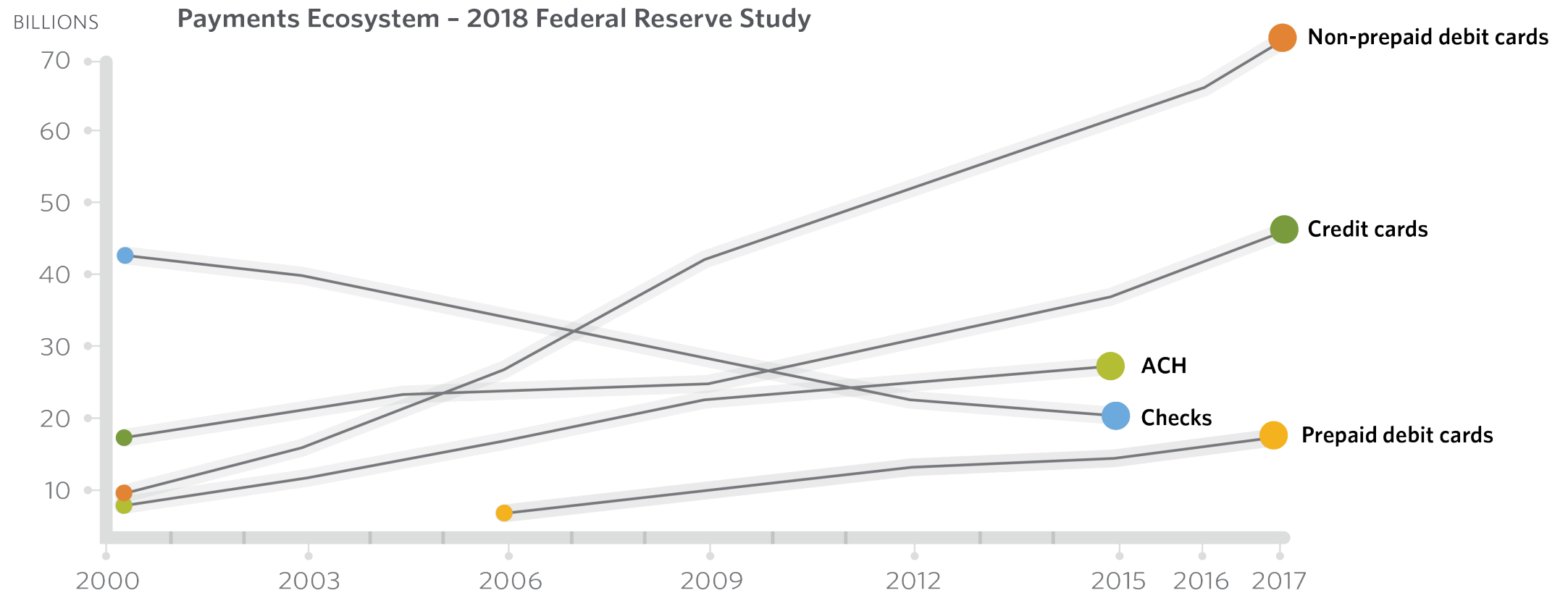
¹ Federal Reserve https://www.federalreserve.gov/releases/z1/20181206/html/introductory_text.htm

² Source: "2018 American Household Credit Card Debt Study" December 10, 2018

³ Bitcoin Market Journal <https://www.bitcoinmarketjournal.com/how-many-people-use-bitcoin/>

Trend #2

Credit and Debit Remain Top Choice



Trend #3

Rising Tech Usage

- FinTech companies continue to add payment options
- Payment options dictated by increase in overall mobile usage
- Nearly all internet users own some sort of personal mobile device
- 27% of people say they are interested in using phones as smart wallets



Trend #4

Rise in Peer-to-Peer (P2P) Payment Options

15%

of consumers have used at least one of the leading mobile wallets (Apple® Pay, Samsung® Pay, Android® Pay)¹



SAMSUNG
pay



39%

have used PayPal^{®2}



8%

have used Venmo^{®2}

venmo

11%

have used a bank payment app, such as Zelle[®]



¹Digital Transactions. "NFC-Equipped POS Terminals Will Reach 112.3 Million by 2022, a Forecast Predicts," July 10, 2018.

²Mintel, *US Consumer Payment Preferences Report*, 2018.

New to the Market: Apple® Card

- Designed to Help Customers Lead a Healthier Financial Life
- Simple, Transparent and Secure
- Loads into Apple® Wallet
- No fees, low interest rate and daily cash rewards
- Companion Card — partnering with Goldman Sachs and Mastercard®



Card Services Technology in 2019 and Beyond

The Next Phase of EMV®: Dual Interface Cards

- Dual interface EMV® cards – payment cards with an embedded chip and antenna enabling both contact transactions and contactless transactions will likely play a major role in the growth of contactless in the U.S.
- Roughly three million out of 12 million merchant terminals are fully EMV- and contactless-capable
- 72% of consumers found tapping a debit or credit card at the grocery store or gas pump appealing



Contactless Payments: The Growing Wave

- Contactless transactions could reach \$1.3 trillion this year
- One-third of all in-store transactions will be contactless by 2020
- Contactless transactions are projected to reach 34% by 2022



Contactless Payments: Benefits to Financial Institutions

- Average lift of approximately 30% in total spend in the first 12 months of U.S. adoption
- Purchases can translate into interchange revenue opportunities
- Gain top-of-wallet status with a differentiating product
- Potential to convert traditional, low-dollar cash payments

Distinctive Cards Drive Usage and Build Your Brand

Benefits of new and innovative customization options:

- Support top-of-wallet status
- Increase card usage
- Build brand awareness

New card innovations that stand out:

- Metal Cards
- Recyclable Plastics
- Color Core Cards
- And more...



Benefits by the Numbers



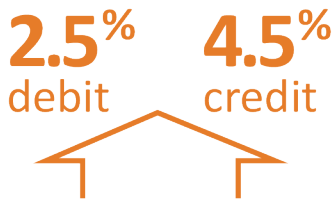
53% of cardholders receive replacement cards provided via instant issuance, which **reduces the risk of fraud**



Incremental usage — up to **10 transactions per card/month**



Average of **\$1 operational cost savings** per card

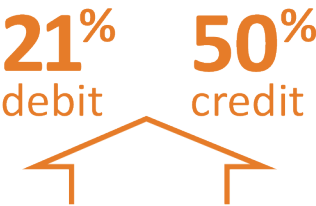


2.5% debit **4.5%** credit

Interchange increase



10 weeks vs. 6 months for Software for Purchase (SFP) Ease of implementation



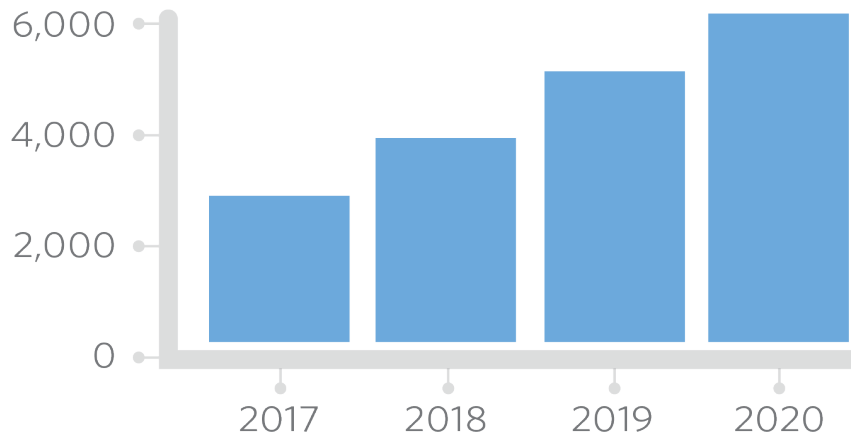
21% debit **50%** credit

Increase in cardholder transactional volume

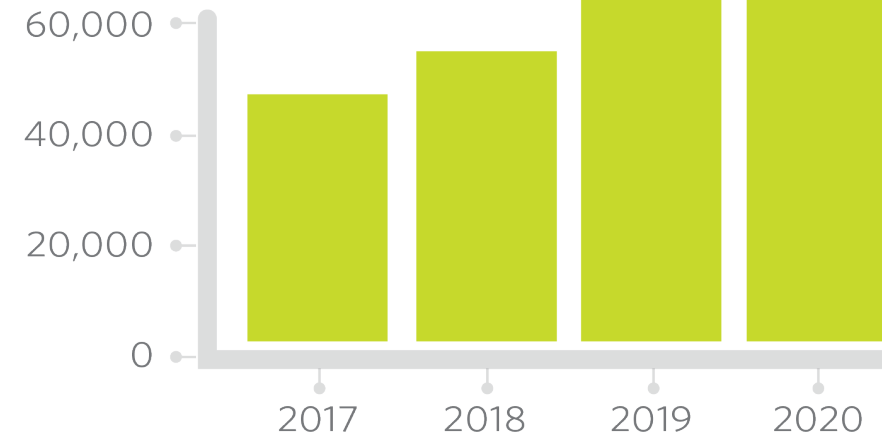
Get On the Train or Get Left Behind

U.S. Financial Firms and Branches Offering Instant Debit Cards

FINANCIAL INSTITUTIONS



BRANCHES



Of the more than 11,000 Financial Institutions in the US, 45% offer instant card issuance to their customers

Source: Oppy, Mick, "Is Instant Issuance Right for Your Credit Union?", *Credit Union Journal*, November 20, 2017

Source: <https://www.bankbranchlocator.com/banks-in-usa-e.html>

Source: <https://www.cuna.org/economics/#State> And National Level Data and Statistics
https://www.cuna.org/uploadedFiles/Global/About_Credit_Unions/NationalProfile-S18.pdf

Staying Nimble in a Rapidly Changing Industry

Spotting Preferences in Payment Options

Cards Are Progressing

Continuously improving through better technology, manufacturing and customization

Cards Are Here to Stay

Nearly 75% of consumers do not see a need to change their current payment methods

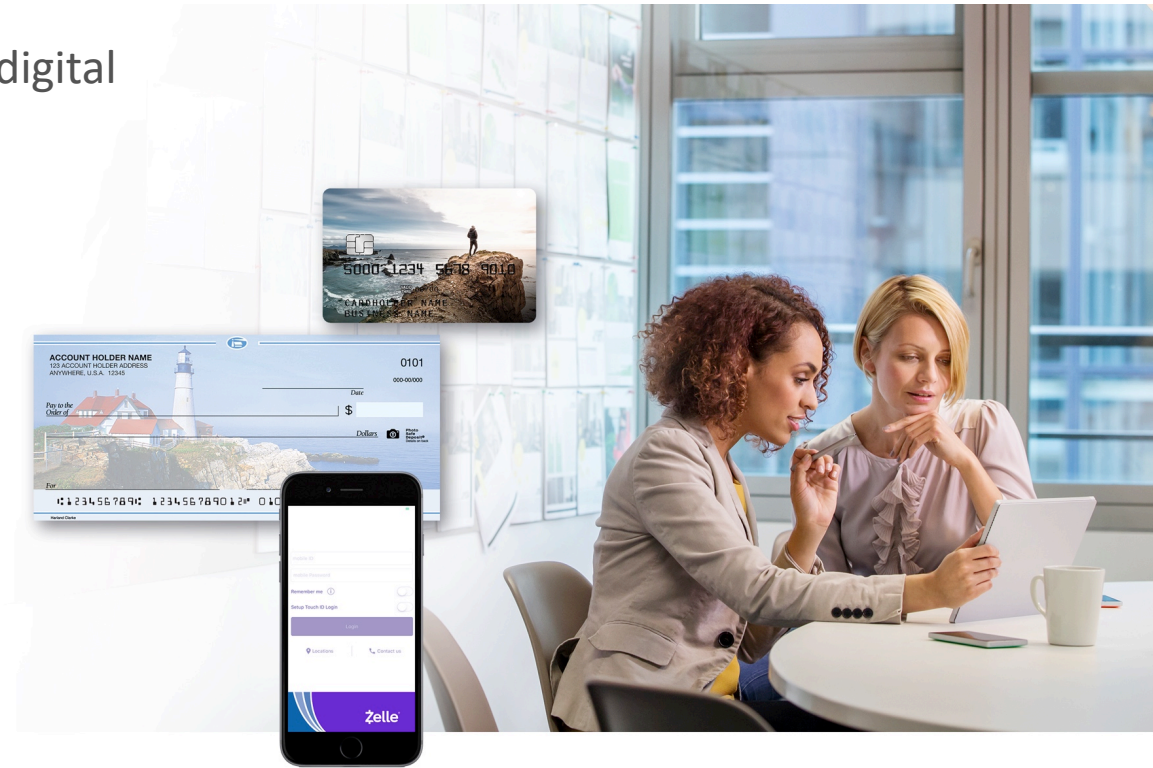


²⁹Source: Mintel, *US Consumer Payment Preferences and Behaviors Market Report*, 2017

Think Holistically About Your Payments Program

Best-in-class card programs include a robust payments ecosystem

- It's important to have traditional, Instant issuance, and digital
- Beyond cards – financial institutions should look at the entire payment program Checks, P2P, and cards, etc.
- Utilize multichannel fulfillment and distribution to complement multichannel marketing efforts



Key Takeaways

- Offer omnichannel payments to meet consumers' growing needs/expectations
- Don't overlook the importance of cards in engaging, retaining customers
- EMV is in place for most financial institutions; dual-interface is the next frontier
- Instant card issuance and customization continue to drive quality customer engagement
- Significant source of interchange fee income

Q&A

Type your question in the questions panel



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