Point of View

Payment Cards Can Drive Cardholder Engagement, Even in the Digital Age

Despite the number of options available to accountholders today, a financial institution's most valuable touchpoint is still in consumers' wallets. Multiple studies have found that accountholders transact with their financial institution through their credit or debit cards more often than any other method. Each card swipe (or dip) is an opportunity to create accountholder engagement and drive revenue for your financial institution.

Today's financial institutions must deliver seamless banking opportunities across consumers' physical and digital worlds. Payment cards often bridge that divide because they're used in both spaces.

Cards are the most frequent point of interaction between financial institutions and their cardholders; the average accountholder posts 32 debit and 21 credit transactions each month, according to a JPMorgan Chase & Co. survey of digitally enabled households published in 2018. Because of their heavy usage, payment cards play an important role in attracting new consumers and driving revenue.

Cards Lead to Account Openings

Debit cards drive millennials' decisions about where to establish bank accounts. Sixty-five percent of millennials who use debit cards say the option to get a card at the branch would influence where they bank, according to Expectations & Experiences: Household Finances (2018), the quarterly consumer trends survey from Fiserv.

Millennials aren't the only accountholders who are accustomed to getting what they want, whenever they want it. More than half (54 percent) of all U.S. banking consumers who use debit cards said the option to get a debit card at a branch would influence where they bank, according to Expectations & Experiences: Household Finances (2018). And 59 percent said it's very important to be able to get a new debit card at a branch location.

The good news is when consumers walk out the door with an activated card, they use it. Banks that instantly issue debit cards have 23 percent higher debit card penetration, according to an instant issue debit card study performed in 2016 by Raddon®, a Fiserv company. The same study found that debit users who receive an instantly issued card show more transactions per card and generate more income per card as a result. That makes instant issue technology a worthwhile investment for banks and credit unions, especially as they work toward customer satisfaction and retention strategies.

Staying Top of Wallet Drives Incremental Usage, Revenue, and Brand Impressions

Design features like metallic foils, pearl finishes and colored cores may encourage consumers to pull out their cards more often – and help cards stand out in a crowded wallet.

Accountholders see their financial institution's logo every time they use their card, making it an important branding and marketing tool. Each transaction is a chance to create a positive association with your brand. That's an important benefit that's potentially lost when consumers use a digital wallet on a smartphone rather than taking out their physical card.

A card is more than a card. It's a tangible connection that can drive revenue, loyalty and satisfaction.

Rewarding Loyalty

Loyalty and rewards programs are also important drivers of card usage. In most cases, accountholders earn points for each card transaction they complete, and the points accumulate toward merchandise or cash rewards. Reward programs can be managed and monitored through an external partner, with the financial institution setting the ground rules and guidelines.

These programs can accelerate cardholders' desire to transact and thus earn more points.

Keeping On-Trend

The pace and frequency of innovations in financial technology are rapid. Banks and credit unions should monitor card management trends, with a focus on performance over novelty.

Performance is often driven by what's prevalent in the market. As a simple example, merchants have to accept and adopt payment technologies, like chip readers, for payment cards to work. Platform and compatibility issues need to be worked out before a new card rolls out. Accountholder expectations won't be met if a card can't be used at the point of sale, no matter how slick the underlying technology.

It's also important for the cards in a consumer's wallet to integrate with their financial institution's digital banking offering. Notification of purchase, fraud alerts and real-time balance information all reinforce confidence in the card – and in the financial institution. Digital connection affects card usage too. In a recent study, Fiserv and Bank of the West quantified the benefits of digital banking adoption. They found customers who enrolled in digital banking resulted in higher value for the bank in terms of revenue, level of engagement and loyalty. In debit and credit transactions, digital banking customers analyzed for the study showed an increase in both transaction amount and frequency that far outpaced non-digital customers. To encourage usage, physical cards must also have strong ties to a consumer's digital banking habits. Key card actions, like turning an account on or off, or responding to security alerts, should be digitally enabled.

Because of the rapid changes in technology, even the largest financial institutions must carefully evaluate which innovations they can adopt profitably. Having a partner that is experienced in all facets of card and payment solutions can help financial institutions make the right choice.

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