

The Race to the New Top of Wallet

May 2021

The recent volatility in consumer spending has also brought with it one consistent trend – the migration to digital payments, increasing the urgency for Issuers to deliver differentiating digital card experiences.

Staying on top of a cardholder's digital wallet is now, not only mission-critical for Issuers, it's standard. Deploying the right technology to remain competitive and grow profitability through digital experiences are table stakes. This white paper takes a deeper dive into key trends and what card Issuers can do to increase digital wallet share.



Shifting Trends in Spend

The pandemic and economic crisis have created a rollercoaster in spending behaviors. Most notably, 2020 saw a significant shift toward online purchases, debit cards and contactless payments. The intersection of these – mobile debit spend – is up a significant 69 percent¹.

Stimulus payments provided an extra infusion of cash to further drive debit spending. But it's less about debit versus credit, and more about digital convenience. Increasingly, consumers are showing a preference for card-not-present and contactless payments. In 2020, there was a sharp increase in online payments, e-commerce shopping grew to 4.28 trillion in 2020 and is expected to top 5 trillion by 2022¹.

1,100 bps

decrease in share-of-cash usage since the start of 2020 ... and this new consumer buying behavior appears to be holding²

Last year made the power of digital experiences clear. With COVID-19, consumers of all ages have shifted their money management toward mobile and online channels. Older consumers began adopting mobile banking to avoid in-person interactions. It's realistic to expect that many of those changes are here to stay, driving even greater demand for frictionless, digital-first experiences.

What does this mean for Issuers? Let's look at key considerations and where to focus your efforts.

Factors Influencing Card Choice

The competitive landscape has changed. Consumers are looking for more than just the best rewards or rates; they focus on experiences. In particular, how quickly and easily they can get what they need. For Issuers that means business growth relies on removing every point of friction.



50% say convenience is the reason for their top of wallet card choice³

Seventy-nine percent of consumers prefer to use the same card online and in person, according to a recent survey by Ondot Systems (now Fiserv).³ However, why people choose a certain card depends on various factors. Here are three of the top influencers:

Convenience – People want fast and easy ways to pay, whether they store their card information on a website or use a digital wallet such as Apple Pay or Visa Checkout. To increase wallet share, Issuers need to increase digital convenience throughout the customer journey. That means employing solutions that facilitate digital issuance. This makes it easy to get a card and move it into the digital wallet. It also simplifies card use for online and recurring purchases.

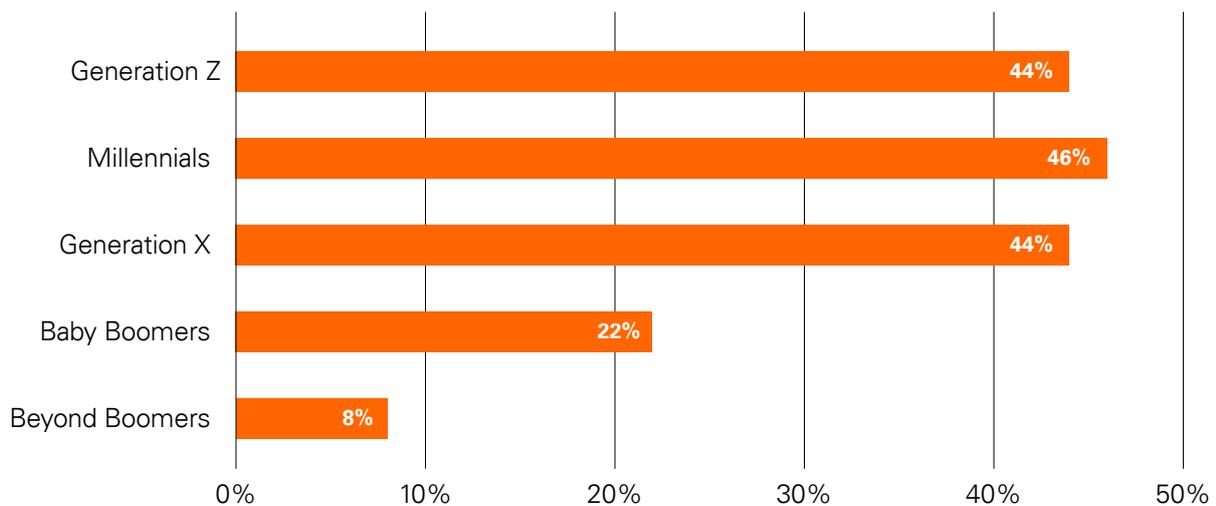
Rewards – For credit cards, it’s no surprise that rewards are a leading driver of card choice for online and in-store shopping. When someone wants to use credit to earn rewards, you must at least compete, even if you don’t have the highest rewards rate.

Spending Clarity – The next biggest influencer of online card choice is giving consumers immediate visibility into transactions, right at their fingertips. People want to track purchases in real-time to keep an eye on their balance, especially for in-store shopping. They also want spending insights for managing a budget. Providing both in one mobile app gives customers the awareness they need, while increasing convenience, for a more compelling card experience overall.



78% Penetration of digital payments in 2020⁴

Consumers paying with mobile wallets in the U.S. 2020, by age⁵



Share of consumers making payments with digital or mobile wallets in the U.S. in 2020, by age group

Racing to the Top of the Digital Wallet

Mobile is redefining how we think about top of wallet. Traditionally, the preferred card is the first one someone pulls out. Now it's how easily the card is loaded into a digital wallet, and which card is saved in frequently used mobile apps for shopping, entertainment, coffee, parking and more.

What is the critical path to being the card of choice? Focus on these four objectives:

1. Quickly Push Cards to Digital Wallets.

For existing cards, make it easy to add cards into a mobile wallet in a few taps. For new accounts, create a digital-first onboarding experience that enables consumers to apply, get approved and instantly receive and start using their new card, all through one mobile app.

The Apple Card set this standard and conveniently embedded their card into their own services like the iTunes store. Customers don't need to think about the card when making purchases, so top of wallet happens by default.

2. Become the Preferred Card for Subscriptions and In-App Purchases.

One approach is to help cardholders see how much they're spending on purchases, and at which merchants. A digital-first card app can show a single view of all the places the card is saved on file. It's also a handy reminder about subscriptions where a renewal charge might catch them unaware. This type of digital convenience helps motivate card choice, and makes it more likely that your card numbers are the ones saved in device and browser autofills, which people often use for digital purchases.

3. Create Spending Awareness.

Provide real-time alerts and updates that help cardholders track every time their card is used online or in a mobile app. It gives customers more confident control and also engages them as the first line of defense to quickly identify fraud. Also provide spending insights that make it easier for people to manage their money, so they feel even more comfortable using your card.

4. Be Competitive on Rewards.

There are many ways you might offer rewards, such as cash back for purchases up to a set amount or for maintaining a minimum monthly balance. The goal is to add enough value to encourage customers to choose your card for in-store, in-app and online purchases and recurring payments.

Advanced Technology, Convenience and Control Wins Top of Wallet

When your digital card experience gives consumers convenience, simplicity and self-service control, you have a more powerful competitive advantage to earn top of wallet.

Many Issuers have a fairly commoditized core mobile platform, and bigger digital transformations may seem out of reach due to the time, cost and complexity of building solutions in-house. How can you accelerate the pace? Partnering with a fintech company that specializes in payment technologies enables you to collaborate with subject matter experts and roll out a digital-first card experience within weeks instead of months or years.

Fiserv has comprehensive solutions to help ensure your cards are in the digital wallet. These solutions make it easy for cardholders to control how and where their cards can be used, track spending and manage budgets – all in one convenient place. Fiserv can layer these new digital capabilities onto your existing infrastructure for faster, simpler implementation, ensuring you are delivering your cardholders with digital-first experiences they deserve.

¹Retail e-commerce sales worldwide from 2014 to 2024

²Fiserv

³Ondot Systems survey; October 2020

⁴McKinsey & Company: U.S. digital payments: Achieving the next phase of consumer engagement with an appropriate number and link that source to here

⁵Statista: Consumers paying with mobile wallets in the U.S. 2020, by age

⁶Mastercard SpendingPulse: U.S. Retail Sales* Grew 3.0 Percent This Holiday Season – [mastercard.com/news/press/2020/december/mastercard-spendingpulse-u-s-retail-sales-grew-3-this-holiday-season/](https://www.mastercard.com/news/press/2020/december/mastercard-spendingpulse-u-s-retail-sales-grew-3-this-holiday-season/)

⁷Ondot Webinar: How to Capture Holiday Spend in a Pandemic, October 2020

⁸Ondot Systems survey; October 2020

⁹How to capture holiday spend in a pandemic – [ondot.com/video/holiday_spend](https://www.ondot.com/video/holiday_spend)

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