



Digital by default



Amongst today's most pervasive consumer and payment trends, Mastercard is uniquely positioned to help issuers achieve top-of-wallet preference with their cardholders. Digital First™ is the foundational element to enable issuers to genuinely digitalize and future-proof their consumer payment business and bring a modern, digital-focused consumer experience

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Context

The shift from physical to digital continues at pace

The industry has recorded explosive growth in digital payment volumes – from cashless and now increasingly beyond cards – with more growth expected over the next decade. 61% of consumers increased their use of at least one digital payment method in the past year, while 93% said they were likely to use a digital payment method in the next year.¹

Influenced by secular trends, such as the development of new technologies and experiences, consumers are demanding more convenient, faster and flexible ways to shop, spend and manage their money from the palm of their hand.



61%

of consumers increased use of at least one digital payment method in the past year¹



93%

said they were likely to use a digital payment method in the next year¹





Key market trends

With the accelerated digitalization of payments comes increased concentration of ecommerce transactions, mostly via large digital marketplaces such as Amazon, Mercado Libre or Alibaba. It's largely digital players and fintechs that are capitalizing on the ecommerce opportunity by offering an increasingly wide suite of payment products that integrate seamlessly with the shopper's checkout experience.

Meanwhile, next generation technologies such as 5G and edge computing are fast shaping the payments landscape, driving lower cost digital acceptance and inclusion, while alternative payment rails and innovative credit models are gaining traction in both emerging and mature markets.

Other market trends fueling financial institutions' drive to digitalize and modernize, include the global growth of open banking (consumer-permissioned data).

People want to own their personal data, and open banking lets them unleash the power of that data to access innovative new experiences. It can bring payment choice, verification for secure digital account opening and frictionless lending, bringing the digital economy to more people. This reordering of payments up the value chain represents both a threat and an opportunity to banks, who face increased competition to "own" the consumer relationship — where user experience takes center stage.

This coincides with heightened consumer, government and regulatory scrutiny, including greater demands for data security, privacy and protections, to which organizations must respond by demonstrating their transparency and ethical practices.



Challenge and opportunity

A digital mobile experience has become table stakes and consumers aren't shy to reject providers — whether traditional banks or fintechs — that fail to meet their expectations at any stage of their banking and payment experience. 40% of consumers are willing to leave their primary financial institution for a better digital banking experience¹, while 81% of consumers say anytime, anywhere accessibility and on-demand banking can motivate them to switch.²

Consumers continue to embrace new payment forms including Buy Now, Pay Later (BNPL), cryptocurrency, biometrics, wearables, mobile payment using SMS, and more. 81% of people today say they know at least a little about BNPL, while 41% say they are comfortable using it today. 85% of people globally have used at least one emerging payment method in the last year³.

While incumbent banks still maintain an edge, digital players (or fintechs) are growing and capturing consumers' daily operating cashflow, and becoming top of wallet. Among U.S. consumers, 31% name a fintech as their primary financial relationship (PFR), up from just 6% in 2019.⁴

Traditional financial institutions are faced with having to modernize and digitalize to future-proof their businesses or risk being left behind. There's opportunity yet: 68% of consumers say they would try a digital-only offering operated by their primary bank.⁵

Consumers' anticipated use of digital finance trends with comfort and trust of providers. 53% of consumers choose security as a top factor (#1) when deciding which payment methods to use.⁶

Opportunity exists for issuers to harness the trust and loyalty consumers hold toward their primary bank with the delivery of cutting-edge digital experiences to create a winning combination to future-proof their business

84% of global financial institutions say it's a top strategic priority to improve the digital experience for their consumers and grow consumer loyalty.⁶ In parallel, service providers are driven to modernize their operations to combat rising fraud and security risks more effectively, streamline consumer communications and services, and improve time, cost and resource efficiencies to drive profitability in an era of uncertain macroeconomic environments globally.



84%

of global financial institutions say it's a top strategic priority to improve the digital experience⁷



1. Finalytics.ai survey on Investigating Consumers' Digital Banking Preferences, conducted by Harris Poll, 2021;
2. Capgemini, World Retail Banking Report, 2021; 3. Mastercard New Payment Index 2022; 4. EY: How financial institutions can win the battle for trust, June 2021; 5. Capgemini Fintech World Report 2021; 6. Mastercard New Payment Index 2022; 7. Mastercard New Payment Index 2022



40%

of consumers are willing to leave their primary financial institution for a better digital banking experience¹



81%

of consumers say anytime, anywhere accessibility and on-demand banking can motivate them to switch²



31%

name a fintech as their primary financial relationship (PFR)³



85%

of people globally have used at least one emerging payment method in the last year⁴



68%

of consumers say they would try a digital-only offering operated by their primary bank⁵



53%

of consumers say security is key when deciding on their payment method⁶





Reason to act

Many financial institutions are encumbered by the cost and complexity of managing often incompatible solutions from multiple vendors, with no holistic view of their users' interactions. This creates friction and fragmentation in the user experience, which results in consumer dissatisfaction and disengagement.

Financial institutions need to streamline their internal processes and simplify their technology infrastructure. They need a trusted partner to help them modernize and future-proof their banking and payment services end-to-end to meet the rising demands of the digitally native consumer.



Digital consumer solutions delivered through Digital First

Mastercard has actively been enabling the shift to digital and successfully helps issuers compete and innovate in a changing world. Mastercard's pioneering Digital First program brings to life the wide range of digital product solutions and added-value capabilities spanning the consumer experience, from acquisition to ongoing spend, management and engagement. It helps issuers and partners to deliver intuitive, secure and engaging user experiences across all payment needs and types: from splitting the bill with friends to paying merchants for goods and services, and when getting paid wages or refunds from business or aid from governments. Access to installment financing through digital channels provides additional payment flexibility.

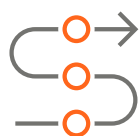
Beyond payments, Mastercard's digital consumer solutions help financial institutions – including traditional and non-traditional issuers, fintech merchants and their technology enablers – streamline and secure all digital touch points and help payment providers maximize their own business efficiencies to differentiate and ensure their position at the top of consumers' wallets.



Acquire

When opening an account, consumers want an instant, simple application, with clearly outlined steps and what to expect. They want instant approval, transparency and seamless onboarding with instant access to a digital card so they can add to a digital wallet and start spending straight away

During new consumer acquisition, a combination of Mastercard and partner capabilities allow for a fully digital application with credit and risk decisioning and digital identity verification. Our capabilities span the entire consumer lifecycle, from initial account opening/activation through account changes and across any transaction or interaction. Open banking capabilities can provide richly detailed sources of data to significantly improve approval rates and reduce identity fraud, thereby offering credit to more consumers – with their permission.



Our capabilities span the entire consumer lifecycle

Once the consumer's application is approved, the financial institution can issue a digital card for immediate use. If the institution is enrolled in the Digital First Program, they can issue a unique numberless physical card. This appeals to digital native consumers who are used to "on demand" services, want to instantly take up an exciting acquisition offer, or are simply in urgent need of access to an account.



Use

Engaging consumers early is critical to setting strong spend and usage habits. When they shop, pay bills and subscriptions, and send money to other people, consumers expect a seamless and secure experience both in-store and online

The program enables a range of banking and payment use cases, including secure ways for consumers to pay in-store with a contactless tap, dip or scan, as well as online with a simple click. To pay online, they can add and use the card in a digital wallet, and view their full card credentials securely and at any time within their financial service provider's website or app. The ease by which consumers can pay can result in more transactions — especially among affluent consumers, while credit products including ways to buy now and pay later can drive higher spend among those who are more budget-conscious.



Transact instantly across a whole range of payment channels

Financial institutions can also provide bill payment solutions and a choice of ways to send money to other people at home and abroad, allowing consumers to transact instantly across a whole range of payment channels.

Manage

When managing their money, consumers need transparency, convenience and control. They want to have control over their money and payments, know where, when and how they spend, get a real-time view of their finances and know their data is secure

Spending alerts and robust card controls help consumers set limits on their spending and manage their payments and subscriptions. Detailed digital receipts with merchant names, logos and a full list of items help consumers understand their spending to reduce worries and disputes. Digital consumer support tools provide consumers with full transparency and rich insights into their transactions to minimize chargeback instances and provide a convenient way to resolve disputes if they do arise. By offering all these tools, payment



Put consumers in the "control tower" of their payment management

providers put consumers in the "control tower" of their payment management, driving their engagement and trust. All consumer data is secured by design according to Mastercard's data principles, providing users with privacy and peace of mind.



Engage

Loyal consumers want to be engaged and rewarded with relevant, personalized and tangible benefits that bring everyday value. Meanwhile, consumers are seeking ways to spend and live more sustainably

Financial institutions can promote consumer engagement with data-led loyalty solutions, such as Mastercard's Dynamic Yield capability for personalized rewards, and exclusive access to Priceless experiences in cities where they live and travel. They can also cross-promote relevant financial products to create new revenues.

With Everyday Value rewards, financial institutions can delight consumers with 'every day' benefits that are closely aligned to what consumers tell us they want, from online perks to travel. Relevant benefits include always-on, value-added offers for popular services, such as ride share, entertainment, food delivery, and online marketplaces.

For the ESG-conscious consumer, our Carbon Calculator provides insights into the environmental impact of their spending across categories. It creates greater sustainability awareness and offers tips, suggestions for how to spend more sustainably and an engaging way to



Increase consumer engagement with data-led loyalty solutions

take action by donating towards tree reforestation via the Priceless Planet Coalition. This proves an especially compelling proposition for the 85% of consumers who said they were willing to take personal action to combat environmental and sustainability challenges¹; 76% of consumers say they will "discontinue relationships with companies that mistreat the environment, employees, or the community in which they operate."²

Among Mastercard's most powerful assets is dialing into consumer passions via its Priceless platforms and sponsorships, which connect consumers to experiences, causes and opportunities. Mastercard issuers can provide consumers access to these experiences through our website [priceless.com](https://www.priceless.com) or seamless integration with their banking app via API.

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of consumers said they were willing to take personal action to combat environmental and sustainability challenges¹

76%

of consumers say they will "discontinue relationships with companies that mistreat the environment"²

52%

said banking was not 'fun', with 45% saying their banking relationships were not well-integrated into their lifestyles³



1. [http://mastercard.com/news/insights/2021/consumer-attitudes-environment/](https://www.mastercard.com/news/insights/2021/consumer-attitudes-environment/)

2. PwC-Harris Poll, 2022

3. Capgemini Research Institute For Financial Services Analysis 2022, Capgemini Voice of Customer Survey



Additional solutions

Additional digital and AI-powered solutions include cutting edge services from Mastercard's Cyber & Intelligence (C&I) and Data & Services (D&S) to help secure consumer trust and delight in the digital banking and payment experience. Our identity solutions help consumers easily verify their identity digitally across multiple touch points and improve the consumer experience, while also helping to detect fraudulent behavior. Our artificial intelligence and network services help financial institutions, merchants, governments, and other partners enhance security and convenience for everyone.

Mastercard's expert Advisors offer support to financial institutions at every stage of their digital journey, from decision to launch to ongoing management. Beyond Mastercard's home grown provision, our network of qualified technology providers, which includes [Thales](#) and [Entrust](#), offer end-to-end support for Digital First implementation.

Our Mastercard Engage program connects businesses with qualified technology partners who can help you build solutions. Learn more about the [Engage Partner Directory](#)



Our identity solutions help consumers easily verify their identity digitally across multiple touch points



Proven results

Together, these powerful and differentiating solutions transform the consumer experience with the highest levels of security, privacy and meaningful personalization. For financial institutions, the Digital First program improves time, cost and resource efficiencies, and provides deeper insights, resulting in higher portfolio profitability. It also provides tools for granular benchmarking to identify opportunities and optimize business operations and performance and attract and engage consumers. We're already partnering with nearly 300 financial institutions, including traditional and non-traditional issuers of all sizes, providing seamless and secure banking and payment digital experiences in markets around the world.

With support from Mastercard, financial institutions can modernize and digitize their business to compete more effectively to drive 'top of wallet' behaviors to increase both in person mobile contactless and online transaction volumes and spend.

The benefits of digitalization are multiple and greater than the sum of implementing any one solution alone. This is evident in the tangible results we receive from the issuers we work with. As of October 2022, issuers have recorded:

Higher consumer spend, usage and engagement

10%

increase in spend
per active account
(up to 14%)

4%

increase in
transactions per
active account
(up to 15%)

Operational efficiencies

2%

increase in approval
rates (up to 8%)

4bps

decrease in fraud
(up to 12 bps)



Why Mastercard?

Mastercard is a leader in digital payments. The wide range of ways we can help payment providers transform their offerings stretches from products to services and support for mechanisms such as open banking and across fast-growing flows.

Our acceptance footprint continues to expand, doubling in size over the last five years to reach more than 100 million in-store and online locations and bringing scale to Buy Now, Pay Later (BNPL) to ensure convenience and trust among consumers, merchants, issuers and acquirers.

We're partnering across the ecosystem with financial institutions, businesses, and governments to create a digital economy that works for everyone everywhere.

Deliver a world-class digital journey for your consumers to future-proof your business with unparalleled partnership and support from Mastercard through our Digital First program.

Powering economies, empowering people





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