

The Future of Card Services: 8 Trends + How Your Institution Can Prepare

Mike Schultz, Harland Clarke

Rob Dixon, CPI Card Group

Presenters



Mike Schultz

Card Services Sales Engineer
Harland Clarke



Rob Dixon

Instant Issuance Product
Manager
CPI Card Group

What We'll Cover Today

- The Current State of (Card Services) Affairs (Trends #1 -- #5)
- Card Services Technology in 2018 (and Beyond) (Trends #6 -- #8)
- What These Trends Mean for Financial Institutions

Harland Clarke and CPI Card Group Alliance

Harland Clarke and CPI Card Group have worked together for more than 12 years serving 500+ bank and credit union clients with card service solutions.

We share a philosophy of providing clients with **consistency, quality** and **outstanding customer service**.



- Dedication to service and innovative new products
- Internal culture and commitment to our clients
- Card Manufacturing, Personalization, EMV[®] and Card@Once[®] solutions
- Leverage market share and reputation

The Current State of (Card Services) Affairs

Trend #1

The Economy Is Better and Non-Cash Spending Is Up

5.2% increase in annual rate of U.S. household debt in Q4 2017¹

\$92 billion in new debt added by U.S. consumers in the last year²

2000-2015, noncash payments experienced a compound **annual growth rate of 12.16%**³



¹ Mpamag.com, "Household debt grows in Q4 at fastest pace since 2017," March 12, 2018.

² Wallethub.com, "Credit Card Debt Study: Trends & Insights," June 11, 2018.

³ Mintel, *US Consumer Payment Preferences and Behaviors Market Report*, 2017.

Trend #2

Credit and Debit Remain King

Two out of three consumers have or use a credit card⁴ – slightly **more than 50%** have used at least one card in the past month⁵

Nearly 80% of consumers have a debit card⁶

When it comes to online payment apps, **44% would load their credit card** and **42% would load their debit card** rather than pay via mobile or bank⁷



⁴ Mintel, *US Consumer Payment Preferences and Behaviors Market Report*, 2017.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

Trend #3

Tech Usage on the Rise

- Fintech companies continue to add payment options
- Increase in mobile usage is driving payment options
- **Nearly 100%** of internet users own a personal mobile device⁸
- **27% of people** are interested in using their phones as smart wallets⁹



Trend #4

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

15% of consumers have used at least one of the top three mobile wallets (Apple® Pay, Samsung® Pay, Android® Pay)¹⁰



39% have used PayPal^{®11}



In Q1 2017 users exchanged \$6.8B dollars on Venmo[®]



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

¹¹ Mintel, *US Consumer Payment Preferences and Behaviors Market Report*, 2017.

Trend #5

Wearable Technology and Payments

Smart watches and fitness trackers like Apple® Watch and Fitbit® offer growth potential for payments industry¹²



Card Services Technology in 2018 (and Beyond)

Trend #6

The Next “Phase” of EMV



DUAL INTERFACE



BIOMETRICS



CASHIER-LESS SHOPPING

Dual Interface

- **One-third** of all in-store payments will be contactless by 2020¹³
- **95%** of new U.S. POS terminals are contactless-enabled
- People are becoming more comfortable with dual interface and enjoy the speed and ease of contactless cards
 - Dual interface EMV cards enable both contact and contactless transactions
 - The global value of contactless transactions is estimated to reach \$1.3T in 2019¹⁴



¹³Credit Union Times, "Report: One-Third of In-Store Payments Will Be Contactless by 2020" July 31, 2018, <https://www.cutimes.com/2018/07/31/report-one-third-of-in-store-payments-will-be-cont/?sreturn=20180701154817>.

¹⁴ Juniper Research, "Contactless Retail Payments to Exceed \$1 Trillion in Transaction Value by 2019," May 2017, www.juniperresearch.com/press/press-releases/contactless-retail-payments-to-exceed-1-trillion.

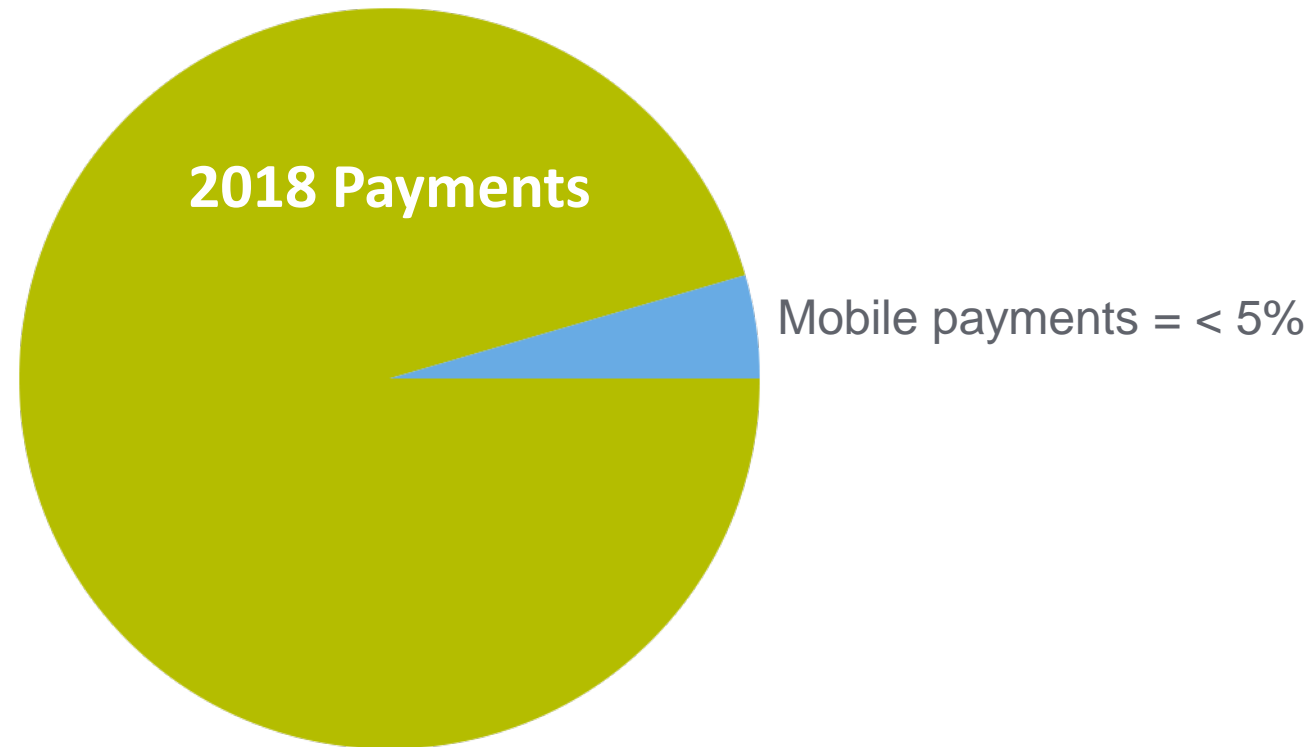
Biometrics

86% of people are interested in using biometrics to verify their identities to make payments¹⁵



Cashier-less Shopping

- Growth has been slow
- In 2018, mobile payments are expected to account for less than 5% of all U.S payments¹⁶



Trend #7

Metals

- Quickly becomes the card of choice, top of wallet as a status symbol
- Large audience — nearly 40 million in the U.S.¹⁷
- Stronger member retention
- Higher cost to produce than other card options



Trend #8

Instant Issuance

- Instantly issued cards are seeing activation and usage rates as high as 89%¹⁸
- They're being used within 93 minutes of activation, compared with the first 10 days for standard issue¹⁹
- More than half of U.S. consumers needed a card replaced due to fraud in 2015, and 32% used the card less as a result²⁰

¹⁸Harland Clarke research

¹⁹Ibid.

²⁰Aite Group "2016 Global Consumer Card Fraud: Where Card Fraud Is Coming From," July 2016.

What These Trends Mean for Financial Institutions

Spotting Preferences in Payment Options

- Nearly 75% of consumers across all age groups do not see a need to change their current payment methods²¹
- Consumers age 25–44, 65+ prefer credit²²





How Your Institution Can Keep Up With Trends

Q&A

Type your question in the questions panel



Mike Schultz, Harland Clarke

Rob Dixon, CPI Card Group

www.harlandclarke.com/webcasts



harlandclarke.com/LinkedIn



harlandclarke.com/Twitter

Presentation materials and video replay will be provided within one week.

Visit harlandclarke.com/webcasts for this and previous events.

Thank You