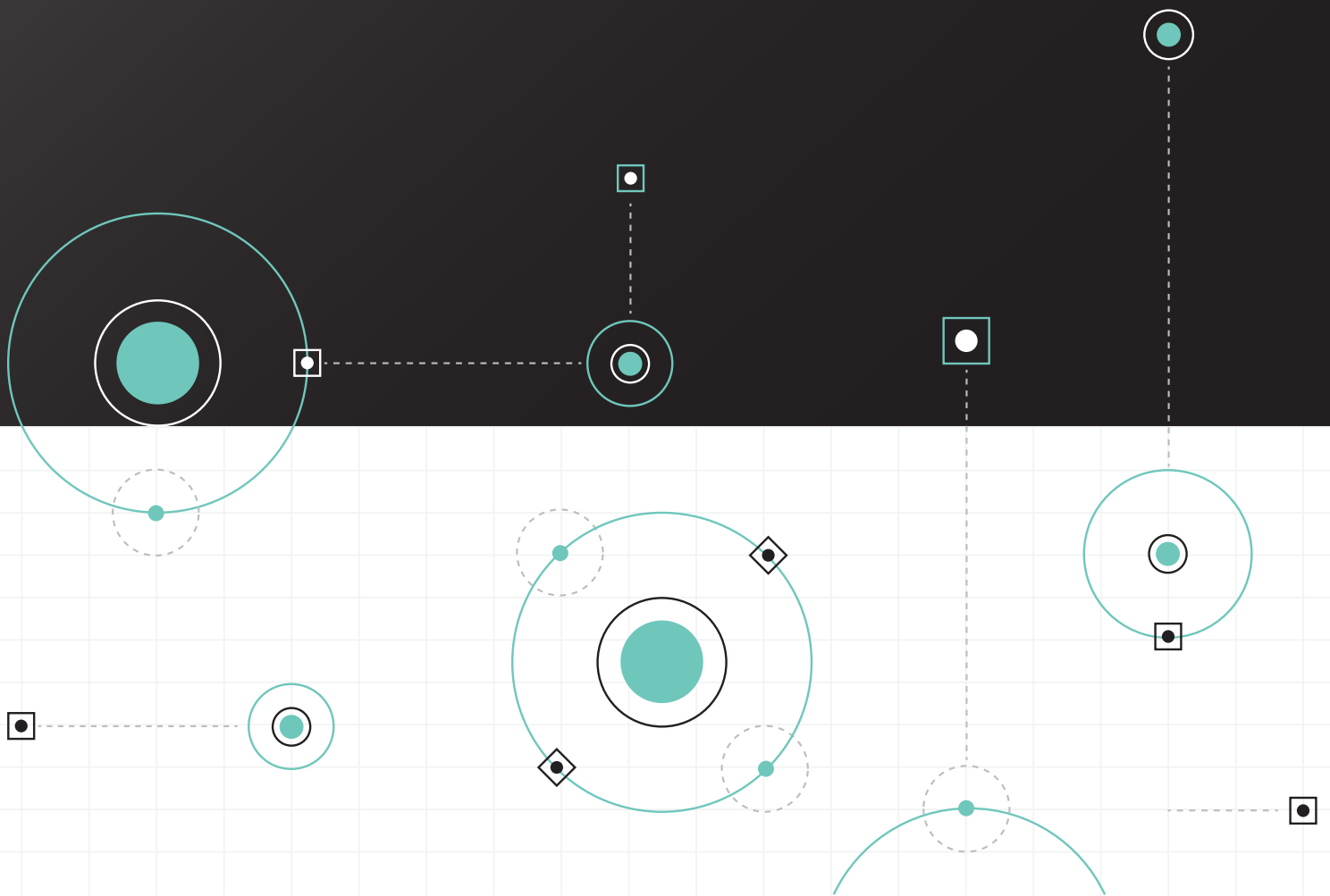


» **WHITEPAPER**

# Deliver better customer experiences with modern card issuing

**A commissioned study conducted by 11:FS**  
**written by Sarah Kocianski**



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# Introduction

Companies in all industries have moved well beyond taking something analog and digitizing it, and instead are focused on building digital experiences that are cheaper, faster or better than what customers experienced before. Across industries, leading firms are aiming to eradicate friction from customer experiences. That includes even the few seconds it takes to look up and enter a card number. Instead, leading firms are embedding payments more smoothly into other journeys and experiences — meeting more of customers' needs, more conveniently than before.

Companies are embedding payment options into customer journeys, creating better customer experiences and enabling new business models. Embedded payments appear in context, at the point of need, and are frictionless:

- Consumers buying from a growing number of retailers can pay with installment loans from Buy Now Pay Later companies like AfterPay and Klarna.
- Consumers using ride-sharing apps like Grab, Lyft or Uber authorize payment as part of the process of booking and taking a ride, rather than having to pay the driver.
- Merchants using eCommerce platforms like Lightspeed, Mindbody, Shopify and Toast are able to use payment acquiring and processing services that are embedded into those platforms, enabling the merchants to accept a wide range of payments from their customers.

These embedded payments are enabled by providers that have embraced newer technologies, especially open API platforms, to deliver experiences that meet the needs and expectations of customers, while helping companies seize new market opportunities and achieve greater operational efficiency.



- Another group, encompassing all ages, are those who have been forced to convert to digital services that they had previously avoided thanks to the pandemic. As a result, they need help and guidance when transacting online in order to trust the process.

"In April [2020], nearly a quarter of new users of Bank of America's digital products were seniors and boomers", according to Bank of America CEO Brian Moynihan. "This older demographic also accounted for 20% of those who deposited mobile checks for the first time."

*Source: CB Insights*

The Covid-19 pandemic has increased acceptance of digital payments by merchants worldwide as regional lockdowns prevented people from making purchases in person, forcing merchants to innovate. Those digital payment methods include Buy Now Pay Later (BNPL) products, mobile wallets and, in some countries, contactless payments. This has driven increased awareness of these payment mechanisms among all three groups above, in turn leading to greater adoption.

"In the early days of the pandemic, 51% of people in the US started using mobile wallets like Apple Pay and many other tap-to-go credit cards."

*Source: PaymentsJournal*

"Klarna saw a 20% increase in UK brands using its service during April 2020."

*Source: Klarna*

But the proliferation of new payment mechanisms, and increased use of digital payments, has brought downsides including greater volumes of fraud. Using

best-in-class technology to prevent fraud and other criminal activity is vital for companies that want to build and maintain trust in their digital products and services.

## The Business Perspective

Businesses of all sizes, but especially smaller and medium-sized enterprises, have seen a rapid increase in demand for accepting and making payments digitally. This has been driven by the steady growth in eCommerce, greatly aided by the pandemic.

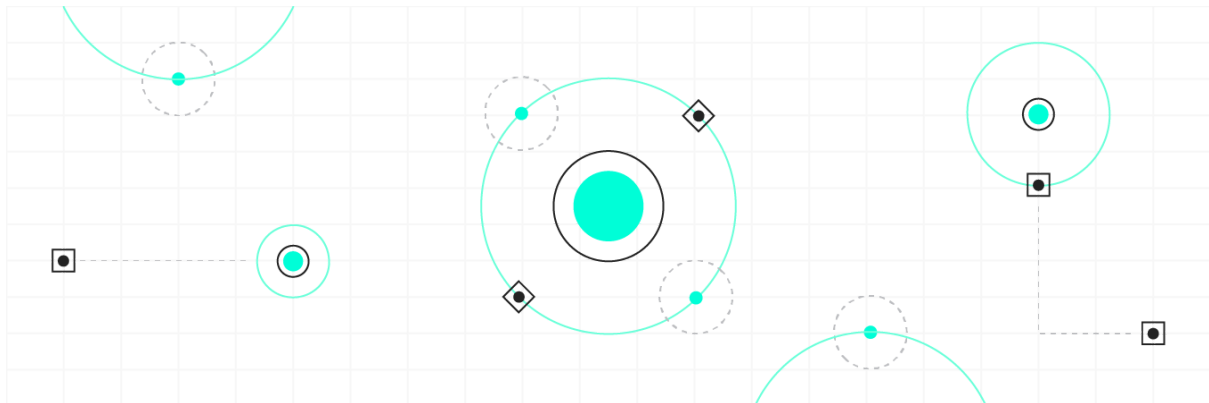
Companies in all industries need to accept digital payments, but that is only the baseline. They also want to conveniently:

- Pay other companies digitally to settle invoices
- Pay customers digitally to settle refunds or insurance payouts
- Enable employees to pay expenses digitally

Their expectations of being able to do such things have been set by companies like Square, which started out selling a mobile point-of-sale device, and now offers a wide range of financial services including a debit card, peer-to-peer payments, credit, and payroll management software. Small businesses now expect more from providers to help them meet their own customers' expectations.

Whether your customers are businesses or individuals, you need to be thinking about how smoother payments experiences can help you meet their changed expectations and needs. That's because better customer experiences will open up new opportunities for your business, enabling it to thrive in today's ever-changing digital environment.

# Better Customer Experiences



Modern card issuing facilitates better customer experiences, by enabling companies to embed payments smoothly into customers' journeys, rather than bolting on a separate payment or billing process based on rigid and aging technologies.

*Modern card issuing offers three groups of benefits that can help deliver better customer experiences:*

Benefit	How it helps
<b>Reaching new customers</b>	
Immediate access to products and services	Customers get access to credit or payment mechanisms in minutes, not days
Reaching underserved groups	Customers can access basic products and services that were previously out of reach
New types of products and services	Customers get access to new financial instruments that were previously unavailable
<b>Building loyalty and engagement</b>	

Personalized rewards	Customers get tailored offers that are delivered at the point of need
Invisible payments	Customers can use service providers without having to even think about how to pay
Greater control over shared accounts	Customers and employers get more useful services
<b>Building trust in digital</b>	
Reduced errors	Customers enjoy payment experiences that just work
Less fraud	Customers are less exposed to losing money or data

## Reaching New Customers

Modern card issuing platforms enable companies to put customer experience at the heart of their businesses to reach new users, including in new demographics.

### **Immediate access to products and services.**

#### **→ What it is**

Thanks to modern card issuing platforms, companies can give customers access to services, including financial products, in real time — as per their expectations. New cards can be issued in minutes and payments made immediately allowing instant spending, while purchases can be approved or declined at the point of sale creating smoother customer journeys. These services can be offered by companies in all industries — there are already examples of ride-hailing, food delivery, entertainment companies and software-as-a-service providers with their own payment cards and credit products.

#### **→ Who's doing it already**

Swedish digital bank [P.F.C.](#) offers customers access to virtual spending

cards as soon as their in-app application is complete, and point of sale lending. US workforce payments platform [Branch](#) enables workers to receive real-time payments which they can spend immediately via Google or Apple Pay, rather than waiting for the end of a pay cycle.

"The use case for virtual cards for us currently is a way to let them [customers] use the card immediately, instead of waiting until they get the physical card in their hands. A lot of our customers start buying things with the card within about 2 minutes of first downloading our app".

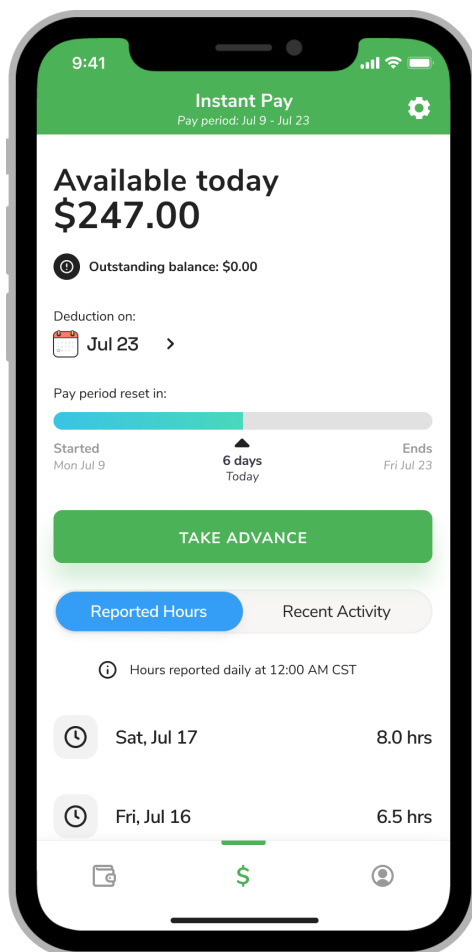
*Kevin Albrecht, CEO, P.F.C.*

#### → **What the opportunity is for companies**

Reduced likelihood of customers failing to complete a transaction, or finish opening an account. The end result is fewer lost sales, customers who are better satisfied, and employees with warmer feelings towards their employers.

"Consumer expectation has evolved to prefer faster payments. They can order and pay for goods and services instantly, and we're able to bring that convenience to their work payments. With Branch, they no longer have to wait for a full pay period to access their pay."

*Ahmed Siddiqui, VP of Product, Branch.*



Branch enables users to access their pay ahead of a scheduled pay date.

## Underserved groups: Consumers

### → What it is

Modern card issuing platforms make it easier to provide services for consumer groups who have historically been excluded from accessing formal financial services. Digital services with lower fees than those from incumbent providers are possible thanks to lower cost bases from digital distribution. More intuitive and easier-to-use services can be created thanks to greater flexibility over user interfaces.

### → Who's doing it already

UK prepaid account [Pockit](#) offers a streamlined application process, with fewer steps and documentation requirements than many of their

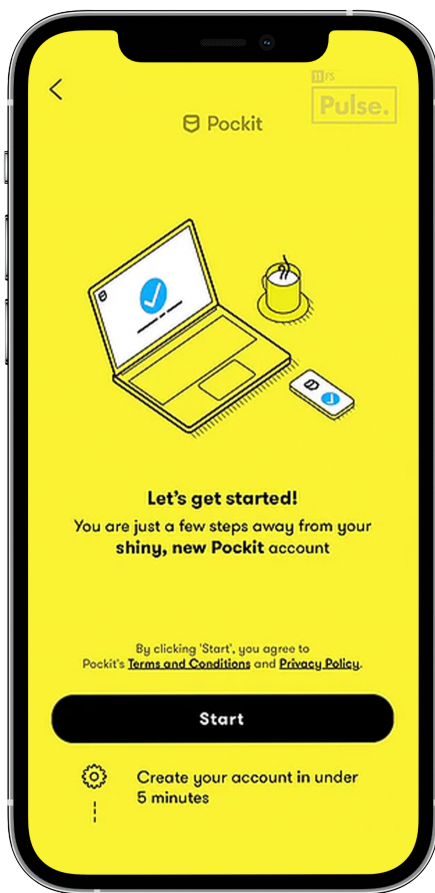
incumbent competitors . This helps immigrants access basic accounts when they arrive in their new country.

"The other piece which is important is thinking about the user experience — the easier you make it for people to use the app or the digital solution, the more you are likely to have people using it and be digitally included. So that's where a partnership with a processor like Marqeta is fundamental... if the processor is flexible, can make things really easy from a user experience perspective, that's when all of a sudden you have more solutions out there which people can easily use, and you can achieve the financial inclusion goal."

*Edoardo Volta, Vice President Business Development, Mastercard.*

### → **What the opportunity is for companies**

Providers can sustainably serve groups who would previously have been considered too difficult, or too unprofitable. That opens whole new markets for both incumbents and startups, while bringing more people into formal financial services.



Pockit enables customers to open an account in minutes thanks to a streamlined application process.

## Underserved groups: Small Businesses

### → What it is

Financial services providers can offer small business customers a wider range of more relevant services with modern issuing platforms, while non-financial services companies can offer payment options directly to their small business customers. Time-pressed owners' lives are made easier by accessing multiple services in one place, and some can now access products previously unavailable to them from traditional providers.

### → Who's doing it already

Full-service payments provider [Square](#) offers customers payment cards to complement its other payment services, giving small businesses faster access to funds recently paid into their accounts by customers, instead of having to wait for payments to clear. Not only is that a huge benefit to

small businesses in terms of cash flow management, but fast access to funds is now expected by business owners thanks to advances in consumer propositions.

→ **What the opportunity is for companies**

Offering a wider range of services from one platform boosts small business customer loyalty by saving them time while making it harder to switch. It also gives companies the ability to generate more revenue from the additional products and services.

## **New services: Credit**

→ **What it is**

Innovation in credit is lagging innovation in debit accounts and payment mechanisms. There's a demand for flexible credit products to help customers who have fewer and less affordable borrowing options. Such products include credit cards with personalized rewards or APR, installment payments, and point-of-sale lending with easy-to-understand terms that suit individual customers, rather than being one-size-fits-all.

→ **Who's doing it already**

In the US and Australia, [Klarna](#) issues customers "ghost cards" that let them shop from any merchant using installment payments. That means customers can spread the cost of purchases out over time, often interest-free, letting them pay in a way that suits their individual needs.

→ **What the opportunity is for companies**

Companies have greater flexibility in the types of product they offer — providing more flexible financial instruments means they can empower existing customers with a choice of payment options, while expanding their market to customers they historically couldn't serve economically. Increased access to data, including real-time transaction data provided by a modern card issuing platform, enables responsible lending to customers capable of making repayments on their loans.

"Access to credit can be really, really good — it allows people to stretch their finances and do more — and can also be really, really bad — because it can get people overstretched and in debt, and all that comes with it. [That's why you need to be] working with a processor that allows you to have more flexibility in the credit solutions that you offer, and offer more responsible lending solutions."

*Edoardo Volta, Vice President Business Development, Mastercard.*

## New services: Investments

### → What it is

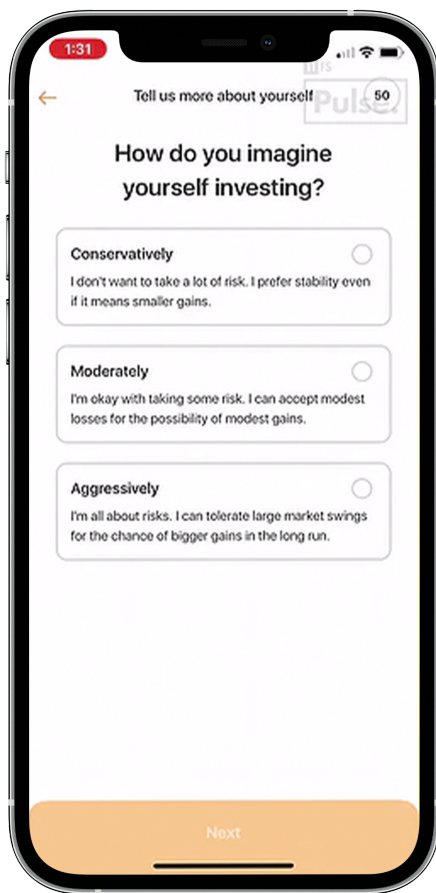
In the last 2 years we've seen an increase in new digital investment propositions, but this has been largely confined to trading apps and products for those who have enough money to invest to make opening up a new wealth management account worthwhile. Modern card issuing platforms enable providers to offer more innovative solutions such as investment accounts with greater liquidity.

### → Who's doing it already

[Finch](#) is a combined checking and investment account that allows customers to spend their deposits immediately using a payment card, without having to wait for holdings to be sold and the funds transferred.

### → What the opportunity is for companies

More flexible financial instruments enable companies to fill gaps in the market and solve previously unmet customer needs, by offering services that meet customers' individual financial situations.



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Finch has created a new type of investment product, with greater liquidity than most traditional offerings.

## Building Loyalty And Engagement

In a world where the easy availability of modern technologies has enabled a proliferation of new business models and company types in all industries, it's more important than ever that companies focus on improving customer experiences wherever possible to build loyalty and engagement.

### Invisible payments

#### → What it is

Payments that happen in the background, without any direct action on the part of the customer. Invisible payments enable customers to achieve their goals, such as getting home safely or picking up groceries, faster and without having to think about the additional step of how they are going to pay.

#### → Who's doing it already

[Amazon Go](#) grocery shops in the US and UK require customers to scan a code on entrance using a specific app; they are then free to add items to their basket and walk out of the shop once they are done without having to check out. Amazon later sends the customer a receipt and charges the payment card or account linked to their Amazon account.

#### → What the opportunity is for companies

The end-to-end customer journey can be improved by removing a step, i.e., payment. By making the payment step 'invisible' the customer has a more convenient experience, resulting in fewer sales lost due to time constraints or forgotten wallets.

### Personalized rewards

#### → What it is

Customers get loyalty programs tailored to their individual use of a product or service. New issuing platforms give companies more insights into customer spending habits, and let them respond accordingly with appropriate promotions. Rewards can be applied at the point of sale, and turned on and off instantly, making them easier for customers to use.

### → **Who's doing it already**

U.S. rewards platform [Virtual Incentives](#) enables companies to issue virtual reward cards to employees and customers. Merchants can reward loyalty account holders with cards offering cash back or money off a purchase on a favorite item, for example.

### → **What the opportunity is for companies**

Companies can earn greater engagement and loyalty from customers in a world where customers have a huge choice of companies in every industry from financial services, to eCommerce, to mobility.

## **Greater control over shared accounts**

### → **What it is**

Customizable spending rules enable an account holder to give a second person their own account and payment card, while controlling the transactions that can be made. These cards can be used by businesses, to help company finance departments manage employee travel, entertainment and corporate purchasing. Employers can limit how much is spent and where. Consumers, meanwhile, can give a child a certain amount of financial freedom, while encouraging responsible financial behavior.

### → **Who's doing it already**

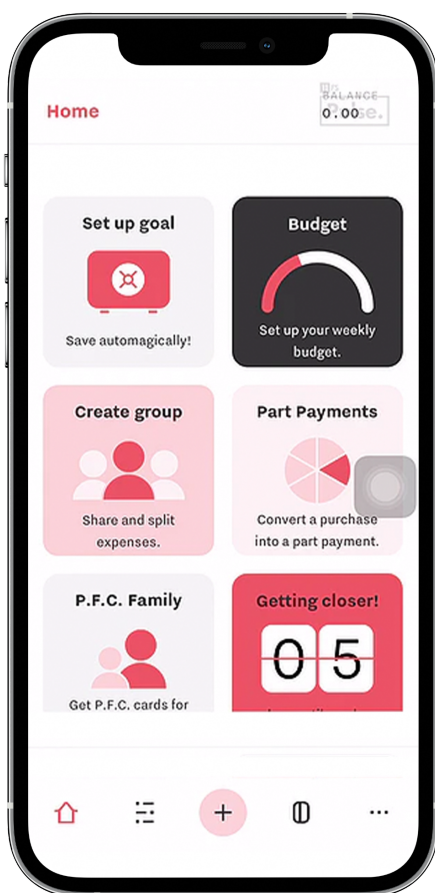
DoorDash issues cards to delivery drivers that can only be used to spend the same amount as the customer's order, at the specific restaurant they have ordered from. Sweden's P.F.C. lets parents set up shared accounts with their children, with spend controls enabled by modern card issuing.

"The kids can use their own app with a very limited feature set. The card for kids is something that their parents can control, including how much they can spend. They can block it and unblock it and see all the kids' purchases".

*Kevin Albrecht, co-founder and CEO, P.F.C.*

## → What's the opportunity for companies

Giving customers greater control over shared accounts gives them a reason to choose a certain provider for their child's first payment card. Children may remain loyal to their first provider after they reach adulthood, increasing the lifetime value of the family over the long term. Employers benefit from expense processes that save time on both sides by reducing manual workflow, and keep employees happy by preventing them from needing to be out of pocket at any time.




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P.F.C makes it easy for users to create shared accounts from the homescreen.

## Building Trust In Digital

As more and more transaction types are made available digitally, companies face an uphill struggle in getting certain segments of consumers to use them. These people distrust digital transactions, for a wide range of reasons, which means companies need to focus on making their customer experiences as smooth and secure as possible in order to build — and maintain — customer trust.

### Reduced errors

#### → What it is

The likelihood of customers entering payment details incorrectly is reduced by issuing tokenized cards that can be added to digital wallets, something that customers are increasingly asking for. Customers can pay using their preferred mechanism, and they don't have to spend time correcting inaccurate inputs.

#### → Who's doing it already

French digital bank Lydia lets customers add virtual cards to digital wallets Apple, Google and Samsung Pay. They can also generate one-time virtual cards, and copy and paste the relevant information into any digital payment portal.

#### → What the opportunity is for companies

Tokenized cards mean companies will see increased sales as the potential for failed payments due to inaccurate inputs is removed. API-driven platforms also bring cost savings for companies that no longer have to manage manual processes, or resolve the inaccuracies and errors that are more likely when using such methods.

"The speed and simplicity of transmitting data, [modern platforms] are much more flexible. There are still parts of the US where in order to transmit data you have to send over a CSV file and upload it, through FTP. It's a very old school way of doing things — a couple of ticks up from carrier pigeons. And there are so many human inputs, which means there are so many places for potential mistakes to be made. APIs are much cleaner, simpler, leaner — so there's less possibility for errors, and the data should be communicated the right way, every time."

*Amanda Orsen, VP North America, Curve.*

## Less fraud

### → What it is

Fraud can be reduced as companies get access to greater volumes of data about individual payments and more flexible systems of authorization. Contextual data can be used by companies to assess the risk of a transaction more accurately, while flexible rules enable streamlined approval of transactions at the point of sale. That means customers can complete journeys on frequently used, trusted platforms quickly and smoothly, but still have an extra level of protection on more complex or higher value purchases, or at less well-known merchants.

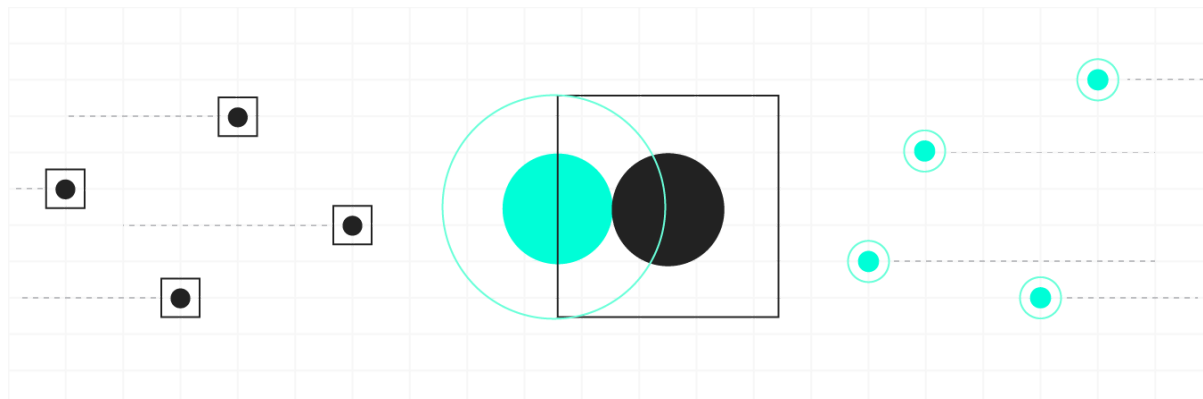
### → Who's doing it already

Corporate card provider Ramp enables companies to create both single-use virtual cards and physical plastic cards that can be used for corporate expenses. Companies can set detailed rules around where, when and how often a card can be used, significantly reducing the chance that cards can be used fraudulently.

→ **What the opportunity is for companies**

Reduced fraud losses benefit companies directly, through reduced losses, and indirectly, by increasing customer confidence and loyalty. More flexible payment authorization reduces customer frustration, while still offering reassurance where required.

## Benefits For Customers, But Also For Companies



Modern card issuing enables companies to improve the customer experience in a range of areas:

- Companies can serve new customer segments by offering digital products and services with smoother transaction experiences.
- Companies can give customers more personalized products and services, and greater control.
- Companies can earn greater customer trust in digital services thanks to smoother transaction journeys that reduce the risk of errors and fraud.

Wherever customer experience is improved, companies get opportunities to extend or improve their business.

But that's not all. There are additional benefits from using modern card issuing platforms that benefit customers indirectly by making providers more efficient, resilient and sustainable. These include:

### → **Easier scaling to international markets**

Modern card issuing enables companies to "build once, deploy anywhere", so they can easily expand into multiple geographies, build a recognizable brand and maintain a consistent customer experience, while also allowing customers to pay using whichever mechanism they prefer, including local options. Expansion is cheaper and faster, and saves companies the

resources required to ensure processing systems are up to date and compliant with any local scheme rules.

→ **Faster deployment of new products and services**

Companies need to be able to deliver innovative, flexible, real-time products and services at pace. Modern platforms enable companies to launch products and services far faster than they could working with traditional providers. That helps companies react quickly to new opportunities, keep up with customer expectations, and develop new revenue streams. Shorter time to market makes launching startups and new propositions more viable and more likely to succeed, particularly in financial services.

"A willingness to co-build makes things a lot easier, and the company can evolve as you do with your product roadmap. Also, speed to market — things take a lot longer for the traditionals based on their organization size and how their technology is built."

*Neel Ganu, Co-Founder, Finch.*

# Embrace The Opportunities Presented By Modern Card Issuing

Delivering great digital customer experiences that meet customers' rising expectations requires real-time, flexible systems that can support immediate payments. The legacy constraints of rigid integrations, and slow batch-based payment processing is no longer meeting customer expectations. When you're looking for a partner to deliver those systems, you should consider:

## → Flexibility

Will a partner enable you to put customer experience at the heart of your proposition? Is it flexible? Does it enable you to do the things needed to meet your customers' expectations? Can this partner work alongside you as your business evolves in an ever-changing market landscape?

[The advantages of using modern card issuing are] "... flexibility of providing solutions — the ability to cater for different types of solutions. Traditional processors might be more rigid, and so only able to cater for specific solutions. We want the ability to work with a partner that looks at enabling different services on their platform and allows us to go to market with different solutions"

*Edoardo Volta, Vice President Business Development, Mastercard*

## → Speed

Can a partner move at the speed you require it to, reliably and securely? If you need to do things in real time, API-based platforms are essential. APIs accelerate time to market for new products and services by being "plug and play", enabling easier integration and letting developers try out new ideas through sandbox testing environments, without needing to go through a special process with the partner.

"Batch processing end-of-day files, especially for payment approval and decisioning, just doesn't work. We needed a real-time vendor that didn't just ask us "do we reject or accept this payment?", but a real-time vendor that gives us the breathing space to get back to them."

*Neel Ganu, Co-Founder, Finch.*

### → **Experience**

Is a partner already working with providers in your market? Does it have previous experience serving your industry? Does it understand the priorities of businesses like yours?

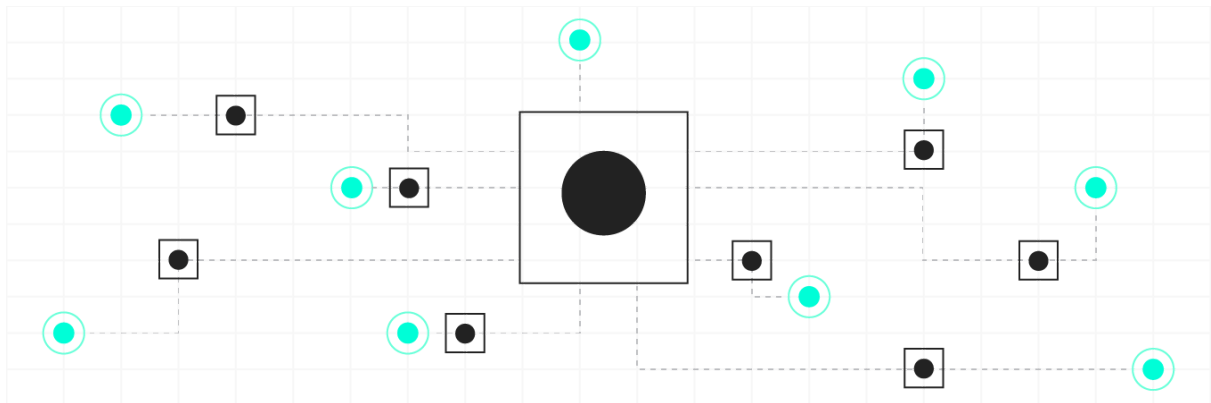
"One of the first things I did in my research was to look at all the fintechs and who are they working with? Who is their issuer? Who is their BIN sponsor bank? Who is their processor?"

*Amanda Orsen, VP North America Curve.*

### → **Economics**

Do the economics work for you? Smaller businesses need partners that can scale with them, without requiring significant outlays or friction before they get up and running.

## In Conclusion



Modern card issuing gives companies the ability to deliver experiences tailored to the needs and expectations of their customers. It enables them to reach new customers, to build loyalty and engagement with existing customers, and to foster and maintain trust in digital products and services at a time when more people than ever are using digital touchpoints.

The end result is more sustainable, successful companies that are better able to adapt. Companies in every industry that want to thrive need to start exploring how modern card issuing can help them do so, today.

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## Talk With Us

If you have any questions or you'd like to talk about how you can build or strengthen trust in your products, please do get in touch.

<https://www.marqeta.com/contact-us>

## About the author

**Sarah Kocianski**

**Head of Competitor Strategy, 11:FS**

This report was written by Sarah Kocianski, Head of Competitor Strategy at 11:FS. Sarah creates unique, insightful and engaging content on subject areas across the financial and technology industries. She hosts the 11:FS podcasts Fintech Insider and Insurtech Insider, and speaks frequently at international events. Sarah previously founded and led the fintech research vertical within Business Insider Intelligence, and has experience working at financial technology firms large and small.