



2023

# PULSE<sup>®</sup> Debit Issuer Study

Issuers adapt to consumer demand  
for digital payments

## About the Study

The 2023 *PULSE® Debit Issuer Study* provides an overview of the ever-evolving debit industry, shedding light on both the opportunities and challenges faced by issuers. The study, currently in its 18th year, combines issuer surveys and interviews to gather both quantitative and qualitative information. The sample for the study encompasses a diverse range of participants, including credit unions, community banks, regional banks and national banks, spread across the United States.

Data collection for the 2023 study took place during the first and second quarters of 2023. Data for both 2021 and 2022 were provided by the cohort of issuers in the 2023 Debit Issuer Study for relevant year-over-year comparisons. Data related to number of cards, card types, penetration and active rates are as of year-end 2021 and 2022. Data related to transaction and dollar volumes are for full-year 2021 and 2022.



## Table of Contents

---

<b>01</b>	Overview .....	4
<b>02</b>	Card Mix & Transaction Shifts .....	6
<b>03</b>	Industry Performance .....	18
<b>04</b>	Issuer Focus & Investment Prioritization .....	22
<b>05</b>	Fortifying Defenses Against Fraud .....	26
<b>06</b>	Digitalization of Debit .....	32
<b>07</b>	Looking Ahead .....	38

# 01

# Overview

Debit transaction and dollar volume grew modestly in 2022, in alignment with prevailing economic conditions. Key takeaways from this year's study lie in issuers' strategic choices and priorities in pursuit of growth and adaptability. The study uncovers the focal points where issuers are channeling their effort and resources to improve performance.

One resounding theme that emerges is the increased consumer adoption of digital payment technologies. Issuers are actively prioritizing initiatives to keep up with changing consumer expectations and preferences. Those that are more forward-thinking are seeking to redefine the customer experience, streamline self-service capabilities and leverage partnerships to stay at the forefront of developments in debit.



# 2023 Debit Issuer Study: **Key Takeaways**



## **Growth stabilizes after two years of volatility**

Following a dip in transaction volume in 2020 and a rebound in 2021, debit transactions and dollar volume leveled off in 2022 with modest year-over-year (YoY) growth. Consumer behaviors fueled by the pandemic led to a lasting shift towards alternative payment methods.



## **Consumers embrace non-traditional payment methods**

Consumer adoption of contactless and mobile-wallet payments surged in 2022, indicating that:

- 1) Merchant acceptance of these technologies has become more widespread
- 2) Consumers are embracing the ease of these payment types.



## **Fraud defense takes center stage**

Debit issuers prioritized fraud management as their top area of investment in 2022. They continued to enhance their fraud models and educate customers to stay ahead of evolving fraud tactics.



## **Digital transformation continues**

Issuers made further advances in their digital customer experience to keep pace with consumer demand. They launched new self-service features and encouraged the use of debit in mobile wallets.



## **Issuers evolve debit for the future**

To drive long-term success in debit, issuers focused on improving the digital experience, capturing younger consumers and aligning their strategy to customer needs and values.

# 02

# Card Mix & Transaction Shifts

## Adapting to Payment Transformation

Following heightened volatility in debit volume witnessed during the COVID-19 pandemic, debit growth has returned to a more modest pace. Additionally, the debit industry has seen shifts in consumer spending behavior across purchase transactions, account-to-account (A2A) transfers and ATM withdrawals.

Notably, numerous consumer behaviors that accelerated in response to the pandemic have endured, including the shift towards contactless payment methods, such as digital wallets and mobile payments.



# Key Takeaways

---



## Changing transaction mix

---

While the number of purchase transactions remained relatively stable, the increase in contactless and mobile wallet payments indicates consumers are turning to these payment technologies more often.



## Ongoing A2A expansion

---

Account-to-account transactions continue to grow (albeit more slowly after years of extreme growth), driven by increased use of digital wallets and peer-to-peer payments, with Cash App and Venmo leading the way since 2020.



Contactless switched from a nice-to-have feature to a table-stakes capability.

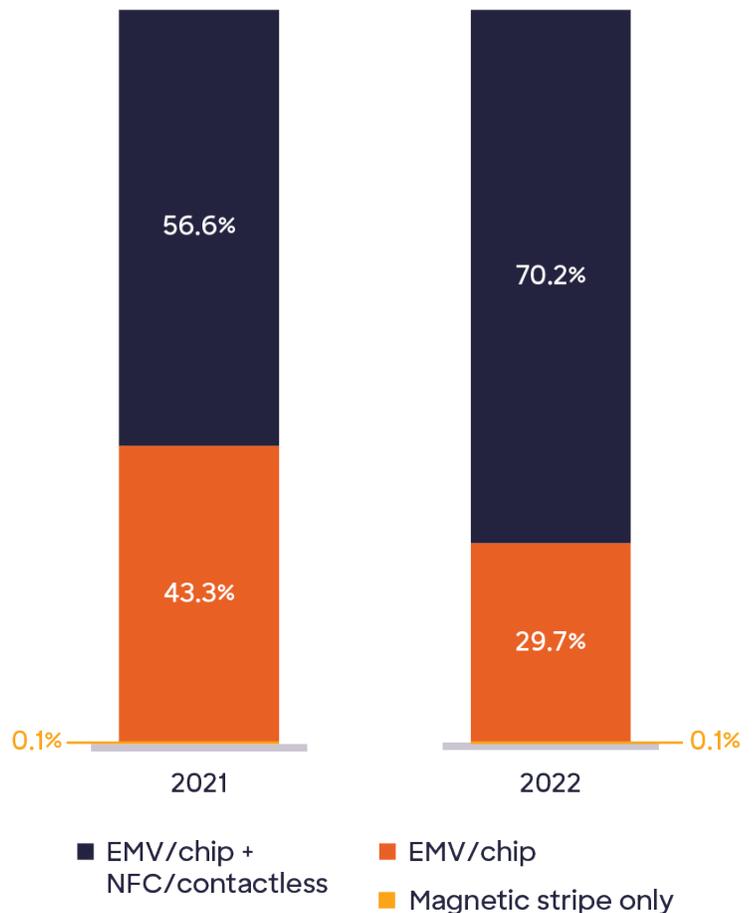
## Evolution of Debit Card Technology

The mix of debit card types in circulation has undergone significant transformation in the past decade, driven by advances in payment technology. Issuers are increasingly integrating contactless technology into EMV/chip cards, accelerating a transition that slowed during the pandemic.

From 2021 to 2022, the percentage of U.S. debit cards equipped with contactless capabilities increased from less than 57% to more than 70%. This surge of issuance represents a substantial increase for just a single year, as contactless switched from a nice-to-have feature to a table-stakes capability that creates a much more consumer-friendly payment experience.



Debit Card Mix, %



## The Journey to Contactless

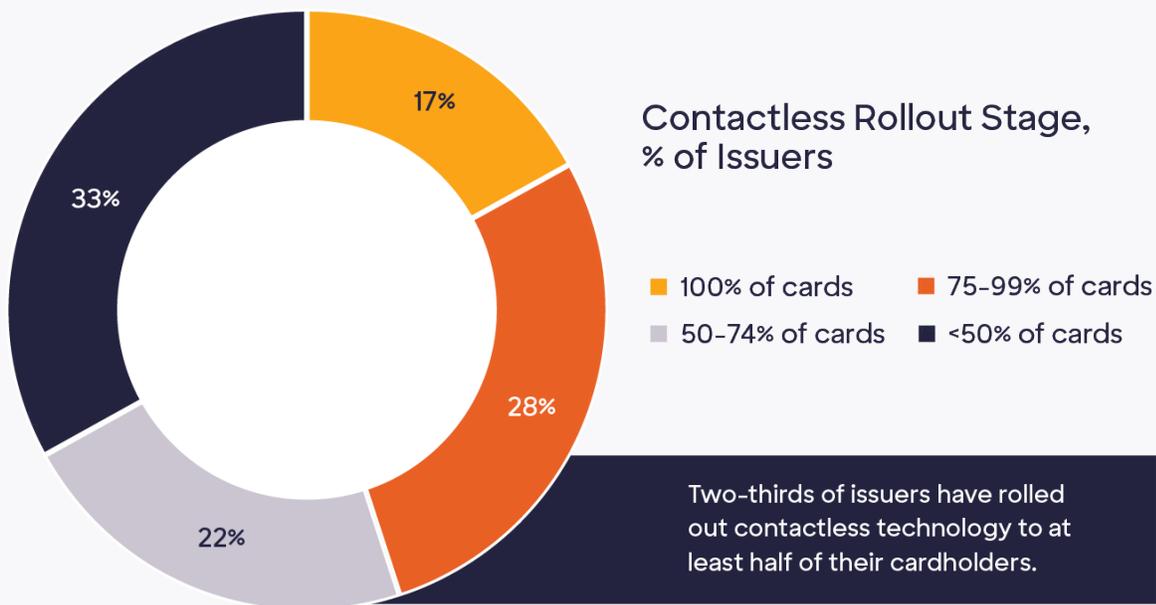
At the end of 2022, issuers were at varying stages of contactless rollout. While some have offered contactless cards for several years, others are still in the initial rollout phase.

Some issuers had been rolling out contactless cards slowly through the standard reissuance cycle and recently initiated proactive measures to catch up to peers. Many are diligently working to bridge the gap and voiced a commitment to reaching 100% contactless by the end of 2023.

Issuers who have made substantial progress in their contactless initiatives reported that this was one of their most impactful improvements in 2022. They are now shifting their focus towards promotion to underscore the value of contactless technology in the industry.

“We have been issuing contactless cards for a while, but now we’re seeing a lot more taps as merchants catch up.”

– Regional Bank Executive

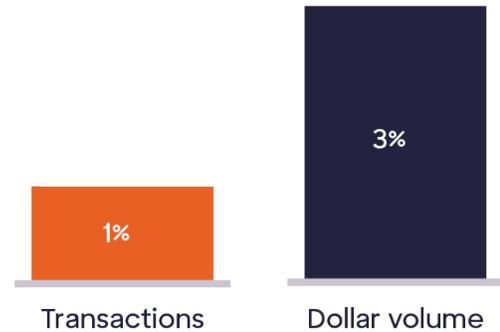


## Spotlight on Transaction Growth

During the COVID-19 pandemic, there was unusually high debit volatility. 2020 witnessed a 2.5% dip in the number of transactions – the first decline in the study’s history (though dollar volume was up 8%). The following year saw 5% transaction growth and 9% dollar volume growth.

Growth figures from 2022 show signs of adaptation. Debit cardholders used debit slightly more in 2022 than 2021, a 1% increase. Dollar volume increased 3% YoY, which can be attributed largely to inflation rather than consumers changing spending patterns.

Debit Growth (YoY), %\*



\*Non-ATM transactions, including purchases, bill payments and A2A transfers

## Breaking Down Transaction Types

In 2022, active debit cardholders performed about 29 transactions per month, on average, including card-present (CP) and card-not-present (CNP) purchases, bill payments and A2A transfers. This variety of debit use cases demonstrates the versatility of debit across the spectrum of financial activities. Purchases and bill payments represented most transactions, accounting for approximately 89% in total.

Monthly Debit Use by Transaction Type

Purchases		Transfers	Cash
Card-present purchases	Card-not-present purchases*	A2A transfers	ATM cash withdrawals
<b>19.6</b> Monthly transactions per active card	<b>8.1</b> Monthly transactions per active card	<b>1.4</b> Monthly transactions per active card	<b>1.9</b> Monthly transactions per active card
Total = 29.1 monthly POS + A2A transactions per active card			
Total = 31 monthly POS + A2A + ATM cash withdrawals per active card			

\*Excluding A2A transactions

## Mobile Wallet Use on the Rise

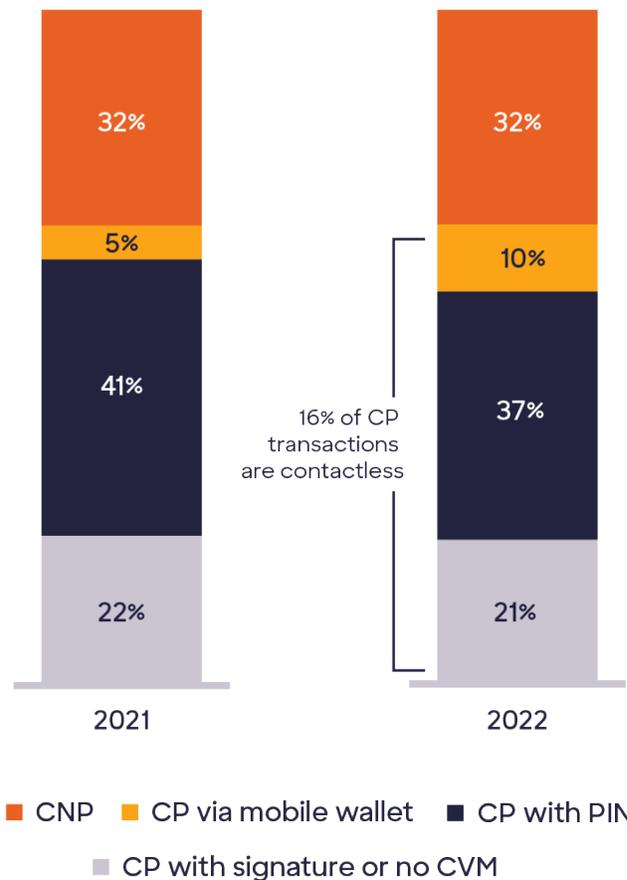
When it comes to purchase transactions, approximately two-thirds were conducted in person and one-third online in 2022. One of the notable transformations has been the remarkable growth in mobile wallet use at the physical point of sale. Mobile wallet use nearly doubled compared to the previous year, representing almost 10% of total purchase transactions in 2022.

This growth can be attributed to multiple factors, including heightened consumer awareness and a rise in wallet-enabled payment terminals among merchants. Nearly 80% of issuers reported witnessing a noticeable uptick in the number of mobile wallet transactions. In fact, issuers are actively prioritizing efforts to enable and promote mobile wallet use, aiming to secure the top-of-digital-wallet position.



Mobile wallets gained momentum, accounting for 10% of total purchase transactions.

Transaction Mix by Authorization Method, %



“Our marketing focus is all around digitalization and convenience to make sure that cardholders know, no matter where they go, they can have a payment at the tip of their hand and be able to use that as quickly as possible.”

– Large Bank Executive



# Contactless Gains Ground on EMV/Chip

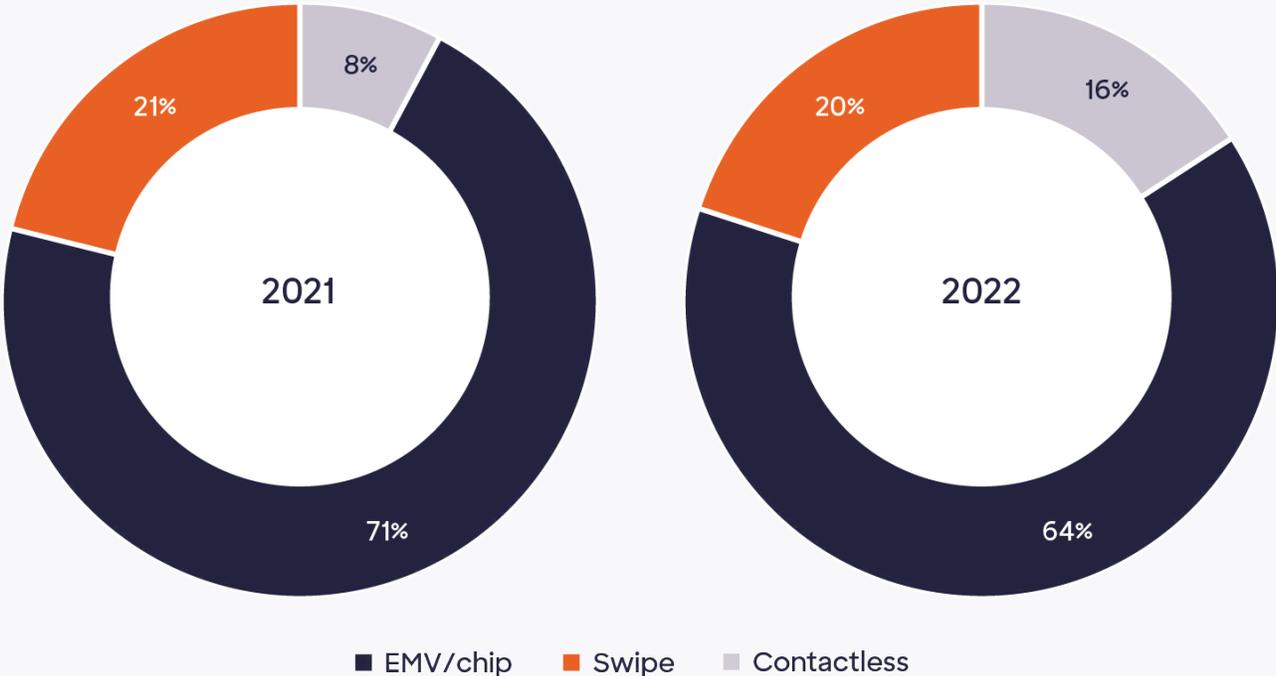
EMV/chip remains the predominant means of payment for in-person transactions, although its share of transaction volume decreased from 71% in 2021 to 64% in 2022. This decline is likely a result of consumers' increasing preference for contactless payments, which can be up to 10 times faster than EMV/chip (1-2 seconds versus 5-10 seconds) and is just as secure. (Source: [Capital One](#))

Contactless transactions have gained significant momentum, and growth is expected to continue over the next few years. Between contactless cards

and digital wallets, new payment technologies are poised to reshape the landscape of in-person transactions, delivering greater convenience, speed and security to consumers and merchants alike.

Swipe volume comprised less than 20% of the total transaction volume in 2022. This decline underscores the industry's shift towards more secure payment methods.

CP Transaction Share by Payment Method, %



## Contactless ATMs



of financial institutions deploy contactless-enabled ATMs



of ATM transactions were conducted contactlessly

## Innovation Driving Greater Convenience at ATMs

With contactless and digital wallet purchases already on the rise, ATMs represent the next wave of innovation. Issuers are starting to add near-field communication (NFC) technology to ATM terminals. This enhances the speed and convenience of ATM transactions – once a debit card is added to a consumer’s digital wallet, they can use their phone to withdraw money without a physical card.

Approximately 17% of issuers reported that they have deployed NFC technology to at least some of their ATMs. The portion of ATM transactions that used this technology remained relatively low at 12%. However, this figure is expected to increase in the years ahead as consumer awareness, and subsequently demand, rises.

## Continued but Slowing Growth for A2A Transactions

In 2022, the number of A2A transactions grew by nearly 6% YoY and volume rose nearly 7%, surpassing the overall growth rate of debit transactions. Payment providers have made considerable strides in simplifying and streamlining the process of transferring money digitally. Consumers have also embraced the convenience and security of digital channels for transferring funds, even using popular apps to pay bills or make other higher-ticket purchases.

However, 2022 growth represents a significant deceleration compared to the prior two years. In 2020 and 2021, there was 60% and 38% growth, respectively.

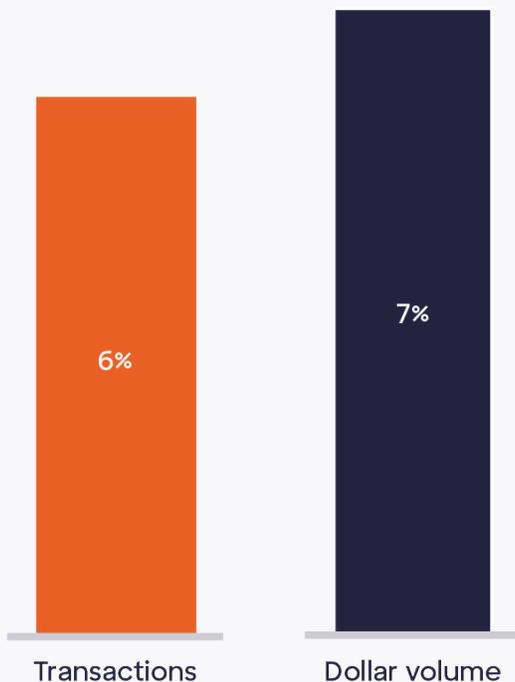
Approximately two-thirds of A2A transactions in 2022 were account funding transactions (AFTs), facilitating activities such as loading prepaid cards, topping up digital wallets and enabling person-to-person (P2P) money transfers. The remaining one-third of transactions were original credit transactions (OCTs, also known as account credit transfers). These include direct-deposit payments, business payments to gig-economy workers and vendors, and government benefits paid to consumers.

While the growth rate has moderated, A2A transactions are expected to continue an upward trajectory as the digital ecosystem evolves.

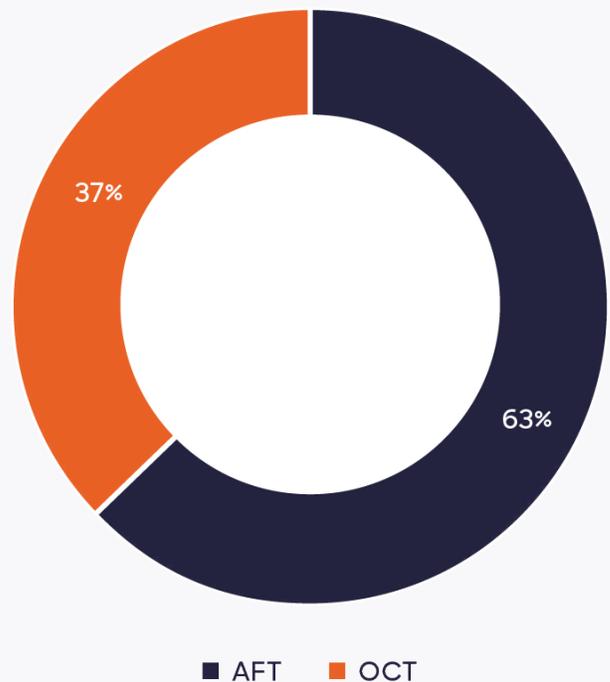
“Over the last couple of years, A2A growth has been pretty intense.”

– Large Bank Executive

A2A Growth (YoY), %



A2A Transaction Composition (2022), %





The young adult, or 24 and under, age range is where many issuers are focusing their attention. They see the potential to foster lifelong customer loyalty and promote financial inclusion.

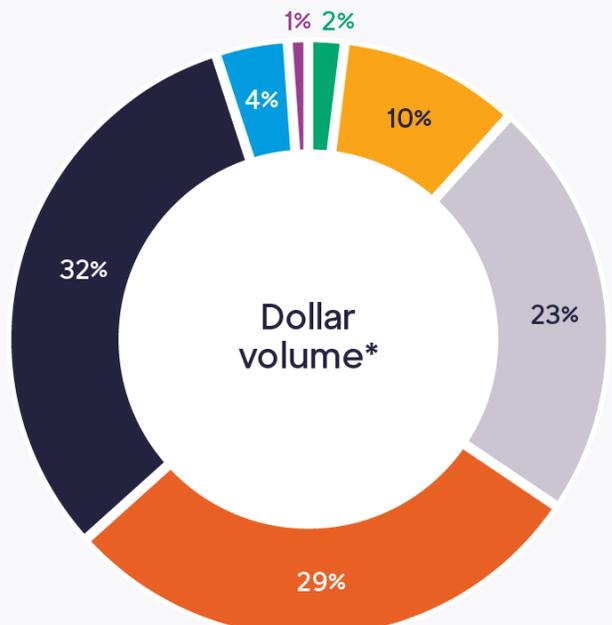
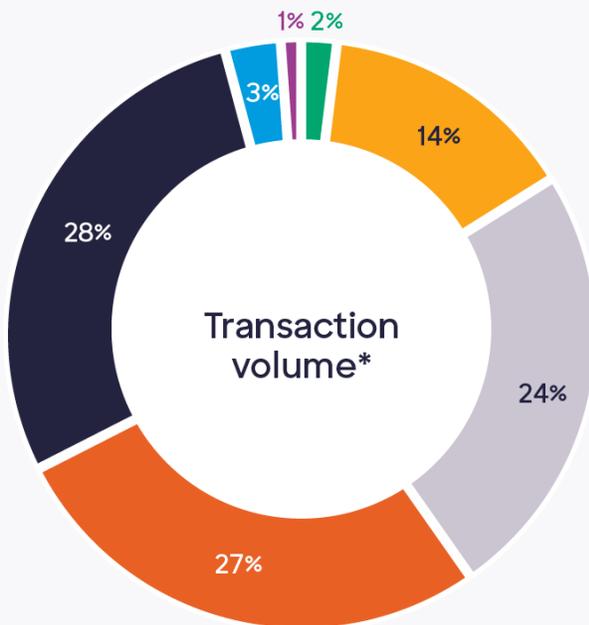
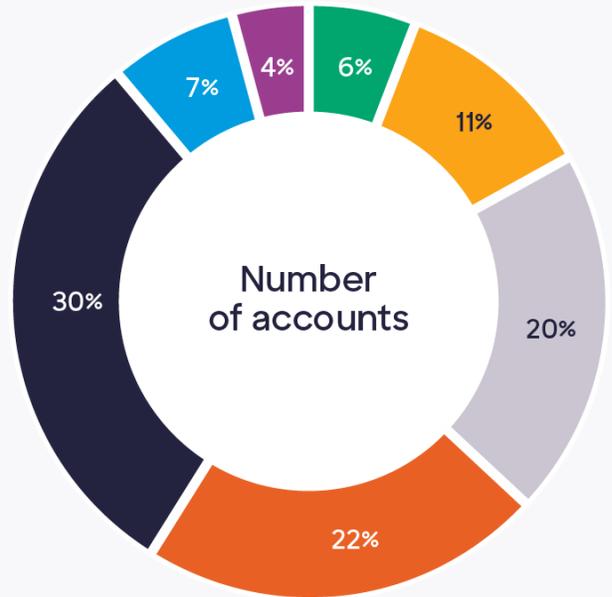
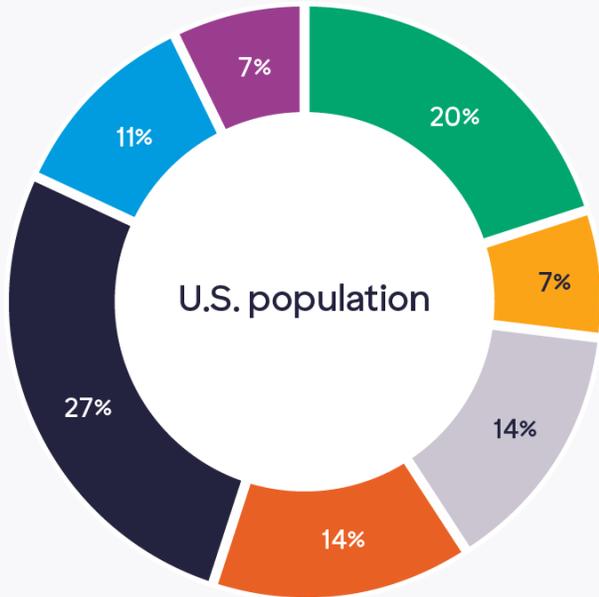
## How Different Age Groups Use Debit

The distributions of debit card accounts and spending levels by age were largely aligned with buying power. Consumers 45–64 years old accounted for the highest share of accounts, transactions and dollar volume. Unsurprisingly, their spending represents a larger share of volume versus number of transactions (a difference of 3.2 percentage points), meaning they are making higher-value purchases than younger cardholder segments. Following closely were the 25–34 and 35–44 age ranges. The number of transactions and spending volume for these two groups surpasses their number of accounts by a substantial amount, meaning they have higher penetration and/or active rates.

The 18–24 age range is the fourth-ranked age group in terms of spending, although it is much lower than the top three groups. This group also has a higher share of transactions compared to share of accounts, indicating active engagement with debit cards. This younger segment of the market (which includes people younger than 18) is where many issuers are focusing their attention. They see the potential to foster lifelong customer loyalty and promote financial inclusion.

Understanding these demographic trends enables issuers to customize offerings and implement targeted strategies for different age groups, ultimately driving debit growth.

### Debit Account and Spending Distribution by Age Range, %



■ <18   ■ 18-24   ■ 25-34   ■ 35-44   ■ 45-64   ■ 65-74   ■ 75+

\*Numbers do not add to 100 due to rounding.

# 03

# Industry Performance

## Slight Growth in Issuer KPIs

Overall, issuers' core debit key performance indicators (KPIs) exhibited a slight improvement in 2022, aligning with trends observed over time.

Three of these key metrics – penetration, active rate and average ticket size – showed slight increases. However, card usage remained unchanged. Thus, consumers did not change the frequency with which they used debit, on average. However, issuers were successful in getting debit cards to more checking account holders and encouraging some non-active users to start using their cards consistently. While the average ticket increased in 2022, this is likely a function of the higher cost of goods due to inflation.



# Key Takeaways

---



## Overall positive KPI trends

---

Penetration, active rate and average ticket size showed slight growth, indicating positive industry momentum. Card usage – measured as monthly transactions per active cardholder – remained unchanged from 2021 to 2022.



## Successful issuer strategies

---

Implementing instant issuance, streamlining cardholder onboarding and conducting targeted lifecycle marketing were found to enhance program performance. Higher penetration rates were associated with instant issuance, and successful marketing and onboarding contributed to higher active and usage rates.

# Slight Growth Across Most Debit KPIs

After several years of spending irregularities due to COVID-19, issuers voiced that consumers have returned to more “normal” spending habits. As such, KPIs are largely in line with historical trends.

Debit card penetration saw modest growth of 0.2%, reflecting a slight expansion in the number of individuals with checking accounts seeking out debit to use for transactions. Additionally, the active rate was up 1.2% from year-end 2020 to year-end 2021, indicating there was increased debit engagement among consumers.

Overall debit usage remained steady during this period. This suggests that consumers continued to depend on debit as a consistent and reliable payment option. Average ticket size saw a significant increase of 2.4%, which was expected given the YoY inflation rate.

These findings reflect the stability of debit. Despite new digital payment types, the introduction of new payment rails (e.g., The Clearing House’s Real-Time Payments) and credit card growth, debit continues to make its mark.

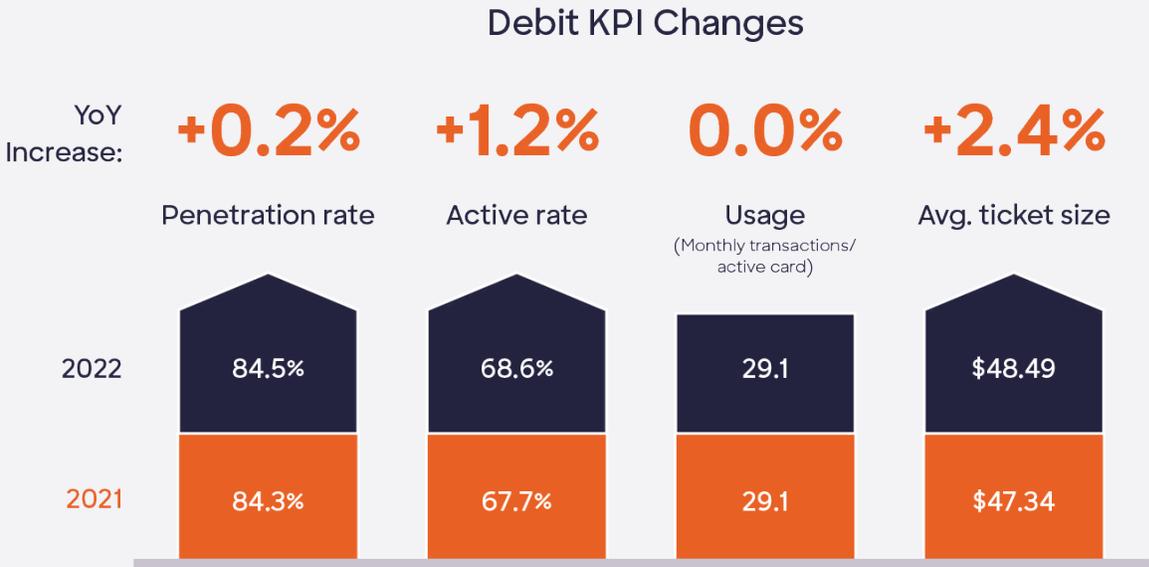
## Debit Key Performance Indicators

**Penetration** – Percentage of checking account base that can be accessed by a debit/ATM card.

**Active rate** – Percentage of issued cards that are consistently used by cardholders, per the issuer’s definition of “active.” The most used definition is cards used for any transaction type within the past 30 days.

**Usage** – Monthly transactions per active card, including purchases, bill payments and A2A transfers.

**Average ticket size** – Average dollar value per transaction, including purchases, bill payments and A2A transfers.



## KPI Impacts and Opportunities

KPI benchmarks demonstrate how issuers are performing relative to their peers. This information can inform targeted strategies to help move towards best-in-class performance levels.

Issuers have found that instant issuance (both physically in-branch and via digital wallet) yields higher penetration rates. Regularly closing inactive cards can lead to higher active rates but may reduce penetration rates as well. Issuers with high active and usage rates often credit their success to robust marketing and onboarding efforts.

Consumers depend on debit as a consistent and reliable payment option.

### Debit KPI Benchmarking

	Opportunities exist (1st quartile)	Good performance (2nd quartile)	High performance (3rd quartile)	Best in class (4th quartile)
Penetration rate	<70%	71-80%	81-85%	>86%
Active rate	<63%	64-71%	72-79%	>80%
Usage Monthly transactions per active card	<20	21-25	25-28	>29

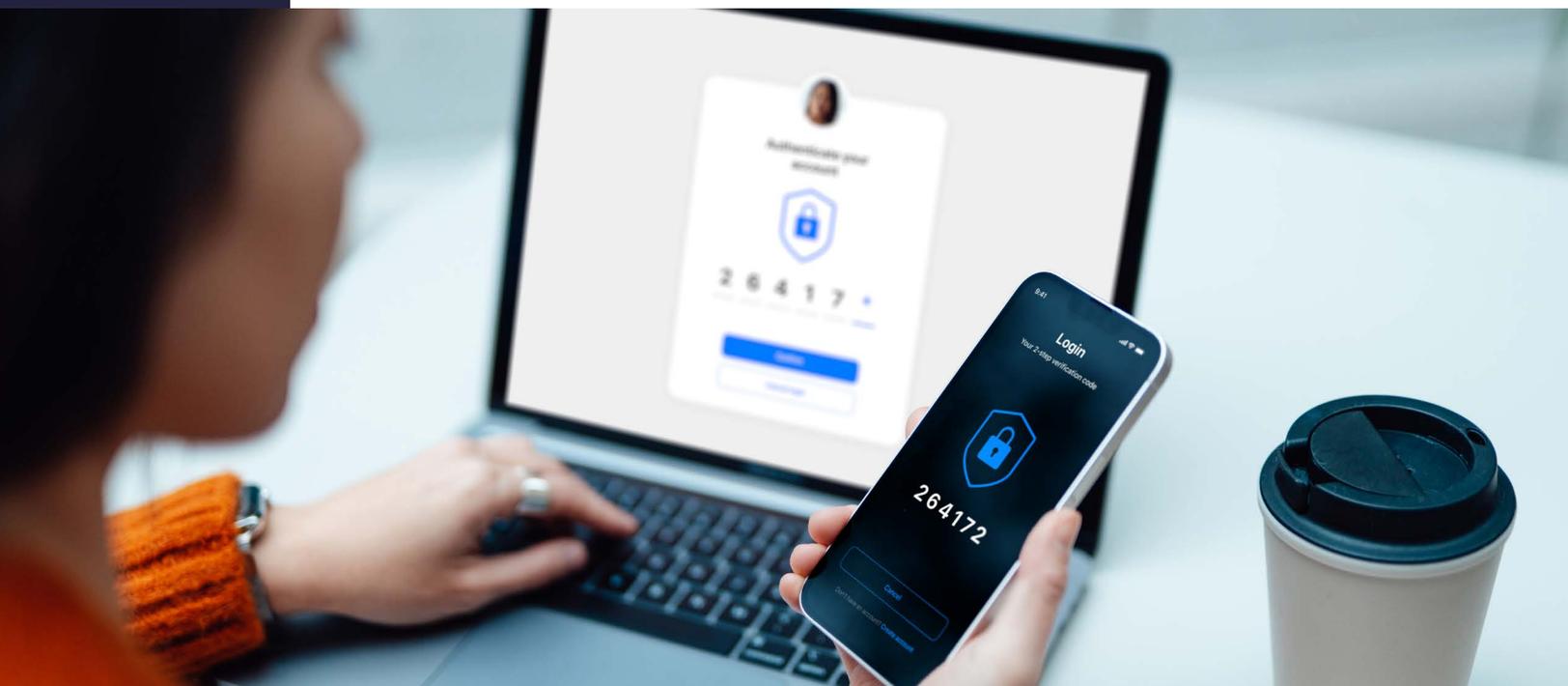
# 04

# Issuer Focus & Investment Prioritization

## Fraud Emerges as Top Issuer Priority

Nearly all issuers reported that fraud management was their top priority for 2022. In the few years prior, fraud ranked lower. Issuers are coping with new and varying types of fraud and feel the pressure to reduce both its financial burden and customer impact. Therefore, it comes as no surprise that enhancing fraud models was the top improvement made by issuers in 2022.

Other top priorities were improving debit key performance indicators and enhancing digital capabilities.



# Key Takeaways

---



## Fraud was the most impactful trend in 2022

---

All issuer participants reported an increased focus on fraud prevention and mitigation. To address this, issuers are deploying customer education programs and self-service capabilities.



## Continual fraud model enhancement

---

Most issuers enhanced their fraud models in 2022. They acknowledged the importance of continual updating rules as fraudsters introduce new tactics, and this will likely remain a future focal point.



## Balancing priorities

---

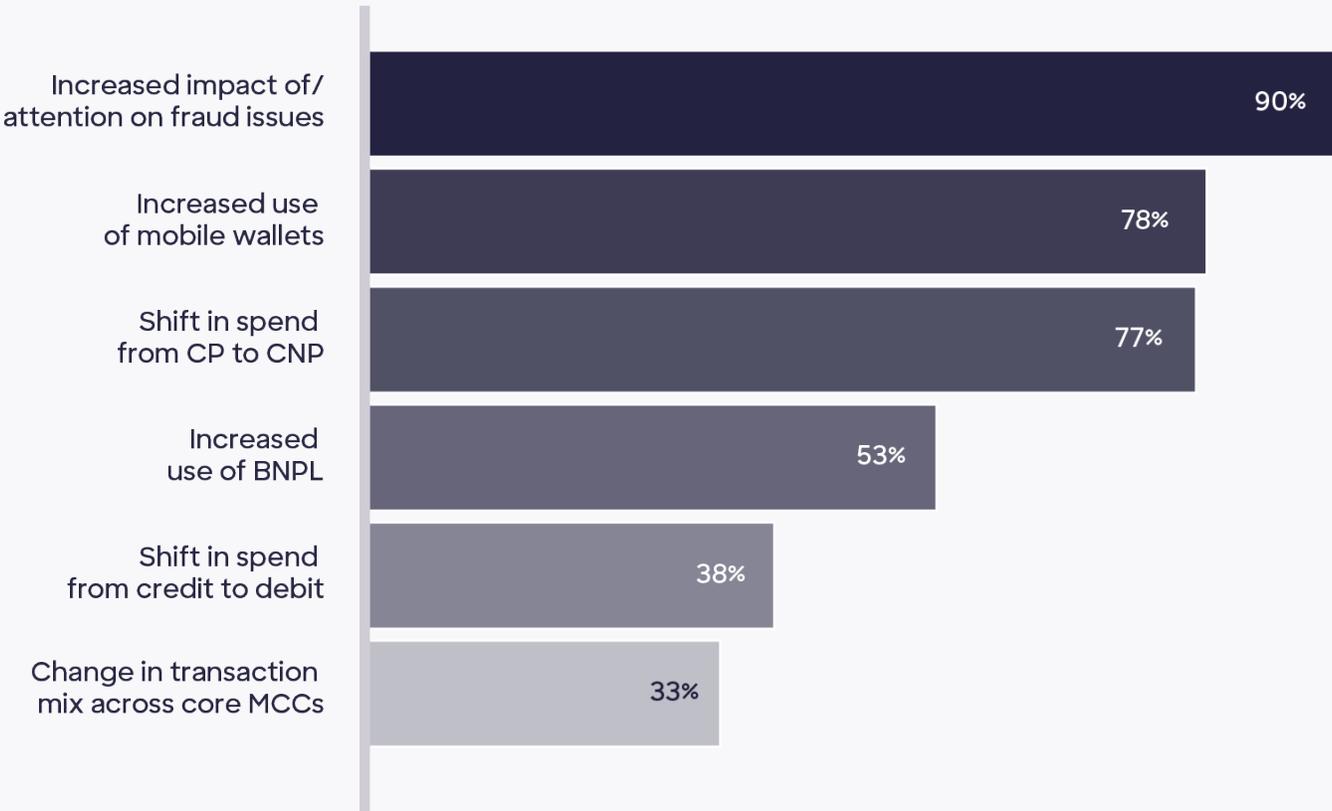
Top improvements issuers made to their debit programs in 2022 included the rollout of contactless cards and improvement of their dispute experiences. Many voiced that they encountered large projects in 2022 that sidelined debit initiatives, like technology conversions and mergers/acquisitions.

# Where Issuers are Focusing their Efforts

Increased impact of, and attention on, fraud issues emerged as the trend observed by the highest percentage of debit issuers (around 90%) in 2022. To combat evolving fraud tactics, issuers are actively adapting their strategies and allocating resources to address these challenges head-on. They are making large investments in prevention and mitigation strategies to limit the financial impacts of fraud. Issuers are also investing in consumer educational materials to expand awareness of fraud schemes and self-service capabilities enabling customers to provide relevant information and activate fraud prevention tools.

Other trends issuers observed include rising adoption of mobile wallets, continued shift from CP to CNP transactions and growing use of Buy Now, Pay Later (BNPL) services. About a third of issuers witnessed a shift in spending from credit to debit and saw changes in the transaction mix across core merchant category codes (MCCs).

Debit Trends Observed, % of issuers

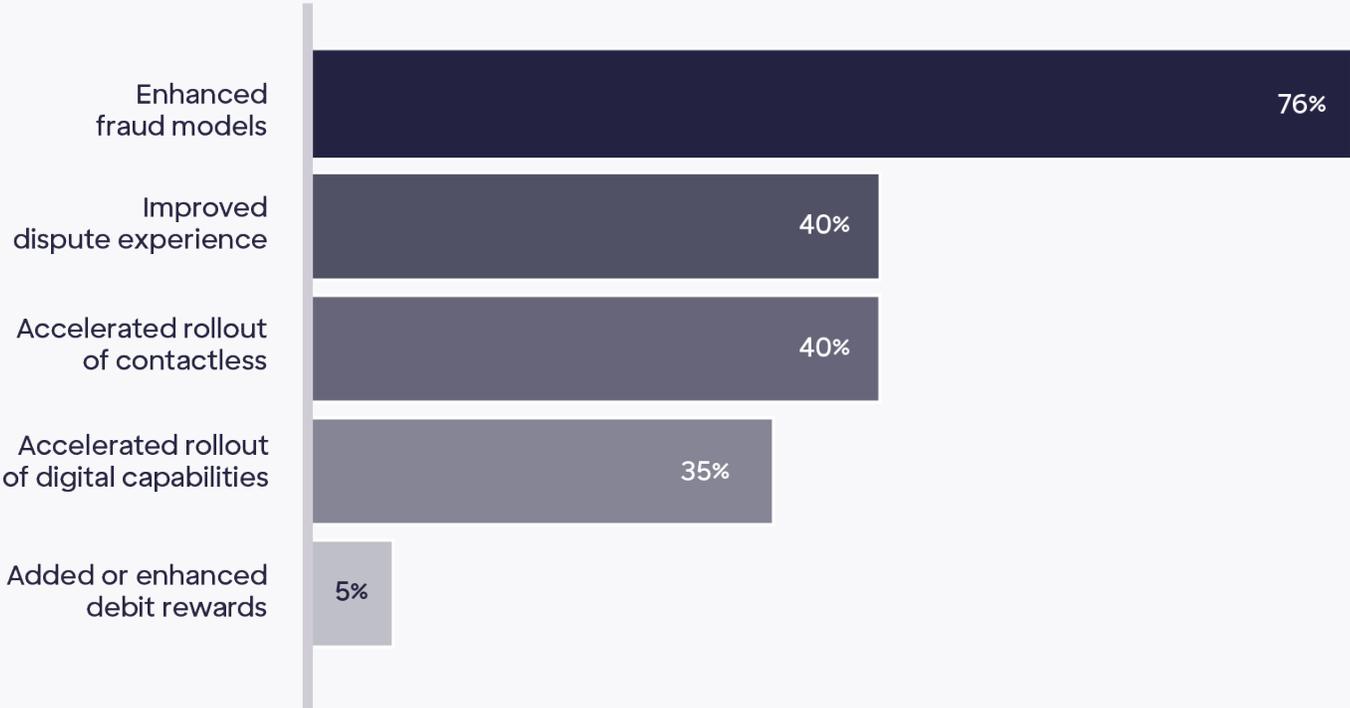


# Debit Program Improvement Highlights

After asking issuers about debit trends experienced in 2022, we asked which improvements they targeted. Unsurprisingly, the most common improvement made was fraud-related. Over three-quarters of issuers enhanced their fraud models in 2022. Additionally, about 40% improved their dispute experience to make it easier for customers to handle fraud issues. Other focus areas were rolling out contactless cards and expediting the deployment of digital capabilities.

Over three-quarters of issuers strengthened their fraud models in 2022.

Debit Program Improvements Made, % of issuers



# 05

# Fortifying Defenses Against Fraud

## Fraud Losses and Tools

Debit issuers took comprehensive measures to address the pervasive threat of fraud on debit programs by exploring new mitigation and prevention strategies. Their proactive approach encompasses a range of initiatives, including technology upgrades and data enrichment to limit financial loss and customer impact.



# Key Takeaways

---



## Responding to a dynamic fraud landscape

---

Debit issuers are confronted with constantly evolving tactics employed by fraudsters, prompting them to allocate substantial resources towards the continuous enhancement of fraud prevention measures.



## Empowering customers and strengthening defenses

---

With fraudsters increasingly relying on social engineering techniques, issuers are intensifying efforts to educate customers, facilitate real-time communication and enhance data-enrichment practices. These initiatives enable more intelligent and proactive fraud management.



## Balancing risk

---

While CNP transactions are particularly vulnerable to gross fraud, recovery efforts have narrowed the gap, resulting in similar levels of net fraud risk across CNP and CP transactions.

# Fraud Prevention and Recovery

A closer examination of fraud cases versus fraud losses provides insight into the effectiveness of issuer prevention and recovery efforts. Debit issuers have demonstrated their ability to successfully recover a significant portion of fraud dollar losses, with an impressive recovery rate of 56% through denying claims or initiating chargebacks against merchants. The lower rate of fraud cases, compared to fraud losses in instances where claims are denied or chargebacks are efficiently processed, suggests that issuers direct their recovery efforts to higher value transactions.

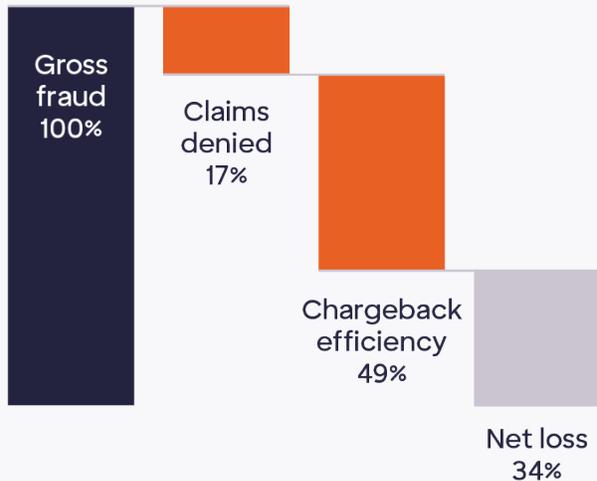
The average value of a lost fraud case rose from \$107 per transaction in 2021 to \$155 in 2022. Fraudsters are increasingly targeting higher value transactions, which consequently leads to higher monetary losses when prevention and recovery efforts are unsuccessful.

## Average Transaction Value of Fraud Claims\*

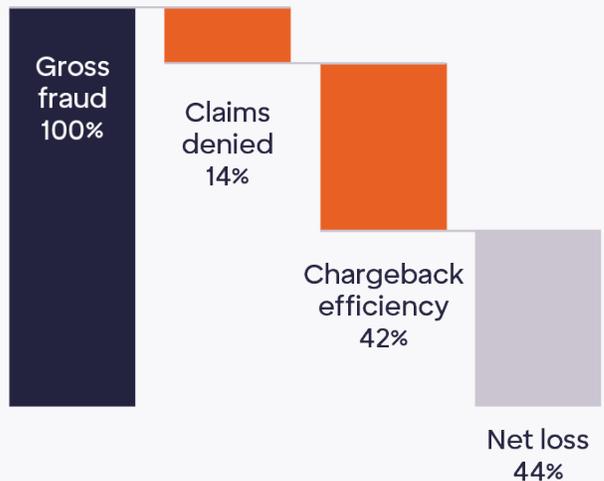


## Fraud Chargeback Efficiency\*

### Number of Cases



### Dollar Losses



\*Fraud calculations were completed using a simple average rather than a weighted average to account for variations in fraud-management strategy from issuer to issuer.

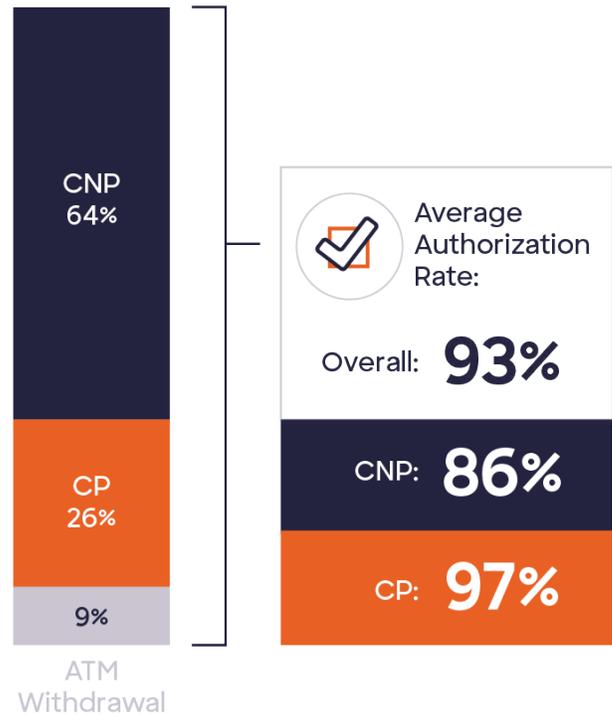
# Leveraging Fraud Prevention Across Channels

As issuers manage fraud across channels, they are diligently navigating a delicate balance between effective prevention measures and providing a seamless customer experience. They want to block illegitimate transactions and minimize instances where legitimate transactions are mistakenly denied. To do so, issuers must set authorization protocols that distinguish between different transaction channels.

Issuers reported a higher average authorization rate of 97% for CP transactions, highlighting their confidence in approving these transactions as legitimate. The average authorization rate for CNP transactions is notably lower at 86%. This discrepancy can be attributed to the cautious approach issuers take on CNP transactions.

CNP transactions account for most issuers' fraud losses, representing 64% of the total gross fraud dollars (versus 26% for CP transactions and 9% for ATM withdrawals). However, issuers actively implement and demonstrate effective recovery efforts in the CNP channel, resulting in a higher recovery rate than CP transactions.

Gross Fraud Dollar Claims by Channel, %\*



Numbers do not add to 100 due to rounding.

Fraud Losses Per Transaction, \$\*



\*Fraud calculations were completed using a simple average rather than a weighted average to account for variations in fraud-management strategy from issuer to issuer.

## Issuers Navigate Fraud Management Priorities

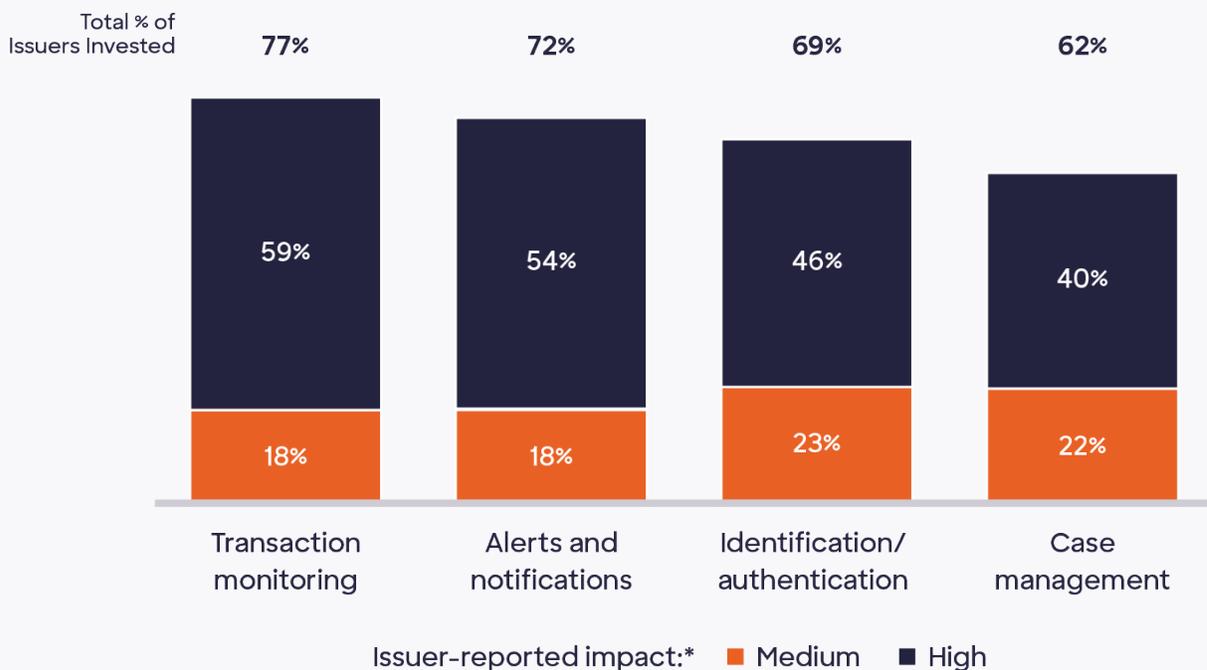
Issuers had varied, multi-faceted approaches to combatting fraud. Transaction monitoring emerged as the front-runner in terms of priority and investment in 2022, as 77% of issuers made additional investment in these capabilities. Nearly three-quarters of issuers (72%) invested in alerts and notifications. Emphasis on transaction monitoring and alerts highlights issuers' proactive approach to identifying suspicious activities and preventing fraud in real time.

As fraudsters continually evolve their tactics, issuers must remain agile and proactive in their fraud-management strategies, ensuring the ongoing integrity of their operations and providing cardholders with a secure and trustworthy payment experience.

“Member education is important because so much fraud has shifted to social engineering.”

– Credit Union Executive

Fraud Management Priorities/Investments, % of issuers



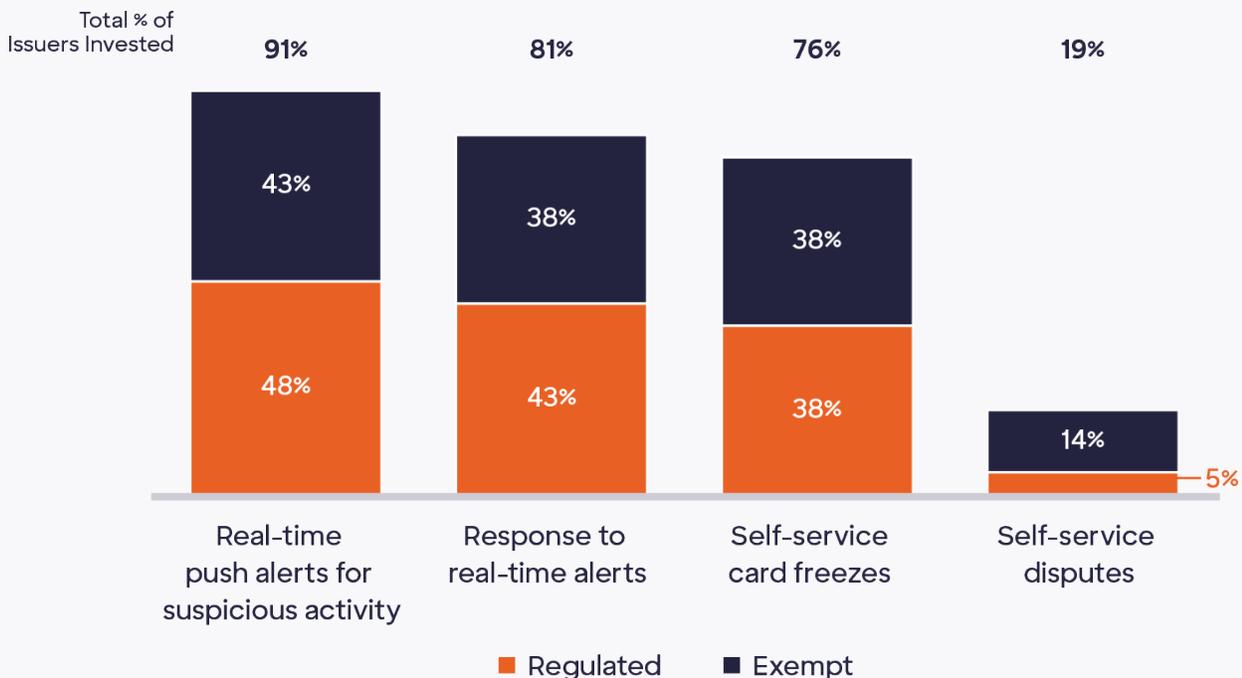
\*0% of users responded 'low'

## Enhancing Digital Tools and Cardholder Engagement

Issuers are proactively engaging cardholders in the fight against fraud by providing self-service digital capabilities and implementing real-time prevention measures. Most exempt and regulated issuers (according to Regulation II interchange status) offer fraud-related digital capabilities. The most common are real-time push alerts and the ability for customers to respond to those alerts. These tools allow issuers to contact cardholders immediately when suspicious activity occurs, and customers typically can respond to report whether a transaction is legitimate or not.

Issuers also leverage advanced technologies such as tokenization, advanced authentication methods and data enrichment through machine-learning algorithms, biometric authentication and behavioral analytics. They continuously improve data-scanning rules and invest in user education to raise awareness of fraud tactics through marketing campaigns, seminars and live events. Controls around customer addresses and analysis of delivery patterns for multiple cards are also enhanced to improve fraud prevention.

Fraud Digital Capabilities  
(Exempt vs. Regulated Issuers), % of issuers



# 06

# Digitalization of Debit

## Driving a Better Customer Experience and Operational Efficiencies

Issuers recognize a heightened importance of enhancing the digital experience for debit cardholders. With higher consumer demand for digital tools, issuers are working to empower their customers with convenient self-service features and encourage the adoption of debit in mobile wallets.



# Key Takeaways

---



## Empowering digital experiences

---

Debit issuers are prioritizing the enhancement of digital experiences, offering self-service features that empower customers and provide greater convenience and control over their financial transactions.



## Maximizing digital wallet adoption

---

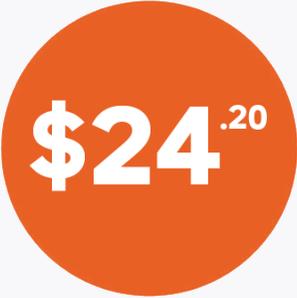
Issuers aim to drive customer spending by actively promoting the use of digital wallets. By encouraging customers to embrace digital wallet solutions, issuers aspire to secure the coveted top-of-digital-wallet position, ensuring their debit cards are the preferred choice for everyday transactions across all channels.

## Digital Wallet Activity



59%

of loaded digital wallets were active\*



\$24<sup>.20</sup>

Average ticket size



8.8

Average digital wallet transactions per active\* card per month

\* In the context of digital wallet use, “active” refers to using the wallet at least once per year.

## Digital-Wallet Activity Rose, with Further Growth Expected

Consumers are increasingly turning to digital payment tools. About 59% of customers with a loaded digital wallet are using it to make a payment at least once a year. Of these customers, the average user uses it nearly nine times monthly.

The average ticket size for digital wallet transactions is approximately half that of the average ticket for all debit transactions. This suggests that consumers gravitate towards digital wallets for convenience when making quick, lower value purchases such as buying a cup of coffee.

Understanding these patterns is crucial for issuers and merchants as they navigate the ever-changing digital ecosystem and aim to provide tailored experiences that cater to consumer preferences and habits.

## Issuers Look to Level-up Consumer Experience

Issuers are expanding digital services to deliver a next-level banking experience and are integrating in-demand solutions like instant issuance in branches, self-service initiation for new card requests and custom alerts. An impressive 85% of issuers offered instant card issuance in their branches as of early 2023. Similarly, alerts are now offered broadly. Over three-fourths of issuers implemented custom alerts and half incorporated travel alerts.

Instant digital provisioning lagged, as only 14% of issuers were equipped with the capability. Visibility into card-on-file locations for recurring payments was also still limited and only offered by 19% of issuers. Both capabilities represent key focus areas for issuers going forward.

Virtual cards or one-time-use card numbers, which offer enhanced security benefits, have not yet gained widespread adoption among issuers. However, it is anticipated that they will become more prevalent over time due to their security benefits.

Additionally, some issuers are exploring the concept of early-pay or just-in-time funded cards. This trend, likely driven by the influence of fintech companies offering this capability, demonstrates the industry's commitment to innovative solutions that cater to evolving customer demands and preferences.

“We want to see digital usage increase, as getting to top-of-wallet can drive card usage and volumes.”

– Regional Bank Executive

## Program Capabilities and Features, % of issuers

### Issuance



### Card-not-Present



### Other



## Meeting Consumers Where They Are

Consumer payment behaviors are motivating issuers to invest substantially in enhanced digital experiences. As cardholders grow accustomed to enhanced self-service digital experiences outside the banking space, their expectations and preferences within banking

are affected. To meet these changing priorities and improve the customer experience, issuers are investing in the following mobile app capabilities.

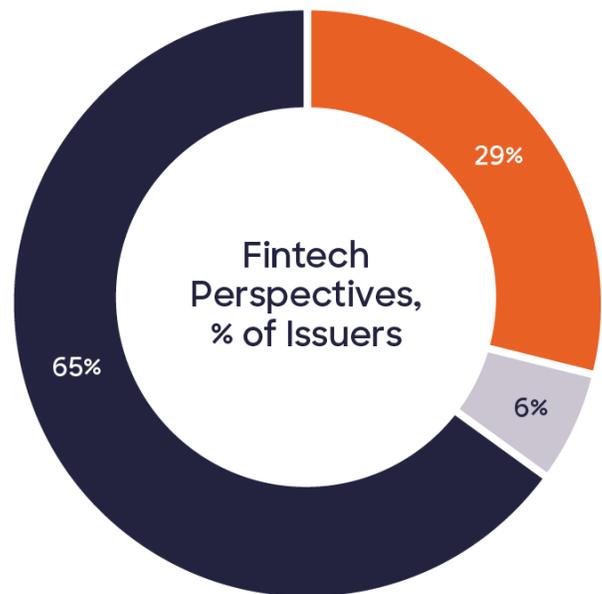


## Collaboration with Fintechs

To improve debit offerings and drive additional program revenue, issuers are increasingly turning to fintechs. Nearly 65% of issuers perceive fintechs as both an area of opportunity and a competitive threat, while 29% view them solely as an opportunity area and 6% exclusively as competitors. Thus, in 2022, there was a general inclination towards collaborating with fintechs versus trying to compete.

Debit issuers identify several compelling reasons to engage in strategic collaborations with fintechs. The top reason is the opportunity to gain access to innovative technologies and digital advancements that can help debit issuers stay at the forefront of the rapidly evolving financial environment.

Partnering with fintechs also enables debit issuers to tap into new customer segments, particularly the Gen Z demographic. Fintech companies are known for their expertise in reaching digitally-savvy younger consumers. Working with fintechs gives debit issuers access to knowledge, strategies and tools necessary to effectively engage this cardholder demographic.



- An opportunity area
- A competitive threat
- Both

“Last year we started Banking as a Service. We’re looking at new opportunities from a strategic perspective to work with some fintechs.”

– Community Bank Executive

# Looking Ahead

## The Future of Debit Programs

Debit issuers are committed to addressing key priorities that will define their future success in the dynamic payments business, as they aim to expand their portfolios, maintain a competitive edge and grow their customer relationships.

Issuers are focused on a variety of new and ongoing initiatives in 2023 to enhance their debit card programs, including:

- Maintaining and improving debit KPIs
- Enhancing digital self-service capabilities
- Focusing on security tools to prevent and mitigate fraud, including self-service capabilities and tokenization
- Shifting to contactless and encouraging cardholder adoption
- Evaluating changes to their fee structure
- Partnering with other lines of business and fintechs
- Navigating new and ongoing regulations

With a strong focus on combating fraud, empowering consumers and building digital experiences, issuers are poised to navigate the challenges and opportunities that lie ahead.

# Questions to Consider

---

Debit issuers should examine the following questions as they plan for the future:



## Improving KPIs

---

- Would instant issuance, both physically in-branch and via digital wallet, lead to higher penetration rates?
- Do we have sufficient debit onboarding and marketing in place to continue to drive active and usage rates?
- How can we achieve the top-of-digital-wallet position?



## Combating fraud

---

- How can we combat fraud through technology and data advancements, such as machine-learning, data enrichment, tokenization and behavioral analytics?
- Are we adequately preparing our cardholders to recognize and prevent social-engineering fraud tactics?



## Positioning for growth

---

- What steps can we take to attract, acquire and engage younger generations?
- How can we add or enhance our digital offerings to meet evolving consumer expectations?
- How are we preparing for disruptors that could impact debit use or change the debit industry?

## About PULSE

PULSE is a leader in debit payments, cash access and account transfers, and we deliver exceptional value, choice and convenience to clients across the payments ecosystem. We enable reliable and secure digital money movement for a wide variety of debit card programs by leveraging our PULSE Network, the Discover® Debit program, an advanced fraud-detection platform and partner-support services. Our commitment to continuous improvement, innovation and prioritizing the unique business needs of our clients empowers payment solutions that meet the evolving demands of consumers. PULSE is a Discover (NYSE: DFS) company and part of the Discover Global Network.

For more information, visit [pulsenetwork.com](https://pulsenetwork.com)

## About West Monroe®

West Monroe is a digital services firm that was born in technology but built for business—partnering with companies in transformative industries, like financial services, to deliver quantifiable financial value. We work in diverse, multidisciplinary teams that blend management consulting, digital design and product engineering to move companies from traditional ways of working to digital operating models—and create experiences that transcend the digital and physical worlds.

Visit [westmonroe.com](https://westmonroe.com) to learn more.

