

Digital-first banking: the best of both worlds

PAYMENT

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Consumers today have high expectations when it comes to their user experience. Used to being able to access many digital services via their smartphones, they accept nothing short of highly optimized, frictionless journeys, at the tip of their fingers. Time, too, is of the essence. In the era of everything-on-demand, a digital-first banking and payment strategy can match client desires. With the potential to redefine the future of financial services, digital-first features are now essential for the payment and banking ecosystems.

Why a digital-first strategy is essential

Customers who benefit from digital models in their everyday life, from the office to their leisure time, are now expecting the same level of experience and the same agility from their bank. They are more and more seduced by incumbent banks, neo-banks and Big Techs offering digital financial services: their digital-first—or digital-only—approach empowers their clients with convenient and easy-to-use **mobile applications** to manage their money, payment means, offers, savings, etc.

The pandemic has accelerated the need for such a strategy and the **necessity of highly-available digital services**. With lockdowns happening everywhere, banks realized cardholders were depending on bank branches and physical card supply chains. Proposing a digital-first strategy and digital alternatives to cardholders ensured—and continues to ensure—**payment capacity continuity**.

And this is only the beginning. The number of **digital banking users** worldwide should exceed 3.6 billion as early as 2024¹, up from 2.4 billion in 2020: a **54% increase in just 5 years**. Increasingly, these kinds of experiences are a key driver in the choice of a bank. And as each bank broadens the spectrum of services they offer, maintaining a competitive advantage in this fierce market is crucial. Why hold out on an opportunity to innovate your services and build client intimacy when **implementing a digital-first strategy** has never been so easy?

Digital-first banking : the new simplicity

Digital-first does not necessarily mean digital-only. In fact, **different payment forms** can, and do, coexist. They create a convenient, **unified customer experience**, with real-time and interactive features, eliminating all disruptions in the ability to pay and manage payment means.

Easy account creation and card application, rapid access to begin making purchases, flexibility and peace-of-mind while shopping? Check. **Smartphones are becoming central in any interaction with your bank and merchant**. Customers are now able to create an account from their mobile devices, in just a few easy steps, and can access a digital version of their credit and debit cards through digital wallets and banking apps and immediately start shopping online or in-store.

To pay on the go, in app, online or in-store, you only need to load the card of your choosing and use it. **Digital debit and credit cards** do everything that a physical card does—they just live in your digital wallet instead of your physical one. These digital cards are secured thanks to methods such as **tokenization**, which protects a card's primary account number (PAN) by replacing it with a unique string of numbers called a "token." **They are secure, safe, and easy to use**, making electronic payments quick and effortless. Digital-first banking hence blend the physical and digital worlds to offer a **completely integrated experience for customers**.

And yes, consumers are expecting it: according to a new study conducted by IDEMIA and PYMNTS², 104 million people across the United States have cards (credit or debit) in a digital format. And they can access them in a variety of ways, from mobile wallets like Apple Pay, Samsung Pay and Google Pay, to mobile banking apps, popular retailer digital wallets or online pay buttons, such as Amazon Pay, PayPal and **Click to Pay**.

Digital-first, but not only: the best of both worlds

Purchases without delay

Why wait several days after you've ordered a new credit card or opened a bank account before being able to make purchases? In the area of "everything now," an increasingly eager customer expects reduced delays and better services. Exactly what you can now offer them. For example, after opening a bank account, the physical card is not always ready right away, but consumers can have immediate access to their digital card to perform payments. Cardholders can also report lost or stolen cards, order replacement cards and immediately request a digital alternative to pay in-store and online. The IDEMIA/PYMNTS report shows that more than **1 out of 5 consumers are interested in digital cards because they allow them to make purchases without delay**; either for "immediate use while physical card is in mail" (13.8%) or for "temporary placement in case of lost or stolen card" (13.1%), for in-store or online purchases.

With a digital-first strategy, banks become more competitive by giving consumers the keys to their own banking experience, offering an adaptable service that can fit all needs, all the while maintaining the core tenets of convenience and instantaneity.

Easy, convenient new service

Simplicity and convenience are among the main qualities modern consumers expect from their banks. According to the IDEMIA/PYMNTS study, **54% of people who still don't possess digital cards are interested in getting one** mainly for its "ease and convenience". Actors across the financial services landscape should expand their offering for these evolving consumer expectations.

Empower the cardholder

"*Why do I keep needing to go to a branch for a simple operation on my account?*" is a frequent question among consumers. They want to be able to do it whenever and wherever it suits them best, from the comfort of their home, office, or while on the move in a distant city. A digital-first strategy responds to this demand for **more autonomy and flexibility**. Consumers can now manage their payment methods (block or order new cards, increase or lower payment thresholds, etc.); initiate any operation (payment, money transfer, subscription to new services...); and of course, follow and manage their money, spending and savings.

All the journey, **all the interactions must be quick and frictionless**, from the onboarding journey to the account balance check or the daily transactions. Another reason, in addition to giving the cardholder immediate usage and control of their payment means, why the digital-first strategy is now essential.

Strong demand for contactless experiences

Contactless payment card transactions spiked from \$1.7 billion in 2020 to \$2.5 billion in 2021, according to a Juniper Research report³. That trend is expected to continue, with an almost **300% growth expected over the next five years**. With the current sanitary context, and the social distancing rules widespread all over the world, consumers are expecting **solutions that will enable a contactless payment experience** in-store. Using their mobile, consumers would also like to be able to pay and to withdraw money from an ATM without having to touch a POS terminal or enter a PIN code to authenticate.

Digital cards, physical usage

Perceptions of safety and convenience have spurred a preference for contactless payment. Almost half of respondents (45.8%) to the IDEMIA/PYMNTS study use their digital card for in-store payments at least a few times a week. This confirms that, by blending the best of both worlds, digital-first features, contactless payments and mobile payments are here to stay.

The future of card payments is clearly pressing forward as more and more physical card features blend with smartphone features. In addition to giving the cardholder immediate usage and control of their payment means, a digital-first strategy can provide digital and physical card services such as **card activation**, card replacement, card locking, expense tracking, spending controls, and transaction alerts. **Card issuers can take the best from the physical and digital worlds to forge a fantastic user experience, avoiding any friction and disruption.**

¹ <https://www.juniperresearch.com/press/digital-banking-users-to-exceed-3-6-billion>

² <https://www.pymnts.com/study/digital-card-usage-adoption-millennials-lower-income-payments-convenience>

³ <https://www.juniperresearch.com/researchstore/fintech-payments/contactless-payments-research-report/subscription/contactless-payments-trends-opportunities-and-mark>
