

Reward Your Debit Cardholders

Debit Rewards Programs Promote
Cardholder Engagement and
Move Your Card to Top of Wallet

Loyalty programs enable cardholders to earn points and redeem them for valuable rewards. But such programs are no longer the sole province of credit card portfolios. Implementing a debit card rewards program can enhance your cardholders' purchasing experience, meet their heightened expectations for payment services and improve your competitive position.

The competition is fierce among financial institutions for their payment cards to become top of wallet with their consumer base. An important – and sometimes decisive – differentiator in determining who wins is a card issuer's rewards program.

A consumer's ability to accumulate and "spend" points based on card usage has become almost a secondary form of currency, enabling them to acquire gifts or plan travels that might have been previously unattainable.

In this intensely competitive environment, financial institutions should be offering rewards programs for their debit cards as well as their credit cards. A debit card program will give participating financial institutions an additional way to reward and retain customers.

Follow the Example Set by Credit Card Programs

Past Fiserv consumer research about credit card programs is instructive about cardholders' general attitudes. The 2022 [Expectations and Experiences](#) research from Fiserv clearly revealed:

- Consumers want to be rewarded for their business
- Financial institutions run the risk of alienating customers if they don't offer viable loyalty programs

There's no doubt that credit card rewards programs move cards to top of wallet. According to our research, seven in 10 people (68%) with a credit card have more than one – and approximately 90% of those say they have a go-to credit card they use most often.



A significant majority (71%) of multiple card users choose their credit card for the opportunity to accumulate rewards. And for those who manage cards online, 57% say viewing rewards is important. That's ahead of disputing charges, seeing transactions, setting alerts and other activities.

Further, 40% of people making \$150,000 or more per year pick their credit card for the rewards – and 29% among those with multiple cards who use one card exclusively choose their card based on rewards.

Consumers use credit cards that reward them for their spending. So why not take advantage of these very same programs for your debit card portfolio as well?

Rewards Programs Make Sense for Debit Cards, Too

Data available from Visa and Mastercard shows transacting with a debit card is enormously popular – and growing.

In large part, consumers choose debit cards because they're practical: consumers spend based on what they have in their demand deposit account without incurring debt, which minimizes their financial stress.

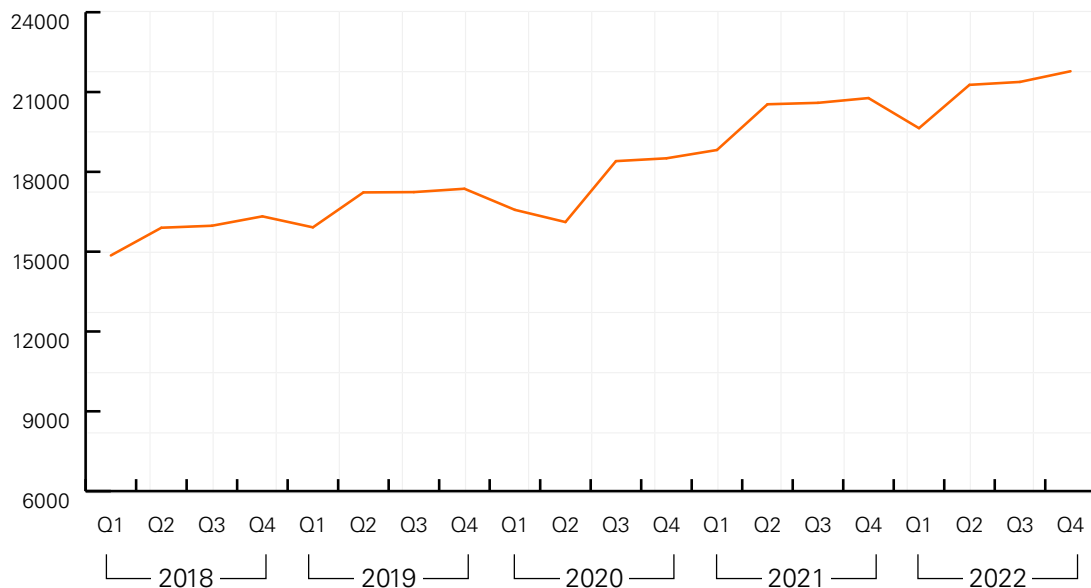
But as Fiserv credit card research shows, consumers also want to be rewarded for their card spending behavior and will frequently prioritize cards that offer reward programs.

According to [Mercator Advisory Group](#), the top two factors that would motivate consumers to use their debit card more frequently involve rewards.

- 54% of consumer respondents indicated they would be motivated to use their debit card more often to receive cash back from their card
- 39% of consumers indicated that an offer of redeemable points for specific merchandise, travel or entertainment would be a motivator

U.S. Debit Transaction Growth, 2018–2022

— Debit



Based on Visa and Mastercard Quarterly Operating Data; Excludes third-party debit volume



Source: Mercator Advisory Group North American PaymentsInsights, December 2022

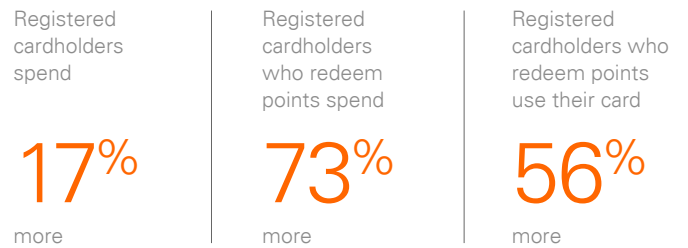
In the same study, 25% of debit card users say they do not get any rewards on their debit cards, and another 14% are unsure if their card gives them rewards.

In today's competitive financial services market, consumers seek to use cards with the greatest value. Recent Fiserv Turnkey Marketing Analytics research reaffirms the importance of debit card rewards programs. The research analyzed cardholder behavior following a marketing awareness campaign and found:

- Cardholders who were registered for their financial institution's debit card rewards program and redeeming reward points:
 - Used their card 56% more than those who were not registered
 - Spent 73% more than those who were not registered
- Cardholders who only registered to participate in their financial institution's reward program but did not redeem points still outspent a nonregistered cardholder by 17%

Give your cardholders a reason to use your card by offering a rewards program that delivers a highly valued perk with earning and redemption flexibility. Your debit rewards program will enhance the value of your card offering by helping to boost transactions and increase interchange revenue.

Debit Rewards Program Cardholders More is better!



Source: Fiserv Turnkey Marketing Analytics, March 2023

Design a Flexible, Competitive Program

When designing your debit rewards program, be sure you're encouraging cardholder activation, usage and retention with flexible rewards structures that meet cardholder expectations. Analyze your competitors' rewards offerings, then design your program to take advantage of potential marketplace gaps. Make it as easy as possible to choose your card over others.



Consider these best practices when designing your program:

- Understand different reward types – merchant-funded, issuer-funded or blended funding; merchant-funded rewards, for example, can help offset your redemption costs
- Make points easy to earn; consider enabling cardholders to pool points across all registered accounts so their cards meet reward thresholds faster
- Give your consumers wide-ranging redemption choices. Consider cash back rewards, the option to pay with points at select merchants, and redemptions for merchandise, gift cards and even charities
- Provide redemption options that feature both local and national merchants
- Set earn rates, bonus offers, point thresholds, point caps and point expiration dates that align with your business objectives
- Create standard offers for behaviors you want to encourage – signature, PIN debit and online bill payment transactions, for example
- Make information clear and accessible; brochures, web pages, emails and call centers should be consistent and provide answers to consumers' questions as well as practical information like point earning schedules, award levels and redemption choices
- Continue to engage with your cardholders through emails, social media posts or direct mail; your program will benefit from regular cardholder outreach
- If needed, seek out an industry expert who can offer insights and recommendations to drive your program's success and revenue growth

Reap the Rewards

When it comes to maximizing the performance of your card portfolio, understanding your consumers is essential. Offering a strong debit card rewards program is an easy way to help meet your consumers' rapidly evolving expectations – and your performance goals. If your focus is on long-term growth and innovation, it's a smart choice for you and your cardholders.


About the Author

Jeri Scheel is senior director of product strategy for Fiserv, with responsibility for guiding the development of card-based loyalty solutions, including the uChoose Rewards® program from Fiserv. Jeri and her team collaborate with financial institutions to build accountholder relationships with programs that create revenue and help shape business growth.



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