MARQETA

Marqeta 2024

State of Payments Report

Table of Contents

Introduction

Satiating the appetite of today's consumer is an endless exercise in delivering innovative offerings, capitalizing on technological advancements, and a commitment to driving loyalty programs that build brand fanatics.

At Marqeta we are committed to providing dynamic financial solutions for businesses and consumers around the world. We believe in a future where finance and accessibility will converge to improve lives, reimagine how we get paid, and will become the roadmap for what life looks like next for consumers and businesses.

In the 2024 State of Payments Report, Marqeta partnered with a third-party research partner to understand consumer payment trends and preferences. The outcomes of the survey further support our stance that financial technology, and the companies that embed it into their native ecosystems, have the potential to strengthen their business position by improving customer loyalty and retaining valuable workers.

Contactless payments, digital banking, and non-traditional financial services continue to gain momentum, especially as brands begin to offer financial services in a bid for consumer loyalty. Through the modern world of Embedded Finance, the globe's leading brands, fintechs, and businesses have an opportunity to expand into new revenue streams that can drive greater profitability.

The fintech landscape is always in a constant state of evolution, and that's why, throughout this report, we've not only called out some key statistics and trends in consumer payments, but we've also provided guidance on how these can be translated to your business—and what you might stand to gain from doing so.

Key takeaway

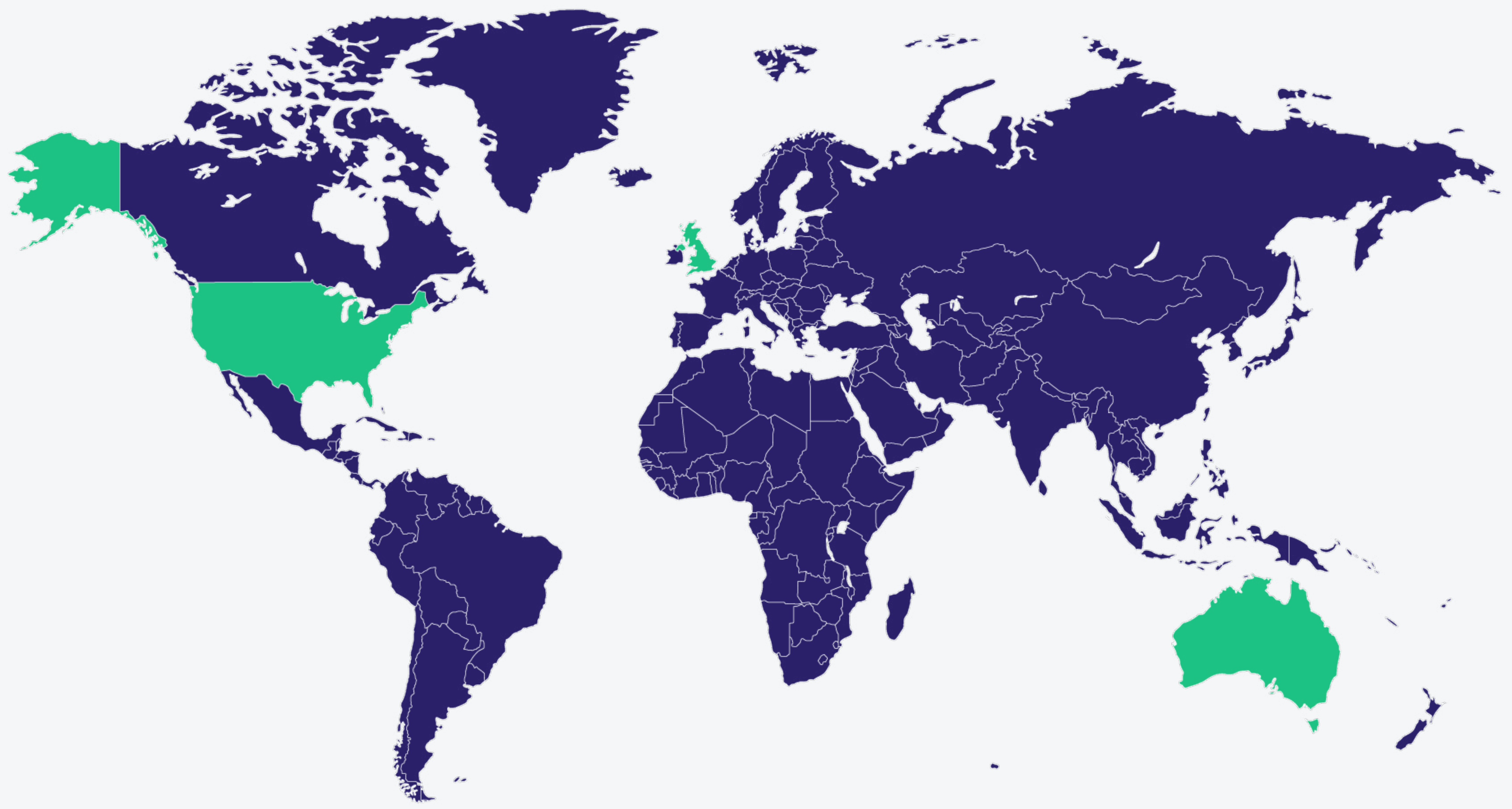
There's a whole new world of embedded finance, years in the making, that's starting to take hold at a global scale. The cause: a strong desire and rising demand from consumers for modern payment solutions, cutting-edge banking services, and embedded finance offerings—particularly among Gen Z and Millennials.

Currently, modern payment tools that include contactless payments and mobile banking are experiencing the highest adoption rates in the U.K. and Australia. For those operating in the U.S., this presents a massive opportunity to become and remain innovative with your payment offerings. It'll be a crucial move to make as this new future starts to take shape—and the time to take data-backed action is right now.

Delivering the data behind consumer decisions

As part of Marqeta's fifth annual State of Payments Report, we partnered with a third-party research partner to survey 4,000 consumers ages 18 and above, across three countries—2,000 in the United States, 1,000 in Australia, and 1,000 in the United Kingdom—in June 2024 as part of Marqeta's commitment to modern card issuing solutions.

We conducted this research to explore these consumer purchase preferences and the patterns in their shifting behavior because we know that meeting your customers' needs starts with knowing exactly what they are today—and what they're shaping up to look like tomorrow.



Why Marqeta? Because we power the world's innovators.

The Marqeta platform has supported the exponential growth of both category-defining startups and global enterprises. We have the scale, stability, and experience to support your success. Learn how Marqeta can deliver the immense benefits of modern card issuing for your business with customized, innovative payment cards and embedded finance solutions to help you shape what life looks like next.

Part 1

Consumer preference for the frictionless integration of their personal and financial lives is driving the adoption of embedded finance

Consumers are drawn to fast, easy-to-use, seamless payments—whether they're the payer or payee—and they are expressing an openness to try new things.

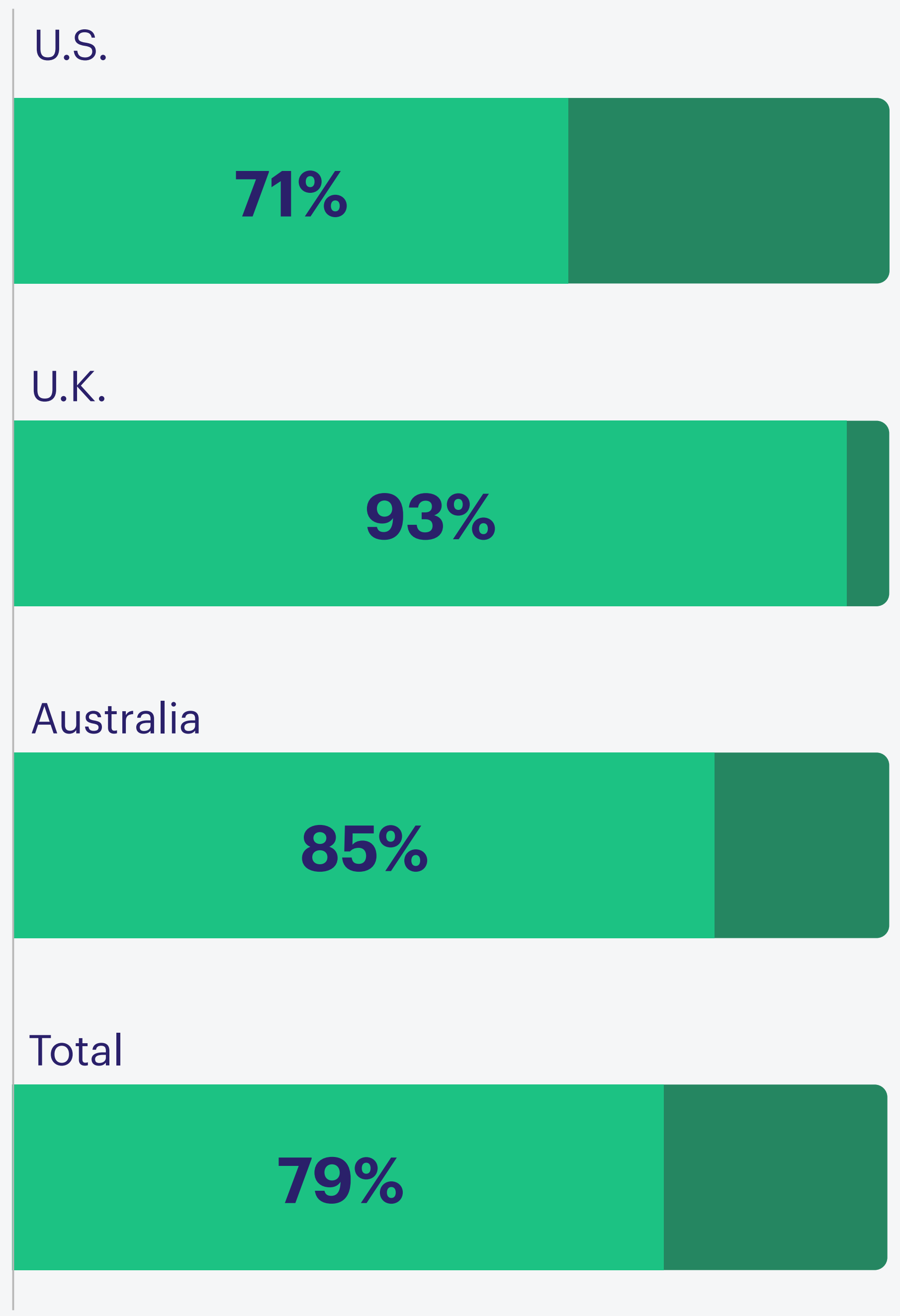
From answering the dynamic, ever-changing demands of consumers, to shaping, evolving, and adapting your business to new realities using all the capabilities of modern card issuing, you have the power to meet their needs. Doing so starts with knowing what your customers are looking for.

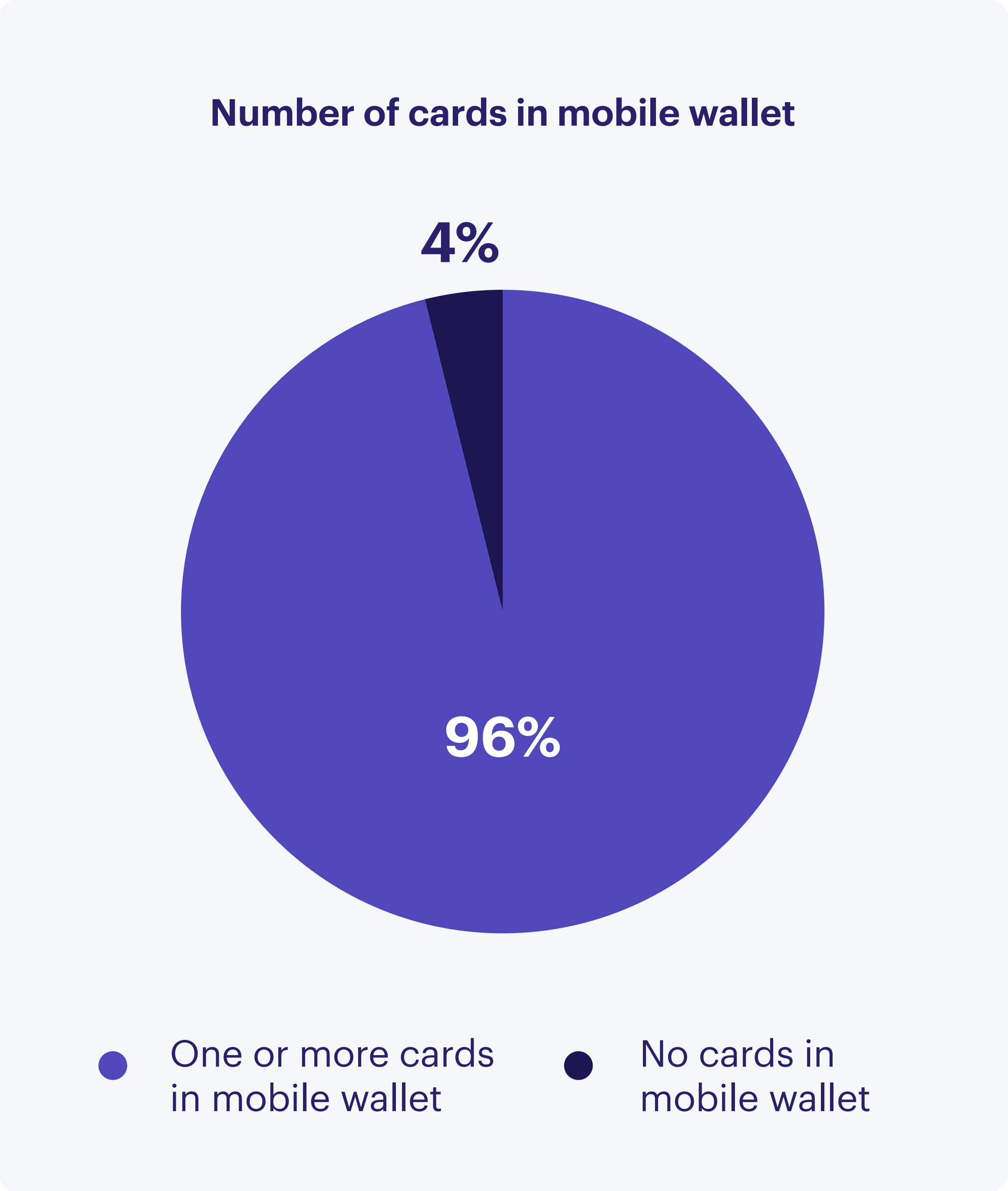
The majority of consumers, especially Gen Z and Millennials, seek modern payment solutions—such as embedded finance—to meet their desires for convenience, seamless transaction experiences, and immediate gratification.

Contactless payments, mobile banking, Buy Now Pay Later, these offerings enable quick and easy digital transactions, so it's no surprise that the trek toward a cashless society continues at a steady pace across the globe. However, the U.S. seems to use them less frequently—likely due to a lack of merchant acceptance and the difference in transportation behavior at present. On the other side, the U.S. also possesses a strong take-up rate of digital-only banks and P2P transactions, confirming high demand for innovative payment solutions, especially among tech-savvy Gen Z and Millennials.

The survey uncovered this noting that nearly three-quarters (71%) of U.S. respondents said they've used a form of contactless payment in the last 90 days compared to 93% in the U.K. and 85% in Australia. Similarly, about half (57%) said they've used a mobile wallet in the last 990 days compared to 58% in the U.K. and 55% in Australia. This indicates further addressable opportunity in the U.S.

Percent of respondents who have used contactless payments in the last 90 days





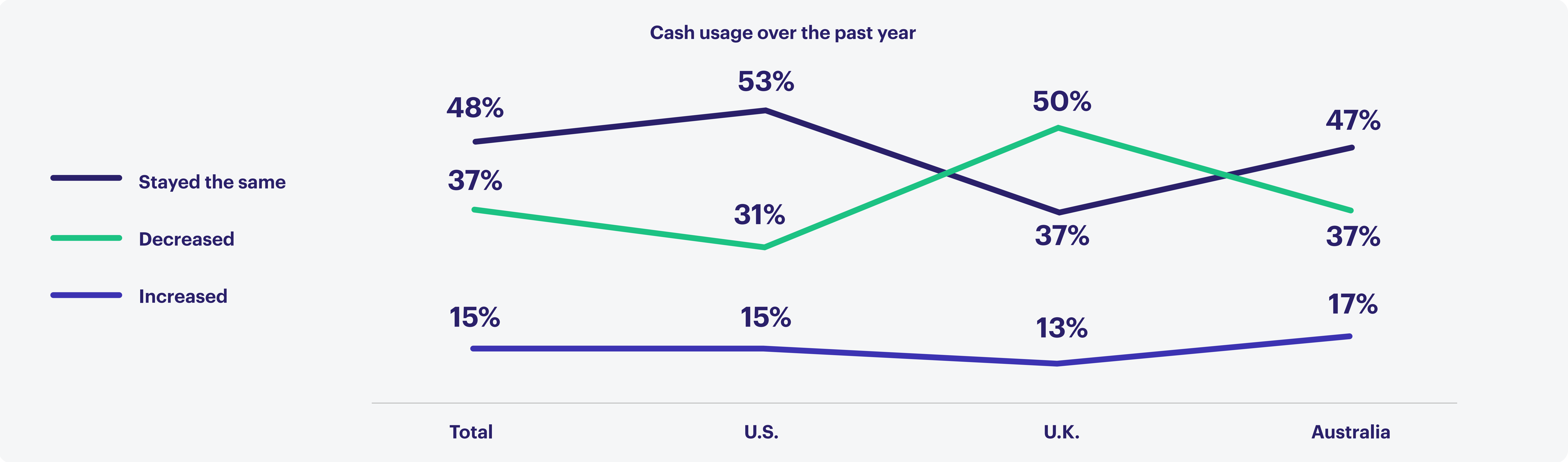
Consumers across geographies are increasingly embracing the idea of a cashless society, with concerns about the implications (e.g., inclusivity and accessibility issues) falling to the wayside. This could be due, in part, to larger economic uncertainties driving new consumer behaviors. Some financial services providers—inclusive of both traditional financial institutions and new embedder brands—have taken note of the economy's impact on consumers and are honing in on opportunities to offer rebundled services and personalized rewards to attract and retain consumers at every touchpoint. Some have even begun offering benefits such as accelerated wage access to retain more workers.

Consumers are more comfortable leaving wallets at home

The growing acceptance of cashless methods means more consumers are leaving their wallets at home in favor of paying with their smartphones. Of consumers who have a mobile wallet, a whopping 96% of them have at least one card in their mobile wallet, and well over half (62%) of them feel confident enough to leave their physical wallets at home—a figure that jumps to 67% among those aged 18 to 25 years old. Slightly fewer mobile wallet users surveyed (68%) reported automatically adding new cards to mobile wallets in 2024—down 7% from 2023. This could indicate loyalty and stickiness to their cards of choice, which could be tied to a strong value proposition like rewards or personalized offers.

While 60% of consumers reported using cash in the last week, respondents expressed a growing comfort with the idea of a cashless society. Nearly three in four (71%) U.S. consumers surveyed expressed they weren't concerned about moving to a cashless society, and more than a quarter (28%) of those respondents said they feel awkward when paying with cash. Consumers 18-34 years old were especially prone to those feelings, with nearly half (49%) saying that paying with cash made them uncomfortable. So, while it may lag, the trend toward going cashless is holding steady in the U.S.—where almost one-third of consumers surveyed (31%) reported using cash less than they did 12 months ago.

While there is some wariness about going totally cashless, it is tempered by the draw of fast, convenient, more-modernized digital payment solutions. In the 2023 State of Payments survey, just over one-third (35%) of consumers reported using less cash than the previous year—a number that increased to 37% in 2024.



Key takeaway

Consumers are bucking tradition in favor of modernized payment methods. Mobile wallet adoption is relatively consistent across the U.S., U.K., and Australia, with all consumers demonstrating a potentially stronger inclination to embrace this technology.

However, while consumers are steering away from cash payments, most people (55%) add just one or two cards to their mobile wallets. This indicates a future with greater market opportunity for more digital payment methods. But, to win that prized spot, your business must have the best and most compelling card offering possible to truly differentiate it from the competition.

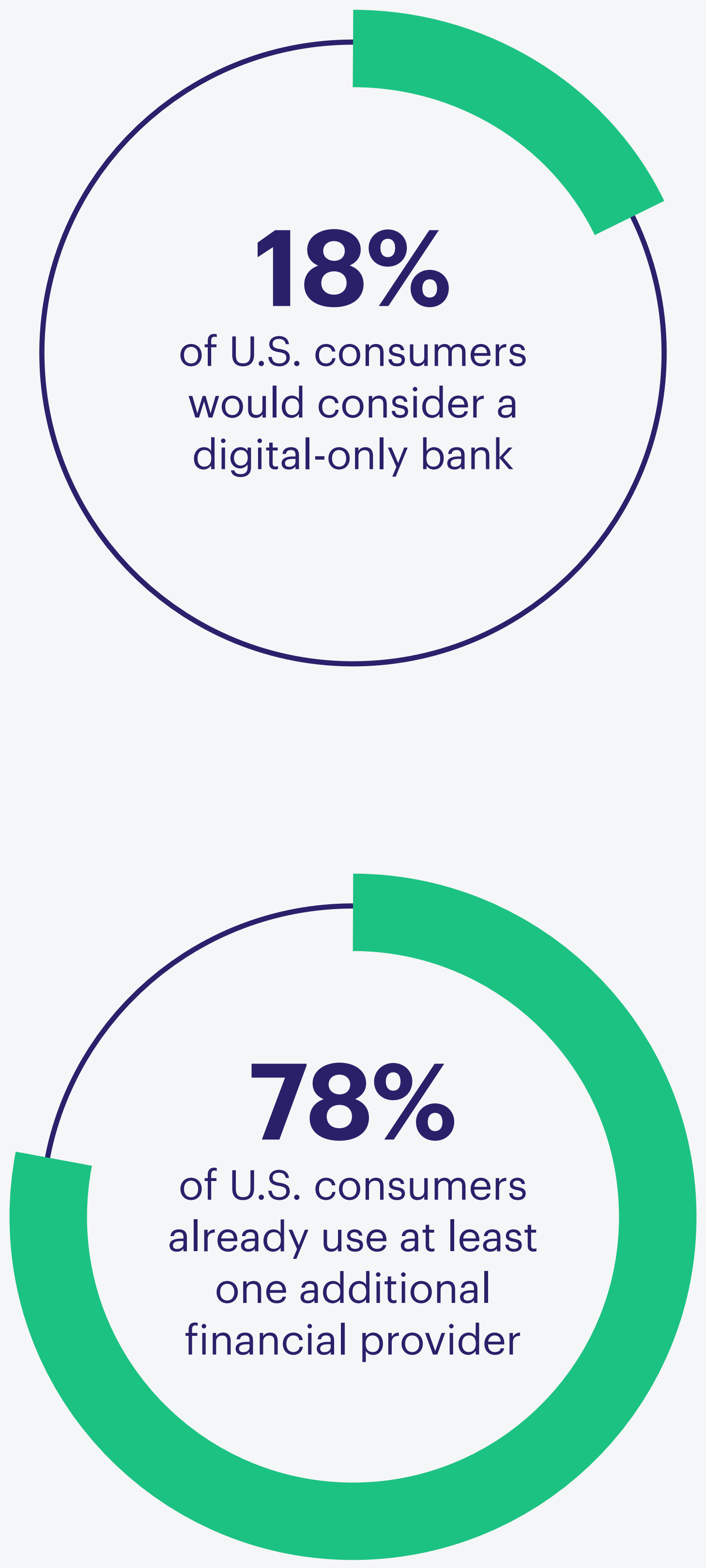
Consumers are torn between loyalty to traditional financial service providers and digital curiosity

Despite the slower adoption of digital payments in the U.S. compared to its U.K. and Australian counterparts, the survey points to the growing popularity of non-traditional service providers among consumers.

Just 18% of U.S. consumers surveyed said they would consider moving all of their banking to a digital-only option. However, more than three in four (78%) said they used at least one additional financial provider outside of their primary bank.

Non-traditional financial service providers—including tech companies, social media platforms, and retailers—are appealing to U.S. consumers, with 42% saying they would get financial services from one of these providers. That number balloons to 63% for U.S. consumers between 18 and 34 years old as this digital-first cohort seeks more pleasing user experiences.

Younger consumers (18-34) remain optimistic and open when it comes to brands offering financial services, with nearly two-thirds (66%) saying they feel positive about it.



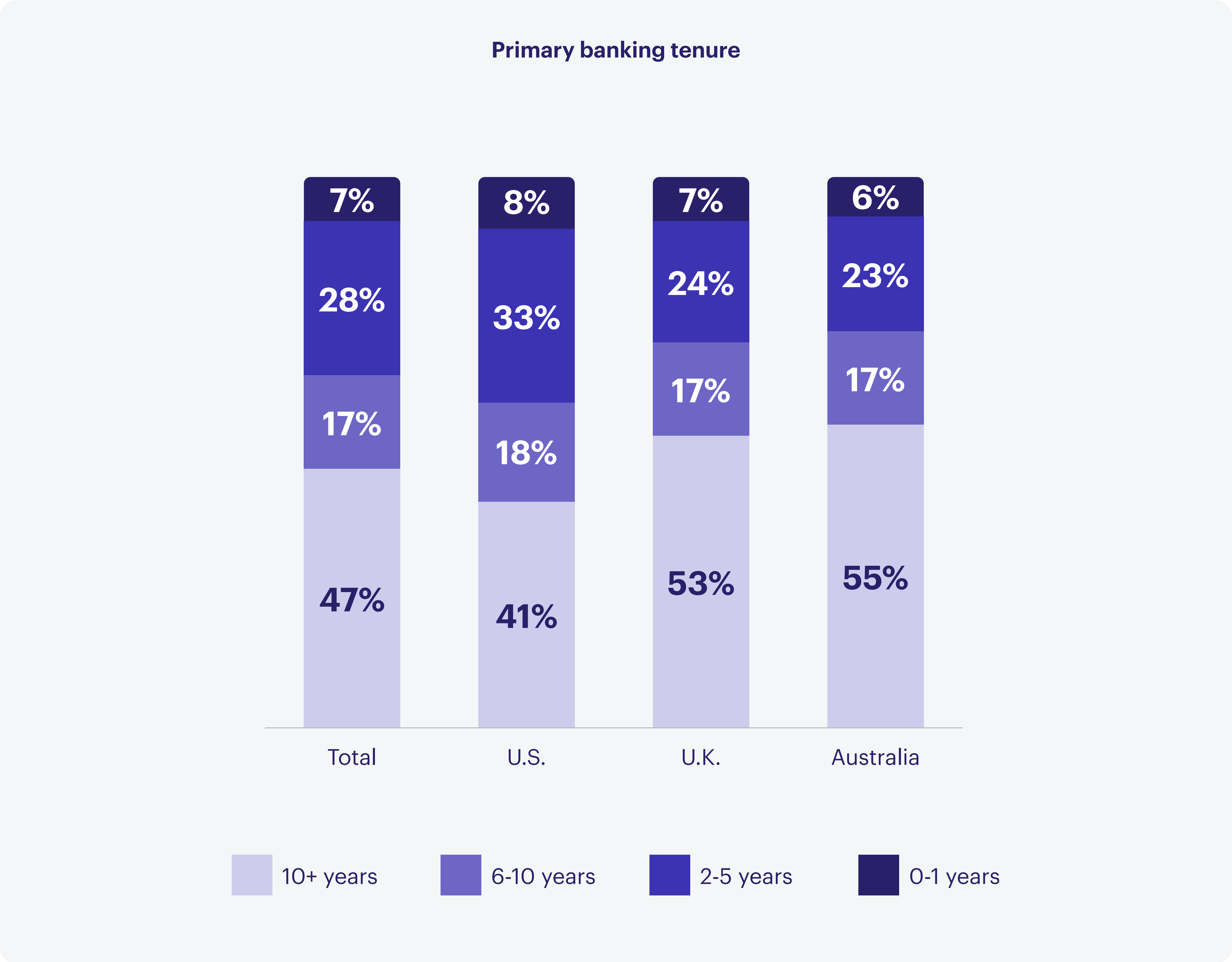
Key takeaway

These preferences are indicative of a shift toward personal financial ecosystems, where consumers' personal lives and financial lives merge and coexist in a faster, more user-friendly, more personalized, and more interconnected environment facilitated by embedded payments. Strategically placing your business at the center of that convergence—with a compelling customer offer in hand—has the potential to set you up for increased prosperity as you continue to shape what life looks like next.

Loyalty to tradition persists...

The draw of seamless convenience is unfolding in the "great convergence" between traditional and non-traditional banks and payment methods.

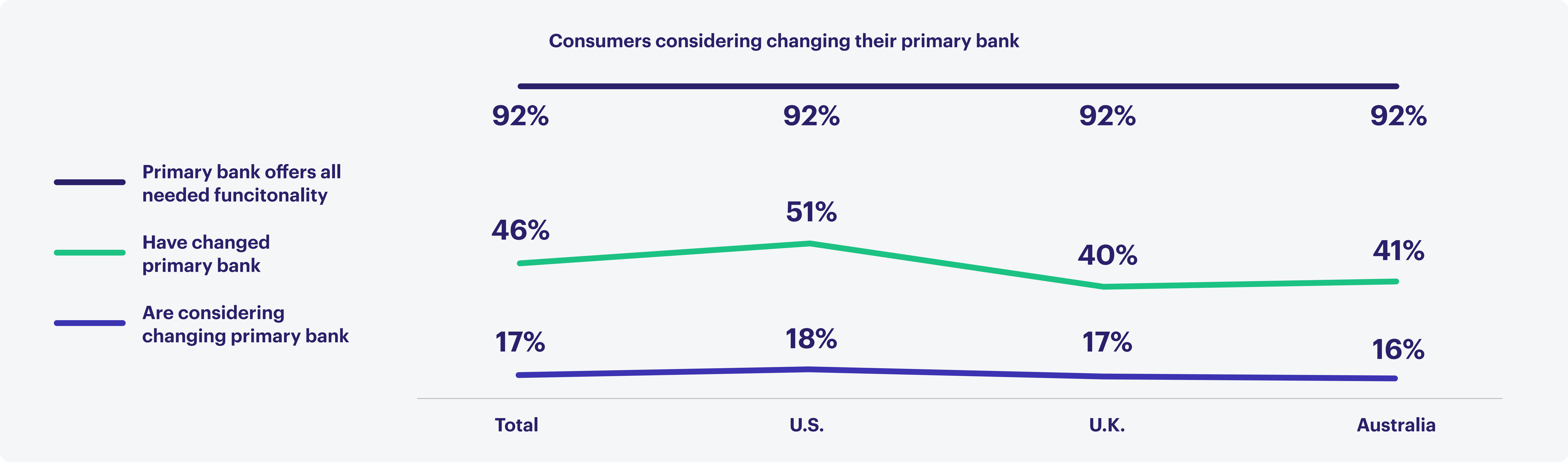
Curiosity towards non-financial service providers has been forced to coexists with the old guard, as consumers also feel loyalty toward their primary banks. More than half (64%) have used their primary bank for six years or longer; however, one-third (34%) of consumers who currently use a traditional bank as their primary bank also use a digital only bank.



Nearly all consumers feel that their primary bank offers all of the functionality that they need, yet almost half (46%) of consumers have already changed their primary bank, and an additional 17% are considering doing so as well. So, if the data shows that people are generally happy with their primary banks, then why are they looking to change banks, and how often do they actually follow through?

When it comes to determining what drives payment and banking choices, both inertia and force-of-habit rank highly. In fact, the thought of shifting is strongest in the U.S.—where more than half (51%) say they have already changed their primary bank—and an additional 18% of consumers are currently considering changing.

This is because customers tend to be very “sticky” when it comes to core banking services such as checking, savings, debit cards, and mortgages. That stickiness stops, however, when it comes to more modern payment methods, as they begin looking elsewhere when searching for credit cards and peer-to-peer payment options.



Key takeaway

There seems to be a tug-of-war between what consumers know and what they want. While they feel comfortable with their relationships with their primary bank, they are also not opposed to exploring more modern, innovative options—depending on the financial service(s) they are seeking.

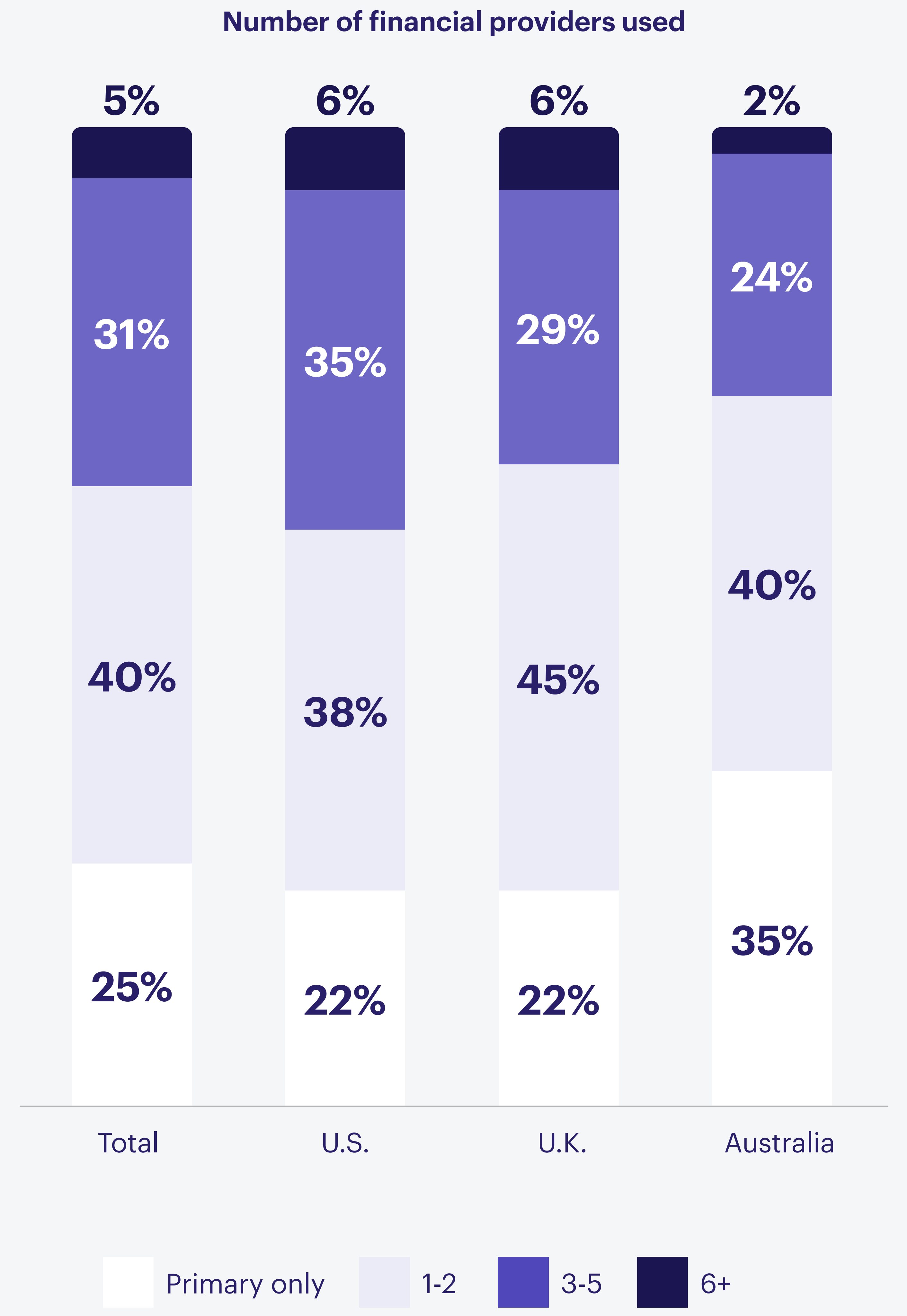
However, as our Marqeta CEO Simon Khalaf likes to say, “Banks aren’t going anywhere, they are going everywhere,” as they add more payment options and capabilities to their offerings instead of limiting them. And with so many consumers already willing to stick with their traditional financial institutions, there are enough consumers to go around, especially for the banks that can continue to innovate and provide more of those modern embedded financial solutions.

...but consumers are branching out

This sentiment softens in the U.K., where the number of consumers who have changed their primary bank dips to 40%, with an additional 17% considering doing so. In all geographies, 46% have changed primary banks, but that loyalty shifts somewhat for younger generations where more than a quarter (27%) of those aged 18 to 25 years old have considered changing banks.

Rather than completely changing providers, consumers are branching out. On average, consumers have two different banking relationships with financial providers, inclusive of both traditional financial institutions and new embedder brands. In the U.S., 17% of consumers have a relationship with one additional provider to their primary bank, and more than one in ten (12%) consumers have a relationship with four different financial providers.

Australia leads in primary bank loyalty, with 35% of those surveyed saying they only bank with their primary provider, compared to 22% of those who say the same in the U.S. and the U.K. Meanwhile, having two financial providers seems to be the sweet spot for the U.K.



Key takeaway

Considering the consumer appetite for many relationships with financial providers, there is both opportunity to build loyalty for those with existing consumer relationships, as well as opportunity for more new players to enter the market. Loyalty—both newly planted and continuing to grow—should be top-of-mind as financial fragmentation and the desire for convenience push consumers toward multiple banking relationships. Consumers want to have the best of all financial worlds as they figure out what life looks like next.

With that in mind, embedder brands should seize the opportunity that consumers are looking for alternative options by informing and educating the masses that traditional financial institutions aren't the only place to look. Because even though there's huge stickiness around traditional options, consumers are also curious to explore new options. Currently, the door of opportunity is open just a crack, but great experiences can bust that wide open. They just need to have a compelling enough story to make consumers break the status quo of where they are currently getting their needs met by a traditional financial institution.

What life looks like next

Be more for your customers

Build loyalty while reinforcing your brand at every touchpoint through seamlessly embedded financial solutions.

- **Increase Loyalty** – Unlock loyalty with personalized rewards
- **Grow the Brand** – Put your brand front and center with every card interaction
- **Extend Customer Value** – Deepen the relationship with your customers beyond your core business

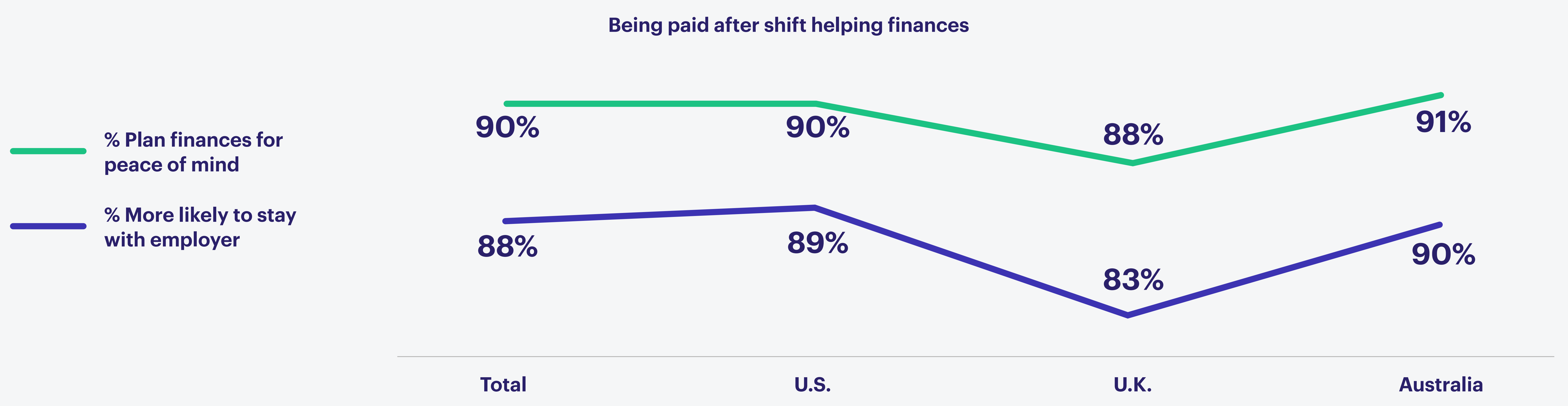
Consumers seek a balance of trust, speed, and ease-of-use for managing the lifecycle of their money

Pay

The proliferation of the gig economy and the evolving needs of gig and shift workers and employees are also shaping financial services in new and exciting ways, putting the onus on gig work platforms and employers to better support the financial needs of their workers.

Accelerated Wage Access (AWA) is stealing headlines as instant payments take to the main stage across the globe. **More than six in 10 Americans** live paycheck-to-paycheck and want more ways to take control of their finances, making instant pay options more critical than ever, especially for the growing gig and shift economy.

Nearly a quarter (24%) of U.S. consumers surveyed—a number that swells to over one-third of 18-34-year-olds—consider themselves part of the gig economy. Within this cohort, more than three-quarters (77%) are living paycheck-to-paycheck. It makes sense that nearly nine in 10 (87%) U.S. consumers are attracted to platforms that offer instant pay options. In fact, 90% of U.S. consumers who get paid immediately said receiving their earned wages instantly makes it easier for them to plan their finances.

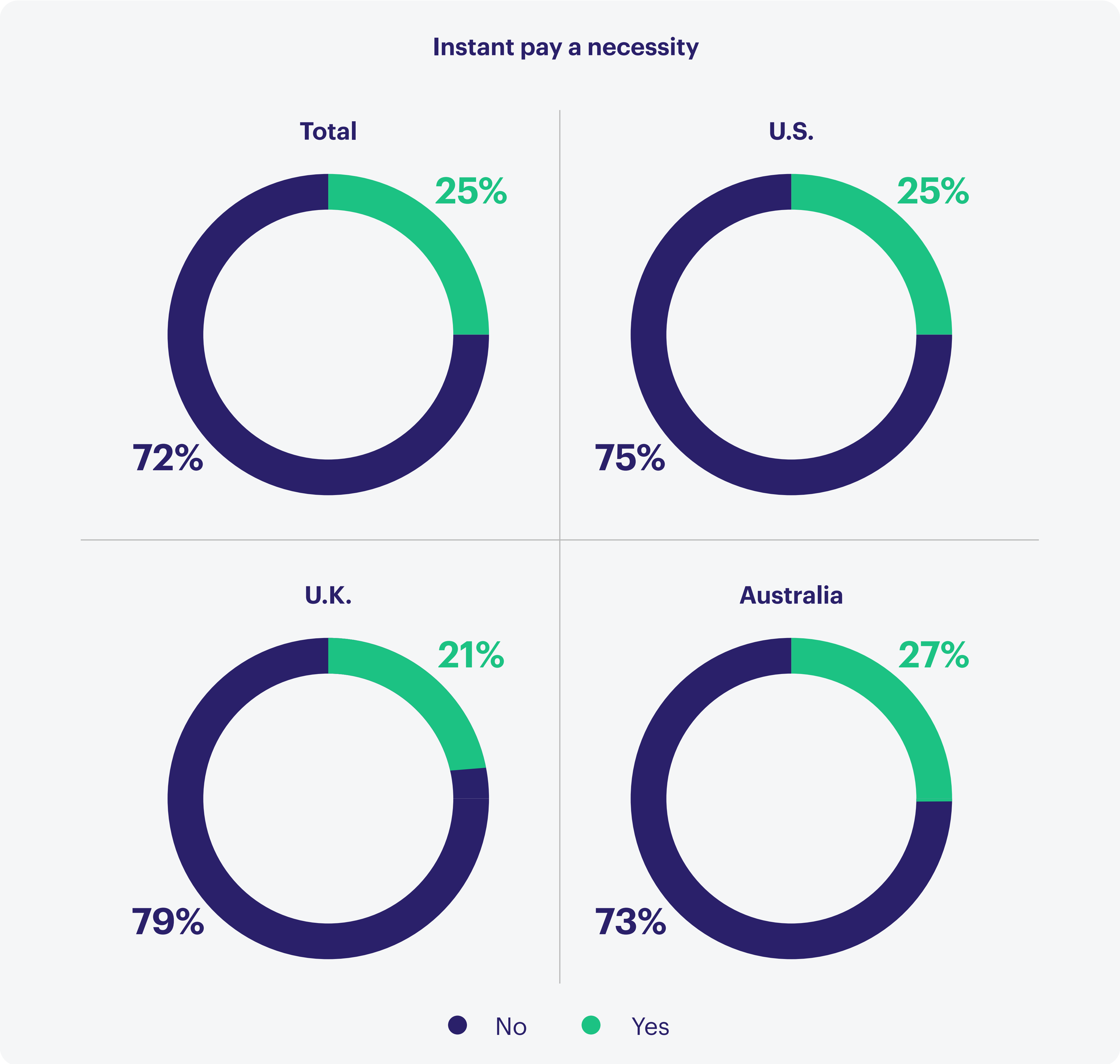


AWA delivers value for platforms, employers, and employees

This should be heartening for employers, too. Of U.S. consumers who have to wait for their paychecks, 39% said they're more likely to use credit to make ends meet, rising to 44% for those aged 18 to 25 years old. Quicker access to hard-earned wages empowers employees to reduce their reliance on credit, pay their bills on time, and better manage their finances. In fact, **35% of workers interested in AWA** say it would help them pay their bills on time, and 32% said it provided them with the ability to budget more easily. In turn, this fosters a more engaged and dedicated workforce.

72% of U.S. gig workers surveyed by Marqeta in June 2023, between the ages of 18-50 years old said the option to get paid immediately increases their interest in an employer. That number increased to 89% in our 2024 survey. What's more, 37% of all U.S. consumers 18-34 years old surveyed said instant pay is a necessary benefit from their employers, above the 25% national average.

Hiring and retaining workers is harder and more competitive than ever. It's critical for employers and platforms to find ways to deliver value and incentives for workers to prevent attrition—and to differentiate themselves from their competitors. AWA empowers employers and platforms to do both—all while creating new revenue streams.



Key takeaway

Still, there's room to grow. AWA is popular with the gig worker sector but has yet to reach critical mass with others. Regardless, spiking adoption among consumers between the ages of 18 and 34 promises to bring a tsunami of change in this area. As younger generations enter the shift/gig workforce, the demand for flexible, digital financial solutions will rise. This represents a call to action for banks and financial service providers to facilitate substantial changes in how these workers can manage their finances and get paid.

What life looks like next

The "virtuous cycle" of embedded finance

When the financial system invests in business (by providing technology and services), those businesses can invest in what they offer employees and consumers. A financially healthy employee is also a financially healthy consumer. And when people are financially well, they have access to more stable housing and healthcare, and they begin to invest more time and energy into things like culture and arts in their community. Those things bring more investment into the community which, in turn, funds the financial ecosystem to grow and develop even more.

To put it simply, the advancement of financial services enables business growth. Business growth drives the health of communities. And the health of a community impacts the lives of its members—every single day.

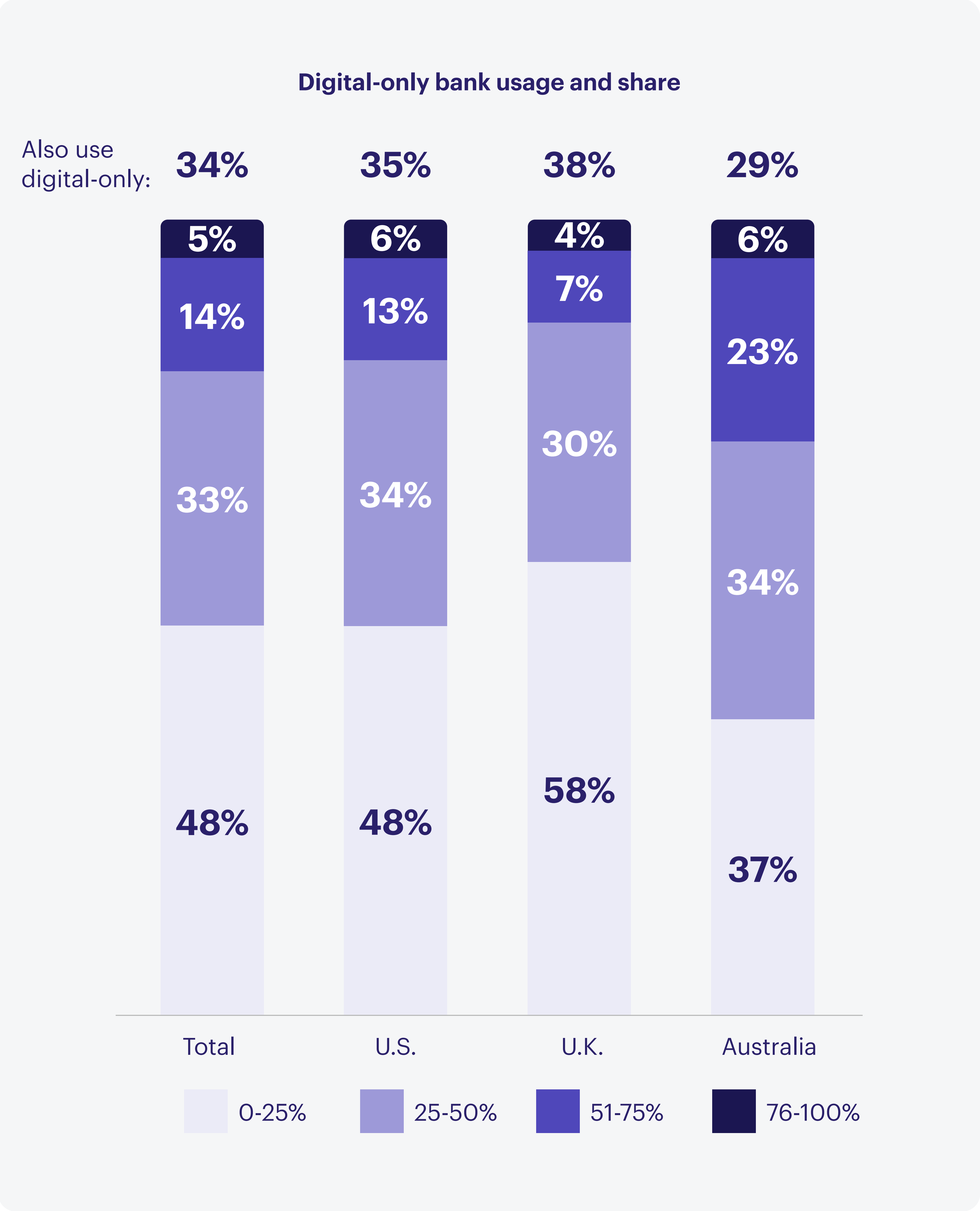
This is the virtuous cycle of embedded finance that Marqeta is proud to be a part of, as we believe that it should operate as the guiding principle for all businesses.

Keep

What consumers do with their money once they've been paid varies across generations and geographies. Consumer curiosity about modern, digital financial solutions bleeds into banking, where the majority (62%) frequently interact with their bank via the bank's mobile app. ATMs are a distant second preferred method, as nearly one-third (31%) reported using one in the past week. In stark contrast, just 17% of consumers say they've visited a bank branch in the last seven days.

Additionally, U.S. consumers are more willing than their counterparts to move all finances to a digital-only bank, with 18% saying they would consider it and 8% already doing so. In comparison, the U.K. has more consumers would consider (20%) doing the same, but fewer who already have (3%). As a whole, three-quarters (76%) were either not sure or a definite no on changing to a digital-only bank.

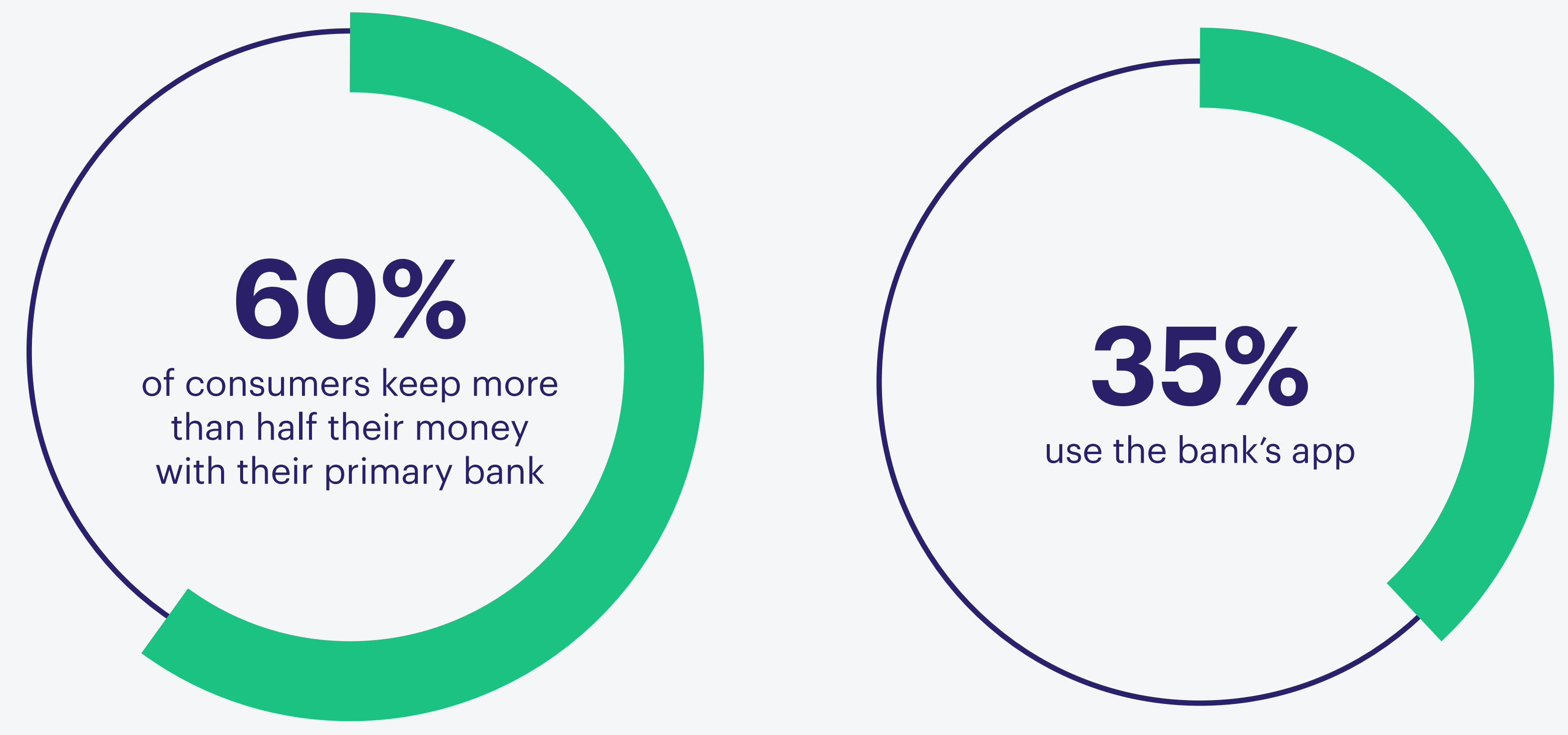
The biggest draws to these banks include earning rewards like higher interest rates or cash incentives. Those options trump softer benefits like better mobile apps or more modern banking features, except in the U.S., where 20% of consumers were more intrigued by a better mobile app than those in the U.K. (14%) or Australia (18%).



Modern banking lives at the intersection of traditional and digital financial services

Consumers are also hedging their bets on where they keep their money, especially older consumers. More than half (60%) of consumers keep more than half their money with their primary bank. Australia leads this trend, where 44% of consumers say they keep more than 75% of their money with their primary bank. Older generations skew in the opposite direction, tending to spread their money around. Slightly more than a third (34%) of consumers aged 65+ keep just a quarter or less of their money with their primary bank.

The way consumers interact with their banks is a mixed bag. When it comes to depositing funds, roughly one-third use the bank's app (35%) or visit a physical branch (35%). The latter is especially appealing to older consumers aged 65+, where more than half (56%) prefer to visit the branch.



Key takeaway

It's a prudent reminder that traditional and digital financial services do not operate in bubbles, nor are they mutually exclusive. Consumers are experimenting with what suits them best, and behaviors vary across demographic and psychographic lines.

Knowing your customer wants and needs comes from **effectively using available data to guide decisions.** Every link in the chain of touchpoints can provide evidence of customer attitudes and behaviors. And non-traditional financial organizations are building and offering products that their consumers want by using their organization's data collected across those demographic and psychographic lines.

Embedded finance enables brands to increase their customer lifetime value (CLV) by maximizing the perceived value of any offering. This can help speed up the sales cycle, which can lower the cost of acquisition.

Comfort for non-traditional providers growing

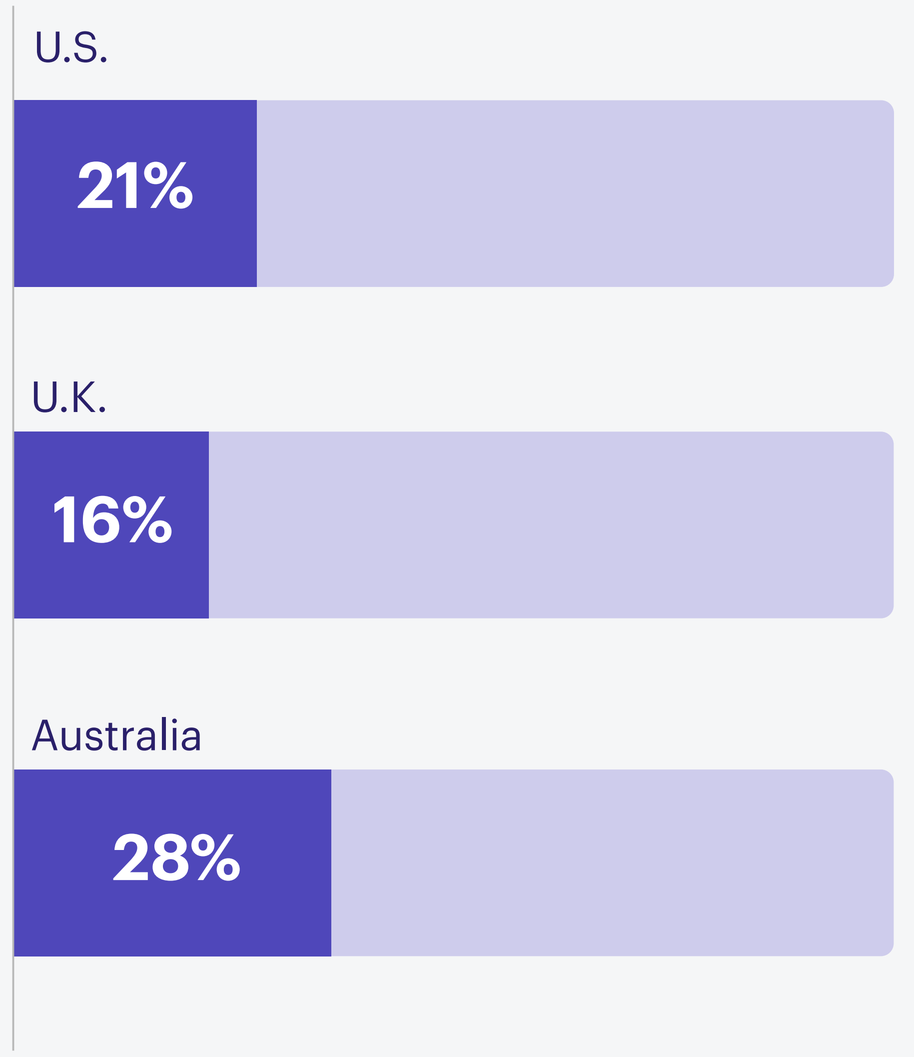
Australian consumers prefer to make deposits at ATMs (28%) more than the U.S. (21%) and the U.K. (16%). Meanwhile, the U.K. interacts with physical branches (40%) more than the U.S. (32%) and Australia (35%). The U.S. leads for depositing funds using the bank's mobile app, with four in ten U.S. consumers preferring this method versus the U.K. (34%) or Australia (26%).

Consumers have mixed feelings about the necessity of physical bank locations. One-third (34%) of consumers say they wouldn't feel affected if all physical bank locations were to be closed. It even appears that some are preparing for this eventuality as more than one-third of all consumers (39%) and almost half in the U.S. (46%) store money outside of a bank as a precaution should something happen to their bank.

Still, the U.S. is more tethered than others to in-person branch interactions, with one-fifth (21%) of U.S. consumers most often banking that way compared to the U.K. (12%) and Australia (12%). The U.K. relies mostly on computers and smartphones or tablets to handle banking needs (83%), which is slightly higher than the percentage from all three locales (75%).

While attitudes toward traditional banking providers are lukewarm, there's a slight chill toward non-financial providers such as tech companies, social networks, retailers, pharmacies, and telecoms. Nearly two-thirds (62%) of consumers in this year's survey said they would not consider getting financial services from non-traditional providers.

Percent of respondents who prefer to visit ATM for depositing funds



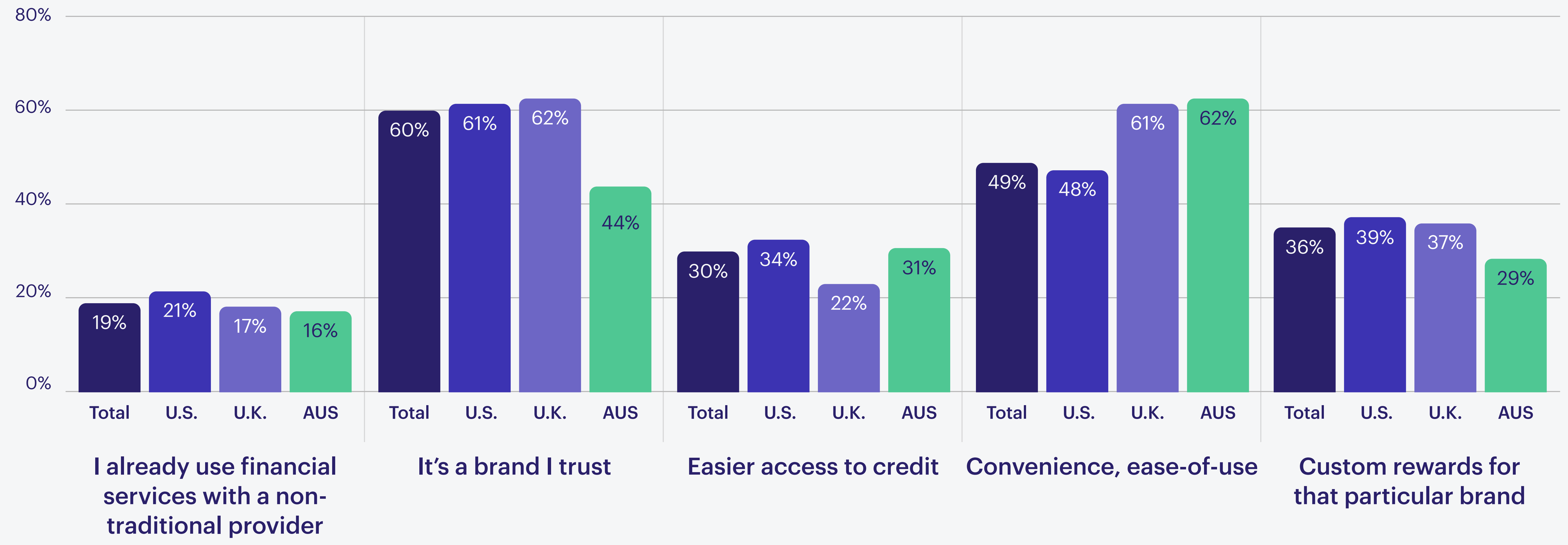
Non-traditional providers must offer convenience, foster trust

Consumers who are willing to consider a non-financial provider view tech companies as a better fit than all other options, with 22% considering them a viable alternative. Interestingly, one-fifth (21%) of U.S. consumers are also willing to consider retailers.

The biggest sticking point for consumers is a positive track record. Many consumers (45%) view these entities as untrustworthy with money or personal data—major barriers to overcome. Moreover, non-traditional providers are struggling to adequately convey their value propositions as nearly half (45%) of consumers fail to see the value, especially in the U.S. (47%) and Australia (47%).

The path to customer acquisition for non-traditional providers is paved with convenience and trust. Nearly one-fifth (19%) of consumers already use non-traditional financial services, but of those that don't, half said they would choose one if they trusted the brand, and nearly half (49%) said they would choose a non-traditional provider that offered convenience and ease-of-use. Creating custom rewards for the brand may also draw additional interest.

Reasons to choose non-financial services providers

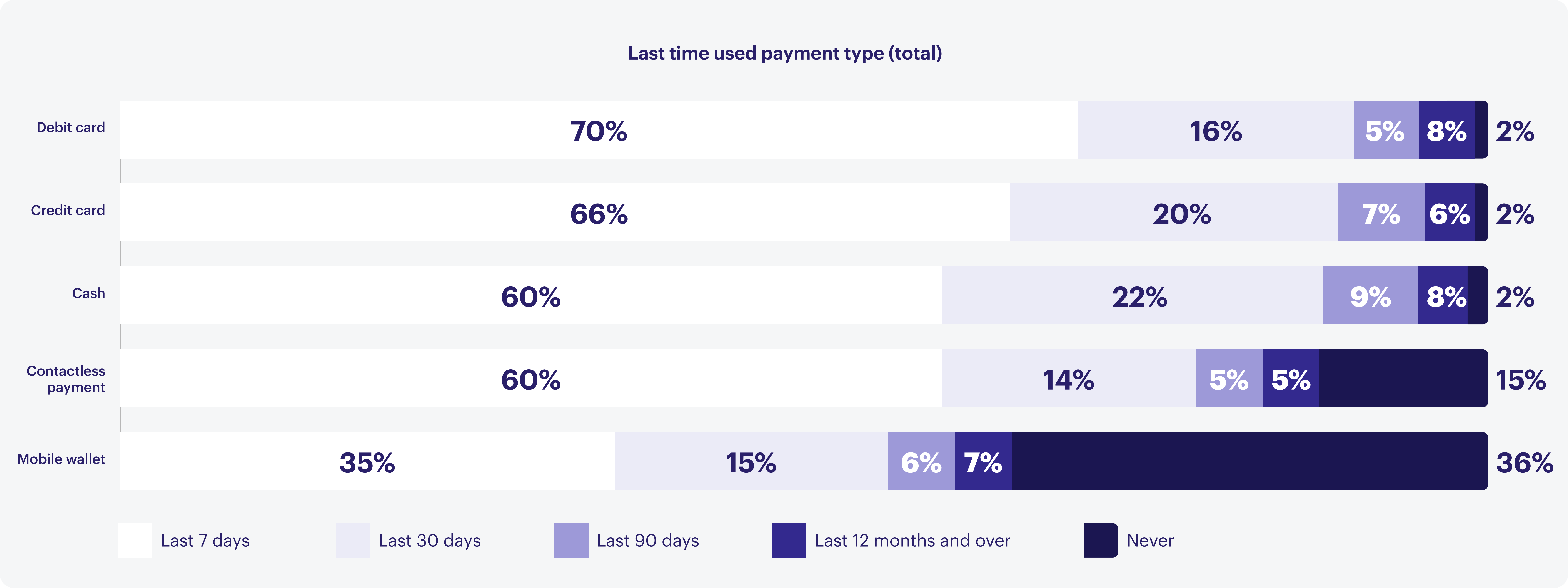


Key takeaway

The mixed results on non-traditional providers remind us that consumer preferences are malleable. Non-traditional providers would do well to position themselves as trustworthy, accessible alternatives while also ensuring how they add value to consumers' lives is crystal clear.

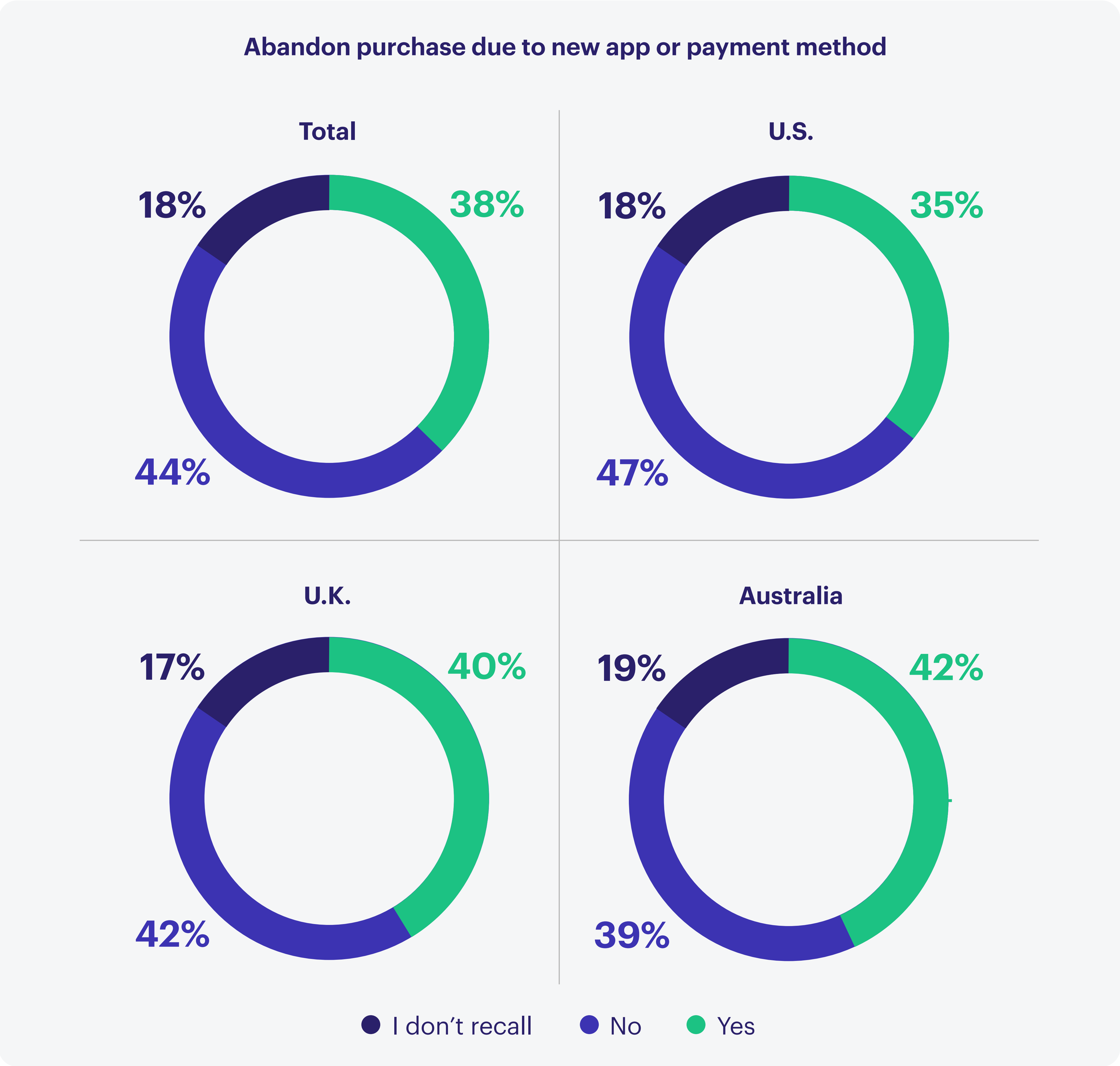
Spend

Consumer habits at the point-of-sale (POS) is another area where we can see small shifts toward modern alternatives. Roughly two-thirds of consumers reported using debit (70%) and credit cards (66%) for purchases made in the last seven days, but contactless payments are a close second, with six in 10 saying they used this method in the last week. Similarly, 60% reported using cash, and over a third (35%) of consumers reported using a mobile wallet in the last week.



U.S. usage mirrored the whole, with two-thirds (67%) of consumers using a debit card, credit card (70%), or cash (61%). Roughly half opted for contactless (46%) or prepaid cards (55%), and one-third purchased using mobile wallet. The U.K. broke with tradition, as eight in 10 consumers chose contactless payments over credit (60%), debit (72%), mobile wallet (40%), or direct transfer (45%) in the last seven days.

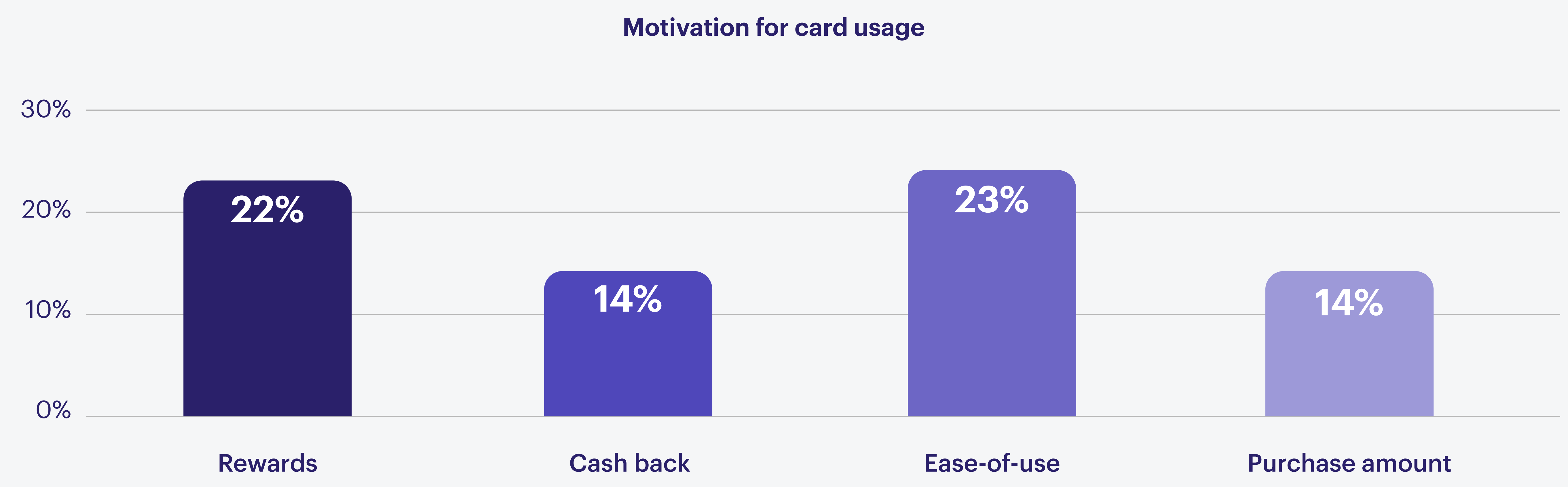
Ease-of-use continues to be the single most motivating factor for consumers when choosing which card to use, with nearly a quarter (23%) reporting this in both 2023 and 2024. Additionally, many expressed an aversion to being required to use a new app or payment method at checkout. Overall, slightly more shoppers comply (44%) than abandon a purchase (38%), particularly U.S. consumers, where nearly half (47%) comply. U.K. consumers, on the other hand, are nearly equally split, with 42% complying and 40% abandoning the purchase. Australians were more likely than other countries to abandon the purchase (42%) than comply.



Consumers value rewards, ease-of-use

The survey also highlights a consolidation happening with card usage. In 2023, 32% of consumers surveyed said they used one payment card in a typical week. That number has since increased to 36% in 2024, signaling a rise in loyalty and a steeper climb to top-of-wallet status for providers. Similarly, there was a drop in the number of consumers who reported using two or more cards per week, from 66% to 61%.

These choices are largely driven by rewards; 22% of consumers tend to use credit cards that offer rewards, and 23% choose which card to use based on how easy it is to use. The latter is an especially potent driver in Australia and the U.K., where 31% and 28% choose cards that are easy to use, respectively. In the U.S., rewards (26%) and cash-back (19%) are the most motivating benefits that influence selection.



Key takeaway

From a bird's-eye view on the consumer lifecycle of money, it's clear that consumers are looking for a frictionless experience from start to finish. Speed and convenience rule at every touchpoint—from being paid by employers to storing, moving, and spending money. The key to consumers' hearts, in many regards, is to get out of their way so that they are free to determine what life looks like next for themselves.

Part 2

The great digital payments convergence is happening. And you're either a part of it, or you're not.

With more financial services options than ever, consumer loyalty is on the line.

The payments space is evolving at a breakneck pace, and providers must adapt or risk being left behind. While 44% of consumers say they don't care about more brands starting to offer financial services, the data also shows that rewards, convenience, trustworthiness, and ease-of-use are appealing to consumers.

Australia skews toward a less-than-favorable perception of new financial services brands, with 18% harboring negative feelings. In contrast, the U.S. (46%) and the U.K. (47%) feel more positive about additional choices.

In a similar vein, most consumers (86%) feel that there are enough financial service choices, and eight in 10 (81%) agree that offerings from larger banks are innovative. This is especially true of consumers aged 65+, where 87% agree that large banks have enough product innovation and variety—a stronger sentiment than other age groups.

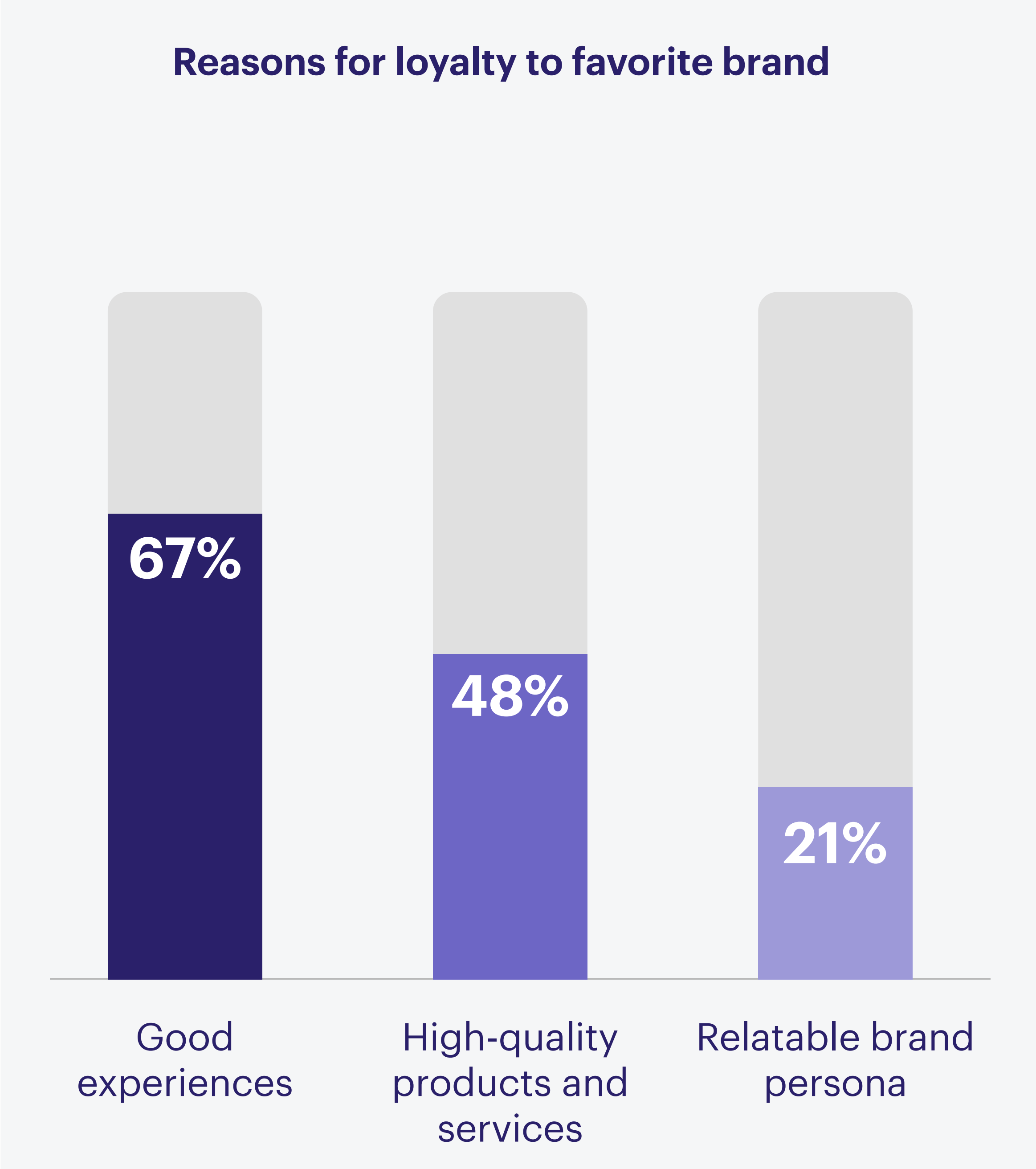
Loyalty is driven by identity and good experiences

Good experiences and feelings propel consumer loyalty, with more than half (57%) of consumers reporting those as the reasons they are loyal to their favorite brands. Brands can also bolster loyalty by offering high-quality products and services, which is the primary reason for 48% of consumers who stick with their favorite brand. Drivers of loyalty also vary across geographies; consumers in the U.S. are more likely to be loyal when they feel like a brand matches their identity (24%), while Australians are more likely to be brand agnostic (25%).

Negative experiences can be just as impactful to loyalty, though unfavorable consumer experiences are salvageable in different ways to different people. Consumers primarily deal with negative experiences with concern over how mistakes are addressed (42%) and patience with the situation (42%).

How the situation is addressed bears even more importance to those aged 65+ as more than half (57%) say it affects their sense of brand loyalty. Australians (18%) are more likely to have zero tolerance for negative experiences than those in the U.S. (15%) or U.K. (15%).

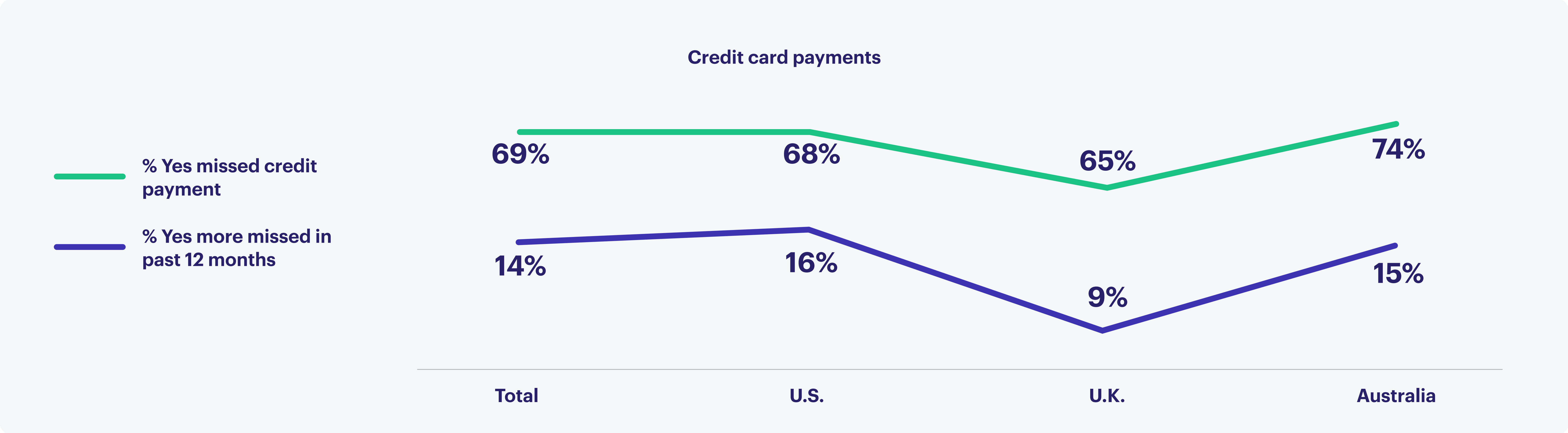
While the survey highlighted the efficacy of credit card rewards in fostering loyalty, some consumers remain disgruntled about how those programs are managed. For example, more than half (57%) of consumers who have a credit card linked to a rewards program generally complain about the amount of time it takes to accrue points towards a redemption. Australians not only feel that the accrual process takes too long (60%), but the redemption process is also too difficult (28%).



Economic drivers decrease savings, increase delinquencies

Brands must also be cognizant of external factors that can affect card usage, including macro- and micro-economic factors. This year's survey suggests that consumers have struggled more than usual over the past 12 months. Even the most diligent consumers have missed payments—and those that have are likely to have missed more payments in the past year than in previous years.

Similarly, different countries have experienced different ebbs and flows with savings and retirement accounts over the past year. For example, the U.S. and the U.K. have seen an increase in savings, with 51% and 53% saying they have more personal savings than they did a year ago, respectively. However, more than half (52%) of Australian consumers say their savings have decreased over the last year. Along with a drop in savings, fewer Australian consumers (46%) report contributing to retirement savings compared to the U.S. (48%) or the U.K. (52%). And wealth is a pertinent topic, especially for financial services providers in the U.S. With Boomers (born 1946-1964) aging, we are on the precipice of one of the biggest wealth transfers in U.S. history. Banks must prepare to address the inevitable generational shift occurring.



Key takeaway

There is a lot at stake for both consumers and financial services providers and brands. The data points to proven steps that providers can take to win and retain loyalty, but they also require a balanced perspective on how factors of the economy at large are impacting consumers—and how to help consumers better navigate their finances despite them.

A new sensitivity to surcharges & interchange fees

Part of that balanced perspective is understanding how consumers perceive seemingly minute fees—and how those sensitivities ebb and flow. A net new change this year's survey unearthed is that most consumers will abandon transactions that impose a fee for using a credit card online or in-store at a physical POS. One in three consumers reported they were open to paying the fee, depending on what they were trying to buy.

In addition, more than half (58%) of those surveyed said they would avoid merchants who imposed a credit card surcharge, particularly shoppers in the U.K. (71%). Nonetheless, close to one-third (29%) would reserve judgment depending upon the particular merchant.

Consumers' habits and expectations are morphing in real-time, and they expect financial service providers and brands to keep up. They don't want to strain to get paid, make a payment, or store their money. Instead, they welcome a world where finances are effortlessly enmeshed in their daily lives, catering to their sense of urgency and need for immediate gratification. They want sleek, seamless ways to interact with money. Embedded finance answers that call and enables more interconnected ways to pay.

Moreover, it opens the door to unlocking invaluable data about consumer behaviors and preferences. We mentioned earlier in this report that many consumer preferences cut across demographic and psychographic profiles. Capturing the data around these behaviors becomes indispensable, especially as other means, like web browser cookies, disappear.

Key takeaway

Here's how to help keep your keep your customers from abandoning their carts when it comes to surcharges and fees:

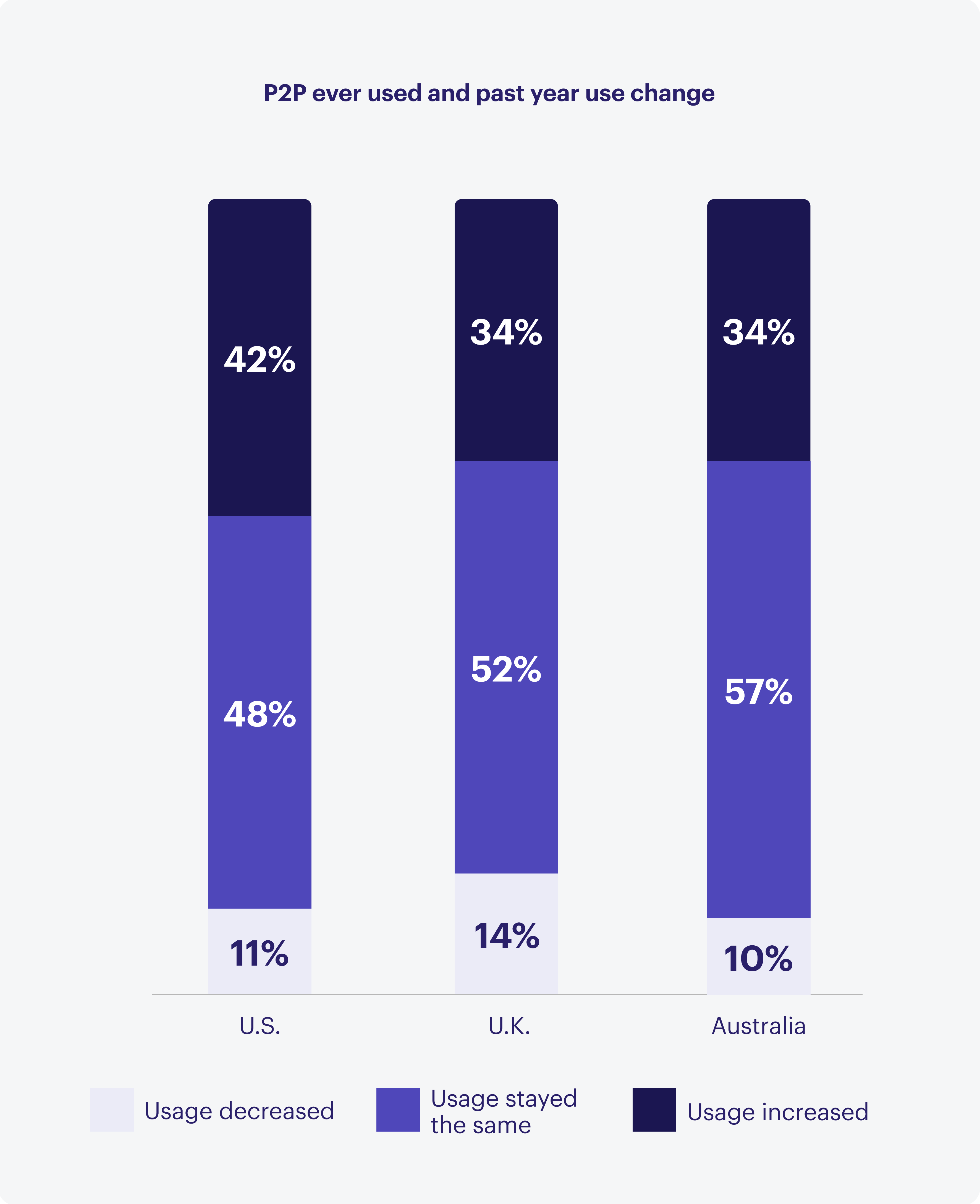
- Ensure your B2B clients understand what interchange fees and surcharges are, how they are determined, and who benefits from them. This knowledge is crucial for transparent communication with your end customers.
- Keep customers informed about the regulatory environment regarding these fees, which can vary by region and over time.
- Clearly disclose any additional fees to customers before transactions are processed, all in the name of transparency. This can prevent disputes and enhance trust.
- Break down the costs associated with each transaction, showing how much goes to interchange fees, surcharges, and the product or service itself.
- Utilize advanced analytics tools to understand the impact of fees on overall profitability and customer behavior.

The rising power and relevance of P2P payments

Peer-to-Peer (P2P) payments have solidified their place as a go-to method for payments, particularly among younger generations. This method made great leaps and strides in user adoption during the COVID pandemic, and has shown no signs of slowing in the years since. In many ways, it has become the de facto digital banking service in the U.S.

Seven in 10 consumers have used a P2P app and usage remains steady and substantial: 89% said their usage had increased or stayed the same in the past 12 months, as compared to 92% who said so in 2023.

Usage rates are highest in the U.S. where more than three-quarters (77%) have used a P2P payment app, and lowest in Australia (62%). The US has also seen the biggest jumps in usage, with 42% of consumers saying their usage increased as compared to the U.K. (34%) and Australia (34%).

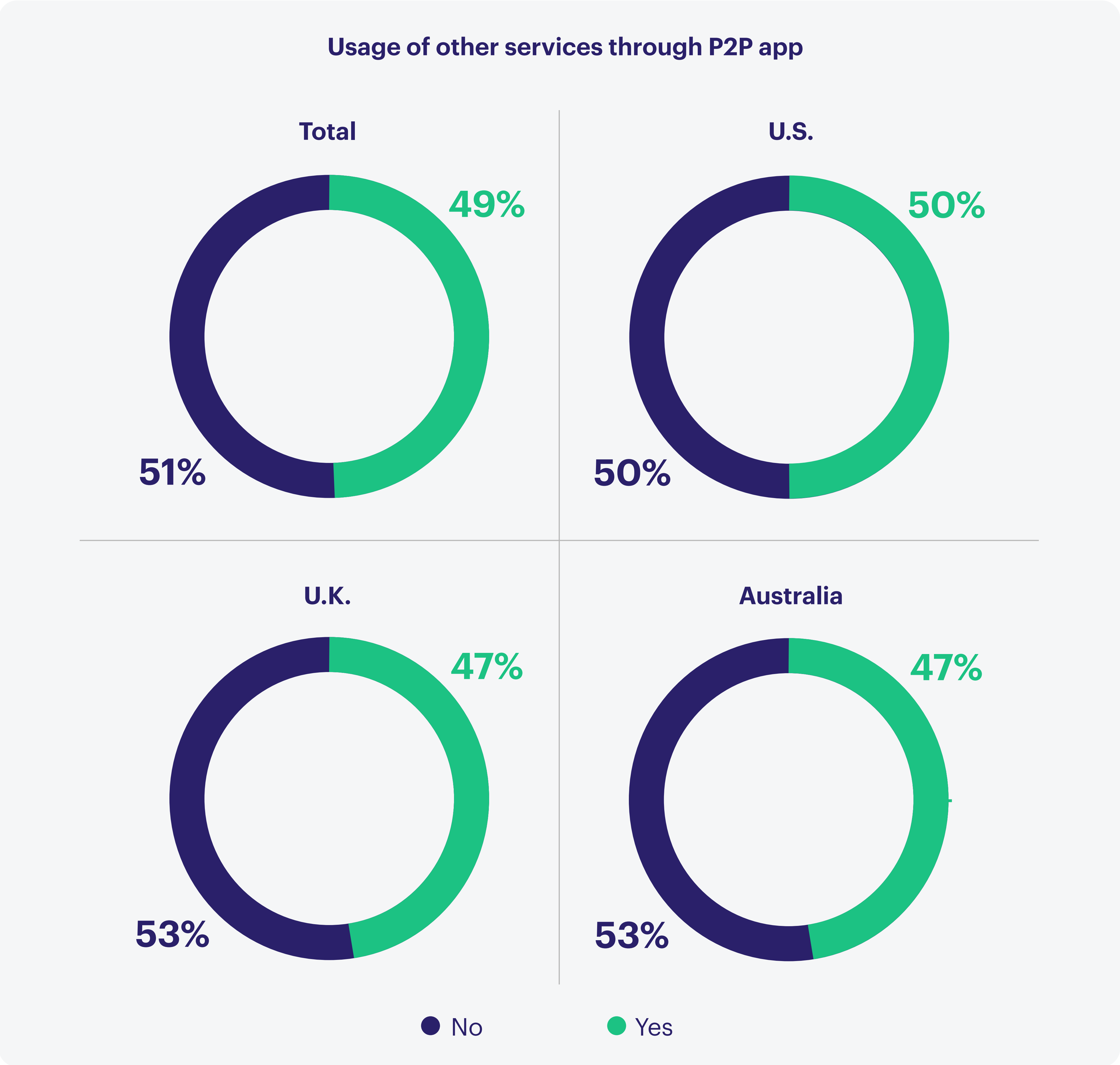


P2P use remains prominent

Cash App and Venmo have become household names, though PayPal continues to be the most popular P2P app, especially in the U.K. and Australia, where 97% and 94% of P2P users have used the app, respectively. Cash App is the second most popular P2P payment app in the U.S., with 53% of P2P users reporting they've used it compared to Venmo (45%) and Zelle (39%).

High P2P usage positions these payment apps as gateway services that could open the door to other offerings. Roughly half (49%) are already using their P2P app this way, tapping it for credit cards, debit cards, and bill pay. P2P apps are at an inflection point, transitioning from single-purpose apps to additional, more robust, and often-bundled product features.

Consumers are primarily using debit cards (62%) to make P2P payments, though they also use direct deposit (29%), checking (36%), savings (35%), and credit cards (39%). P2P apps are used less frequently for more fringe purposes, including cryptocurrency (11%), fractional stock purchases (5%), and charity donations (8%).



Key takeaway

If you're not using one already, you should consider integrating P2P payment systems into your offerings—whether that involves developing your own P2P solutions or partnering with established platforms.

They provide your customers with the embedded ability to split bills, send payment requests to contacts, or share payment notifications on social networks—not to mention being able to facilitate cross-border P2P payments without excessive fees, thus allowing your business to cater to a global user base. Plus, the integration of value-added services such as instant notifications, reward programs, and integrated financial management tools can differentiate your offerings even more.

As an added bonus, you can also utilize the data gathered from P2P transactions to gain insights into customer behavior, preferences, and spending patterns, thus informing your future product development and marketing strategies.

Conclusion

What life looks like next

We are in the midst of a massive transition in how consumers interact with money. Consumers can feel the value of embedded financial services, P2P apps, and other modern financial tools, and they are becoming increasingly more open to ways that they can integrate them into their daily lives. Appealing to these consumers requires a seamless user experience, a relationship rooted in trust, and a strong and relevant value proposition.

It also requires the flexibility and agility to meet consumers' needs in a meaningful way at every touchpoint throughout the lifecycle of money—from getting paid to making payments, and every stop in between.

Consumers are still tethered to traditional financial services in many ways; however, more seem to be using a hybrid approach that blends "old school" banking with more innovative digital options. They're seeking out complementary ways to blend the two for their benefit as their personal and financial lives continue to converge.

As more brands transform into financial service providers, it raises the stakes for everyone— incumbents, payments apps, and the brands entering the payments space. Seamless embedded finance offerings are foundational to meeting consumer needs. Given the diverse payments ecosystem, some will need to modernize while others must hone in on the most formidable value proposition to reach the next generation of consumers.

And this power to shape the future of finance—and what life looks like next for yourself, your business, and your customers—is well within reach. All you need is to see where it's been, where it's headed, and where you can make your move. What life looks like next is entirely up to you. From answering the dynamic, ever-changing demands of consumers, to shaping, evolving, and adapting your business to new realities using all the capabilities of modern card issuing, you have the power to meet their needs. Doing so simply starts with knowing what your customers are looking for.

MARQETA