

Prepaid Cards and the Retail Revolution: **Swipe, Spend, Succeed**

Transforming retail stores prepaid card solutions offering new avenues of shopping, payments, loyalty, and user experience.



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The overview

The retail landscape is undergoing a significant transformation, driven by evolving consumer preferences and technological advancements. In this dynamic environment, traditional payment methods are no longer sufficient to meet the demands of a customer base that craves convenience, security, and a personalized shopping experience.

In that line, retailers strive to optimize operations and drive customer loyalty and yet lack the payment landscape needed to keep customers coming back to the stores. In this context, prepaid cards emerge as a powerful tool with immense potential to address both customer and merchant needs.

A study shows that the value of transactions made over prepaid cards will exceed \$4.1 trillion ^[1] globally by 2026. Prepaid cards offer a unique opportunity for retailers to address the evolving needs of their customers while simultaneously unlocking new avenues for growth and engagement.

These versatile solutions provide a secure and convenient way for consumers to make purchases, while also offering retailers valuable tools for driving loyalty, increasing average transaction value, and enhancing customer data insights.

In this white paper, we delve into the transformative potential of prepaid cards for retail chains. You will explore the key challenges faced by retailers in today's digital age and demonstrate how prepaid cards can be effectively leveraged to overcome these challenges and achieve sustainable success.



Limited payment options

With 59% of consumers still using cash payments as of 2022, it becomes difficult to introduce more payment options in the retail sector ^[9]. But, with the advancement of technology, consumers have also started using debit cards, credit cards, and mobile payments.

So, consumer behavior shifted and today consumers expect that retailers must cater to their flexible payment modes. However, according to the latest studies, in the US alone, 81% of shoppers prefer to pay with cash over cards ^[10].

But, providing too many payment options can be very costly for retailers looking at the POS machine prices as one such instance. And, limited payment choices create barriers for customers seeking emerging options like mobile wallets, NFC payments, cryptocurrency, installment plans, and buy now pay later.



High costs and infrastructure

New payment systems involve upfront costs and ongoing maintenance. Smaller stores might struggle with justifying the investment.



Security concerns

Data breaches and fraud are major concerns for retailers, which can make them hesitant to adopt untested payment methods.



Lack of awareness

Some retailers might simply be unaware of the benefits and growing demand for alternative payment options beyond the basics.



Merchant fees

Processing fees associated with some digital wallets and contactless payments can eat into retailers' profit margins, discouraging their adoption.

Versatile payment options

Prepaid cards are consumer-friendly, meeting their every demand by offering versatile payment options to them. This is not only beneficial for customers but also for the retailers as they can gain loyalty from the existing customers and also open ways for acquiring new customers.

Moreover, it offers a better customer experience, higher conversion rates, and fewer window shoppers. The major payment options that a prepaid card solution offers are:

Tap and pay (NFC)	support contactless transactions through near-field communication technology.
Gift cards	provide gift-giving options that resemble and function as standard gift cards.
Rewards and loyalty programs	integrate with major programs to accumulate points or cash back.
Virtual prepaid cards	generate temporary or single-use prepaid card details for online security.
Mobile wallets	enable contactless in-store tap-and-pay functionality through integration with major wallets.
Online payments	provide card details for retail purchases, recurring bills, and subscriptions.
Traditional card payments	facilitate in-store and online transactions with Visa, Mastercard, or other payment rails.
Peer-to-peer transfers	allow account-to-account transfers to other prepaid cardholders.
ATM withdrawals	offer access to cash at ATM locations using debit capabilities.

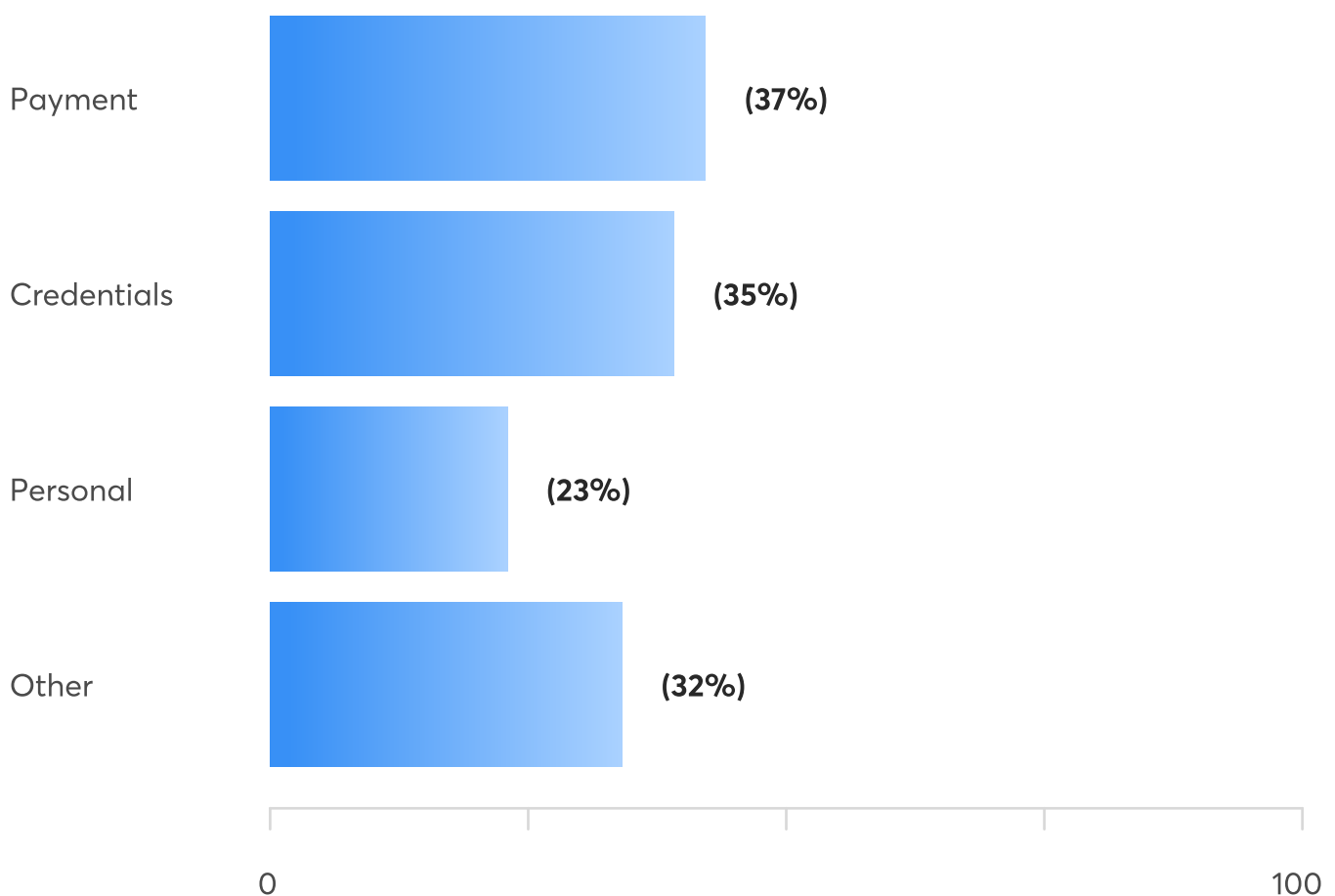
Security risks

Payment card data security remains a pressing challenge for retailers of all sizes. Studies indicate only 30% of merchants fully comply with industry security standards, leaving customer data vulnerable ^[6].

Breaches are frequent, costly events; the average incident costs retailers \$2.5 million. Point-of-sale systems are frequent targets, comprising 17% of retail sector breaches ^[6]. Small and midsize retailers are disproportionately impacted, targeted in 97% of point-of-sale attacks ^[6].

With complex threats and inadequate safeguards, retailers struggle to protect payment systems. The adoption of emerging security technologies has been slow, heightening risks. More robust measures are needed to combat escalating threats and mitigate the substantial financial and reputational damages from breaches.

Data Breaches in Retail ^[7]



Improved payment security

Payment security is a paramount concern in the retail sector. Prepaid card solution ensures enhanced security by implementing robust encryption and fraud detection mechanisms. Prepaid cards utilize restricted data sets, limiting customer information exposed in the event of a breach.

With features like real-time transaction monitoring and the ability to block or replace lost or stolen cards, retailers can offer a secure payment experience to their customers thereby building trust and credibility. Contactless prepaid cards further reduce security risks by removing manual card number entry at point-of-sale devices.

Moreover, the global market for prepaid cards is expected to reach \$4.1 trillion by 2030, from \$ 1.9 trillion in 2022 ^[8]. This indicated the huge potential for prepaid card adoption in the coming years. Hence, prepaid cards present retailers with a practical approach to counter-escalating payment security threats.



The prepaid card offers several advantages in terms of convenience and security. It allows for better expense management and can be used independently of the bank account, reducing the risk of fraud. It is a perfect solution for international travel, avoiding any billing surprises or exchange rate concerns. It provides expenditure control when a family member uses the card.

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Building and maintaining customer loyalty

Building and maintaining customer loyalty is a pressing issue for retail chains in today's highly competitive landscape. Studies show that 77% of consumers now retract their loyalty more quickly than they did three years ago ^[5]. With online retailers continuing to grab market share, brick-and-mortar chains see shrinking profit margins and declining customer retention rates year-over-year.

Also, the retailers are not able to offer the customer experience desired by the customers with evolving market trends. In fact, poor customer service prompts 70% of customers to switch to a competitor brand ^[11]. The challenge is clear – retailers must find innovative ways to foster meaningful, lasting connections that inspire brand devotion and drive repeat business.

The solution lies in implementing tailored loyalty and rewards programs that incentivize customers, gather crucial data, and allow stores to provide personalized offerings that keep shoppers coming back again and again.



Enhanced retention through reward programs

The solution to building sustainable loyalty lies in implementing enhanced retention and reward programs centered around prepaid card solutions. Studies show that 70% of customers will likely recommend a business if it has a loyalty program in place ^[11].

Additionally, 59.5% of consumers are already inclined to become members of their favorite brand's existing programs ^[11]. This presents a major opportunity for retailers to boost retention strategically.

By offering customized prepaid cards linked to loyalty tiers and personalized rewards, stores can incentivize repeat visits and higher spending. According to research, over 90% of major retailers made expanding loyalty programs a priority in 2021 ^[11].



Loyalty Program

Create compelling loyalty programs to captivate and retain their customer base.



Cashbacks & Rewards

Implement cashback and rewards to transform one-time buyers into loyal brand advocates.

Future of loyalty programs

the expert view



It will become increasingly important as brands recognize how important their existing customers are and seek to deepen connections and build value rather than focusing on bringing in new audiences. Priorities are going to include innovation, differentiation, and identifying new ways to add value to members - including consideration of brand, society, and purpose.

CHARLIE HILLS CLMP

Head of Strategy at Mando-Connect
(Retail, telco, automotive, and finance)



There will be improvements in areas like seamless customer experience with data privacy and security as key, yet an obstacle to being seamless. Personalized journeys and customized touchpoints would be easier to implement, again with better and seamless tech integrations, regardless of platform preferences like web, mobile, social, etc.

EMILY ONG

Certified Loyalty Marketing Professional,
Head of Loyalty at Razer Inc.
(SEPHORA, Razer Inc.)



Difficult to adapt to changing consumer behavior

Retailers are facing an immense challenge in adapting to ever-changing consumer behavior for making purchases as shoppers. Today, shoppers have plenty of choices for everything they want to buy at a retail store. The current market is also facing economic uncertainties that impact spending power.

The first insight report revealed that consumers' shopping habits have changed as a result of rising prices. The report also showed that nearly 97% of consumers are reprioritizing how they spend ^[13]. In addition to that, around 77% of consumers are concerned about the environmental impact of what they buy and are willing to spend more and wait longer for the right brand ^[14].

Hence, retailers must find innovative ways to earn trust and demonstrate their commitment to customers' evolving priorities.

Reasons consumer behavior is evolving rapidly!



- 1 High Customer Expectations
- 2 Technological Advancements
- 3 Health and Wellness Trends
- 4 Environmental Concerns
- 5 Social Media Influence

Valuable insights into customer spending patterns

As customer buying patterns and behaviors continue to evolve rapidly, retailers struggle to keep up and adapt to them in real time. Prepaid card solutions can provide the missing link i.e. valuable consumer spending data, providing detailed information about what consumers are buying, where they are buying it, and how much they are spending.

Prepaid card data is available in real-time, allowing for near-instantaneous insights into changes in spending patterns. This can be invaluable for retailers looking to adapt their marketing and product offerings to meet the evolving needs of their customers. It also helps in making informed decisions and staying ahead of the competition.

Moreover, by analyzing spending patterns, retailers can identify unusual activity that might indicate fraudulent transactions. This helps to protect consumers from financial losses and keeps the overall system secure.



Ineffective cross-selling and up-selling

One of the most pressing challenges faced by retailers today is ineffective cross-selling and upselling to customers at the point of sale. Cross-selling can increase up to 39% ^[2] of a retailer's revenue. Failing to cross-sell or up-sell to existing customers represents a massive lost revenue opportunity.

A study reveals, that 72% of salespeople who cross-sell and 74% who upsell claim that doing so has contributed to up to 30% of their revenue^[3]. This translates to billions of dollars lost annually due to missed conversions and under-optimized customer journeys.

The customer journey typically ends at the cash counter or POS terminal, so if additional purchases are not prompted here, retailers miss out on incremental sales that could make the difference between an average and excellent quarter of growth.

Implementing solutions to offer retailers tools to effectively cross-sell and upsell is critical for the financial health of retail businesses. And to empower associates with data-driven insights, personalized recommendations, and seamless execution tools.

5%

Customer churn can be reduced with cross-selling ^[2]

51%

Businesses use cross-selling as their main growth strategy ^[2]

75%

Customer retention can be increased with cross-selling ^[2]



Prepaid cards linked with loyalty programs

Offering customizable prepaid cards integrated with loyalty programs is an impactful solution to drive more effective cross-selling and upselling at retail stores. 70% of US consumers considered loyalty programs as a driving factor for staying loyal to a brand ^[4].

More than 90% of companies now have some form of loyalty program ^[5]. When customers have loyalty cards, they are more likely to spend more compared to non-members. Additionally, prepaid cards incentivize higher transaction values.

The prepaid cards linked with loyalty programs make cross-selling and upselling very easy: **Boosting Engagement:** The rewards and exclusive benefits of prepaid card loyalty programs encourage repeat visits, making it easier for cross-selling and up-selling.

Data-Driven Personalization: By leveraging the analytical data, retailers can personalize upselling and cross-selling, offering highly relevant products and services that cater to individual customer needs.

Seamless Transactions: Prepaid cards eliminate friction at checkout, ensuring a smooth and efficient experience that encourages customers to finalize purchases.

Starbucks teamed up with Chase Bank to provide loyalty reward cards



Offer reward point & discounts

Attracts new customers

increase brand visibility

Boost customer loyalty

Better cash flow

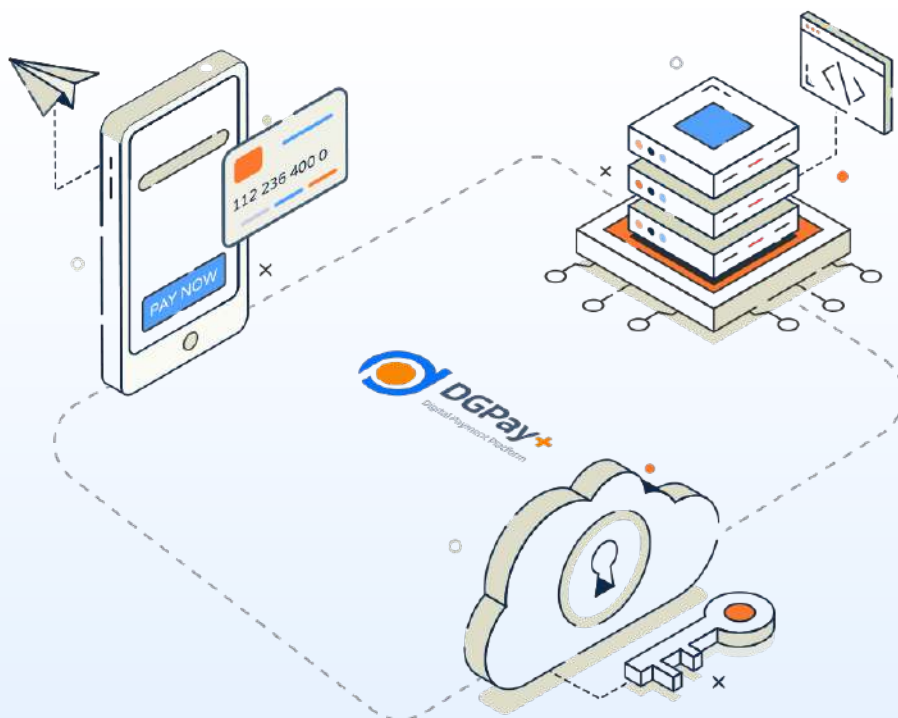
How DigiPay.Guru can help?

DigiPay.Guru offers an advanced prepaid card solution that empowers fintech innovators to effortlessly issue, accept, process, manage, and handle prepaid cards. We offer physical, virtual, and tokenized prepaid card programs globally!

Our cutting-edge prepaid card issuance platform provides you with powerful solutions to enhance customer engagement, boost working capital, and amplify brand value. DigiPay Guru's card management platform is designed with a modular architecture that makes it a unique and scalable platform. The white-label solution helps you to reduce tech resources and overcome industry challenges.

We are committed to offering: Open API support

- ✔ User-friendly platforms
- ✔ Seamless payment integration
- ✔ Innovate & offer new services
- ✔ Cost-effectiveness to maximize ROI
- ✔ Controlling fraud risks & public funds abuse
- ✔ Customer service and support for positive user experience
- ✔ Managing complex and time-consuming administrative processes



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Revolutionize your retail business with
DigiPay.Guru's advanced prepaid card
solution



Endnotes: resources

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3	Upselling or Cross-Selling in 2022 - Hubspot	4	Loyalty Programs in the US - Statista
5	Staggering Loyalty Program Statistics for 2022 - Queue-it	6	Essential Cybersecurity In Retail Statistics in 2024 • ZipDo.
7	Verizon Business DBIR Report 2023	8	Global Prepaid Cards Strategic Business Report 2023-2030
9	Bank, E.C. (2022) - Press Release	10	Cash vs Credit Card Spending Statistics 2023 - Capital One Shopping
11	210+ Insightful Customer Loyalty Statistics - MarketSplash. (2023)	12	Trends in Loyalty Marketing for 2023 and beyond - Hubspot
13	First insight - Changing Consumers' Shopping Habits (2022)	14	Challenges of changing consumer behaviour in Retail - Qualifioa