

B2B Offers Open the Door to a Digitally Connected Consumer



Table of Contents

Foreword3

Overview.....3

Executive Summary.....4

Recommendations5

The B2B Opportunity6

B2B Buyers Are Moving to Digital.....9

Recipients Demand Digital Options10

Consumer Marketplace Is Lagging12

Digital Has Benefits in Loyalty and Rewards.....13

Multichannel Vendors Reach Multichannel Audiences16

Methodology17

Endnotes18

About Fiserv18

Table of Figures

Figure 1. Javelin 2024 Open- and Closed-Loop Consumer Load Values6

Figure 2. Percentage of Consumers Receiving Gift/Prepaid Card(s) as Part of an Incentive Program
in the Past 12 Months7

Figure 3. Cost to Acquire New Consumers, Before and After Incentive Program Is Instituted
(by Organization Revenue Size)8

Figure 4. Incentive Options (of Other Brands) Available to Consumers.....9

Figure 5. Digital B2B Purchase vs. Preference Rates10

Figure 6. Methods by Which Consumers Have Redeemed Gift Cards in the Past 12 Months.....11

Figure 7. Number of Cards Consumers Used and Average Spending by Type (Physical and Digital).....12

Figure 8. Key Metrics Used to Gauge Benefits of Incentive Program.....13

Figure 9. Consumer Loyalty Gift Card Redemption for Self-Use vs. for Other Uses14

Figure 10. Typical Stored-Value Cycle.....15

Meet the Author



Jordan Hirschfield
Director, Prepaid Payments

Jordan is the Director of Prepaid Advisory Services. Jordan has spent more than 20 years drawing actionable insights from research ranging a variety of topics including customer behavior dynamics, products such as payroll, logistics, and hospitality, and competitive market assessments.

Foreword

This report, sponsored by Fiserv, explores the impact of consumer-directed business-to-business prepaid card programs in engaging the transition to digital platforms for gift-giving and self-use.

This report uses market research conducted independently by Javelin Strategy & Research regarding the behavioral consumer uses of prepaid card products, as well as additional market research conducted by Javelin on behalf of Fiserv into business-to-business incentive buyers regarding their use of and benefits from prepaid incentives, specifically retail gift cards, prepaid general-purpose gift cards, stored-value accounts, and loyalty accounts.

Overview

In an increasingly digitally driven world, business-to-business-to-consumer (B2B2C) engagement takes on added importance. While these may represent only a small but meaningful percentage of prepaid payment opportunities, research from Javelin Strategy & Research indicates that such engagement opens the door to increased business and customer loyalty, factors that bring the physical and digital together and create a repeatable cycle of continued allegiance.

Executive Summary

Incentives open the door. Bulk purchasers of incentives, gift cards and other assorted prepaid products provide a unique opportunity to shape their own front-end and back-end transformation to digital acceptance and redemption. The incentives market, as a subset of the greater consumer-oriented gift and prepaid market, provides a solid base of volume and load funding that spreads into individual consumer purchases, whether self-directed or bought for others.

Physical card dominance is beginning to shrink. Participating retailers, financial institutions, and other commercial enterprises benefit from consumer use of prepaid products and can adapt quickly to the changing preferences by adapting digital platforms for distribution, funds storage, and redemption. This transformation continues slowly as the industry continues to support higher volumes of physical card distribution versus the sentiment of buyers and end consumers, as shown by Javelin research.

Digital connections amplify the lifecycle. The initial benefit generated through the B2B-directed purchase expands as organizations tightly integrate their presence into unified digital platforms. These platforms allow end consumers to enjoy benefits related to their purchases while the business supports digitally connected processes, starting at funds distribution; continuing through loyalty programs, marketing, and communications; and finally completed through transactions. The cycle, started through the initial incentive, continues as additional funds remain or new funds are added to accounts. The continued cycle amplifies the reduced customer acquisition costs, simplifies consumer experiences, and provides an adaptive platform to garner future success, with the strongest programs centering on loyalty benefits and rewards.

Recommendations

Utilize the power of B2B2C to convert consumers to digital payment outlets. Though recipients of incentives, loyalty benefits, and rewards may be offered redemption choices, the offering organization controls the distribution channel and can easily promote digital options as the top choices.

Use incentives as an entry point to build loyalty. Incentives open the door to long-term customer relationships by providing a bonus mentality to the recipient. The sponsors can utilize the opportunity by introducing positive experiences through digital assets, loyalty programs, rewards, and physical experiences to cement an ongoing relationship

Create a unified experience. Digital tools should be the anchor point for building a customer experience that capitalizes on an omnichannel world. On the front end, customers should benefit from a cohesive approach that supersedes any one particular venue, whether physical, mobile, or online. On the front end, present loyalty, shopping, and rewards as interconnected experiences. This requires intelligent and integrated back-end systems that fulfill customers' desires for a seamless shopping process.

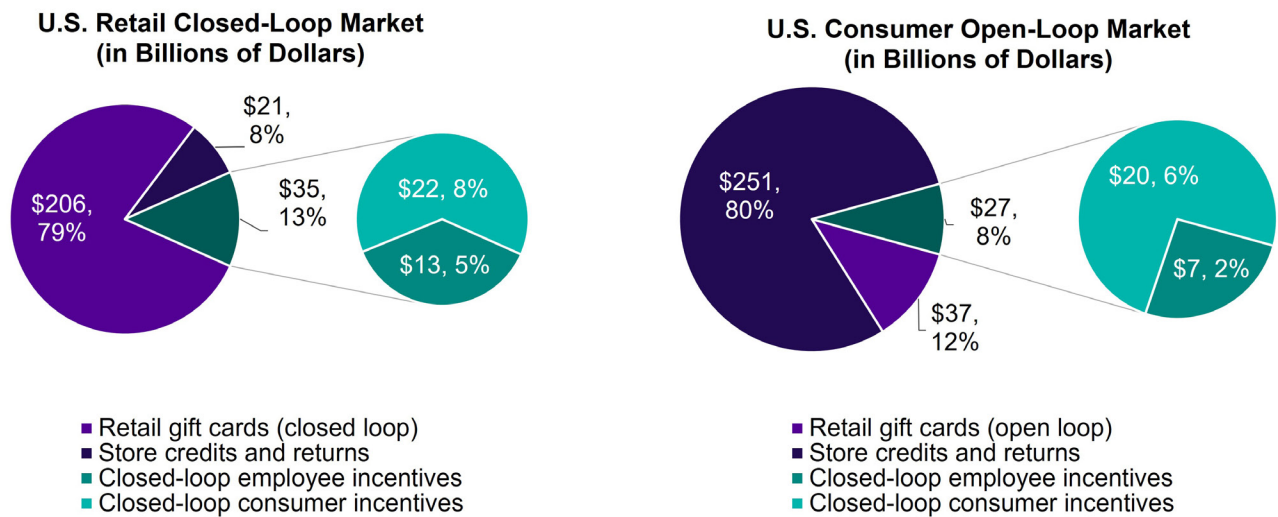
The B2B Opportunity

Business-to-business (B2B) buyers represent the largest single entity in consumer gift and prepaid card purchases and account for significant portions of the overall market. These B2B purchases allow for the utilization of accessible technology on the front end and back end of the cards lifecycle, priming them to lead the digitization movement of the consumer prepaid, gift, and stored-value market.

Whereas consumer purchases represent millions of individual buyers purchasing millions of individual cards, B2B buyers make up a small and highly budgeting group of organizations with significant spending power across the \$85 billion of load value that Javelin expects them to provide in 2024 (see Figure 1).

B2B Represents Significant Portions Javelin’s Consumer Prepaid Opportunity

Figure 1. Javelin 2024 Open- and Closed-Loop Consumer Load Values

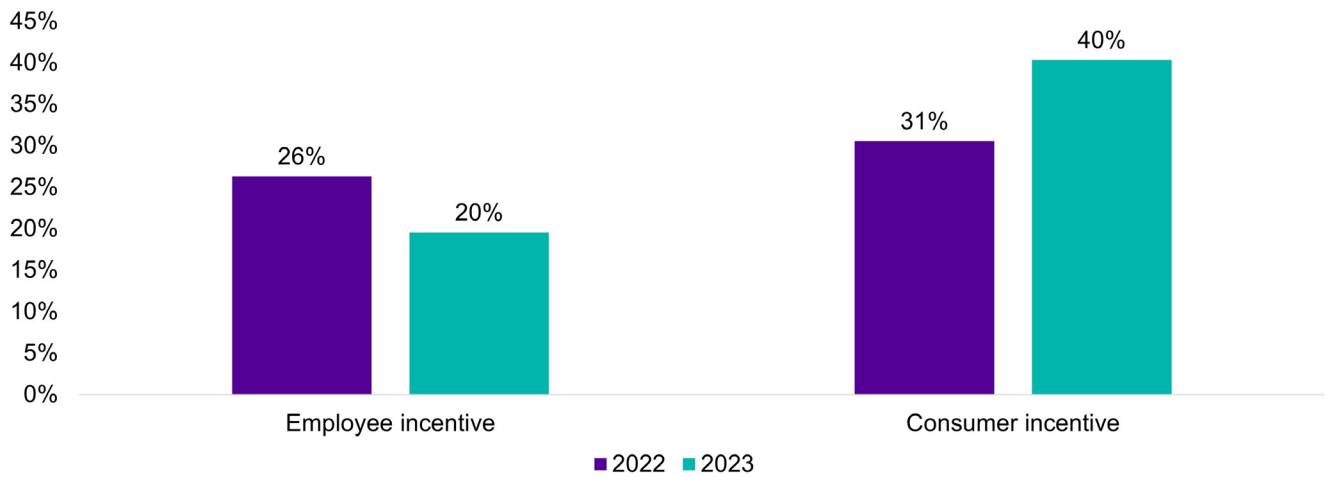


Source: Javelin Strategy & Research

After these products are purchased, they end up in the hands of individual consumers, most commonly through consumer or employee incentive programs. Javelin’s research shows that a large percentage of individuals received incentive benefits in 2022 and 2023, with significant growth in consumer incentive programs (see Figure 2). This action completes the cycle of the B2B purchase, leading to a consumer distribution, commonly seen as a B2B2C program.

Trends Point to an Increase in Consumer Incentive Volume in 2023

Figure 2. Percentage of Consumers Receiving Gift/Prepaid Card(s) as Part of an Incentive Program in the Past 12 Months



Source: Javelin Strategy & Research

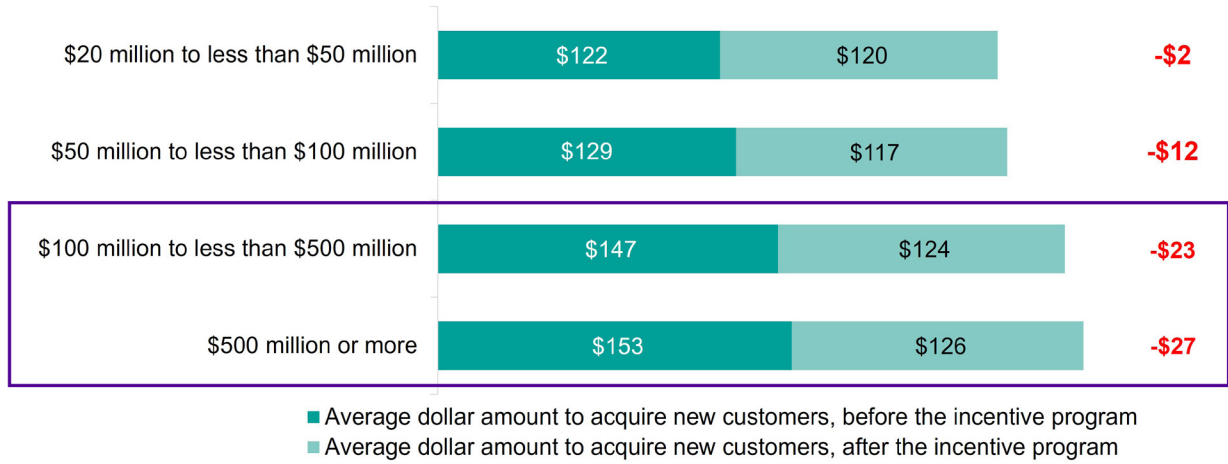
These incentives benefit the recipient, providing increased buying power, opportunities to buy, and introductions to new brands and/or products. The card issuers can utilize multiple tactics to reach consumers, who generally receive incentives through several channels:

- 47% of consumer incentive recipients earned their incentive through a reward or loyalty program.
- 42% received an incentive as a purchase bonus.
- 30% received an incentive as part of a purchase return.
- 28% received a rebate incentive.
- 13% earned a referral bonus.

These tactics enable issuers to capitalize on the opportunity to gain additional loyalty or to acquire new customers. Javelin's consumer survey shows that 72% of all U.S. consumers are somewhat or significantly more likely to make a purchase if offered a gift card as a purchase incentive. These types of programs offer low-cost opportunities to acquire new customers, reducing sometimes cumbersome and expensive customer acquisition programs. Buyers of prepaid incentives report drastically reduced customer acquisition costs, especially for enterprise-sized organizations. The combination of consumer behavior and digital distribution assists in reducing acquisition costs by as much as \$27 per customer after the incentive program (See Figure 3).

Incentives Spur Reductions in Acquisition Costs, Particularly for Larger Organizations

Figure 3. Cost to Acquire New Consumers, Before and After Incentive Program Is Instituted (by Organization Revenue Size)



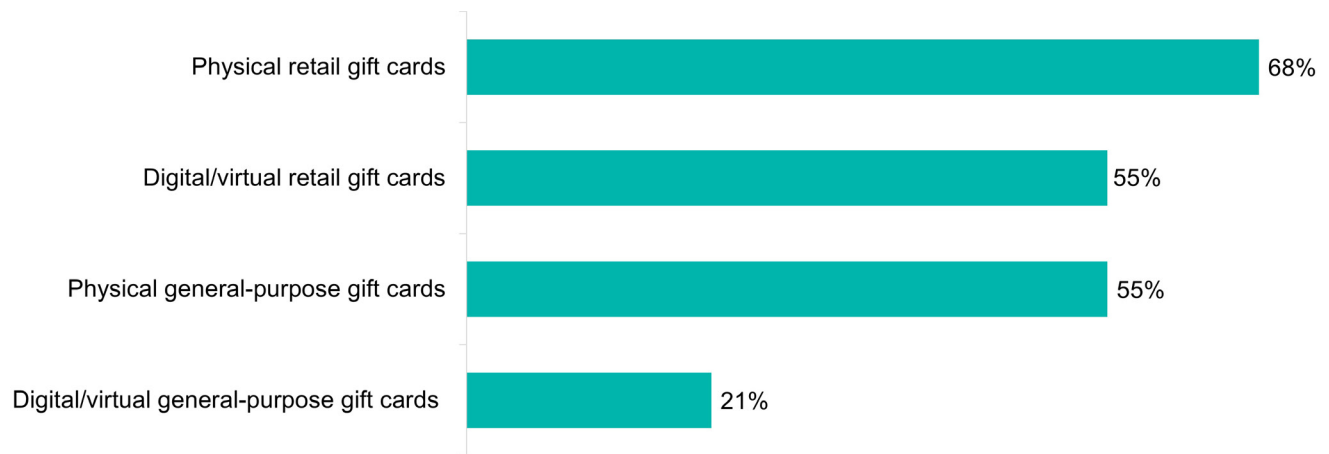
Source: Javelin Strategy & Research

B2B Buyers Are Moving to Digital

The payoff for buyers through incentive utilization reaches a maximum benefit within their distribution channels. Current options focus on heavier utilization of physical cards (see Figure 4). The spread of physical vs. digital options, however, represents momentum toward more digital usage than the typical customer reception rate of digital cards (28%).

Physical Cards Continue to Lead Options

Figure 4. Incentive Options (of Other Brands) Available to Consumers



Source: Javelin Strategy & Research

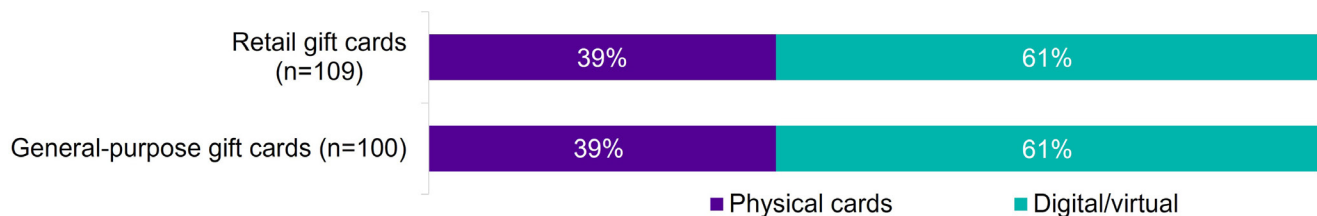
Recipients Demand Digital Options

With incentive providers starting to offer a majority of recipients digital options, the choices begin to match trending consumer preferences, thus fortifying a path for increased consumer use of digital cards. Buyers in Javelin’s study note that digital options now represent a majority of redemptions, at just over 60%. This momentum still lags behind recipient preferences that indicate an even broader split between digital preference for retail cards (71%) and general-purpose cards (69%) (see Figure 5).

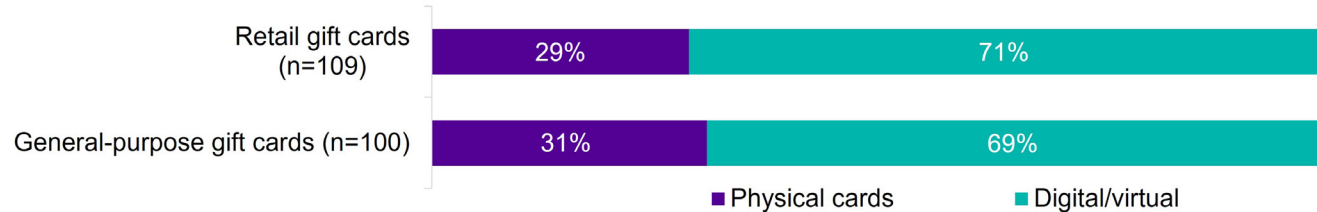
Digital Demand Exceeds Current Purchase Rates

Figure 5. Digital B2B Purchase vs. Preference Rates

Consumer Gift Cards Purchased, Physical vs. Digital



Consumer Gift Cards Preferred to Purchase, Physical vs. Digital

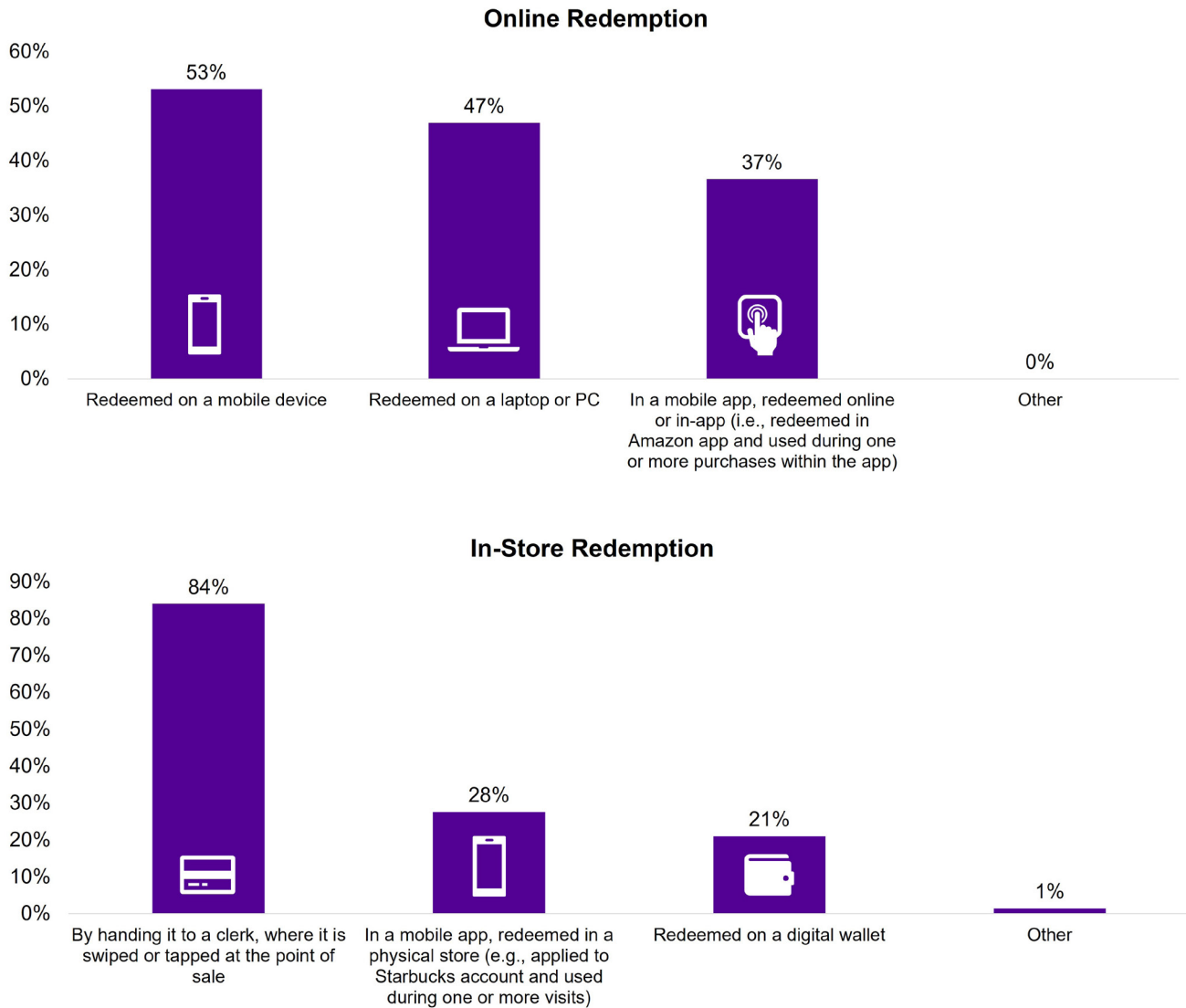


Source: Javelin Strategy & Research

The clear preference for digital options easily transitions into fund redemption patterns online and in-store. Mobile operator trade association GSMA notes that internet access through mobile devices now reaches more than 85% of people in high-income countries.¹ The ubiquitous nature of mobile access encourages the expansion of digital payments with prepaid cards and stored-value accounts from a uniquely online experience to an in-store option as well. While a clear majority of people continue to use physical cards in-store, growing numbers will pay via mobile apps or wallets to augment the already high usage in online environments (see Figure 6).

Mobile Bridges Physical and Online Redemption

Figure 6. Methods by Which Consumers Have Redeemed Gift Cards in the Past 12 Months



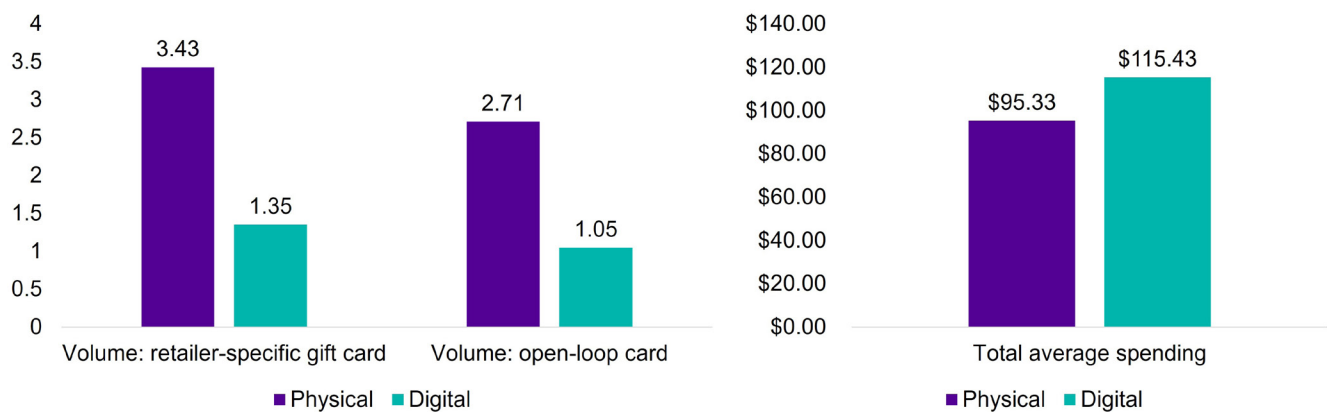
Source: Javelin Strategy & Research

Consumer Marketplace Is Lagging

The aforementioned lag in total volume of digital cards represents a challenge for providers to institute additional benefit for consumers to adapt from physical to digital prepaid products. Digital cards already enjoy a significantly increased average card value, with a \$20 average difference versus physical card loads (see Figure 7). The inherent benefit of digital accounts, generally protected by online security features, account management, password protections, etc., give consumers the comfort of carrying these higher loads on a consistent basis.

Digital Cards Average \$20 in Additional Load Value But Trail in Volume

Figure 7. Number of Cards Consumers Used and Average Spending by Type (Physical and Digital)



Source: Javelin Strategy & Research

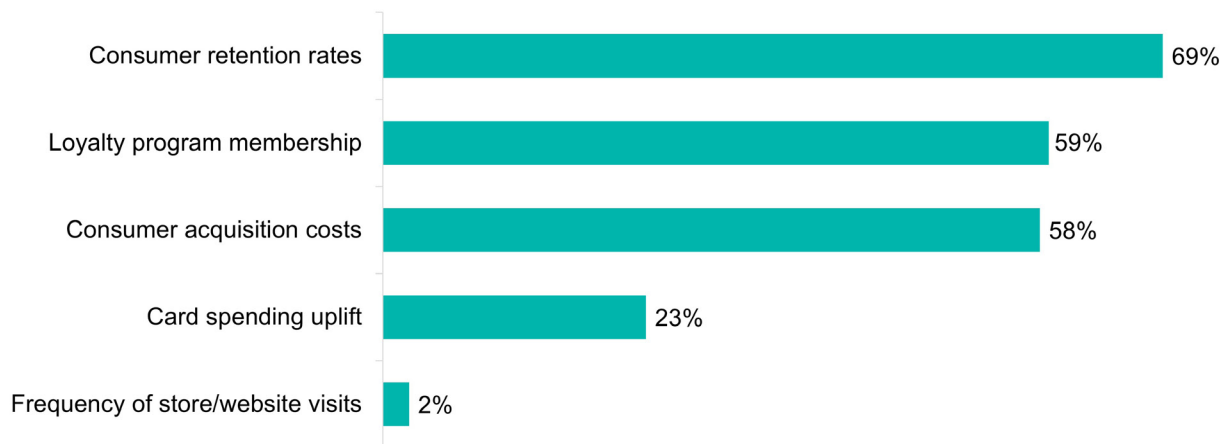
Digital stored value also begins the value cycle for consistent and continued customer engagement, helping brands attain their stated objectives as well as softer benefits of brand loyalty, top-of-wallet mentality, and unsolicited referrals.

Digital Has Benefits in Loyalty and Rewards

Moving to digital platforming for B2B2C initiatives fuels progress for leading issuers of prepaid cards to attain inherent goals. Costs associated with providing incentive benefits require a clear return on investment to justify the decisions. Javelin's Buyers survey utilizes similar weighting of retention, loyalty membership, and initial acquisition to gauge the performance of incentive programs, with a secondary weight of spending uplift (see Figure 8). These metrics provide an initial glimpse into program success with the promise of continued customer relationships built on the incentive foundation.

Retention and Loyalty Aided by Digital Transformation

Figure 8. Key Metrics Used to Gauge Benefits of Incentive Program

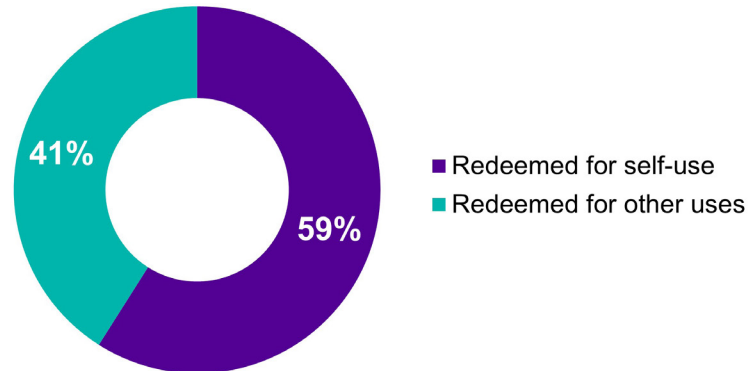


Source: Javelin Strategy & Research

Securing the relationship through multiple physical and digital channels enhances that ability to move beyond the initial incentive gift-giving into a repeatable, individually funded and redeemed self-use scenario. Incentive use encapsulates the idea that giving prepaid cards, while the initial impetus of many programs, actually becomes a secondary play in the long term. Loyalty in this case becomes a majority self-use market opportunity (see Figure 9). Users who benefit from positive experiences with their preferred brand and choose to engage in a longer-term relationship through loyalty, app use, rewards, and other methods can easily become consistent funders of their own stored-value accounts.

Loyalty Remains a Digitally Driven Self-Use Mechanism

Figure 9. Consumer Loyalty Gift Card Redemption for Self-Use vs. for Other Uses



Source: Javelin Strategy & Research

The tie between self-use and loyalty and rewards cannot be understated. Consumers who use retail stored-value products for self-use make it clear that loyalty and rewards drive these decisions, and 86% of those consumers intend to buy the same number of cards or more in the next 12 months. Consumers surveyed by Javelin indicate multiple reasons for self-use but are heavily weighted by a loyalty-influenced rationale. Three of the top four reasons are driven by loyalty:

- To take advantage of a promotion: 48% of self-use consumers
- For online purchases: 44%
- To get a merchant discount or reward: 44%
- To earn points (on credit card, airlines miles, loyalty, etc.): 38%

Stored-value retailers enjoy a particular benefit with their loyal customer base, one that exceeds the purchase. Stored-value accounts, especially popular with food and beverage outlets, provide the sponsor with the ability to reduce purchase fees, like interchange, and obtain less-frequent, larger-denomination purchases to top up stored-value accounts. This enables the smaller, regular purchases to be accomplished outside the payment system, strictly by reducing the prepaid card balance. Customers benefit through increased loyalty benefits and promotions. Starbucks exemplifies this by doubling the loyalty points for purchases made through the stored-value account versus a credit or debit payment.

Driven by digital assets, the relationship aspect of the stored-value account challenges the traditional gift card depletion mindset by developing a loyal relationship, promoting consistent balance totals, auto-reloads, and one-time top-ups to customers' statements before a zero balance is reached (see Figure 10). These balances often fluctuate, with the most loyal consumers adding to them as frequently as weekly. This results in a cycle process that also adds to communication channels, which can elevate the need to alert customers to balance levels, new promotions, or loyalty rewards.

Stored Value Built for a Digital World

Figure 10. Typical Stored-Value Cycle



1. Open Account/Add Funds

Create initial deposit into stored-value account or add funds to existing account.

2. Purchase

Purchase items at levels at or below current balance.

3. Reduced Balance

Balance reaches level indicating need for additional funds to complete a future purchase or an aging unused balance.

4. Purchase

Make an additional purchase using stored-value balance.

5. Insufficient Remaining Balance

Purchase declined due to insufficient funds, prompting immediate need to add funds or use alternative method of payment.

6. Alert for Options

Communicate to accountholder need to use or reload balance due to declining funds or stagnant use.

Source: Javelin Strategy & Research

Multichannel Vendors Reach Multichannel Audiences

Selecting the proper vendor or vendors to accomplish an omnichannel strategy remains paramount to a successful ongoing relationship with buyers and end users of incentives, gift cards, and stored-value accounts. Vendors must be skilled at bridging the gap between physical and digital opportunities with easy-to-access, customer-facing tools through integrated loyalty accounts, mobile apps, and websites that mesh with any physical incentive or gift card.

The linchpin then becomes linking these front-end opportunities with cohesive, safe, and secure back-end systems. Managing the data flows from offer to registration to redemption enables the implementation of the stored-value cycle. Working within this cycle in the back end produces amplified data points to validate investments per customer, promote new services, and reduce transactional costs through consistent account balance levels. Providers should ensure that selected vendors can engage in an interoperative environment that is inclusive of payment processing, loyalty management, in-store systems, and other administrative or marketing systems.

Methodology

Data selections in this report were gathered from Javelin Strategy & Research's prepaid survey and from the Fiserv-sponsored Javelin B2B Incentive Buyers study.

The Javelin 2023 prepaid survey was conducted online among 1,000 U.S. adults over the age of 18 who purchased, received, or used any of the following types of payment cards in the previous 12 months: credit card, debit card, general-purpose reloadable prepaid card, general-purpose non-reloadable prepaid card, retailer-specific gift card, campus card, payroll card, or commuter card. This sample is representative of the U.S. census demographics distribution. Data collection occurred between June 21, 2023, and June 29, 2023. Data is weighted using 18-plus U.S. benchmarks on age, gender, race/ethnicity, education, census regions, and metropolitan status from the most current census targets. Several statistics do not add up to 100% because surveyed consumers could choose multiple options.

The Fiserv-sponsored Javelin B2B Incentives Buyers survey was fielded between Feb. 21 and March 11, 2024, using a U.S. online B2B research panel of adults ages 18 and older. The survey of 501 U.S. adults focused on trends in consumer and employee prepaid gift card incentives, highlighting key behaviors, perceptions, and attitudes.

The sample was split evenly between buyers of consumer (250) and employee incentives (251). Participants consisted of decision-makers or those who have influence over incentive programs, and screened for job title (i.e., HR directors, payroll managers, benefits managers, etc.). In addition, annual company revenue had to be \$20 million or more to qualify, and company size had to be 50 or more employees.

The panel of 501 respondents supports a sampling error of +/- 4% at the 95% confidence level for questions asked of all respondents, as well as at many subsegment groups.

The online questionnaire used for this study was developed by Javelin Strategy & Research in consultation with Fiserv.

Endnotes

- 1 GSMA, "[Smartphone owners are now the global majority, New GSMA report reveals.](#)" Published Oct. 11, 2023

About Fiserv

Fiserv, Inc. (NYSE: FI), a Fortune 500 company, aspires to move money and information in a way that moves the world. As a global leader in payments and financial technology, the company helps clients achieve best-in-class results through a commitment to innovation and excellence in areas including account processing and digital banking solutions; card issuer processing and network services; payments; e-commerce; merchant acquiring and processing; and the Clover® cloud-based point-of-sale and business management platform. Fiserv is a member of the S&P 500® Index and has been recognized as one of Fortune® World's Most Admired Companies™ for nine of the last 10 years. Visit [fiserv.com](https://www.fiserv.com) and follow on social media for more information and the latest company news.

About Javelin

Javelin Strategy & Research, part of the Escalent family, helps its clients make informed decisions in a digital financial world. It provides strategic insights to financial institutions including banks, credit unions, brokerages and insurers, as well as payments companies, technology providers, fintechs and government agencies. Javelin's independent insights result from a rigorous research process that assesses consumers, businesses, providers, and the transactions ecosystem. It conducts in-depth primary research studies to pinpoint dynamic risks and opportunities in digital banking, payments, fraud & security, lending, and wealth management. For more information, visit www.javelinstrategy.com.

Follow us on
X and LinkedIn



© 2024 Escalent and/or its affiliates. All rights reserved. This report is licensed for use by Javelin Strategy & Research Advisory Services clients only. No portion of these materials may be copied, reproduced, distributed or transmitted, electronically or otherwise, to external parties or publicly without the permission of Escalent Inc. Licensors may display or print the content for their internal use only, and may not sell, publish, distribute, re-transmit or otherwise provide access to the content of this report without permission.

