

Visa Consulting & Analytics

How sustainable banking propositions can make a difference

Sustaining the Planet for
Future Generations

VISA everywhere
you want to be



Sustaining the environment requires banks to play a key role

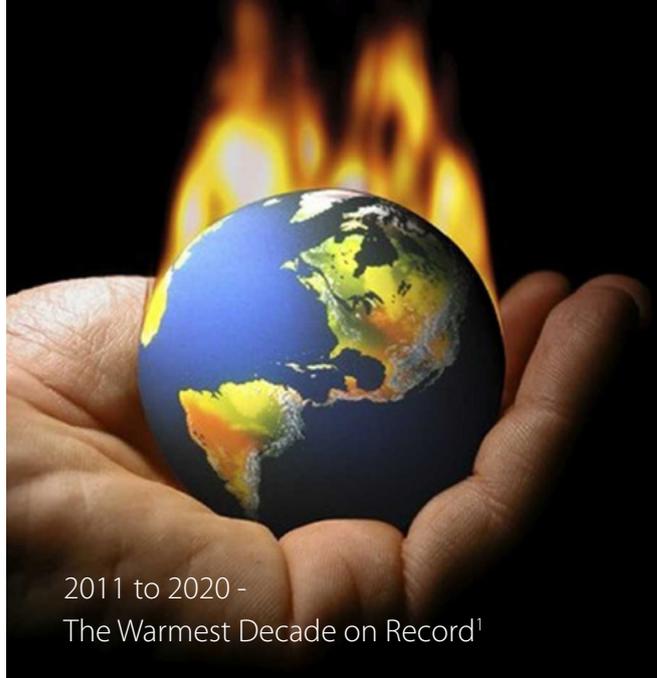
The scale of the climate change challenge is immense and making peace with nature will be the defining task of the 21st century.

In 2020, the average global temperature was 14.9°C, 1.2°C above the pre-industrial level¹ and we are already witnessing unprecedented weather extremes right across the world due to global warming. Addressing this trend in rising temperatures is vital and governments, businesses and consumers need to work closely together for the sustainability of our planet to be secured for future generations.

European governments are at the forefront of the global effort to reduce Greenhouse Gas (GHG) emissions.

France and the UK have legally enshrined their 2050 net-zero GHG emissions goals². While the European Union introduced Taxonomy Regulation in July 2020, setting out an EU-wide framework to encourage investment flows from the financial sector to companies engaged in, or transitioning to, more sustainable activities³. It provides the toolkit for assessing whether a financial product or business is environmentally sustainable, so that investors can make more informed decisions.

To deliver the environmental changes across the region that countries are striving to achieve, requires all businesses, including banks and Visa, to make sustainability an integral part of how they run their business. For banks, this impacts their commercial banking activities, such as determining their lending strategies to the businesses they serve. How best to address this opportunity to make a difference for the future is a topic that banks across Europe are exploring and Visa shares their desire to play their part and make a positive impact on the environment.



2011 to 2020 -
The Warmest Decade on Record¹

Opportunities also exist in retail banking and payments.

There remains much more that can be done to ensure that we live more responsibly and sustainably. Here at Visa, we have been looking at this challenge from the consumer perspective to see how we can work with our banking partners to leverage the fantastic reach we have in the everyday lives of consumers.

Through fulfilling the banking and payment needs of our customers, we jointly hold a unique view regarding how each of them lives their life. From where they work to where they shop, we have the insight that allows a picture of their daily activity to be created.

We can help every one of our customers to understand more fully the impact they are having on the future sustainability of the world.

1. Source: United Nations Framework Convention on Climate Change (UNFCCC) website, press release titled "2020 Was One of Three Warmest Years on Record". Pre-industrial period defined as 1850-1900.

2. Source: United Nations Emissions Gap Report 2020.

3. Source: European Commission website.

"I'm aware that I am not going to save the world, but I'll make my little contribution."⁴



For many people, sustainability is a way of life

Consumers' lives have become inherently interconnected with ensuring the sustainability of our planet.

Whether determining what they are able to recycle, selecting between different options when they shop, or deciding how they travel, the impact of their actions on the environment is often at the forefront of their mind.

Consumers want to make a difference and try their best to do what they can. They know it is sometimes easier and cheaper to go with the flow, but they try and balance ethics and their hopes for the future against price and comfort when determining how they behave. They feel good when they do good.

What does this mean for financial services?

Many consumers are looking for and preferring environmentally friendly solutions in all aspects of their life, and that inclination to choose the most sustainable option will increasingly apply to banking and payments.

With the rise of digital banking, there is an opportunity to accelerate the shift to sustainability, but, to date, targeting everyday people with everyday financial services products has not been a central consideration.

Understanding the consumer's view on what they expect from financial services companies regarding the topic of sustainability is important. For example, some customers may prefer a digital card to be the default option, with a physical card only available if requested. To better appreciate what consumers are looking for, Visa has recently undertaken a consumer research study⁴. **This revealed that for many consumers there was a willingness to either open an additional sustainable bank account, or in 50% of the responses, swap to another bank if they offered a sustainable value proposition.**

Sustainability is so important to consumers that it can become a strong acquisition tool and differentiate you from your competition.

"Banking is infrastructure, just like electricity. If I can get sustainable power, why can't I get sustainable money?"⁴

4. Source: Visa Sustainability and Finance Research, August 2020.



Consumers want practical sustainability-related features that make a real difference

Financial solutions that are transparent and clearly convey how consumers can contribute to the sustainability of the environment will be most in demand. Visa's research highlighted the following four product features that will help to deliver what consumers are looking for.



Understanding their carbon footprint

Consumers are interested in understanding how the way they spend their money impacts on the environment in terms of their carbon footprint.

Many are happy to share additional behavioural data if it would improve the level of insight received, providing sharing this information does not involve them in extra effort.



Offsetting their environmental impact

Ways to partake in offsetting their own carbon footprint are of particular interest.

Consumers want choices of how to offset their emissions and transparency of the goals and success of each offsetting initiative.



Incentivising changes in their behaviour

Incentives are required to help them change their habits and create new sustainable behaviours.

Consumers would like to be rewarded for doing the right thing, for example rewarding through in-app linked providers such as e-Scooter discounts or other offers. The "gamification" of rewards, to introduce a fun factor and drive engagement, is attractive to some consumers.



Anchoring their impact on the world

Consumers want clear informative education regarding the impact of their behaviour on the world, and the environmental benefits being delivered from the behavioural changes they make.

For some, comparing with family, friends and colleagues would encourage them to change their behaviour.

Visa has the capabilities to partner with you to create a compelling sustainable banking proposition to allow your bank and your customers to change the world for the better.



How Visa can help you create a banking proposition fit for the future?

To deliver a sustainable banking proposition with the features that resonate with consumers requires a thorough understanding of how they live their lives.

Visa's payment network has the most purchase transactions worldwide and it provides an unrivalled view into the way each of your customers spend their money. To convert this insight into information that can encourage your customers to adopt more sustainable behaviour, we have partnered with ecolytiq. Their comprehensive "Sustainability-as-a Service" solution analyses payment transactions in real-time to calculate the environmental impact on an individual level. It will allow you to:

Educate your customers about their personal impact on the environment.

Through a data-driven analysis of Visa transactions, a carbon footprint can be calculated for every one of your customers.

This can be broken down and presented to each customer in real-time as part of their everyday banking experience, allowing them to better understand the constituent elements of their footprint.

Get your customers to take **Action** to help sustain the earth for the future.

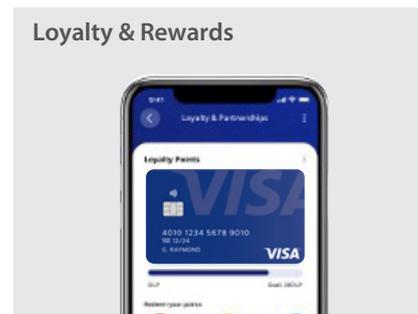
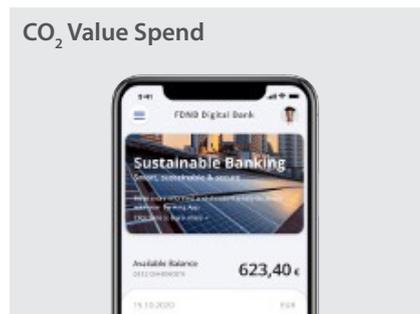
Personalized recommendations can be shared for each customer to allow them to reduce their carbon footprint.

Choices of how to offset their remaining footprint can include regional, national or global carbon offset projects, as well as different types of project e.g., renewable energy development, addressing deforestation, or developing sustainable travel solutions.

Motivate your customers by incentivizing and rewarding them to change their behaviour.

Utilizing Visa's Loyalty Solutions capabilities, your customers can be incentivized when behaving/transacting sustainably and/or be rewarded for their contributions towards a sustainable lifestyle.

Through comparison with peers or benchmarks, there is potential to further enhance customer engagement.



Make a difference to the world and the performance of your business

Everyone has a part to play in helping to sustain our planet for the future and you have the opportunity to work with your customers to address climate change.

The importance of sustainability in the 21st century will only increase, and a compelling sustainable banking proposition is likely to resonate with an increasingly large number of your customers, both existing and new.

It also has the potential to improve the performance of your retail banking and payments business, through offering your customers a way to manage their money that will help them to support and address a topic that is close to their heart⁵. You will be able to:

Increase Customer Engagement through allowing your customers to act regarding something they care about. Through empowering them to understand their impact on the environment and the effect of taking action, it can drive more frequent everyday payment usage as they seek to better understand this topic.

"I really think it's great that banking and sustainability can work together. I'd never have thought so."⁵

Gain Top of Wallet Preference as customers will choose your card if it helps them to spend more sustainably and positively impact the environment. If your card makes a difference to something they care about while other cards don't, then you are likely to be preferred.

"I would keep the old card just in case, but I would pay everything with the new card."⁵

Tap into Incremental Revenue Streams from greater card usage levels and product up-selling or cross-selling. Customers who are delighted with the proposition and service you are providing to them, will be much more likely to use their card more and be open to taking up other services.

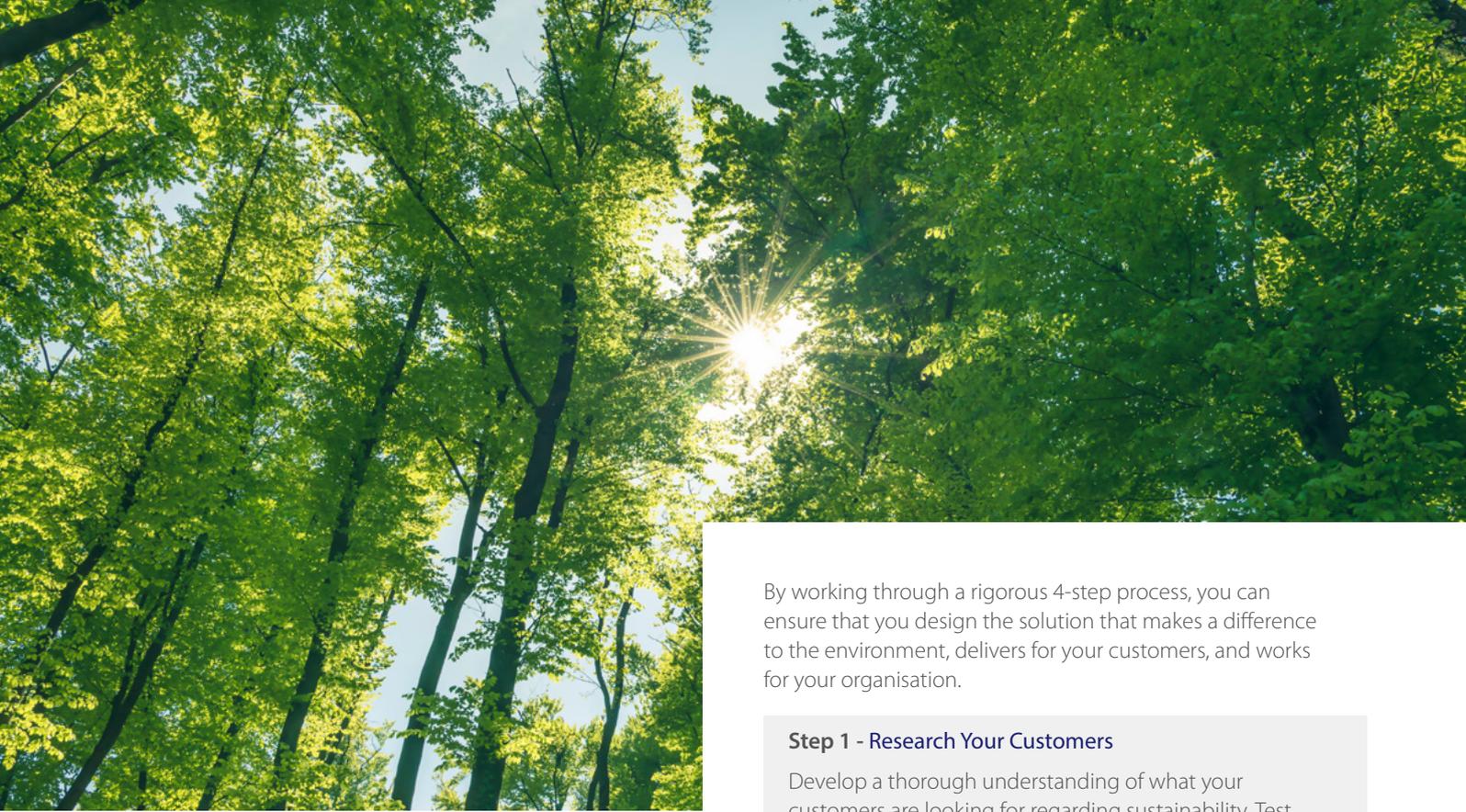
"I would opt for the sustainable card - €3.50 is nothing."⁵

Retain and Acquire Customers by delighting them through an innovative and impactful proposition. This proposition looks beyond banking to the most important issue of our generation. It is likely to resonate with many consumers and stand out against your competition.

"If my bank would not launch something similar, I would change my bank to get this product."⁵



5. Source: Visa Sustainability and Finance Research, August 2020. Reactions to sustainability propositions.



Working together to design your sustainable banking proposition

Your customer's bank account sits at the heart of the relationship they have with you, and for many customers, integrating sustainability into their everyday money management can lead to further strengthening their bond with your organisation. To be successful you will need to:

- **Tailor your sustainability offering** to provide what your customers want and value, not what you think they are looking for. Offer them choices so they can take the actions they prefer.
- **Be transparent** so they understand how their carbon footprint is constructed, what they can do to improve it, and how their actions have made a tangible impact in the fight against global warming.
- **Deliver a solution that actually reduces the stress on our planet.** Consumers are inundated with sustainability claims, so it is vital to deliver on your promise to uphold their trust in your organisation.

The need for us all to play a part to secure the future of our planet has been talked about for a long time. Consumers now expect action, not words, in this space and it is just a matter of time before sustainable banking propositions become the norm. **Let Visa Consulting & Analytics help you to be at the forefront of this change in banking, through partnering to build the sustainable banking propositions your customers are looking for.**

By working through a rigorous 4-step process, you can ensure that you design the solution that makes a difference to the environment, delivers for your customers, and works for your organisation.

Step 1 - Research Your Customers

Develop a thorough understanding of what your customers are looking for regarding sustainability. Test potential product features, for example, will real-time behavioural change hints be valued? Would a digital only card be preferred? Which features are essential and which could form part of a second phase?

Step 2 - Build Your Sustainable Banking Proposition

Create a customizable digital proposition that delivers the features your customers value. Customers will have different preferences; for one a recycled plastic card may be important, while for another, how they choose to offset their carbon footprint could be top of their list. Your customers need to be able to choose what works for them.

Step 3 - Test The User Experience

Develop, iterate and test each aspect of the sustainable banking customer journey to make this a "best in class" experience. Make it easy and fun for them to be more sustainable with helpful information, such as tips on sustainable consumption, or benchmarking on how they are doing compared to others.

Step 4 - Bring Sustainable Banking To Life

Establish the key capabilities required from Visa and ecolytiq to deliver the required sustainable banking service blueprint. Create a critical path implementation roadmap that sets out how you will bring your proposition to market and enhance it in the future to continually meet your customers' needs.

About Visa Consulting & Analytics

We are a global team of hundreds of payment consultants, digital marketing specialists, data scientists and economists across six continents.

- Our consultants are experts in strategy, product, portfolio management, risk, digital, marketing and more, with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics and machine learning with exclusive access to insights from VisaNet, one of the largest payment networks in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.



For help addressing any of the questions raised in this paper, please reach out to your Visa Account Executive to schedule time with our Visa Consulting & Analytics team or send an email to VCA@Visa.com. You can also visit us at [Visa.com/VCA](https://www.visa.com/VCA).

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