



The rise of the sustainable consumers

– and why banks are so well positioned
to recognise them and serve them

VISA

A large and growing proportion of today's consumers are looking for help.

They care deeply about sustainability and want to live more sustainably. But they are not always sure how to make a difference, or what impact they could have – what changes they could make in their day to day lives, big or small.

Today's payment players can help fill the void. They have a unique ability to identify those customers who care most about sustainability, engage with them meaningfully, and deliver a valuable service that helps them understand and adopt more sustainable behaviours.

Technology wields immense power in fostering a green transition, enabling direct links and information exchange with customers, and allowing all parties to make informed decisions that can have positive impacts.

And what's interesting is that this is a segment like no other. Especially among younger age groups, it cuts across all social, political, and geographic divides. And, as the journey to net zero picks up pace, all categories of spend are set to be impacted.

In this paper, we consider the scale of the opportunity, and how Visa clients can use their payment data to help enable and accelerate more sustainable consumption and behaviours.



1 Understanding where sustainability sits on the consumer agenda

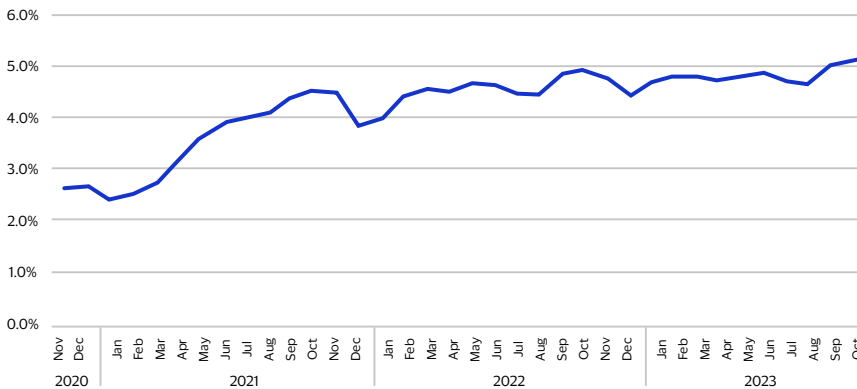
Everyone knows sustainability is high on today's consumer agenda. But many of us probably underestimate exactly how high.

According to research commissioned by Visa, climate change is one of the top three concerns for European consumers, sitting alongside other big-hitting issues like human rights and mental health.¹ It's therefore having an impact on everyday buying decisions, with over half of European adults saying it's worth paying a premium for sustainable or environmentally friendly products.² Even in the face of a cost-of-living crisis, many people are nonetheless looking to change behaviours - with

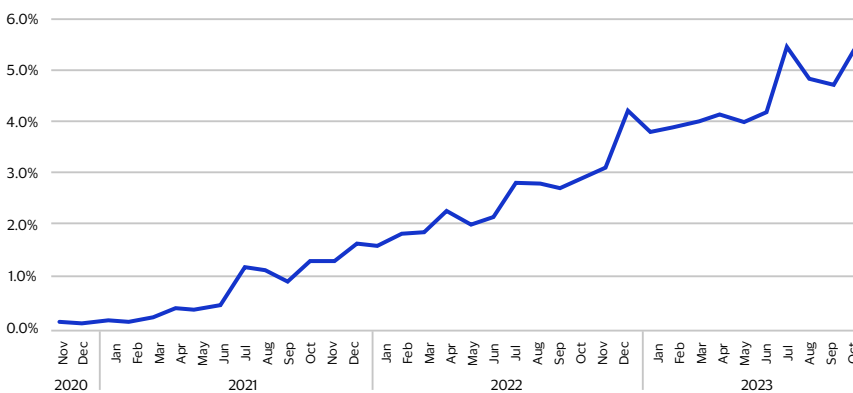
one UK study suggesting that households plan to make more environmentally friendly changes due to, not despite of, rising costs.³

This shift to more sustainable spending is well underway. European Visa transaction data below shows the rapid growth in spend volumes on categories such as Electric Vehicle charging and low-carbon forms of travel.

Sustainable Travel (All Mobility)
% Transactions



EV charging transactions as %
of all fuel transactions



¹ Visa Sustainability Consumer Research, Pan-European, 12 countries, 12k participants, 18-65, 2022

² Forrester, European consumers drive the sustainability demand, 2022: <https://www.forrester.com/blogs/european-consumers-drive-the-sustainability-demand/>

³ Ipsos, From the cost of living to sustainable living, 2022: <https://www.ipsos.com/en-uk/understanding-society/cost-living-sustainable-living>

Becoming more prominent on the financial services radar

For many consumer-facing sectors, like retail or fashion, considerations about sustainability are generally factored into their way products and propositions are produced, packaged, positioned, and promoted. In the worlds of payment and financial services, there has traditionally been less emphasis. True, a few boutique brands, like Tomorrow and Triodos, have crafted a strong sustainability story.⁴ Also, around a half of the world's leading banks have made public commitments to become net-zero organisations. Yet, for mainstream financial products targeting mainstream people, sustainability has rarely been a central consideration.

At Visa, we believe this is set to change.

Our latest pan-European research, among both consumers and opinion formers, suggests that, second only to governments, large corporations are expected to drive the sustainability agenda. Indeed, 75% of people believe big brands should be leading the way, and 79% expect to see proof of their environmental commitment, credentials and impact – irrespective of which sector they happen to operate in.⁵

What key opinion leaders are thinking and saying



“Financial services are no different from any other industry as far as consumers are concerned. Consumers are becoming more aware and saying they want to have less impact on the environment, and that applies to everything that they do – from retail to financial services.”

Devie Mohan
Co-founder & CEO, Burnmark

“We’re moving from the basic individual responsibility – where we are each recycling and reusing, trying to fly less and doing all the other bits – to looking at the companies we engage with, to show that they’re following along and doing the same thing.”

Chris Gledhill
Independent Financial Consultant

“You can sell whatever you want, but you need to be transparent. If I am a customer and I buy sustainable products, I want to be able to evaluate how sustainable these products are. You’re not selling me a single product; you’re selling me transparency and trust.”

Ivan Ortenzi
Chief Innovation Evangelist,
Bip Consulting



So, while many consumers may not intuitively associate payments and banking with sustainability, awareness is starting to grow. It's not just the fact that banks have permission to play in this space, there's also an underlying assumption that all big brands ought to be part of the solution.

⁴ Visa Sustainability Consumer Research, Pan-European, 2022
<https://www.accenture.com/content/dam/accenture/final/industry/banking/document/Accenture-Banking-Net-Zero.pdf>

⁵ Visa Sustainability Consumer Research, Pan-European, 12 countries, 12k participants, 18-65, 2022



The potential benefit goes beyond the reputational

There is a clear indication that the potential benefit to banks is more than reputational. Visa research⁶ demonstrates that a payment-related product with strong sustainability features would be attractive to European consumers, many of them would be prepared to pay a premium for it, and a large proportion would use it more frequently.

25%

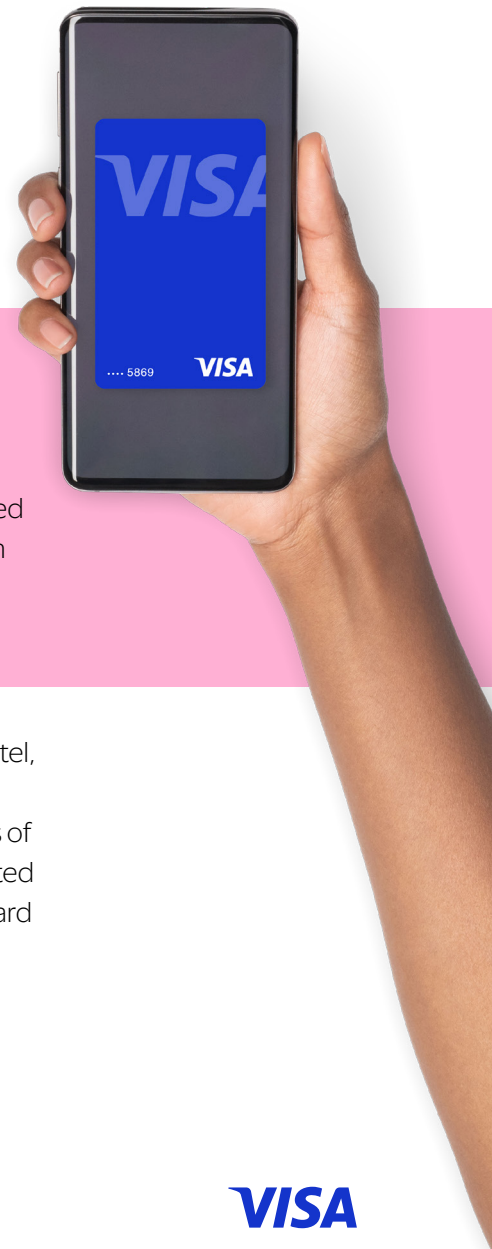
of European consumers would switch to a payment product if it had sustainability-centric features.

42%

would use such a product more frequently.

11%

would be prepared to pay a premium for it.



The findings are echoed in a recent UK study from market research company Mintel, in which 55% of consumers say a bank's environmental credentials would be an important consideration if they were moving their account. But, with accusations of greenwashing being common, caution is warranted. The same study demonstrated a degree of scepticism that needs to be navigated – with 79% saying they find it hard to know if one financial provider is more sustainable than another, and only 28% saying they trust the environmental claims made by financial services providers.⁷

⁶ Visa Sustainability Consumer Research, Pan-European, 12 countries, 12k participants, 18-65, 2022

⁷ Mintel, UK Sustainability in Financial Services Market Report, 2023: <https://store.mintel.com/report/uk-sustainability-in-financial-services-market-report>

Our perspective at Visa

We would argue that consumer-facing payment players have little option but to embrace sustainability. But the further they go, the greater the potential benefits. And we see a continuum which covers four broad response levels:

#1

Get your own house in order

- Put a formal sustainability strategy in place, complete with a set of targets and commitments across all environmental, social and governance (ESG) topics.
- Demonstrate to all stakeholders that sustainability is taken seriously – and a formal plan is in place to minimise impact.

#2

Talk the talk

- Incorporate sustainability-related messaging and imagery into consumer-facing collateral, websites and marketing campaigns, highlighting sustainability credentials.
- Go further in demonstrating to consumers that sustainability is taken seriously – and a commitment has been made to making a positive impact.

#3

Target sustainable consumers

- Develop products and services with a sustainability focus – such as paperless statements, less environmentally harmful materials, tree-planting initiatives, etc.
- Seek to appeal to those consumers who care more about sustainability, and offer them products and services which reflect their interests and values.

#4

Support sustainable consumers

- Develop products and services which help consumers to better understand their own environmental impact – and enable them to understand and adopt more sustainable behaviours.
- Engage meaningfully with those consumers who care most about sustainability, delivering a valuable service which they are unable to get from anywhere else.



In the remainder of this paper, our focus is option #4. In essence, we believe there is a large and growing proportion of consumers who care deeply about sustainability but whose needs are not currently met by any organisation from any sector. Today's payment players have a unique ability to identify who these people are, to understand and seek to meet those needs, and capture a higher proportion of their everyday spend as a consequence.

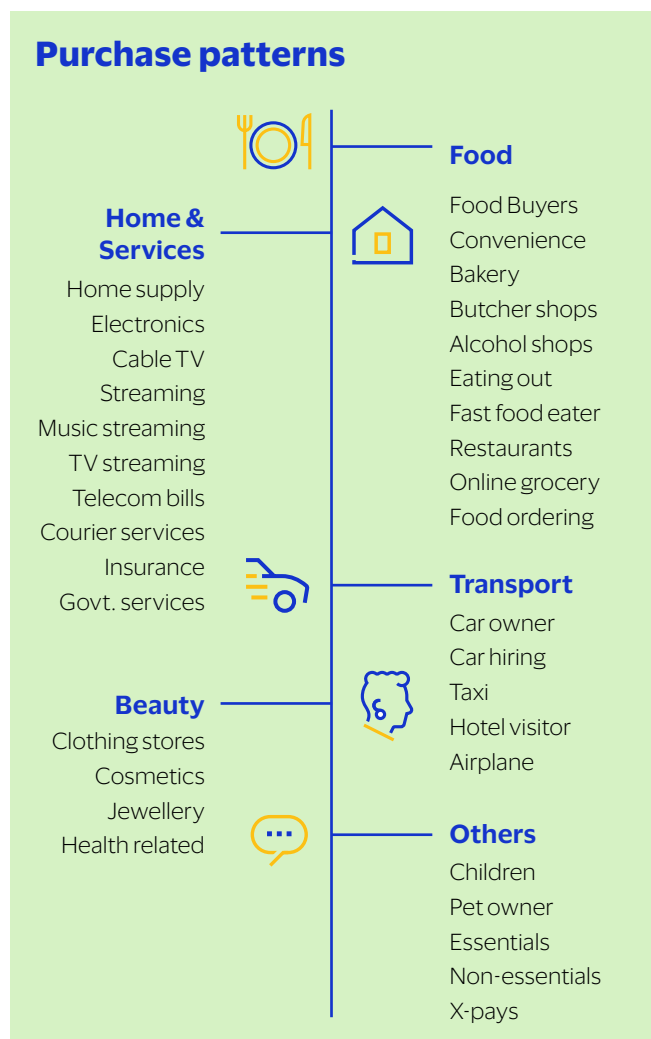
2 Zeroing-in on the sustainable consumers

From talking to existing Visa clients, we know that many payment players are intrigued by the potential of meeting the needs of sustainability minded consumers but unsure about where to begin.

To complicate matters, the wider banking and financial services industry has been beset by accusations of greenwashing (for example, both the European Banking Authority and the UK's Financial Conduct Authority released related reports in 2023). Although these accusations have been primarily concerned with sustainable investment products, there is understandable reluctance among some players to develop any sustainability-related propositions. Yet, a resulting risk is a failure to engage with consumers on an issue that is clearly important to them, and to miss out on all the related business opportunities. Similarly, there is uncertainty about the type of products and propositions that could be pursued. The fact is, payment products tend to be less resource, energy, labour intensive. So, beyond paperless statements, recyclable cards, and carbon-neutral data centres, there are few obvious avenues to investigate.

What payment players do have, however, is a unique cache of transaction data. This data provides a direct line-of-sight to people's everyday consumption behaviours. And it can be used to identify and segment the sustainable consumers, quantify their existing and potential value as customers, and understand how better to meet their everyday payment and banking needs.

By analysing payment data, it becomes possible to identify sustainability-related lifestyle indicators and purchase patterns



Source: Visanet data

Using payment data to identify and segment sustainable consumers

By applying advanced analytics to payment data, it becomes possible to determine how interested and engaged they are with sustainable topics, products and services. For example, Visa has developed a sustainability prediction score methodology, which draws on more than 100 behavioural indicators, and is supported by geo-location data, which enables clients to identify personas within their customer base.

Two example personas, identified from the total customer base of a payment card issuer located in a large central European country

A woman with curly hair, wearing a light-colored button-down shirt and blue jeans, stands next to a white recycling bin with a green recycling symbol. A blue plastic bottle is inside the bin. The background is a light green gradient.

Eco-aware citizen

Segment size
12.0% of the total customer base, with higher-than-average monthly spend levels.

Characteristics
They are highly eco-conscious people, who avoid spending money on premium brands and, instead, focus on essential categories. They buy their food at the local greengrocers and well-known eco-food retailers, and occasionally visit vegan restaurants. Heavy users of mobile apps that support recycling and re-commerce, they own an electric car and are heavy users of bike-sharing schemes, but rarely use public transport.

A man with short hair, wearing a brown jacket over a white t-shirt and blue jeans, stands with a brown paper bag slung over his shoulder and two shopping bags (one brown, one white) in his hand. The background is a light orange gradient.

Urban spender

Segment size
7.3% of the total customer base, with much higher-than-average monthly spend levels.

Characteristics
Living in a large metropolitan area, they make the most of its facilities, regularly visit its popular independent restaurants, and often buy premium brands. They have a pet who they spoil, spending a lot on its food and accessories. On the surface of it, they don't appear to be that eco-conscious, yet they favour their local greengrocer, like to buy organic food, take good care of their health and fitness, and only ever travel on public transport.

By unlocking these cardholder profiling capabilities, understanding the sustainability-related behaviours and values of different personas, and modelling their purchase propensity, it becomes possible to design propositions that are likely to appeal to them and to meet their needs.

The potential goes further than pure payment-related or card-centric products and propositions. For example, some consumers will be actively

looking for ways to finance their sustainability journey, perhaps by buying their first EV and/or installing the charging points and/or retrofitting their homes with solar panels or heat pumps. This represents an opportunity for banks to identify those consumers who already have the propensity to make these investments – and reach out to them with tailored financing options, possibly on partnership with a supplier or original equipment manufacturer (OEM).

Drawing from a readymade range of product and proposition components

In developing propositions for identified segments, payment players can draw from a whole range of readymade components, such as:

Examples of sustainability-related features

 Card	Paperless statements	Options to recycle your card	Option to choose a card made from less environmentally harmful materials	Card produced with less ink / simple printing	Option to have a digital only card (no physical card)
 Social & gamification	Special access to sustainability focussed events and experiences	Ability to compare how sustainable your consumption is versus others	Fun in-app games and competitions linked to acting sustainably	Option to share on social media your environmentally sustainable actions	
 Information	Info on how to reduce environmental impact of your purchasing	Ability to explore and connect with sustainable brands	Regular summaries of the environmental impact of your spending		
 Rewards & offers	Rewards for sustainable behaviours	Rewards for purchasing environmentally friendly products			
 Offsetting	Functionality that enables you to carbon offset your purchases	Ability to track the impact of your donations and carbon offsets			
 Limits	Placing an upper threshold on the amount of carbon you use each month	Implementing spending limits on purchases with a high environmental impact			
 Investments	Instant access to ethical and sustainable investment products				
 Credit & finance	Tailormade finance and/or offers for EVs, solar panels, heat pumps, etc.				
 Donations	Features that enable you to donate to green causes				



For example, features that feel potentially restrictive, such as spending limits and digital-only cards, could run the risk of alienating anyone but the most ardent of environmentalists. By contrast, basic features such as recyclable cards and paperless billing could be regarded as a hygiene factor to many sustainability minded consumers.

The same thing goes for banks that want to help sustainability minded consumers to finance more sustainable lifestyles. For sustainability minded consumers who Banks can identify - via consumers' transaction data - those that have the propensity to invest in solar panels or a heat pump, offers for tailormade financing could be welcome and timely. For others, they would likely be irrelevant and possibly even a source of antagonism.

Clearly, not all these potential features will appeal in equal measure to all consumers – even to those who would describe themselves as caring about sustainability.

The trick, therefore, is to deduce from the segmentation work the exact combination of features that will be most compelling and relevant to the target segment.

Drawing inspiration from existing products and propositions

Although many payment players have, so far, been cautious to enter the fray, there are several examples from around the world to draw inspiration from. Here are two such mini-case studies:

Canada



Vancity

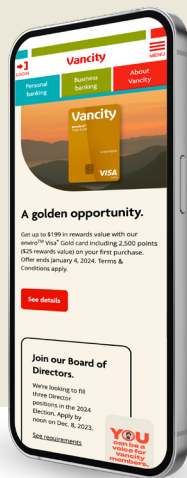
Inspiring members to monitor and manage their carbon footprint

Canada's largest community credit union, Vancity is committed to a values-based banking model focused on accountability and sustainability and, to support its members on climate action, it introduced the Vancity enviro™ Visa card.

Visa partner ecolytiq helped Vancity to become Canada's first financial institution to offer a Carbon Counter™ tool on a Visa credit card. An opt-in feature, this helps members to understand the carbon footprint of their purchases and provides advice on how to reduce it.

Participating members make a minimum of three visits a month to the Carbon Counter™ tool, and one-in-ten go to the Take Action page every time they visit the enviro™ Visa website or app.

Vancity



Malaysia



Maybank

Rewarding customers for sustainable spending

Malaysia's largest bank, Maybank was introducing a MyImpact Visa Signature credit card and wanted to devise a new type of loyalty programme that would reward customers for spending sustainably.

Visa helped Maybank to identify sustainability focused merchant category codes and to devise a methodology to substantiate their relative climate impact. Relevant merchant category codes include EV charging, rental and sharing economy, health and wellbeing, and low-carbon travel.

MyImpact customers receive 1% cashback on any related purchases, plus they receive five Maybank loyalty points for every dollar spent at selected sustainable merchants.

 **Maybank**



Given the backdrop, momentum is growing. For example, more than 320 banks have signed up to the UN's Principles for Responsible Banking Framework⁸ and, in 2023, card manufacturer Thales Group reported that it had delivered millions of its sustainability focused cards and solutions to 25

customers worldwide.⁹ We are also seeing Best Of guides and listings for sustainable credit cards migrating from specialist magazines and websites to the mainstream media - including a recent feature in Forbes magazine, with its Best Green Credit Cards of 2023 round-up.¹⁰

⁸ For details, see <https://www.unepfi.org/banking/bankingprinciples/>

⁹ Thales, The life cycle of an eco-friendly bank card: supporting your sustainable practices, 2023: <https://www.thalesgroup.com/en/markets/digital-identity-and-security/banking-payment-cards/eco-friendly-credit-card>

¹⁰ Forbes, Best Green Credit Cards, 2023: <https://www.forbes.com/advisor/credit-cards/best/eco-friendly/>

3 How Visa can help

Through a combination of Visa Sustainability Solutions and Visa Consulting & Analytics, Visa provides direct access to a range of sustainability-focused advisory, data science and product solutions. With our deep payments expertise, combined with our in-house sustainability experts, and our knowledge of your business performance and challenges, we are ideally placed to support you in delivering the sustainability solutions your customers are looking for, and capturing the growth opportunity. And with relationships across the climatech ecosystem, we can ensure the right level of knowledge and know-how are on hand to make your sustainability offering a success. Our advisory services span:



Discovery –

to achieve alignment and understanding of your aspirations and strategy



Current state assessment and strategic roadmap –

to plot your current and target position on the sustainability maturity curve and help you prioritise initiatives aimed at bridging the gap



Value proposition/product design –

to design and develop the proposition/product, validating consumer attitudes and developing the go-to-market approach



Product implementation and launch –

to guide you from detailed design to product launch

Central to our unique position and ability to support you navigate the evolving consumer needs around sustainability is our Sustainability Index, a data platform which enables clients to:

- Analyse their customer base to identify and quantify the most sustainability-minded segments
- Build an understanding of the key differentiating characteristics, needs and lifestyle indicators that set these segments apart from the wider customer base
- Begin to understand which sustainability-related product features will be most relevant and compelling to each segment



Visa, accelerating sustainable choice

Visa in Europe is investing in its ambition to provide sustainability focused payment solutions to clients and partners to help them meet their customers' needs and accelerate the sustainable choices for ways to pay and be paid.

The Sustainability Solutions team actively seeks out collaboration with clients and partners across Visa's network to design and create solutions for and with the broader payments ecosystem.

The aim is to promote the adoption of sustainable behaviours for consumers and businesses enabled by removing friction and increasing the availability of sustainability focused payment choices. The team works with the Visa Eco-Benefits offering, and with partners to facilitate seamless payments in electric vehicle charging. They also make use of Visa's advanced data capabilities, insights, existing and new product and payment offerings to foster sustainability, with the broader aim of supporting Visa clients in their journey towards net zero.

Visa has also formed a Visa Consulting & Analytics Sustainability Advisory Practice. In a complex environment, this cross-functional practice supports clients to navigate their current sustainability strategy, develop their roadmap and importantly design the business case for embedding a planet-centric approach for their organisations and their customers.



VISA