

The 2024 State of Merchant- Branded Payments



Study Objective: Decode the Digital Branded Payments Landscape

As the world's first and only digital value infrastructure, we recognize the critical role of closed-loop branded payment methods as a powerful form of instant, fee-free, cash-like, digital value in shaping the future of global commerce, and the personal finances of people worldwide.

To better understand this evolving landscape, in January 2024, we conducted a survey of 1,000 US adult consumers to dive deep into their expectations, preferences, and behaviors related to digital prepaid gift cards and branded payment methods.

This report is designed for retail payment leaders working on branded payment programs who want to extend the reach of their program and software vendors that connect to merchant gift programs for payouts.

In today's fiercely competitive retail environment, branded payment methods that encompass gift cards, merchant wallets, and rewards programs are vital instruments to propelling brand loyalty, customer satisfaction, and revenue growth.

Gift Cards Are Central to Branded Payments Strategy

In particular, the usage and acceptance of digital gift cards is more pronounced than ever. Predictions show by 2026 the merchant closed-loop gift card market will reach \$1.7T in global spend, signaling that gift cards are no longer peripheral elements of a retailer's payments strategy. Retail payment leaders must consider gift cards a key component of a broader merchant-branded payment strategy. Gift programs not only solidify customer loyalty but also amplify brand visibility and boost both online and offline traffic, simultaneously cutting down on transaction costs like interchange fees.

Starbucks' own payment and rewards program alone held \$1.8B in customer cash in 2023 making it larger than 90 percent of US financial institutions covered by the FDIC in deposit size. Their 31 million active loyalty members spent three times more and visited more frequently than non-members¹. Results like these showcase the powerful impact of branded payments on customer engagement and revenue growth.

Similarly, Target RedCard, Walmart Pay, Uber, DoorDash and other high frequency merchants continue to capitalize on branded payments as a way to capture more customer spend and avoid interchange costs. Forward-thinking merchants are making their store debit card, gift card and wallet a central "router" that is reloadable through low cost ACH transactions and then rewarding the user for their spend.

1. <https://www.pymnts.com/earnings/2023/starbucks-us-loyalty-membership-increases-15percent-despite-watered-down-rewards/>



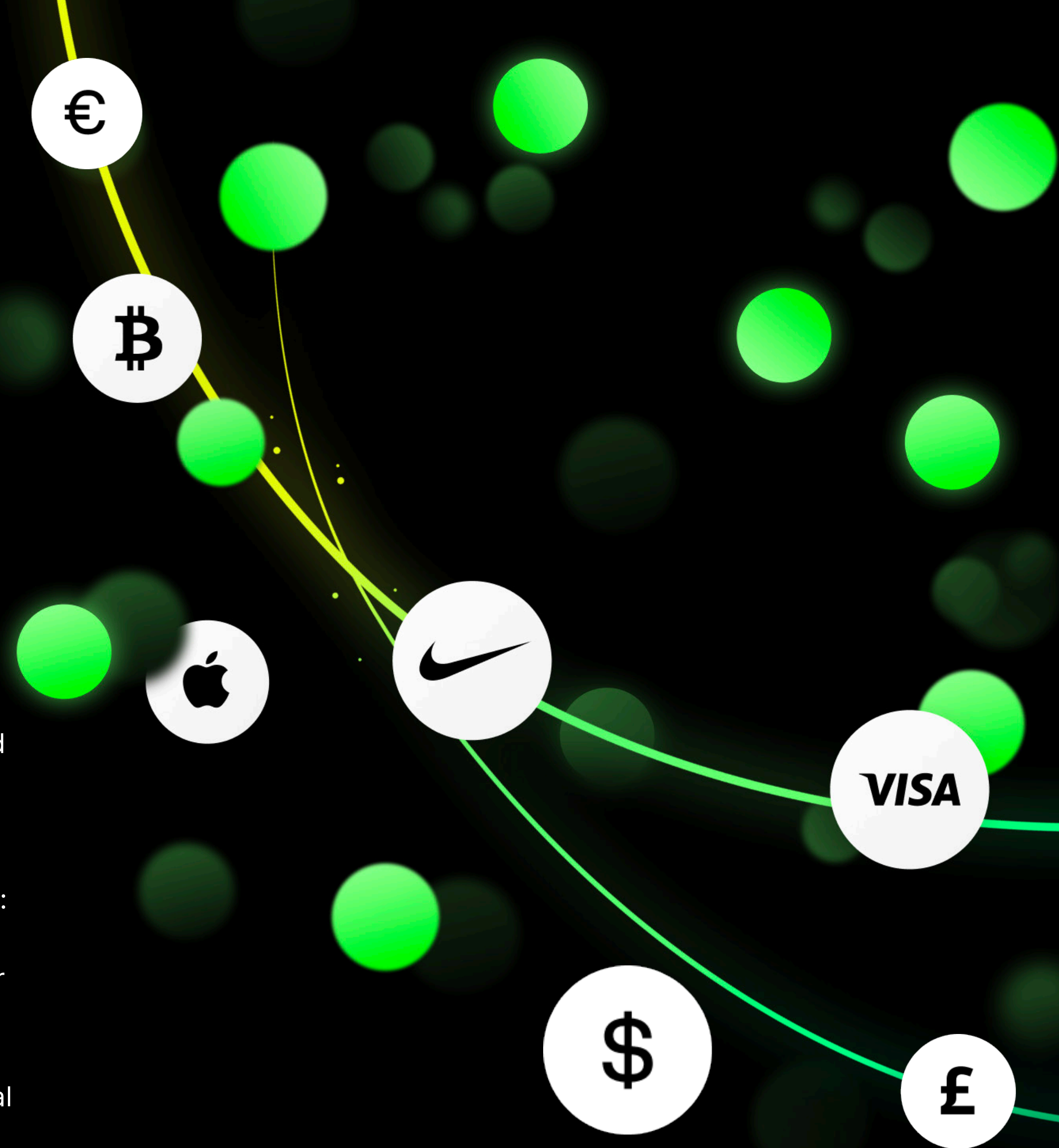
The Rising Preference for Branded Payments as a Transaction Method

Our data reveals a significant shift in consumer behavior, indicating a growing readiness to transition from traditional forms of payments such as credit cards to merchant-branded options that provide more engagement opportunities with consumers. Amid fluctuating economic conditions, branded payments offer enticing discounts, enhanced rewards, and exclusive member benefits that resonate strongly with today's consumers.

Further, our data also highlights a growing consumer interest in receiving digital wallet balances, which can be redeemed across a diverse range of merchants. This flexibility is particularly appealing in payout use

cases, including gaming reward earnings, government aid, disaster relief. The benefits are further amplified when these payouts are combined with merchant-specific rewards or offers, demonstrating a clear preference for more personalized and advantageous transaction methods.

This shift underscores a broader trend: consumers are increasingly seeking transaction methods that simplify their financial interactions while providing tangible added value. This makes branded payment strategies and digital gift cards a compelling and versatile choice in evolving the omnichannel retail payment landscape.



Retail Payment Leaders Focus on New Frontiers of Digital Gift Card Distribution

To broaden their market reach, payment leaders are focusing on strengthening the infrastructure that supports the distribution of their gift cards. Leading retailers like Marks & Spencer, which saw 245% growth in gift card revenues through their partnership with Runa, exemplify this strategy in action, reaching a new customer base with B2B digital distribution².

The growth of B2B digital distribution is fueled by the positioning of branded gift cards as a cost-effective, customer-centric B2C payout option, particularly suited for low value transaction use cases such as employee rewards and recognition, cashback apps and loyalty cashouts.

Additionally, digital gift cards are carving out a significant niche as a viable real-time, cross-border, bankless B2C payout option. This capability is revolutionizing sectors such as affiliate, gig-economy and remittance payouts, where the need for quick, bankless, and borderless transactions is paramount. Instantly transferring value across borders without the need for traditional banking infrastructures is a game-changer for gig-economy workers by providing them immediate access to their earnings, helping to enhance liquidity and financial flexibility.

Retail payment leaders that lack a solid infrastructure for distributing their branded payments in these burgeoning verticals risk not only falling behind their competitors but also missing out on a significant opportunity to connect with a global customer base and tap into new revenue streams.



2. <https://www.paymentsjournal.com/marks-spencer-sees-245-growth-in-gift-card-revenues/>

Key Takeaways

1

Growth of Digital B2B Gift Card Distribution Channels:

- ✔ Digital B2B gift card distribution is growing, with loyalty and rewards redemption being the primary channels for 41% of consumers.
- ✔ Consumers increasingly prefer digital and branded options for non-payroll payouts, with 36% choosing branded gift cards.
- ✔ Convenience (57%) and speed (51%) are top priorities for consumers in selecting their preferred payment method.

2

Increase Preference for Digital Merchant-Redeemable Payouts:

- ✔ A significant trend is the increasing preference for receiving a digital balance redeemable at multiple merchants.
- ✔ Drivers of this preference include immediate access to funds (60%), the convenience of bypassing traditional banking processes (56%), and the flexibility to choose from different merchants through one balance (52%).

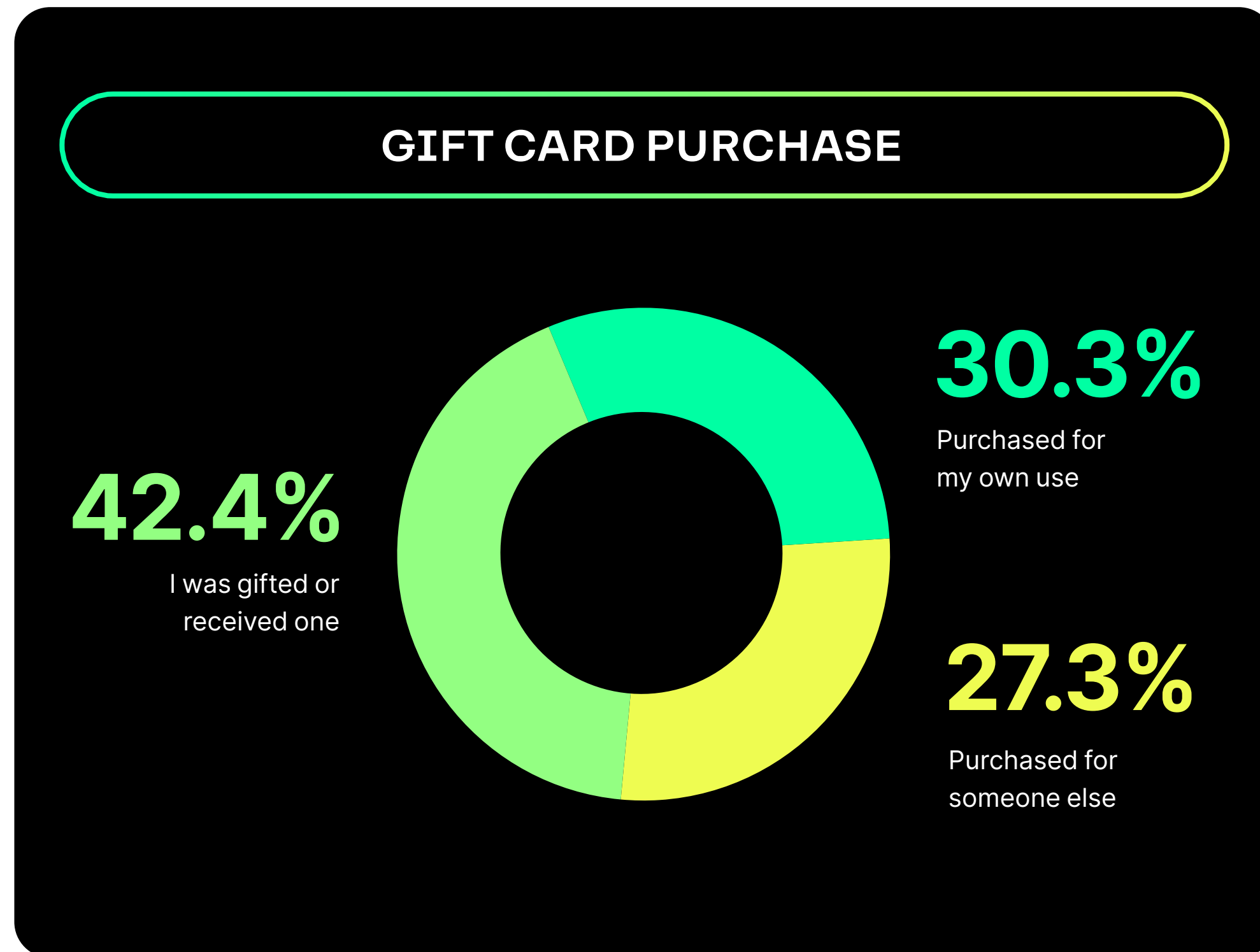
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Merchant-Branded Payment Programs Deepen Customer Engagement and Loyalty:

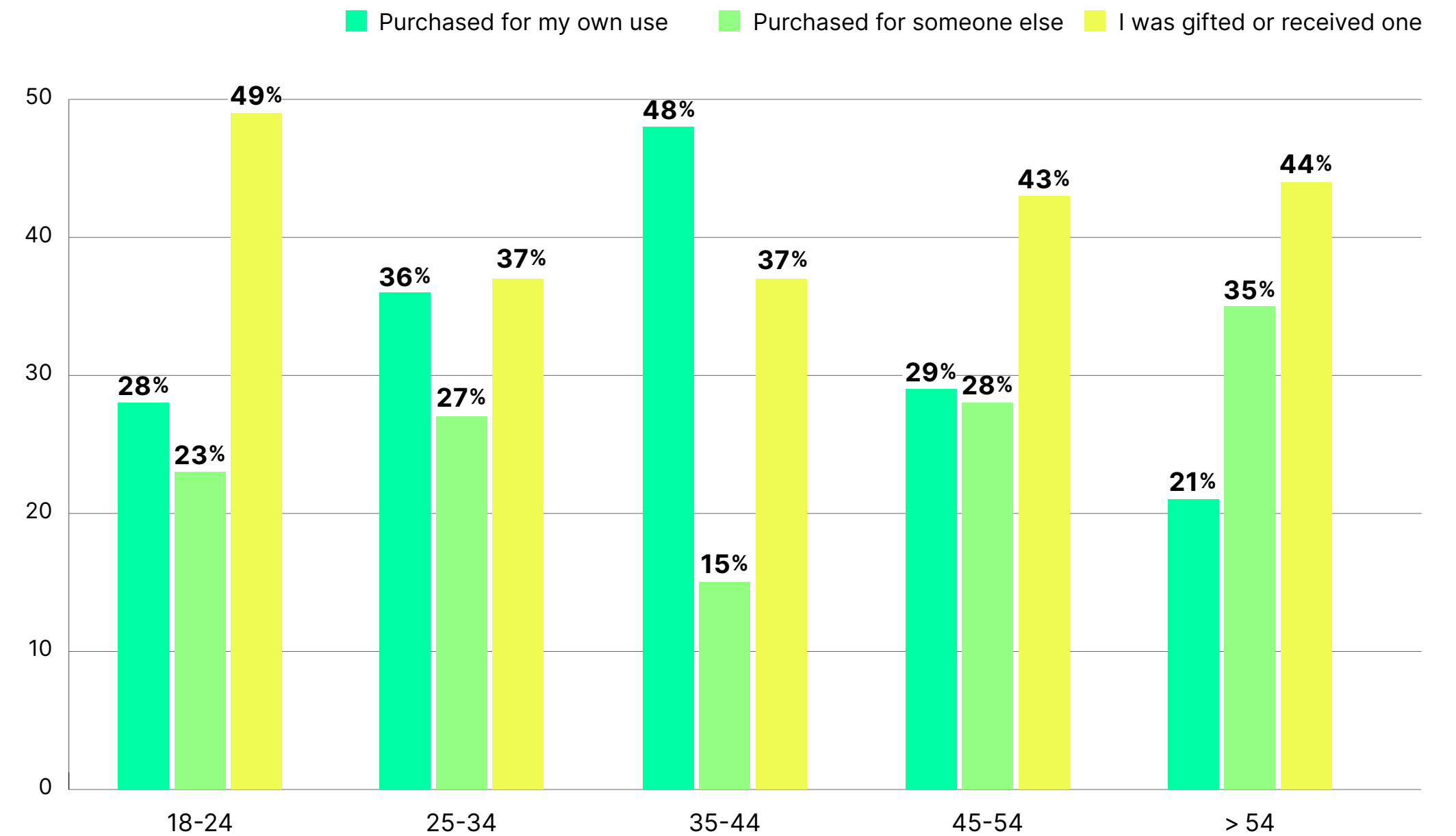
- ✔ Compelling incentives such as enhanced rewards (60%) and discounts at the point of purchase (56%) are crucial for effectively enticing consumers to trial merchant branded payment programs.
- ✔ Consumers show a significant willingness to switch to merchant-branded options, driven by factors like discounts (81%), increased rewards (78%), and exclusive member benefits (71%).

For Consumers, Gift Cards Go Beyond Gifting

It's clear that gift cards have evolved beyond their traditional role as gifts for others and more people are buying them for self-use or to tap into merchant discounts and rewards programs like cashback. Our data points to this shift in gift card usage: 42% of consumers receive cards from businesses or individuals, yet, a notable 30% are purchasing gift cards for themselves.



GIFT CARD PURCHASE PURPOSE BY AGE



The trend of personal use is most prominent among people aged 35-44, with 48% partaking in this practice, closely followed by those in the 25-34 age group at 36%.

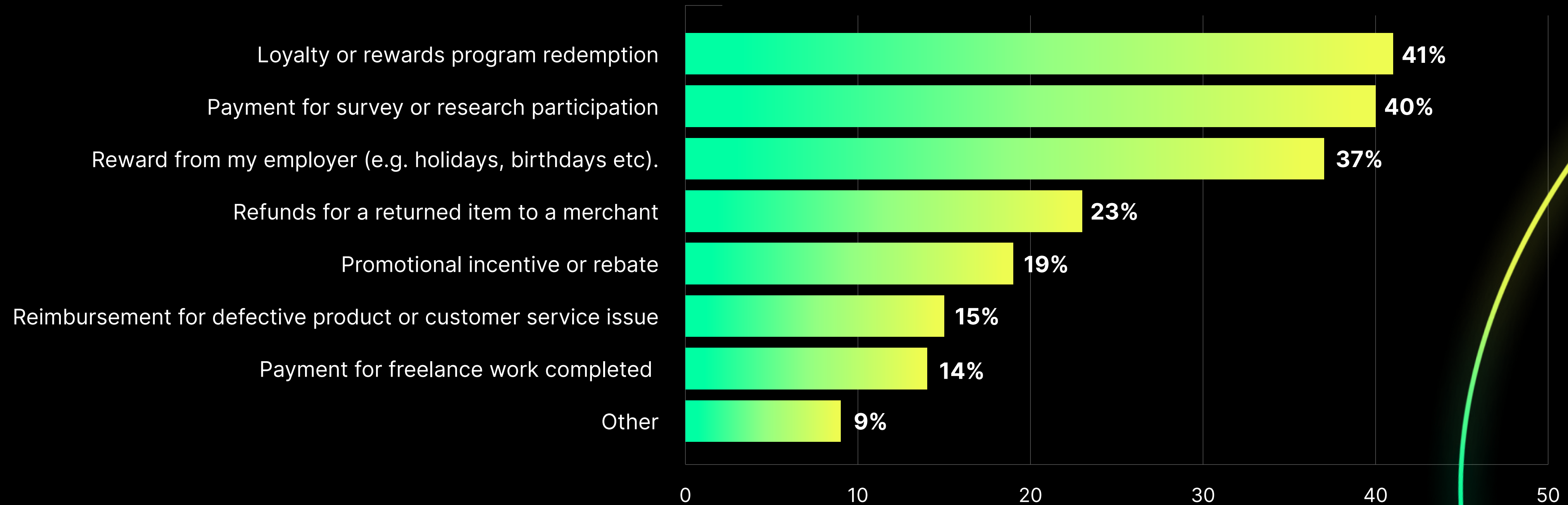
The practice of buying gift cards for personal use as a way of accessing discounts is most prominent among people aged 35-44, with 48% partaking in this practice, closely followed by those in the 25-34 age group at 36%.

Consumers Benefit From The Growth in Digital B2B Gift Distribution Programs

In the burgeoning landscape of digital B2B gift card distribution, loyalty and rewards redemption emerge as the primary digital distribution channels, with 41% of consumers receiving gift cards for this purpose.

Close behind, 40% receive them as incentives for engaging in surveys and feedback programs, highlighting the increasing use of gift cards as a tool for consumer engagement and data collection. Additionally, 37% of consumers report receiving gift cards as a form of recognition or reward from their employers, underscoring their solid role in employee appreciation and retention strategies.

TOP REASONS CONSUMERS RECEIVE GIFT CARDS FROM BUSINESSES



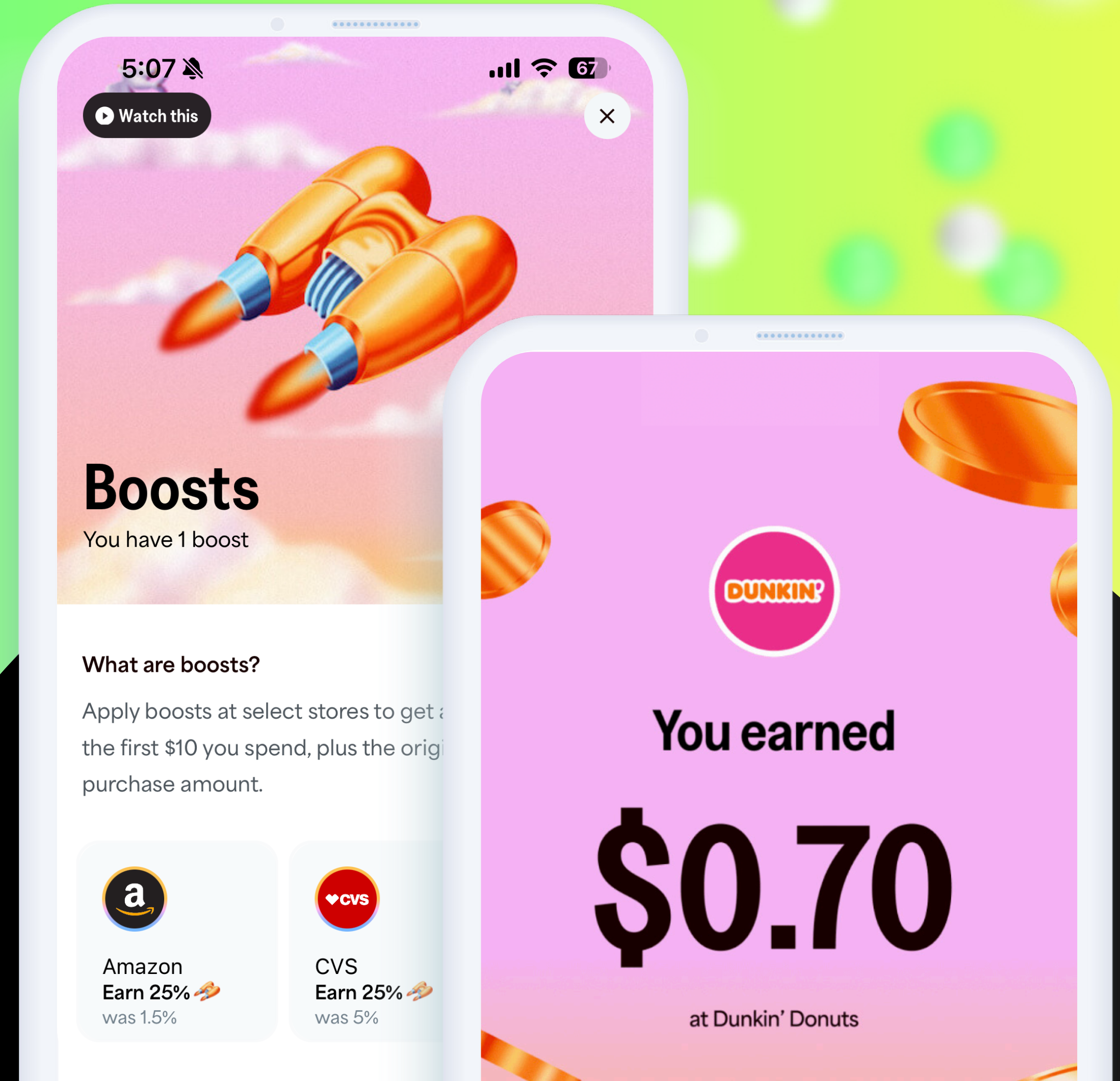
Cashback Program Spotlight: Fluz App



Fluz is a customer acquisition tool for retailers that promotes brands to high intent buyers.

Fluz is an industry-leading app that empowers users to earn cashback instantly on their entire purchase amount when paying through the Fluz App. With Fluz, users are buying discounted merchant gift cards to cover the exact cart total and cashback is added immediately to their Fluz wallet balance.

Fluz doesn't require consumers to use a specific shopping portal to earn cashback and is stackable with all other cash-back apps and rewards programs. That means they can still earn store loyalty points and credit card points, use coupons and promo codes, and/or use other cash-back apps in addition to Fluz. As Fluz grows its 350,000 community, the majority of new members are referrals from existing loyal users. Fluz takes care of the technology and amazing user experience, enabling users to spend and spend more with merchant partners.

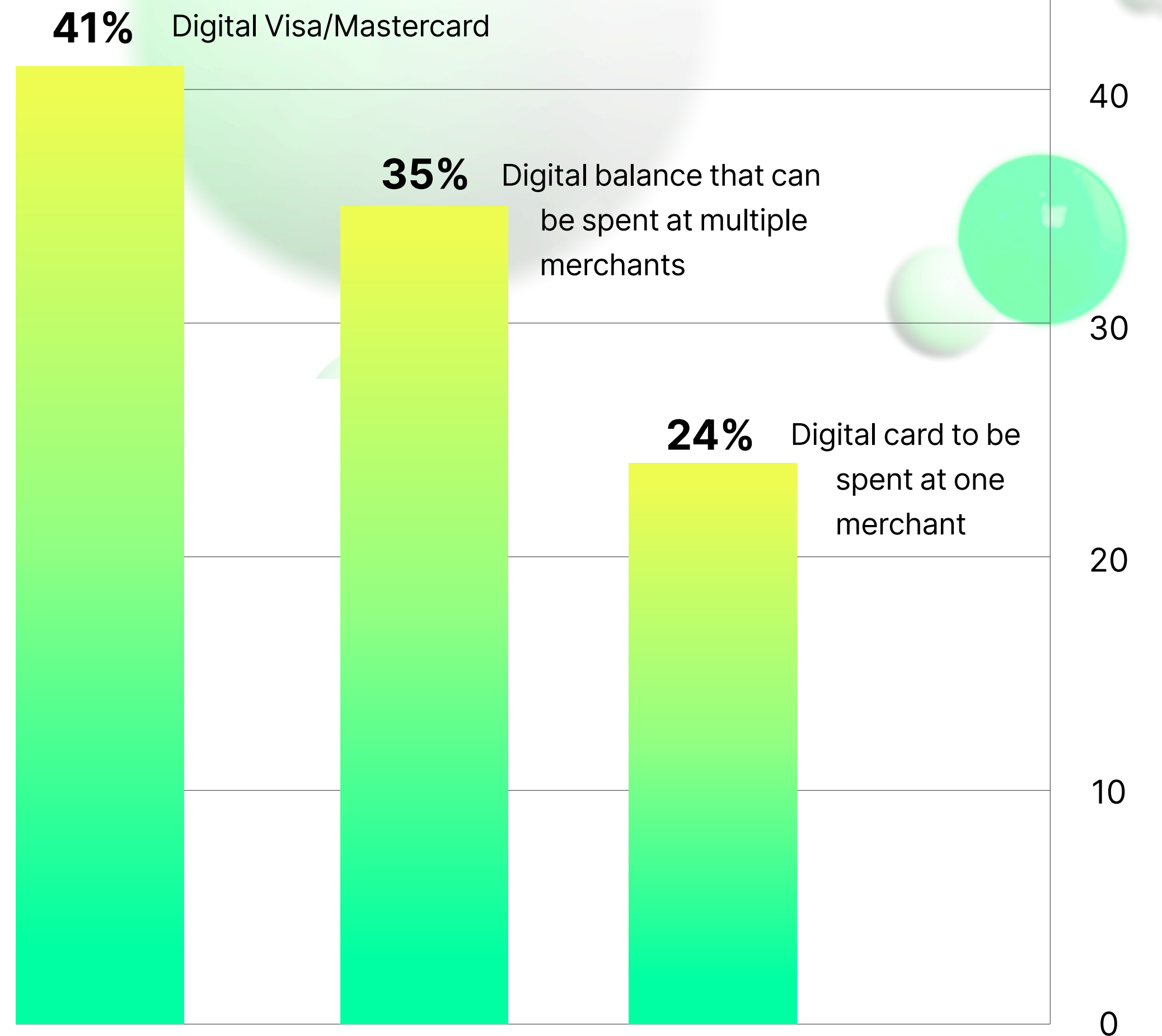


Consumer Preferences: Seeking Flexibility in Digital Gift Card Usage

When it comes to choosing digital gift cards, consumers demonstrate a clear preference for options that offer spending flexibility. A digital Visa or Mastercard is favored by 41%, reflecting the desire for universal acceptance and convenience. Meanwhile, 35% prefer a balance usable at multiple merchants, reflecting a growing demand for variety and the ability to tailor spending experiences to individual preferences. This trend is indicative of a broader shift towards flexible consumer experiences in the digital payment space.



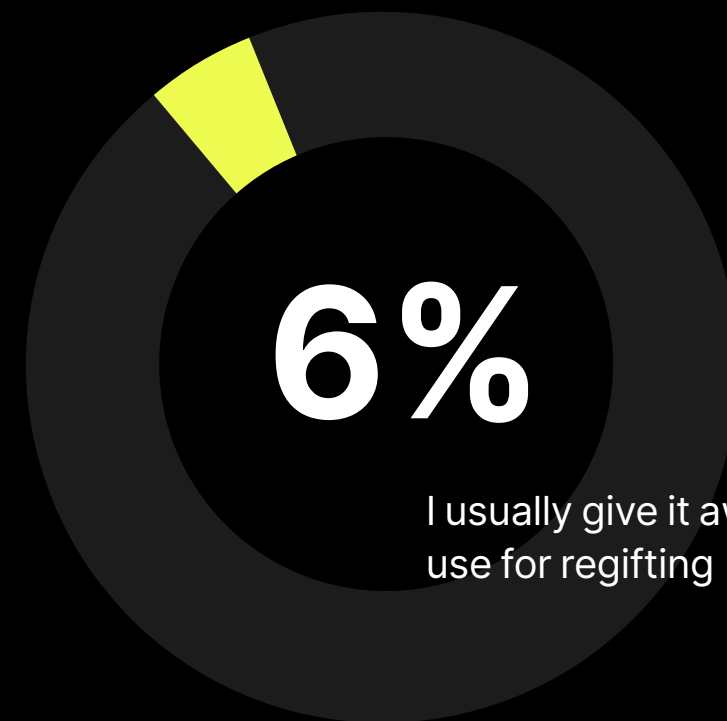
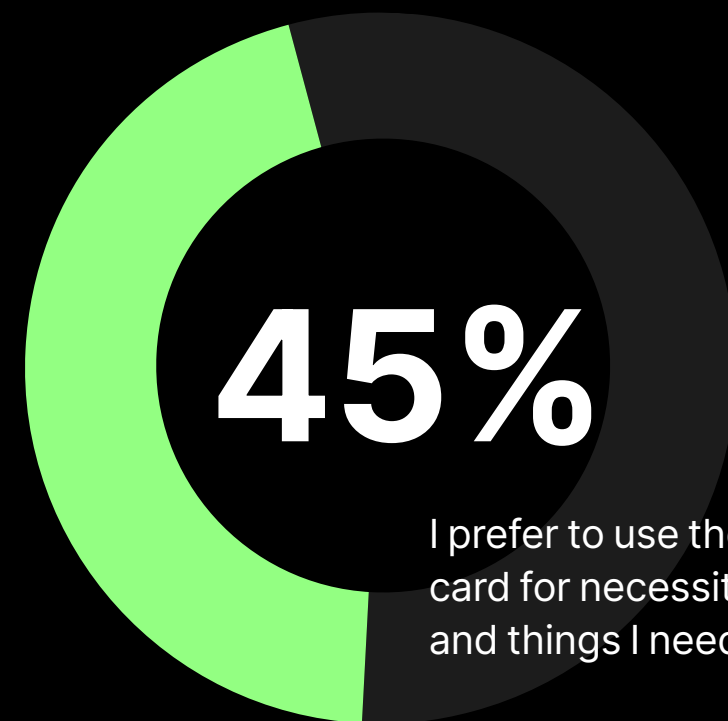
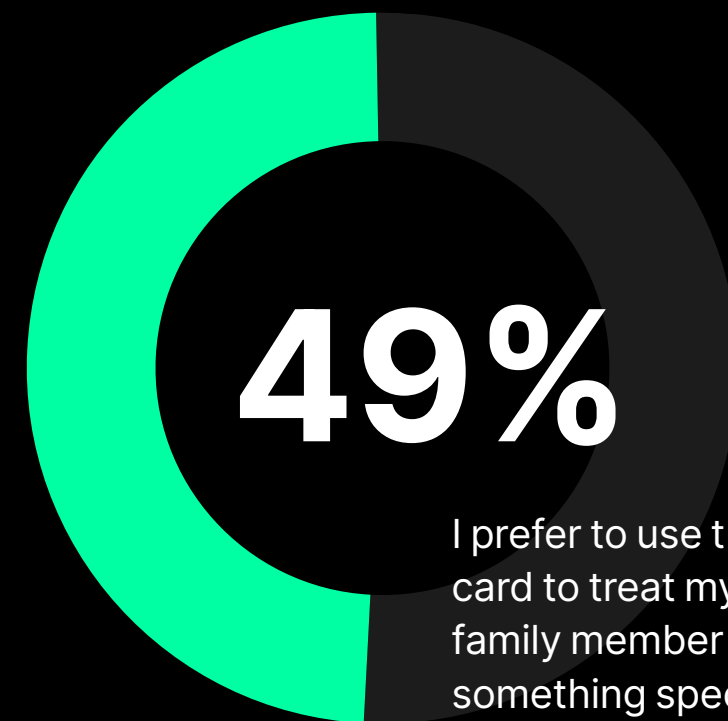
TYPES OF DIGITAL GIFT CARDS
PREFERRED FROM BUSINESSES



Balanced Consumer Spending Trends with Gift Cards: Indulgence vs. Necessity

The use of gift cards reveals a balanced approach by consumers, with 49% opting to indulge or treat themselves, while 45% use them for essential purchases. This near-even split highlights the dual role of gift cards in providing both a means for enjoyment and a practical solution for everyday needs. Only a small fraction, 6%, choose to re-gift, indicating the high perceived value of gift cards among recipients.

SPENDING GIFT CARDS

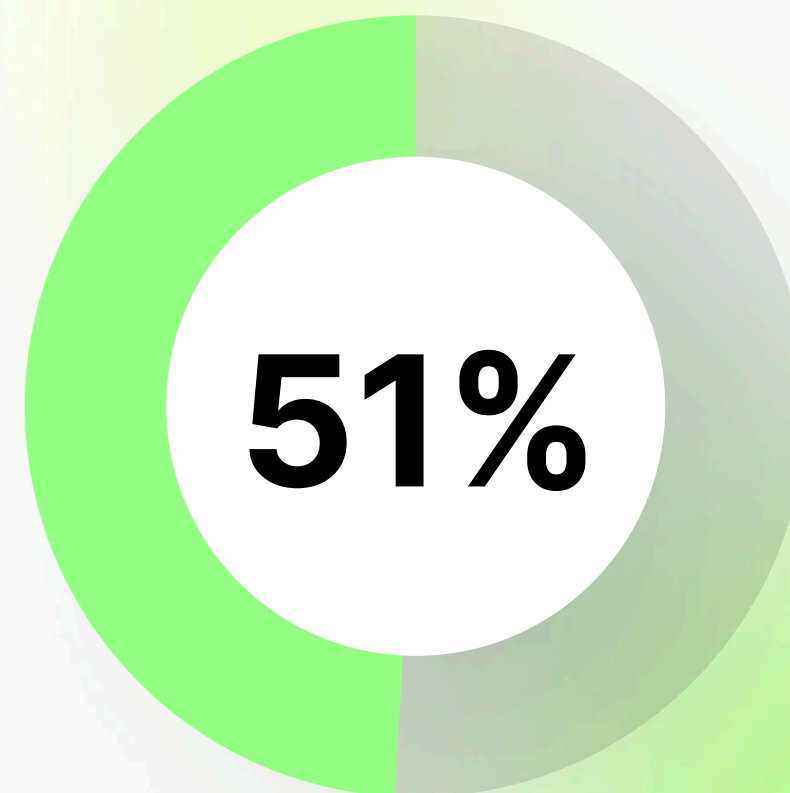


Corporate Employee Rewards and Recognition Platforms Drive New Exposure For Merchants



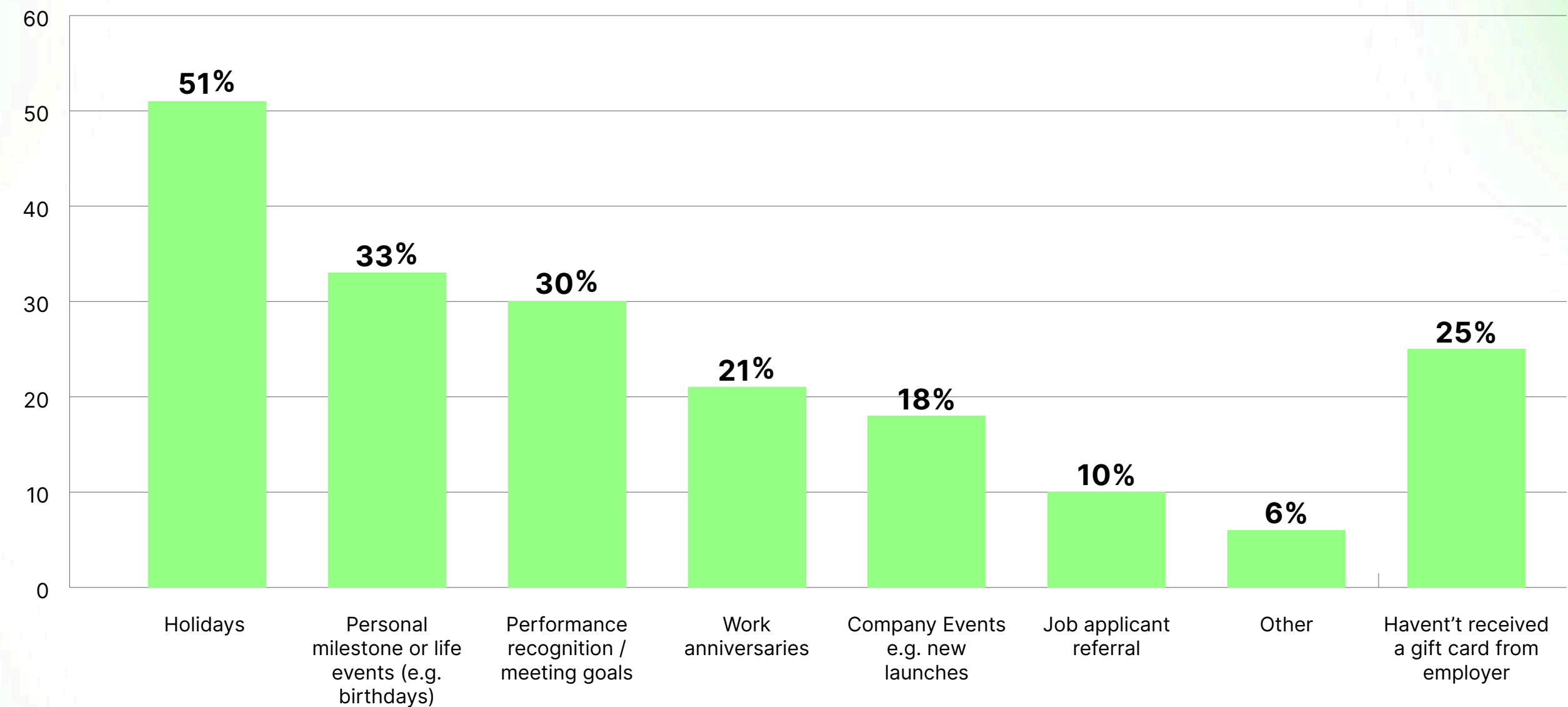
In the realm of corporate recognition, employers are increasingly leveraging innovative rewards and recognition platforms, such as EachPerson or Prezzye, to deliver rewards and recognition to employees.

Gift cards continue to be the most popular reward type across the vertical, with 51% of such rewards being given during holidays, 33% for personal milestones, and 30% for achieving performance goals. These figures highlight the versatility of gift cards as a reward mechanism and represent new avenues for merchant exposure and customer engagement.



of participants said holidays were a key reason to receive a gift card from their employer

KEY REASONS TO RECEIVE GIFT CARDS FROM EMPLOYER



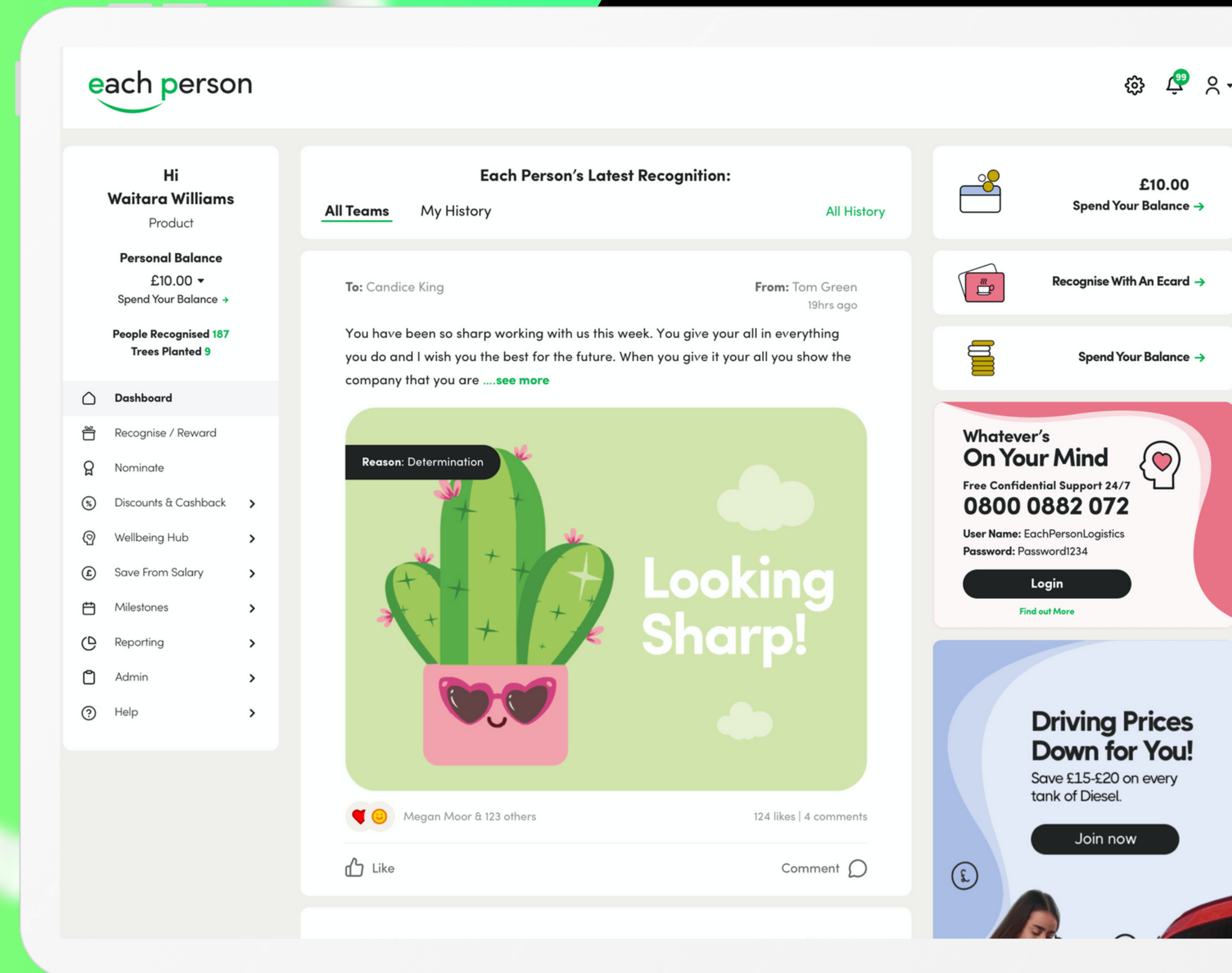
Employee Rewards and Recognition Platform Spotlight: EachPerson



Each Person is a Rewards & Recognition platform that powers impactful programs for business across all industries. An easy-to-use and automated system, Each Person is designed to help businesses retain and attract talent in an increasingly competitive world of workplace cultures. With 66% of employees now saying they would quit their job if they don't feel recognised, Each Person can be a game changer.

They are committed to driving employee engagement and retention through offering a huge range of meaningful reward options and the flexibility for recipients to choose. Leveraging digital gift card rewards, Each Person power rewards in 8 different countries and 5,500 gift cards were redeemed within 6 months of launch.

Each Person serves a new acquisition channel, connecting merchants with new B2B buyers that present their gift card products as a curated and tailored reward option, and end users who become loyal customers.



Evolving Trends in Non-Payroll Payouts: The Rise of Digital and Branded Options

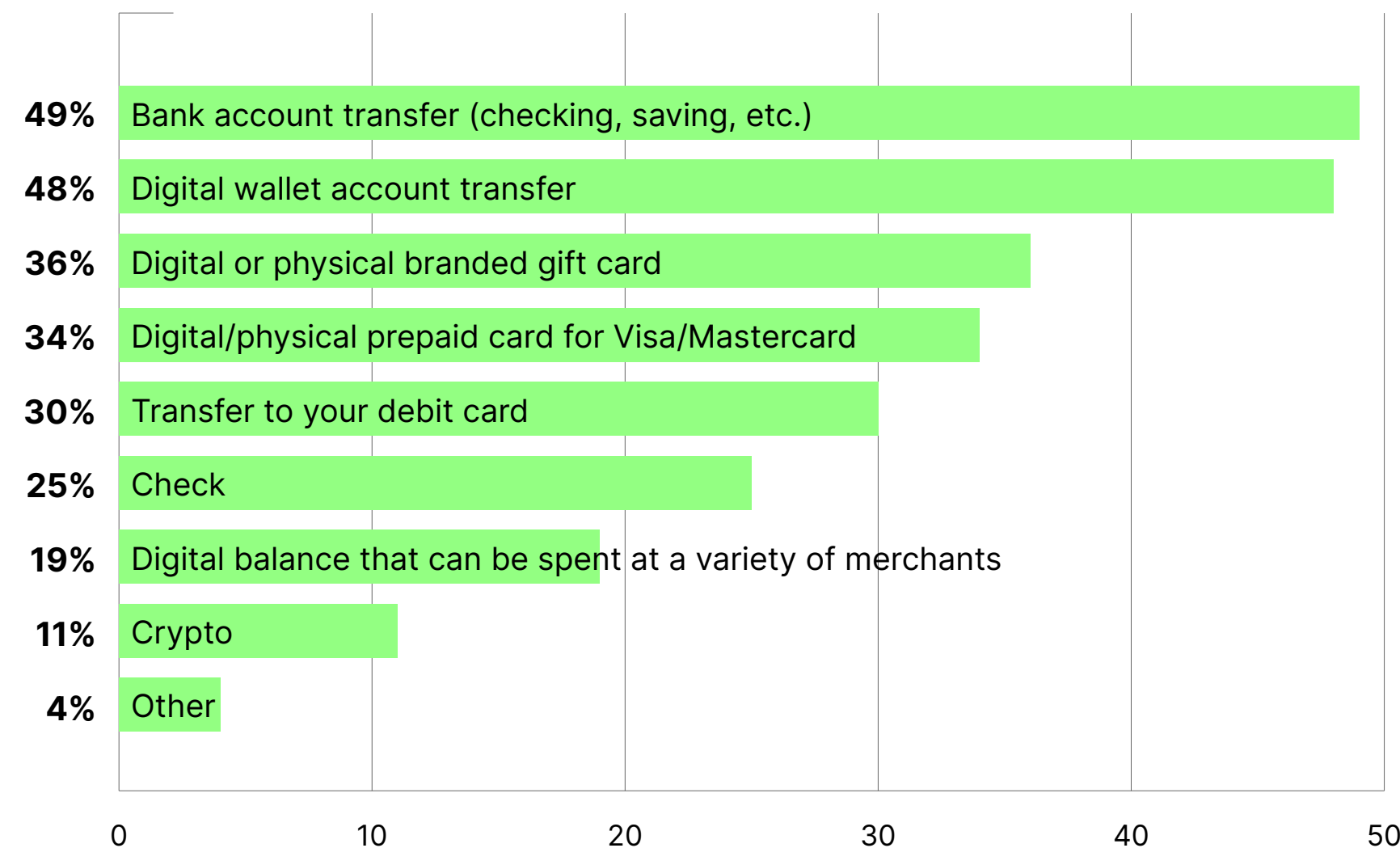
The way people receive non-payroll payouts is rapidly evolving, with the new norm becoming direct, digital, and user-friendly. Moving beyond traditional bank transfers, consumers are increasingly embracing digital wallet transfers and branded digital gift cards.

When it comes to payouts from businesses or government agencies, nearly half of the recipients (49%) prefer bank transfers, closely followed by 48% who favor digital wallets.

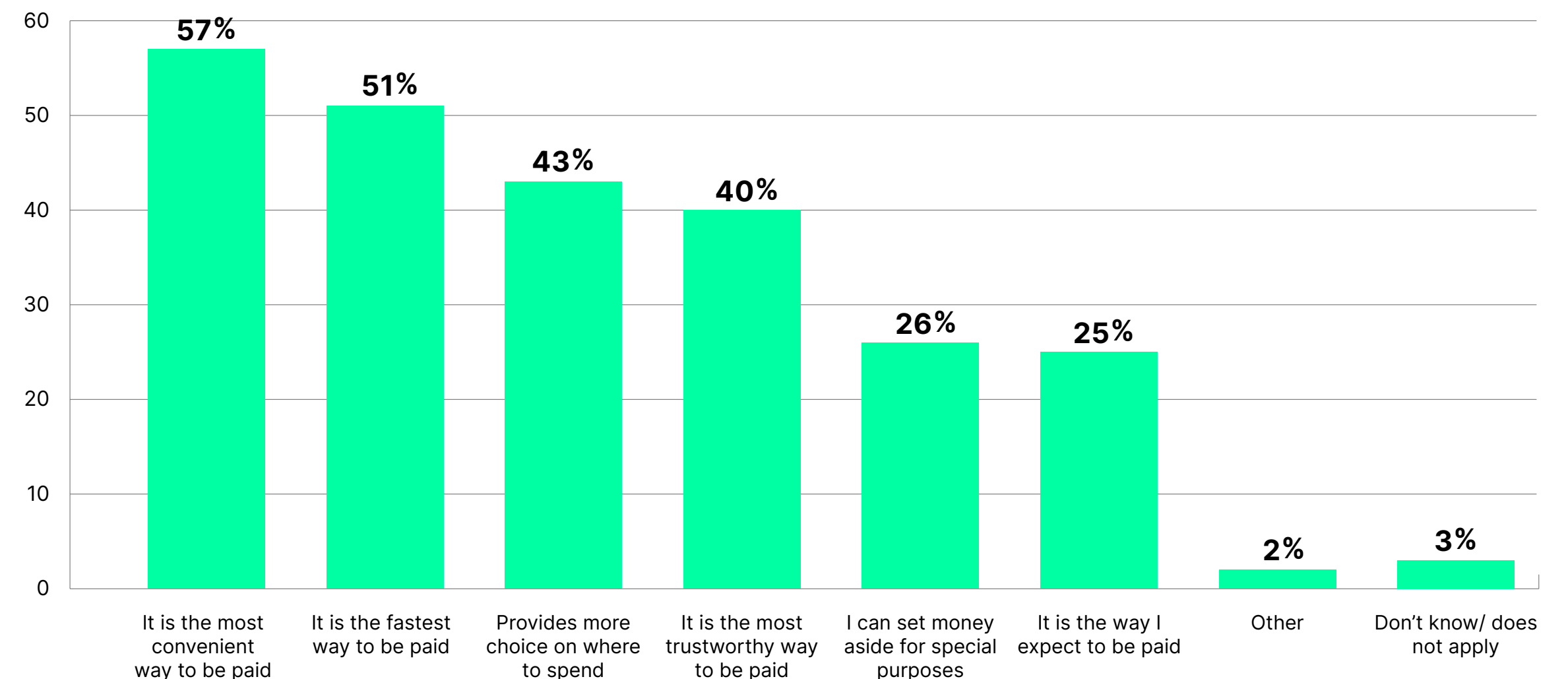
Notably, a significant 36% opt for the convenience and added benefits of branded gift cards, while 34% choose the versatility of Visa/Mastercard.

Consumers' choice in payout method is often influenced by the specific use case. For above all, convenience (57%) and speed (51%) are the top priorities for consumers when selecting their preferred payment method. Banks and debit cards stand out as they offer a familiar means to spend funds at their preferred time and place.

PAYOUTS RECEIVED IN LAST 6 MONTHS



PREFERENCE REASONS FOR DISBURSEMENT METHODS



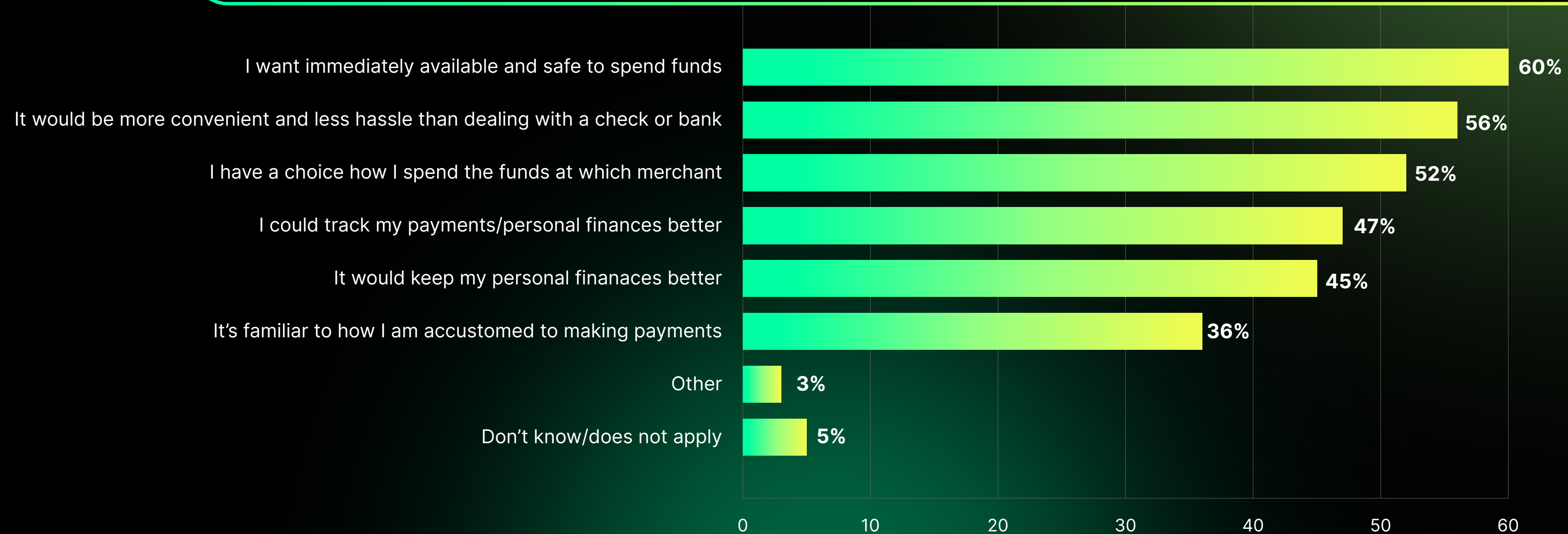
The Preference for Bankless, Merchant-Redeemable Payouts

A standout trend is the growing preference for digital balances redeemable at various merchants, particularly for smaller payouts for activities like surveys, research trials, and loyalty programs.

This preference is driven by immediate access to funds (60%), the convenience of bypassing traditional banking processes without the (56%), and the flexibility to choose from various merchants when spending the funds (52%).

This shift towards digital and branded payment methods reflects a broader change in consumer behavior, where flexibility, convenience, and immediacy are highly valued. With more demand for traditional sectors to embrace digital transformation, these preferences are likely to shape the future of how businesses and government agencies disburse non-payroll payments, offering a more tailored, efficient, and user-friendly experience to recipients.

REASONS TO CHOOSE DIGITAL BALANCE TO SPEND AT VARIETY OF MERCHANTS

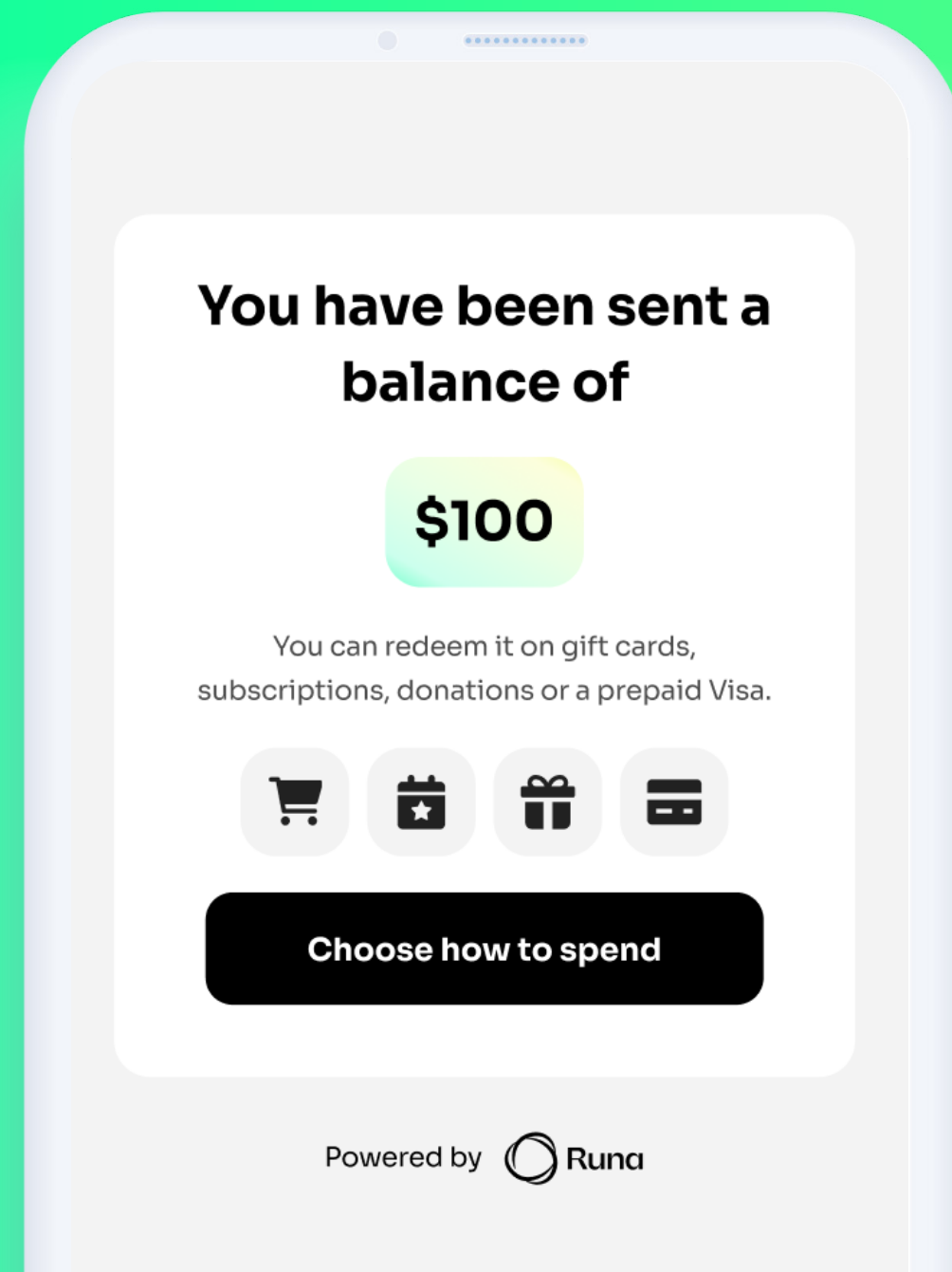


Runa Product Spotlight: Payout Link

With the Runa Payout Link, businesses can send an open balance that their recipient can choose how and when to redeem across any merchant on the Runa Network. With a global network of the most popular merchants in 30 countries, the Payout Link can be spent instantly like cash, giving recipients unprecedented flexibility. Senders can access data-rich reporting to gain valuable insights and optimize their programs.

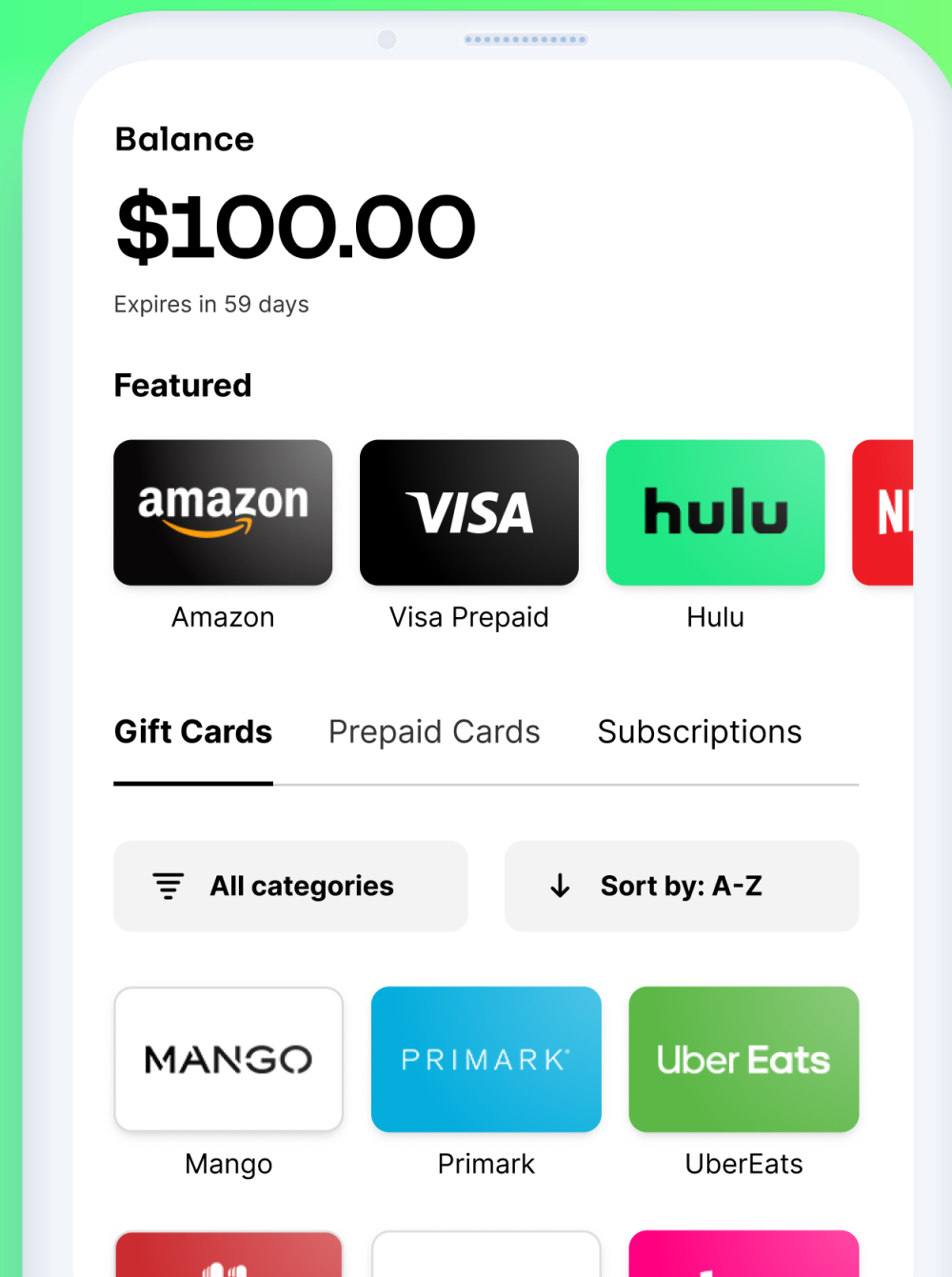
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RECIPIENT RECEIVES
A BALANCE



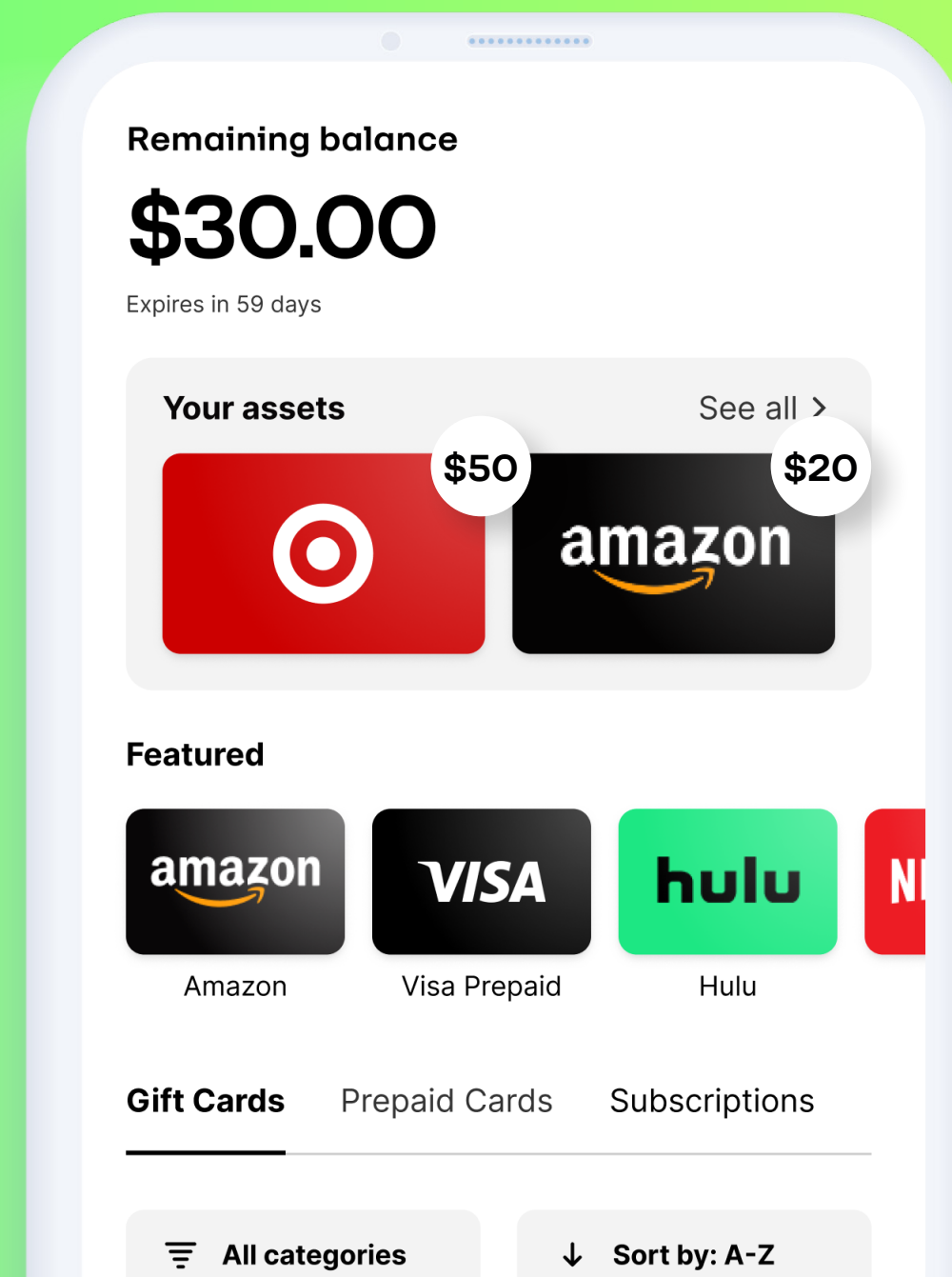
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RECIPIENT CAN SPREAD ACROSS
MERCHANTS ON THE NETWORK



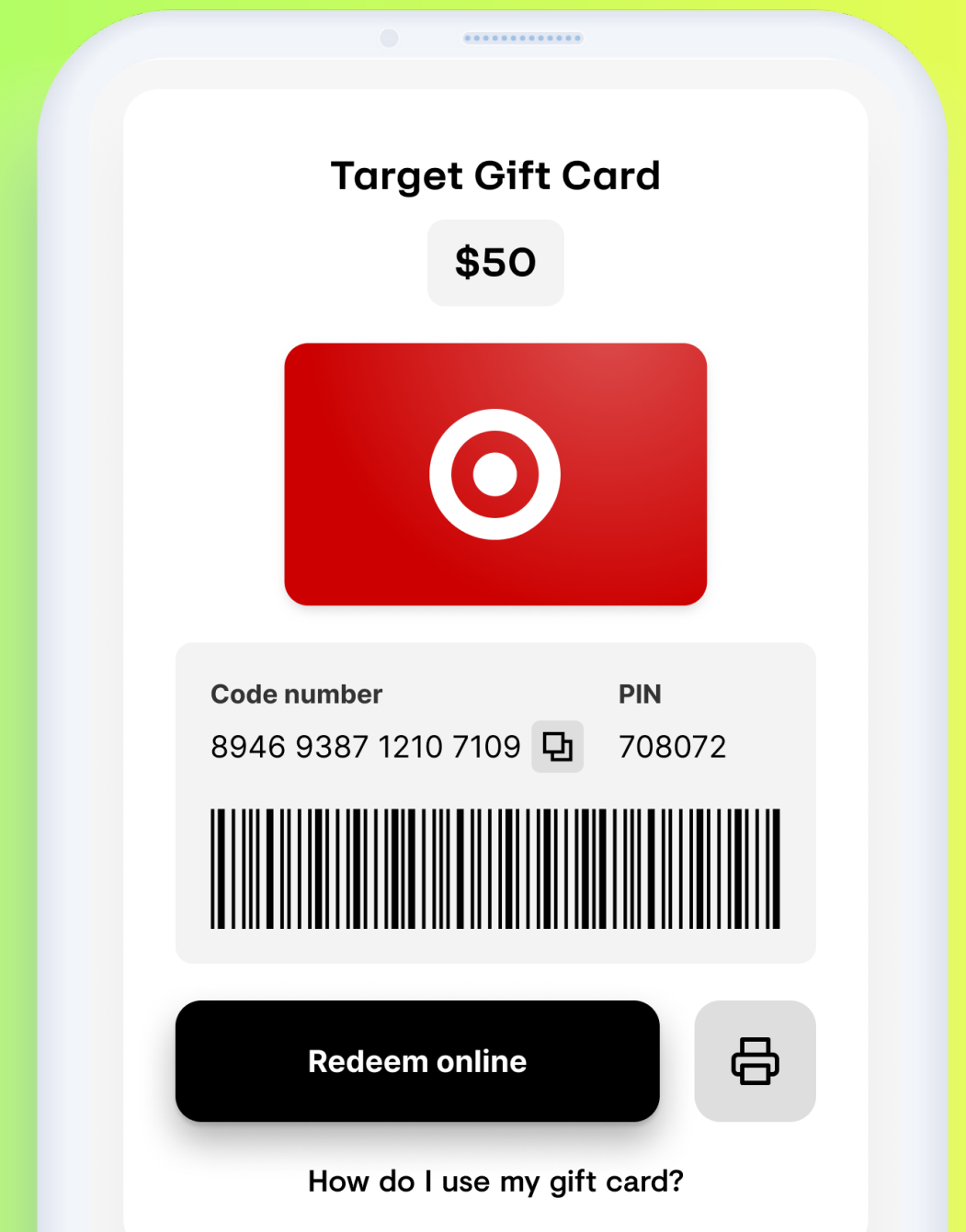
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RECIPIENT PICKS THE
MERCHANT(S) AND LOADS FUNDS



4

VALUE IMMEDIATELY AVAILABLE
TO SPEND ONLINE OR IN-STORE

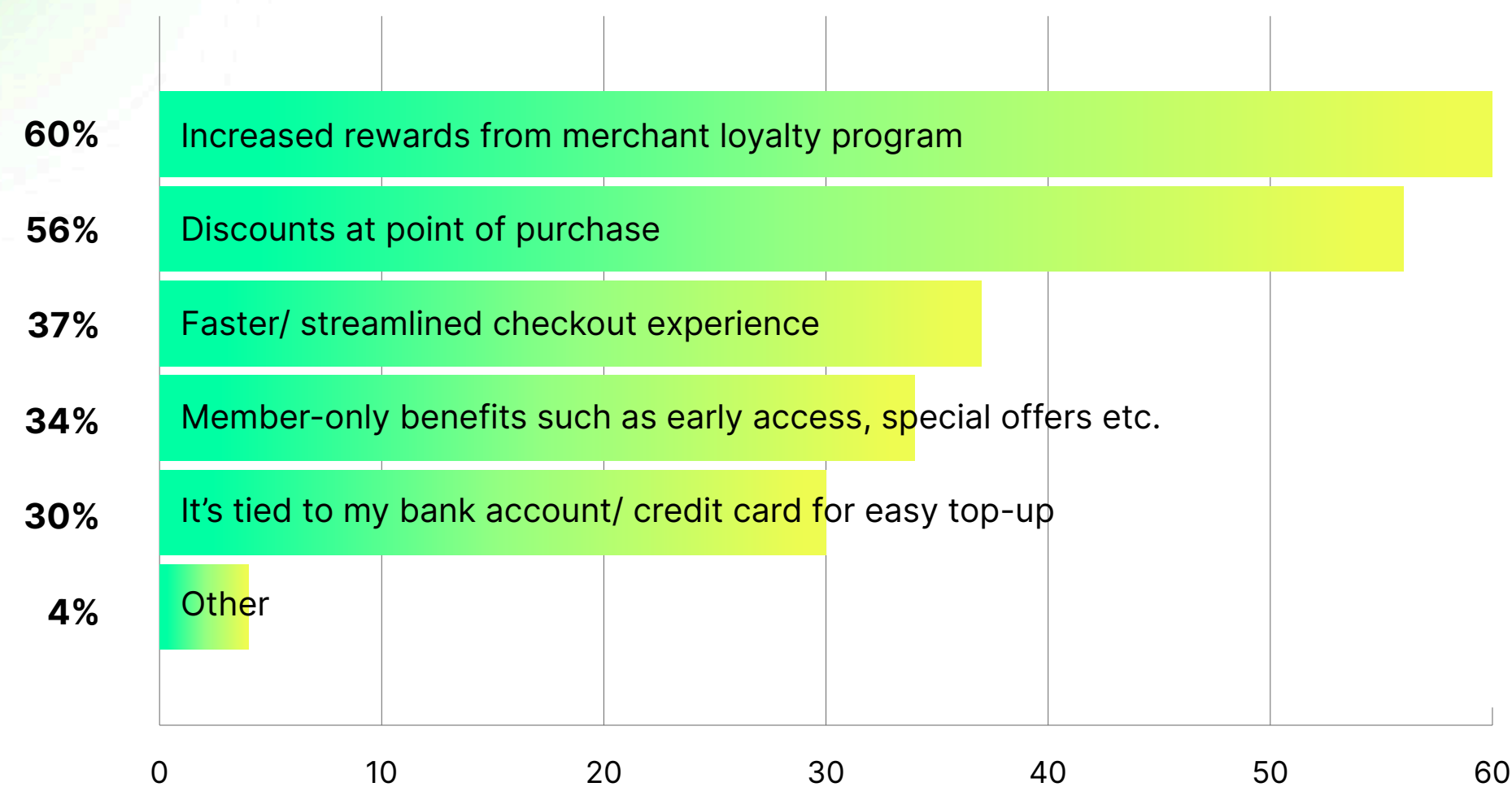


Maximizing Engagement with Merchant-Branded Payment Programs

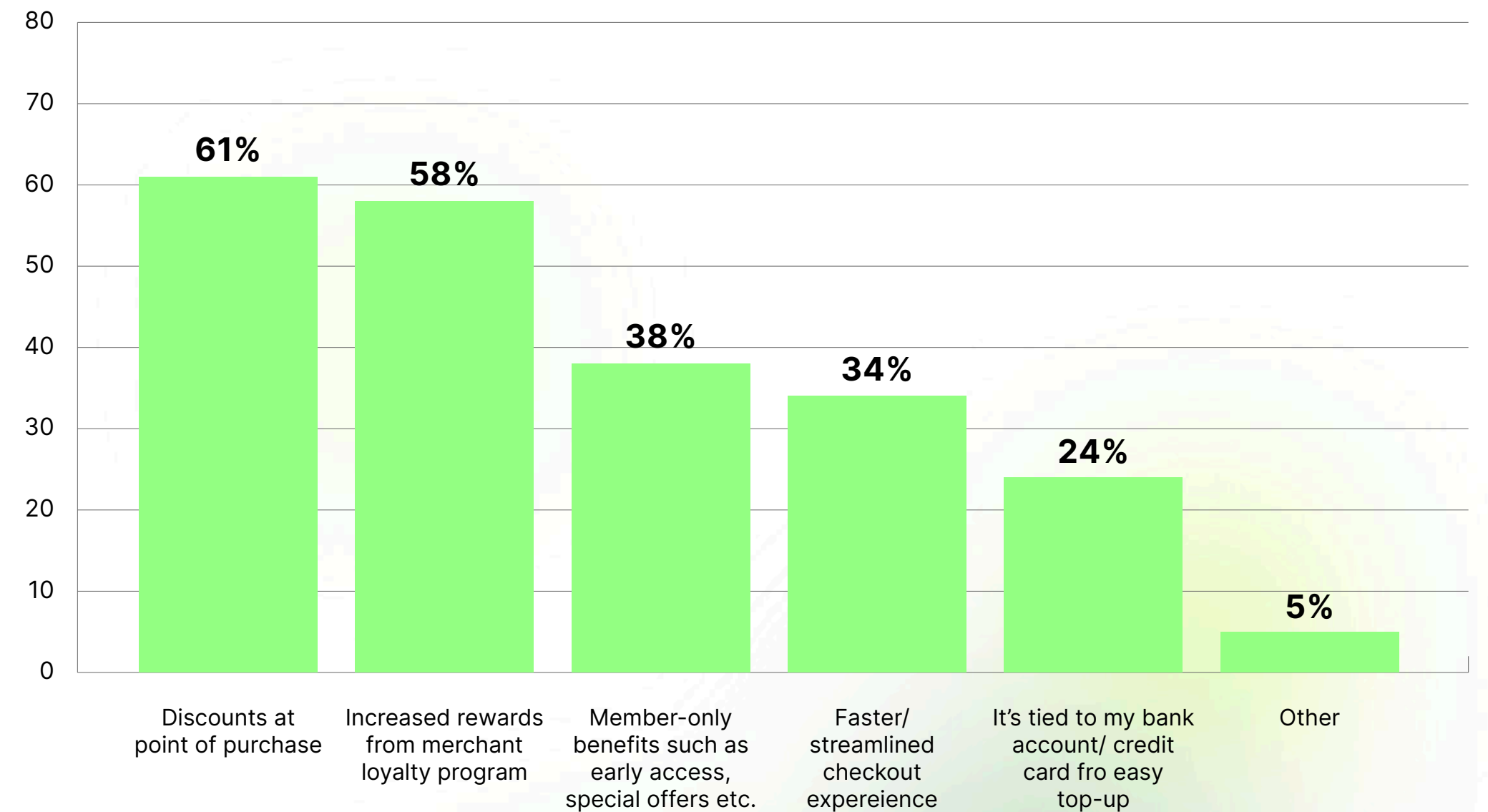
In the competitive world of retail, merchant-branded payment methods including store-specific cards like Target’s Red Card and digital platforms like the Starbucks mobile app are redefining the shopping experience.

To effectively entice consumers to explore a merchant-branded payment method, offering compelling incentives is crucial. Enhanced rewards are a major draw, with 60% of consumers citing them as a favorable factor, while 56% are motivated by discounts at the point of purchase.

REQUIRED FEATURES FOR TRIAL FROM MERCHANT BRANDED PAYMENT METHOD



WHAT ENCOURAGES MORE SPEND ON MERCHANT BRANDED PAYMENT METHODS



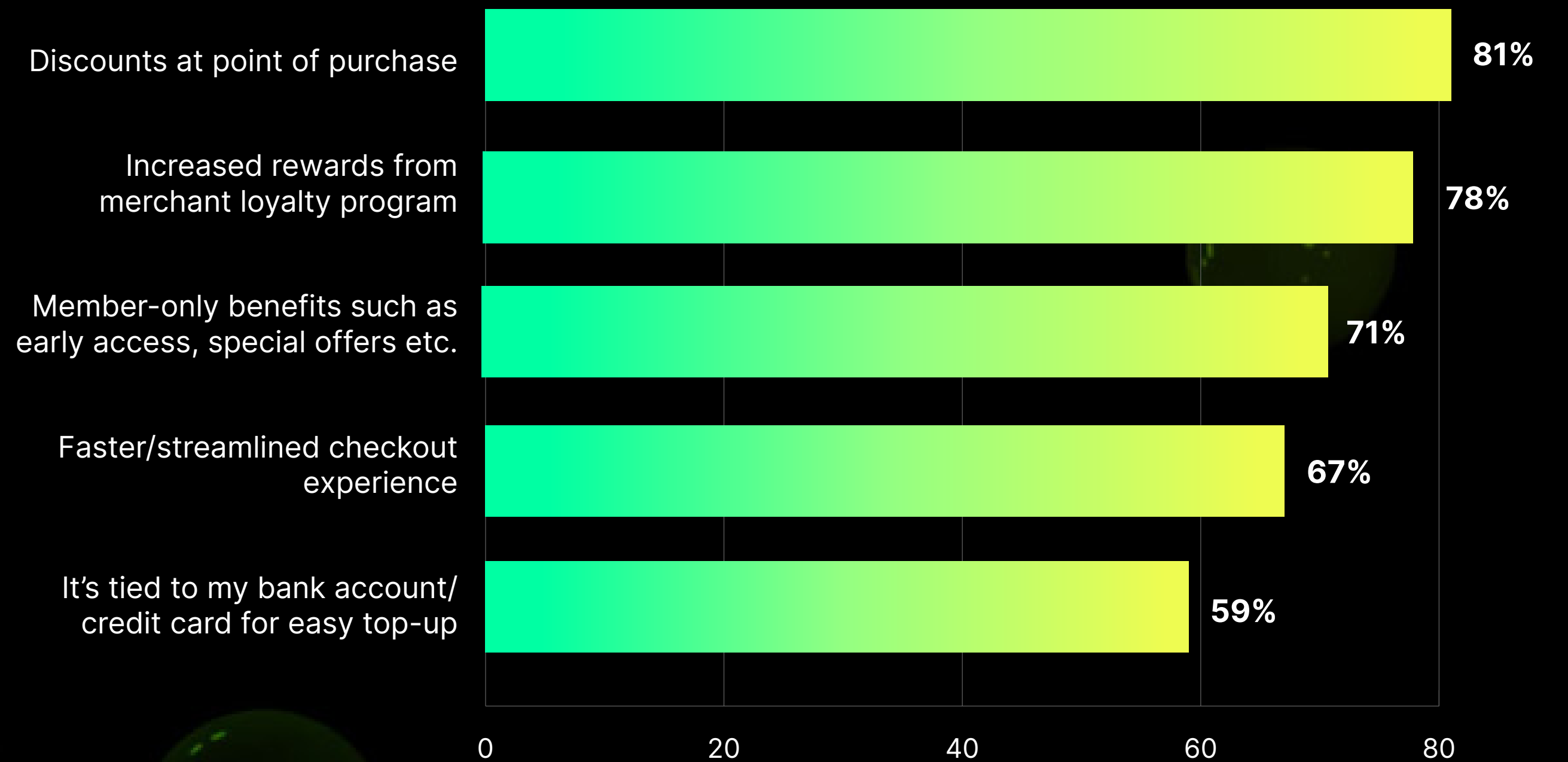
Moreover, to boost consumer spending through these payment methods, the expectation of receiving discounts (61%) and obtaining additional benefits through loyalty programs (58%) is high.

Key Factors That Drive Consumer Trial and Adoption of Branded Payments

Interestingly, there's a significant willingness among consumers to switch from their usual payment methods to merchant-branded options, especially when enticed with discounts (81%), increased rewards (78%), and exclusive member benefits (71%). This trend highlights a growing consumer preference for payment options that not only offer financial benefits but also enhance the overall shopping experience through personalized rewards and exclusive offers.

This shift towards merchant-branded payment methods presents a unique opportunity for retailers to deepen customer engagement and loyalty. By understanding and leveraging these consumer preferences, merchants can drive greater adoption of their branded payment programs, ultimately leading to increased customer retention and higher spending.

MERCHANT BRANDED PAYMENT METHOD FEATURES TO ENCOURAGE SWITCHING (EXTREMELY + SOMEWHAT LIKELY)



About Runa

Runa is a digital value payments infrastructure and network that enables people to pay and get paid by anyone, anywhere, instantly. The Runa network reaches more than 2 billion people and connects merchants, organizations, and individuals for fast, affordable, and data-rich payouts in more than 40 countries and 25 currencies.

Organizations of all types rely on Runa's infrastructure to power the movement of digital value and better serve their constituents. Runa provides direct connections to its network partners, enabling value to move more efficiently and economically than legacy solutions. Thousands of the world's top brands use Runa to reward, incentivize, and disburse funds.

Runa is headquartered in London with a globally distributed team. Our investors include Element Ventures, CommerzVentures, Clocktower Ventures, Volution Capital, AlbionVC, and SAP.



Merchants

Drive new revenue by issuing, distributing and accepting digital value.



Businesses

Simplify local and cross-border payouts with digital value.

Recipients

Consumers instantly receive digital value and spend it like cash on the Runa Network.



Runa.io