

Transitioning to a More Environmentally Friendly Card: Issuers Will Lead the Change

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EXECUTIVE SUMMARY

Transitioning to a More Environmentally Friendly Card: Issuers Will Lead the Change, commissioned by CPI Card Group and produced by Aite Group, discusses the impact of plastics on the environment, cardholder and issuer trends toward environmental sustainability, and earth-friendly card materials. Overall, North American issuers are broadly interested in the use of these card materials, such as recycled polyvinyl chloride (PVC), polylactic acid (PLA; a plant-based plastic), and upcycled recovered ocean-bound plastic, each of which has pros and cons. Feedback indicates that recovered ocean-bound plastic generates the most interest as a way for issuers to demonstrate their dedication to protecting the environment, grow new accounts, and increase card usage.

Key takeaways from the study include the following:

- All age groups are concerned about the environment. Although the environment may be considered a millennial concern, a majority of baby boomers also feel that companies should help improve it. Eighty percent of card executives believe consumers are more environmentally conscious today compared to five years ago.
- Research in other industries indicates that products marketed as sustainable are growing faster than products that are not. Card issuers may have a window of opportunity to attract or retain accounts by issuing a card made with eco-friendlier materials.
- All of the top 25 card issuers have corporate-level sustainability programs or initiatives, but few card executives communicate or work with these groups.
- Multiple environmentally focused card options exist in the market. Issuers should evaluate these options and consider sustainability goals, marketing opportunities, and operational impacts as part of the selection process.
- Card executive feedback indicates that recovered ocean plastic will resonate in card marketing and communications because of the connection to the health of the ocean.

INTRODUCTION

April 22, 2020, marked the 50th anniversary of Earth Day in the United States. Earth Day, now a global movement, came into existence as Americans grew more and more concerned about an increase in smog, oil spills, and wildlife extinctions. Within months of the first Earth Day, the Clean Air Act of 1970 became law, and the U.S. government established the Environmental Protection Agency. Within a few years, the government also established the Endangered Species Act and amended the Federal Water Pollution Control Act, which then became known as the Clean Water Act.

Today, one could argue that a new wave of environmental concerns has reached our shores. Although plastic is a ubiquitous part of our lives, it can negatively affect the environment during production and when it is discarded. This is especially true of single-use plastic, such as water bottles or take-out food containers. The biggest impact may be felt by sea life as millions of tons of plastic accumulates in oceans and waterways around the world. Not only is there approximately 150 million metric tons of plastic in the ocean today, but an estimated eight million metric tons of plastic is added each year—and this is expected to grow each year. Without significant changes, the weight of plastic entering the ocean is expected to exceed the weight of fish by 2050.¹

There are glimpses of hope, and tides may be shifting in favor of the environment. Many signs point to a change in consumer and corporate views toward environmental sustainability. Consumers today may be more likely to seek out companies that support earth-friendly initiatives or sell sustainable products, meaning that corporations will be under pressure to make changes and prove their commitment to the environment.²

Financial institutions are not likely to be immune to this shift. Some financial institutions are already responding by developing sustainability initiatives and making changes in their business practices. In support of changing attitudes and behaviors, updating card materials enables financial institutions to reduce plastic waste and the need for first-use PVC, which is considered to cause environmental damage during production.³ This white paper helps issuers understand how consumer and corporate attitudes are changing and how incorporating more environmentally friendly card material can have a positive impact on both the environment and consumer satisfaction.

1. “The New Plastics Economy: Rethinking the Future of Plastics & Catalysing Action,” World Economic Forum, Ellen MacArthur Foundation and McKinsey & Company, January 2016, accessed April 26, 2020, <http://www.ellenmacarthurfoundation.org/publications>.

2. “Global Consumers Seek Companies That Care About Environmental Issues,” Nielsen, November 9, 2018, accessed March 11, 2020, <https://www.nielsen.com/us/en/insights/article/2018/global-consumers-seek-companies-that-care-about-environmental-issues/>.

3. “PVC: The Poison Plastic,” Greenpeace, August 8, 2003, accessed March 30, 2020, <https://www.greenpeace.org/usa/wp-content/uploads/legacy/Global/usa/report/2009/4/pvc-the-poison-plastic.html>.

METHODOLOGY

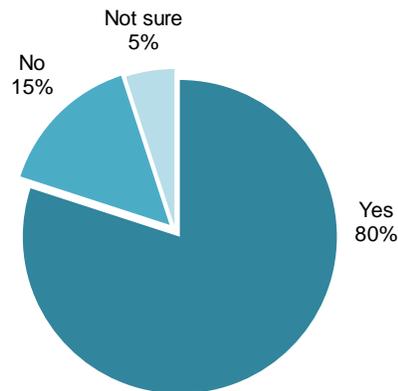
This white paper is based on market intelligence and insights, Q1 2020 interviews with 20 executives at issuers in the U.S. and Canada, the author's experience, and available research publications. Executives contributing to this research have senior responsibilities in retail banking, card strategy, and operations, and their titles include head of branch banking, sales and service executive, director, executive vice president, vice president, and senior vice president. They are key decision-makers for retail banking and card activities at their institutions.

THE NEW CONSUMER PREFERENCE

Eighty percent of card executives interviewed believe that consumers are more environmentally conscious today than five years ago (Figure 1). As consumers continue to become more aware of environmental issues, they will pay attention to how their purchase decisions impact the environment. The packaged goods market is already seeing a shift in consumer behavior, as sustainable or earth-friendly products have grown over five times faster than traditional products.⁴ Ultimately, the perceived environmental impact of products influences consumer purchase decisions in other industries, creating an opportunity for financial services to align products and services with this shift in consumer preference.

Figure 1: Issuer Views of Consumer Environmental Concerns

Q. Do you think cardholders are more environmentally conscious compared to five years ago? (N=20)



Source: Aite Group interviews of 20 card services executives at issuers in the U.S. and Canada, Q1 2020

The shift in consumer attitudes toward the environment is critical for issuers to recognize because it reveals opportunities to create a competitive differentiator. A majority of consumers feel it is extremely or very important for organizations to implement programs to contribute to improving the environment. Although some may assume that this is only a millennial concern, 72% of baby boomers share the same opinion, indicating that views are aligned across age groups.⁵ In the long run, issuers must consider whether they are doing enough to communicate their commitment to the environment and align initiatives and messaging with consumer attitudes.

4. Randi Kronthal-Sacco and Tensie Whelan, "Sustainable Share Index: Research on IRI Purchasing Data (2013 -2018)," NYU Stern School of Business, March 11, 2019, accessed March 24, 2020, <https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU%20Stern%20CSB%20Sustainable%20Share%20Index%E2%84%A2%202019.pdf>.

5. "Global Consumers Seek Companies That Care About Environmental Issues," accessed March 11, 2020.

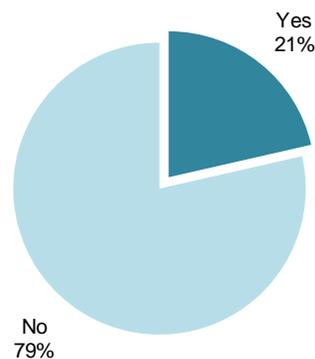
SUSTAINABILITY IN FINANCIAL SERVICES

All of the top 25 U.S. banks and credit unions (by asset size) promote environmental sustainability groups or initiatives on their websites. Additionally, over half of these institutions have committed to meeting at least one of the United Nations' Sustainable Development Goals (SDG) or are compliant with Global Reporting Initiative (GRI) Standards. A dedication to environmental goals is further evidence that banks and credit unions realize their obligation to protect the environment and the communities in which they serve, and also that they recognize that these commitments are meaningful to their customers or members. Overall, roles such as chief sustainability officer and director of sustainability may have been nonexistent in banking 20 years ago but are more common as financial institutions work to reduce their environmental impact and promote their efforts.

Unfortunately, if card executive feedback is any indication, there seems to be an opportunity for additional communication between sustainability groups and card groups, meaning more work is needed to create a symbiotic relationship. Among organizations with a sustainability initiative or department, only three of 14 card executives state they communicate with those groups. Additionally, several card executives did not realize that their institution had a sustainability group, although the company website promotes its existence.

Figure 2: Line of Business and Sustainability Group Communications

Q. Do you communicate with your sustainability group?
(n=14 issuers with a dedicated sustainability group)



Source: Aite Group interviews of 20 card services executives at issuers in the U.S. and Canada, Q1 2020

Issuers are already reducing paper in the card mailer and shifting cardholders to electronic statements, possibly driven by cardholder feedback and expense-reduction goals. However, cardholders may begin to critique every item they receive, and the card is often the only product cardholders interact with daily. An increased level of collaboration between sustainability groups and card executives may contribute to new opportunities to support corporate sustainability

goals and leverage sustainability group resources. Ultimately, communication goes both ways. Sustainability leadership or staff may not understand financial products and operations enough to identify opportunities within the organization. Therefore, executives, product teams, and operations should continue to initiate conversations and share ideas that can benefit all groups.

EARTH-FRIENDLIER CARD MATERIALS

Multiple card executives note that they are considering an environmentally friendlier card product, so cardholders may increasingly demand these options as issuers launch and promote this type of product. Multiple card options exist for debit and credit card issuers that want to align card strategies with consumer trends toward environmental responsibility and with their overall corporate sustainability objectives. All of the options below could provide a strong message of sustainability, and each carries unique attributes.

Designing a new card and using new types of materials require planning and many considerations. The details that follow will help the sustainability groups, product managers, and marketing teams choose the option that is best for promotion and strategy. In addition to strategic conversations about sustainability goals and marketing opportunities, considerations such as design, technology, compliance with industry standards, and durability are equally important and should also be part of the conversation.

RECOVERED OCEAN PLASTIC

Recovered ocean plastic is defined as plastic retrieved from the ocean. This includes a subset referred to as recovered ocean-bound plastic waste, which is highly likely to end up in the ocean due to its proximity to the seashore or to streams and rivers that lead to the ocean. At the time of this report, CPI Card Group's Second Wave is the only payment card featuring a core made with recovered ocean-bound plastic, certified by two of the major payment brands, and available for issuers. Cards made with recovered ocean-bound plastic provide a meaningful option for cardholders concerned about environmental issues, as it reduces the amount of new plastic used for card material, and it diverts plastic waste from entering the ocean. For every 1 million Second Wave payment cards produced, CPI Card Group estimates that over one ton of plastic will be diverted from entering the world's oceans, waterways, and shorelines.

RECYCLED PET AND PETG

Recycled polyethylene terephthalate (PET) and its derivative copolymer, recycled polyethylene terephthalate glycol-modified (PETG), are plastics sourced from everyday items such as water bottles and pharmaceutical packaging. Primarily because single-use plastic has a large impact on the global plastic pollution problem, these sources provide a strong visualization that may help consumers associate their daily activities with products being recycled.⁶ Given the colorless nature of these materials, they can be a desirable source material from an aesthetic perspective. Recycled PETG, in particular, has the ability to be recycled many times over if processed properly.

6. "Fact Sheet: Single-Use Plastics," Earth Day, March 29, 2018, accessed April 7, 2020, <https://www.earthday.org/fact-sheet-single-use-plastics/>.

RECYCLED PVC

Recycled cards help reduce the amount of new plastic produced for cards because they are made up of a combination of new and recycled PVC. PVC is normally not recycled, so increasing demand for recycled PVC can help reduce the amount that ends up in a landfill.⁷ Recycled PVC cards can reach levels above 90% recycled, although the ratio of recycled to new PVC can vary between orders and card manufacturers.

PLA CARD PLASTIC

PLA is plastic manufactured from corn or another plant-based starch. Cards made with PLA look and feel like a PVC card but are more environmentally friendly because their production has a lower carbon footprint than petroleum-based PVC. This type of plastic can break down more quickly if composted in a high-heat commercial facility, but it does not break down quickly if simply discarded. Additionally, PLA is a form of plastic, so it does not reduce the amount of new plastic introduced into the environment. Still, a plant-based card can support a strong marketing message because it is manufactured from plants rather than petroleum.

7. Orion Donovan-Smith, "When Does Recycling Your Plastic Make Sense? The Answer Isn't So Simple," PBS, March 31, 2020, accessed April 4, 2020, <https://www.pbs.org/wgbh/frontline/article/what-plastic-types-to-recycle/>.

CARD PLASTIC CONSIDERATIONS

When updating card material from standard PVC to create a more environmentally friendly card, manufacturers and issuers must evaluate multiple variables. Table A provides considerations to help during the evaluation and testing phase based on insights from card manufacturers and issuers. In addition to the points that follow, issuers should speak to their processors or card fulfillment suppliers to make sure the desired plastic option has been tested and is supported, or whether it must be verified before moving forward. The issuer may also encounter other unique considerations or limitations.

Table A: Major Plastic Card Options

Card material	Expected durability	Dual interface capable	In-branch issuance	Emboss and flat print
Standard PVC (first use)	Industry standard	Yes	Yes	Yes
Recycled PET (PETG)	Equal to or greater than PVC	Yes	Yes	Possible
Recycled PVC	Less than PVC	Yes	Yes	Yes
PLA plastic (first use)	Less than PVC	Yes	Possible	Possible
Second Wave with a core made with recovered ocean-bound plastic	Greater than PVC	Yes, for 2 major payment networks	Possible	Possible

Source: Aite Group

Moving from standard PVC card plastic to an environmentally friendly option is also an opportunity to redesign the card. Limitations should be a part of the conversation before developing designs, so issuers should ask the card manufacturer, processor, and personalization supplier if design adjustments should be made with a particular option. Table B outlines limitations that likely exist with each option. Keep in mind that each card manufacturer's product is unique, so it is best to speak to the card manufacturer to understand specific features.

Table B: Card Design Considerations by Plastic Type

Card material	Colored core available	Custom mag stripe supported	Foil core supported
Standard PVC (first use)	Yes, stock and custom	Yes	Yes
Recycled PET (PETG)	Yes	Yes	Possible
Recycled PVC	Yes	Yes	Possible
PLA plastic (first use)	Unlikely	Yes	Possible
Second Wave with a core made with recovered ocean-bound plastic	Yes	Yes	Possible

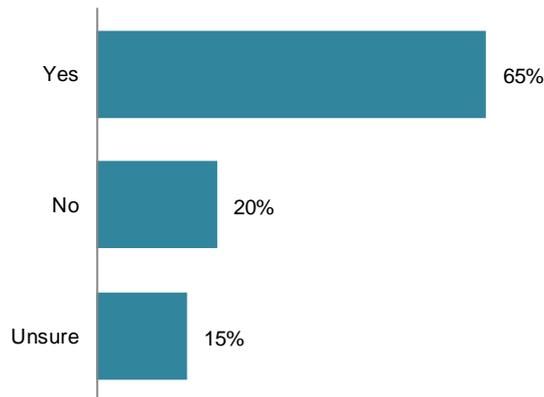
Source: Aite Group

ISSUERS FAVOR RECOVERED OCEAN PLASTIC

Aite Group interviewed issuers with portfolios that range from under 50,000 cards to over 50 million cards to understand their opinions of environmentally focused card products and find which options issuers favor the most. A majority of issuers are surprised by the multiple options available and believe these products both help to protect the environment and will resonate with cardholders because of a growing focus on protecting our natural resources. Of all the options discussed, recovered ocean plastic was the clear favorite compared to other more environmentally friendly alternatives (Figure 3).

Figure 3: Comparison of Recovered Ocean Plastic to Other Options

Q. Do you see benefits of recovered ocean plastic over other options?
(N=20)



Source: Aite Group interviews of 20 card services executives at issuers in the U.S. and Canada, Q1 2020

Issuers that favor recovered ocean plastic each have their reason for doing so. Some card executives acknowledge that they are personally interested in protecting the ocean. For others, it was clear that any of the environmentally focused card options can help protect the environment, but their feedback indicates that they believe recovered ocean plastic supports messaging and imagery that is easy for consumers to engage with, which is something they find essential for marketing to new and existing cardholders.

Figure 4: Issuer Quotes of Recovered-Ocean-Plastic Cards



Source: Aite Group

Cards made with recovered ocean plastic tell a story that cardholders can easily understand. Even if the cardholder is unaware of the deadly effects of plastic in the ocean, the visualization of a sea turtle or other ocean wildlife draws an immediate connection between the card and something that everyone appreciates. A recovered-ocean-plastic card might make cardholders feel better about their choice of bank and, if promoted effectively, could create a differentiator for the issuer.

CONCLUSION

Financial institutions are making strides to protect the environment and decrease the impact they have on it. The fact that most of the top financial institutions in the U.S. by asset size, servicing hundreds of millions of cardholders, have committed to meeting global environmental standards or goals is evidence that they take their responsibilities to the environment seriously.

Environmentally focused card products, including those made with recovered ocean-bound plastic, allow issuers to demonstrate their commitment to protecting the environment. Additionally, aligning card portfolios to the environmental concerns of customers may help issuers attract new accounts and achieve top-of-wallet status among cardholders who view the cards they carry as a way to express a desire to their part for the environment.

The environment:

- Plastic in the ocean is an incredible problem, and without solutions, it is expected to get worse.

Benefits of recovered ocean plastic:

- Debit and credit cards made with recovered ocean-bound plastic help issuers and cardholders display their commitment to protecting the environment and the ocean.
- Issuing cards made with recovered ocean-bound plastic can help divert plastic from entering the world's oceans, waterways, and shorelines.

Issuer considerations:

- There is a heightened level of concern for protecting the environment across all age groups, and this may impact consumer purchase decisions.
- Issuers should consider a variety of factors when moving to a more environmentally friendly card plastic, because there may be vendor, operational, and design impacts.
- Card leadership should proactively communicate with sustainability groups in the organization to share opportunities, because funds may be available to offset the cost of initiatives, such as incorporating more environmentally friendly card materials.

ABOUT CPI CARD GROUP

CPI Card Group® is a payment technology company and leading provider of credit, debit, and prepaid solutions delivered physically, digitally, and on-demand. CPI helps our customers foster connections and build their brands through innovative and reliable solutions, including financial payment cards, personalization, and Software-as-a-Service (SaaS) instant issuance. CPI has more than 20 years of experience in the payments market and is a trusted partner to financial institutions and payments services providers. Serving customers from locations throughout the United States, CPI has a large network of high-security facilities, each of which is registered as PCI compliant by one or more of the payment brands: Visa, Mastercard, American Express, and Discover. Learn more at www.cpicardgroup.com.

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ABOUT AITE GROUP

Aite Group is a global research and advisory firm delivering comprehensive, actionable advice on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, insurance, wealth management, and the capital markets, we guide financial institutions, technology providers, and consulting firms worldwide. We partner with our clients, revealing their blind spots, and delivering insights to make their businesses smarter and stronger. Visit us on the [web](#) and connect with us on [Twitter](#) and [LinkedIn](#).

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