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2021 IMPACT INNOVATION AWARD IN CASH MANAGEMENT AND PAYMENTS

U.S. BANK INSTANT CARD™

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IMPACT BRIEF

U.S. BANK

U.S. Bancorp is the parent company of U.S. Bank National Association, the fifth-largest commercial bank and the largest commercial card processor in the United States. The Minneapolis-based bank blends its relationship teams, branches, and ATM network with digital tools that allow customers to bank when, where, and how they prefer. U.S. Bank is committed to serving its millions of retail, business, wealth management, payment, commercial, corporate, and investment customers across the country and around the world as a trusted and responsible financial partner. This commitment to doing the right thing for its customers earned it the designation of one of the World’s Most Ethical Companies from the Ethisphere Institute for seven years in a row and puts U.S. Bank in the top 5% of global companies assessed on the CDP A List for climate change action.

U.S. Bank is the recipient of Aite-Novarica Group’s 2021 Impact Innovation Award for Product Development (Figure 1).

FIGURE 1: IMPACT INNOVATION AWARD CATEGORIES IN CASH MANAGEMENT AND PAYMENTS



MARKET CHALLENGES AND NEED

Traditional corporate cards are issued to employees whose positions require and permit the authorized expenditure of corporate funds for travel, entertainment, and, in some cases, the purchase of equipment, supplies, and other necessary office expenses.

Corporate cards are not to be shared, as all payments are associated with an individual and are approved using spending rules in accordance with a particular corporate budget.

When members of the workforce who do not have a corporate card need to pay for business expenses, companies face limited options for payments, reimbursements, and

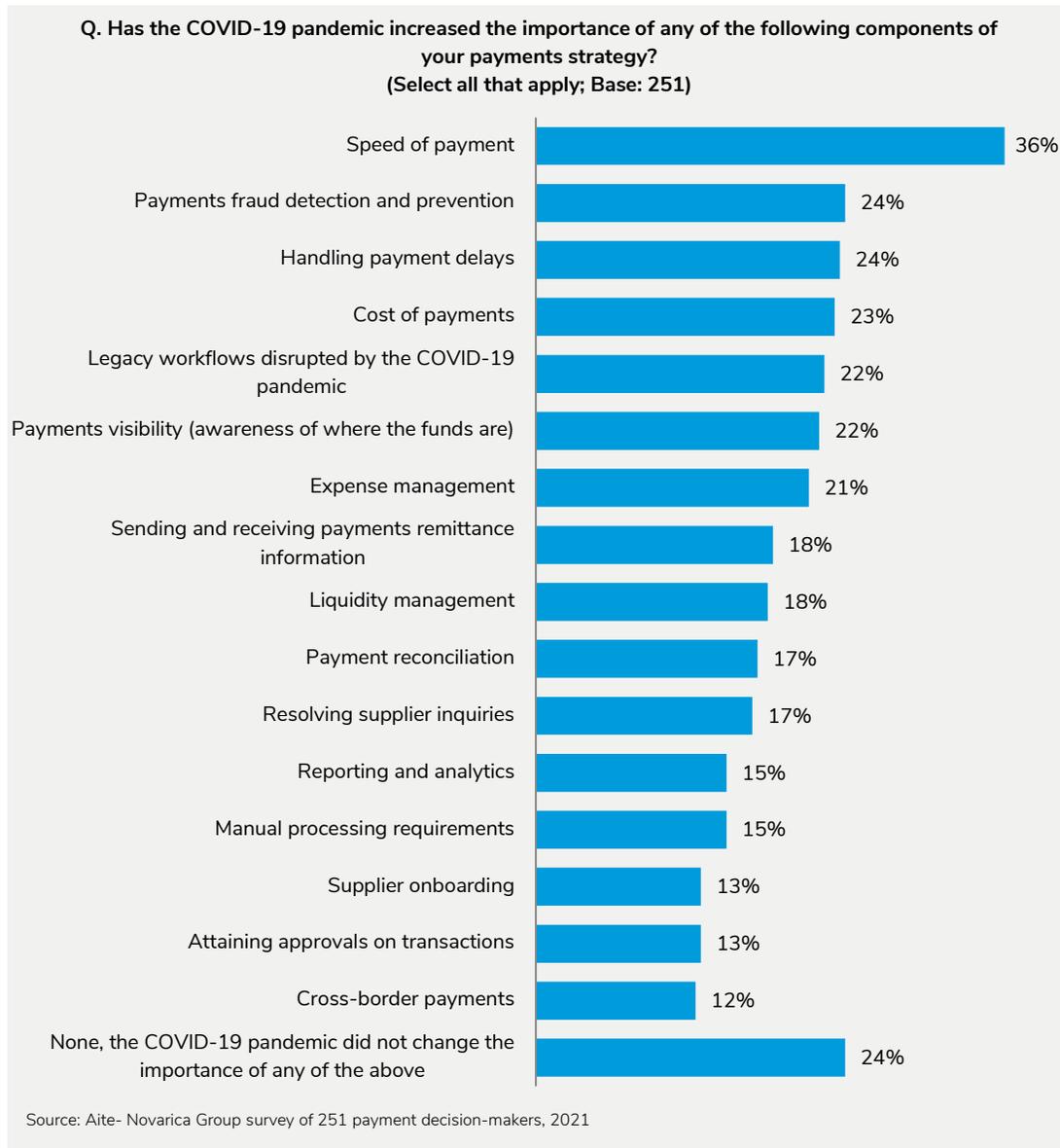
expense tracking. It is not uncommon for employees to use personal credit cards, checks, or even cash for business expenses, or—despite the individual nature of the corporate card—to “borrow” an approved person’s corporate card to transact business. Although the one-off expense is ultimately approved in most cases, the payment methods utilized by noncardholders are poor choices, offering the company limited control and insufficient visibility. Further, since personal cards are not incorporated into the company’s card program, these purchases require submission of manual expense reports for tracking and reimbursement and additional levels of approval, all of which typically take a long time to complete and process.

Speed of payments, effective integration into back-office systems, and issues around security are common points of concern for businesses in a normal market environment. However, the sudden strict lockdown and social distancing measures created in 2020 by the COVID-19 pandemic posed an additional challenge to most normal business practices. (Figure2). Businesses were abruptly thrust into business-continuity mode. Managers were forced to quickly redesign their processes, including those around procurement, with consideration for the new reality of remote working and the sudden need for home office equipment or other supplies normally provided in the workplace. Employees or contractors whose positions did not previously include corporate card access were required to make business-related purchases, and for many, execution required using personal assets.

The U.S. Bank Instant Card met this challenge for its clients through the accelerated development and delivery of a digital payment product designed to provide swift, secure, and easy access to funds required for business continuity in a crisis. Offered as an instant virtual card, the product initially addressed the immediate client need to facilitate corporate purchases in a secure, manageable environment and continues to evolve as additional use cases are introduced.

The Instant Card is integrated with several preferred expense-reporting platforms used by U.S. Bank clients, providing the program administrator solid reporting and analytics, and control over implementation, delivery, and security. Longer-term, the Instant Card has the potential to accommodate the ongoing spending needs of a shifting work environment as businesses attempt to transition to a new normal.

FIGURE 2: THE IMPACTS OF THE COVID-19 PANDEMIC ON PAYMENT STRATEGY



INNOVATION: INSTANT CARD

Instant Card, a mobile-based commercial payment solution, was conceived in early March 2020 as the serious nature of the COVID-19 outbreak was redefining behaviors throughout the United States and around the world. U.S. Bank launched the Instant Card to provide customers with a contactless digital approach to procurement, enabling employees and other corporate representatives without corporate credit cards to make necessary business purchases within the newly designed safety guidelines in a timely manner. The Instant Card combines the capabilities of a U.S. Bank virtual card with the power of a mobile wallet to create a completely digital payment experience.

TABLE A: INITIATIVE AT A GLANCE

CATEGORY	DETAILS
Financial institution	U.S. Bank
Key vendor partner	Internal build
Innovation	Instant Card was designed to facilitate normal purchasing behavior interrupted during the critical first stages of the COVID-19 pandemic shutdown.
Implementation time	Conceived March 2020; rolled out as a minimal viable product (MVP) at 90 days; first spend at 120 days
Official launch date	Launched June 2020; first spend July 2020
How it works	Virtual credit card is pushed to user's mobile wallet. Funds are for one-time use, immediately available and secure.
Key benefits	<ul style="list-style-type: none"> • Easy to set up in real time • Digital distribution; available in Mobile Wallet with a single click • Activity integrated with company reporting tools • Designed for one-time use with expiration • Entitlements, customized limits, merchant blocks, and immediate deactivation enhance security and protect against fraud

CATEGORY	DETAILS
<p>Future roadmap</p>	<ul style="list-style-type: none"> • Available credit balance for card users and provisioners • Card transaction view for card users and provisioners • Real-time authorizations notifications • Receipt capture for card users • Digital onboarding for new accounts • Samsung Pay support

Source: U.S. Bank

Target Market

U.S. Bank Instant Card is available to current users of a U.S. Bank Corporate Card program. It is a “one-of-a-kind” mobile-based commercial payment solution designed to allow individuals without a corporate card to access corporate funds via a virtual card pushed to a mobile wallet on a smart device. The Instant Card solves the problem of quickly providing corporate funds to a variety of approved company representatives, including employees, contractors, or volunteers, eliminating the need to use personal funds for qualified business expenses. At the same time, it allows the company to maintain full control, visibility, and security of corporate funds. Funds can cover nearly any legitimate business purchase, from remote work supplies such as monitors and keyboards to construction materials needed by a contractor. Most expenses vital to maintaining smooth operations fall under this umbrella.

The product was initially introduced in response to urgent requests by U.S. Bank clients that needed help paying vendors and supporting employees in the initial critical stages of the COVID-19 pandemic lockdown. Relationship managers launched a one-to-one phone and email campaign to assist their clients, ultimately delivering the product’s first adopters. Sales teams followed the effort by leading discussions with Instant Card during all sales calls focused on corporate cards.

The product has experienced a high level of adoption since its introduction, with creative use cases including distribution of emergency funds to foster care parents, funds for utility field workers, food and shelter for emergency firefighters, travel and other financial support for university students, and travel support for job candidates.

How It Works

The U.S. Bank Instant Card mobile app allows a company to quickly deliver a real-time virtual credit card to employees, contractors, and other approved representatives. Recipients of an Instant Card can immediately push the virtual card into their Apple Pay or Google Pay wallet and begin spending anywhere Visa and Mastercard are accepted. The card may also be used for online purchases by entering the 16-digit card number and the CVV code.

- Recipients are identified by name, mobile number, and email address
- Administrators establish credit limits and card expiration date
- Card recipient receives an email from the provider
- Card recipient downloads card to mobile wallet
- Recipient has immediate use of funds
- Funds are safe and secure
- Company has control of and visibility into all usage via U.S. Bank Access Online program management tools

Solution Development

Instant Card, a contactless solution, was designed in 2020 by U.S. Bank product development teams collaborating with offshore development partners. The development teams were in enhancement mode for their mobile card product when COVID-19 pandemic restrictions went into effect and quickly pivoted in response to urgent client requests for novel payment options.

The product is an add-on digital solution to the bank's existing suite of corporate card products. Revenue is realized through interchange fees. There is no additional price assigned at this time. The Instant Card product is cloud-deployed and supported internally by U.S. Bank technical support teams; U.S. Bank owns the code.

Key Quantitative and Qualitative Results

At initiation, the product was in an MVP stage. It has developed and matured over the past 18 months through numerous internal conversations and customer-driven requests from early adopters. As a result of customer response, U.S. Bank continues to enhance the original product, and there are additional features on the roadmap for Q4 2021 and Q1 2022.

Enhancements deployed in 2021 include the following:

- Request-a-Card-from-Card-User View
- Approval Queue
- MasterCard Network support for U.S. and Canada
- Bulk intake for up to 500 cards

Additional levels of engagement and other measures of success will include the following:

- The number of cards created
- Review of adopter's incremental-spend activity
- In-app monitoring of user behavior (to understand product usage)
- The level of interest generated at events featuring Instant Card
- Feedback from beta testers
- Traffic/activity directed to the product landing page through digital marketing activities
- PR coverage
- Client testimonials

Future roadmap

U.S. Bank has the following initiatives planned for Q4 2021 into Q1 2022:

- Available credit balance for card users and provisioners
- Card transaction view for card users and provisioners
- Real-time authorizations notifications
- Receipt capture for card users
- Digital onboarding for new accounts
- Samsung Pay support

AITE GROUP'S TAKE

Historically, innovation within highly regulated industries, such as banking, has moved at what many perceive to be a snail's pace. However, at a time when norms in all sectors—business and personal—were disrupted, sending everyone scrambling to understand the limits and ramifications of living safely with the COVID-19 pandemic, U.S. Bank jumped into action. It quickly delivered an innovative, timely solution that met its clients' essential payment needs.

Several factors contributed to the immediate success of the U.S. Bank Instant Card product and can reasonably predict further success throughout the development life cycle:

- Instant Card is a logical complement to the traditional corporate-expense card program in that it expands the universe of users from travelers and procurement associates to include individuals who have a one-time immediate need to spend corporate funds.
- U.S. Bank currently has existing partnerships with three major expense-reporting platforms. Integration with the reporting function is at the card-level, allowing companies to manage individual entitlements and expenses, and focus attention on issues of security and compliance.
- The product design acknowledges the growing acceptance of contactless payments as a legitimate path for corporate payments and supports the workforce in a post-pandemic world.
- Relentless collaboration among internal teams, coupled with ongoing client feedback, facilitated expeditious development and delivery of a MVP, fully validating the benefits of working within a supportive, high-performing team environment.
- The basic product has already seen several enhancements and has additional features in the queue for the remainder of 2021 and into 2022.

U.S. Bank took a client-centric approach to a serious problem, joining forces with technical staff, development partners, relationship managers, sales teams, and internal compliance leaders to develop and deliver Instant Card, altering the paradigm of endless discussions delaying product development. The COVID-19 pandemic may have acted as the catalyst for change, highlighting the importance of technology modernization for financial institutions. U.S. Bank answered the call.

AITE GROUP IMPACT INNOVATION AWARDS

Customer needs and expectations continue to evolve, and financial institutions must strive to stay one step ahead. Their capabilities and the breadth of their product portfolios must go beyond what has traditionally been offered to address new market challenges and capture new opportunities. Aite Group’s Impact Innovation Awards are designed to recognize and celebrate innovation achieved by financial institutions leveraging technology to surpass the status quo. Award recipients are leading the industry by identifying and implementing new products, capabilities, and/or levels of automation and effectiveness that are bringing our industry one step closer to next-generation banking. They are the financial institutions, regardless of size, that others will follow.

QUALIFICATION AND EVALUATION METHODOLOGY

Aite Group solicited nominations for its 2021 Impact Innovation Awards in Cash Management and Payments from May to July 2021. All nominated initiatives were required to be in production within financial institutions.

Aite Group analysts reviewed all nominations and narrowed the field to the top three to four submissions in each of the categories.

A panel of external judges representing leading financial institutions, industry thought leaders, and consultants/implementers, along with Aite Group analysts, determined the winners. Each nomination was evaluated based on eight attributes (Figure 3).

FIGURE 3: EVALUATION CRITERIA FOR IMPACT INNOVATION AWARDS

Impact Innovation Award Evaluation Criteria			
Level of innovation and competitive advantage	Ability to meet market needs	Impact on customer experience	Impact on customer operational efficiency
Level of new revenue opportunity for the bank	Impact on customer retention/new customer attraction	Level of scalability across customer base	Future roadmap

Source: Aite-Novarica Group

ABOUT AITE-NOVARICA GROUP

Aite-Novarica Group is an advisory firm providing mission-critical insights on technology, regulations, markets, and operations to hundreds of banks, payments providers, insurers, and securities firms as well as the technology and service providers supporting them. Our core values are independence, objectivity, curiosity, and a desire to help all participants in financial services create better, more effective strategies based on data, well-researched opinions, and proven best practices. Our experts provide actionable advice and prescriptive business guidance to our global client base.

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