Marqeta Study: Consumer Confidence in Embedded Finance and Digital Banking Providers on the Rise for Majority of Americans

June 6, 2023

● *86% of US mobile wallet users have made a purchase via a retailer's embedded mobile app*

● *72% of US mobile wallet users shared that they would feel confident enough to leave their wallets at home and only rely on their phones for making payments*

● *42% of US respondents said they use both traditional and digital banking providers*

OAKLAND, Calif.--(BUSINESS WIRE)--Jun. 6, 2023-- The age of embedded finance and digital financial services has reached an inflection point, with new payments and shopping solutions now commonplace in the US alongside legacy systems, according to a new survey from Marqeta (NASDAQ: MQ), the global modern card issuing platform. The company's *2023 State of Payments* report released today – surveying 4,000 consumers across three continents, including 2,000 in the US – shows how consumers are working with multiple financial services providers, both traditional institutions and a range of digital payment tools and new market entrants via embedded financial services to meet their needs and provide a simple, unified and branded shopping experience.

Marqeta's 2023 *State of Payments* report marks the fourth time the company has surveyed US consumers about their purchase preferences. As consumers continue to adapt to the COVID-era boom in digital innovation, the preference for a unified payment solution has grown and driven the adoption of embedded finance services. Embedded finance is defined as the integration of financial services into non-financial products, and McKinsey estimates that it will be worth $40 billion in the next three to five years in the US alone. Marqeta's report found that US consumers are steadily increasing their use of embedded finance. Eighty-six percent of US mobile wallet users now make purchases directly through a retailer's mobile app, with a stronger payment rewards system being a driver for the uptick. In addition, the demand for frictionless checkout was high, with 43% of respondents saying they have abandoned a purchase because it required them to download a new app or payment method.

Marqeta's report shows the confidence that consumers have in new digital payment technology and embedded finance. Almost three-quarters (72%) of mobile wallet users shared that they would feel confident enough to leave their wallet at home, and only rely on their phone for making payments, up from 61% in 2022. Digital payment processes are becoming less daunting to users of mobile wallets as well. Ninety percent of people surveyed who use mobile wallets reported that adding their card to their mobile wallet was much simpler than they had initially thought, up from 81% in 2022. As a result, 95% of mobile wallet users surveyed reported having one or more cards loaded into their mobile wallet. Beyond this, mobile payment methods continued to rise in popularity as convenient, frictionless payments took precedence:

- 80% of US consumers reported using peer-to-peer (P2P) payment transactions at least once
- 70% of US consumers reported using contactless payments in the past 12 months
- 67% of US consumers reported using a mobile wallet in the last 12 months

"Embedded finance is enabling brands to become financial service providers, offering consumers more streamlined payment experiences," said Rachel Huber, Marqeta's Market Intelligence Lead. "What our report shows is that after years of massive digital innovation, consumer confidence in modern, embedded payment methods is high and companies who don't offer these can miss out on future adoption."

While demand for digital and embedded finance services grows, Marqeta's report shows that when it comes to banking preferences, consumers haven't yet abandoned their primary or traditional banks. Seventy-seven percent of US respondents surveyed said they used traditional banks as their primary providers and 50% reported having never changed their primary banking partner at all. Nearly two-thirds (60%) are storing the majority of their funds in these primary accounts. However, when it comes to completing banking transactions, the majority of consumers (62%) reported that they complete most transactions via computer, tablet or smartphone, with 24% saying they do most banking in person at a branch.

As evidenced in Marqeta's report, consumers are balancing their loyalty to legacy providers and their desire for superior user experiences. Traditional and digital-first finance options have become intertwined, and consumers don't want to give up either one, instead opting for multiple financial services providers to meet their needs: 42% of US consumers said they use both traditional and digital banking providers, and 56% reported that they would consider getting financial services from a non-financial provider, such as a large tech company, retailer or a social media platform, a 10% lift from 2022.

"We're at an inflection point when it comes to legacy providers coexisting with new-age payment services," said Huber. "While our report shows a current balance between traditional and digital-first, embedded finance is challenging companies to think about how they build payment solutions into their offerings. Long-term consumer loyalty will depend on who can provide the most exceptional end-to-end user experiences."

Download the full report here.

About the research

The survey was performed on behalf of Marqeta by Propeller Insights, in February 2023. Marqeta surveyed 4,091 consumers (2,013 in the United States, 1,013 in Australia, 1,065 in the UK) between the ages of 18 and 64.

About Marqeta (NASDAQ: MQ)

Marqeta's modern card issuing platform empowers its customers to create customized and innovative payment cards. Marqeta's modern architecture gives its customers the ability to build more configurable and flexible payment experiences, accelerating time-to-market and democratizing access to card issuing technology. Marqeta's open APIs provide instant access to highly scalable, cloud-based payment infrastructure that enables customers to

launch and manage their own card programs, issue cards and authorize and settle payment transactions. Marqeta is headquartered in Oakland, California and is certified to operate in 39 countries globally. For more information, visit www.marqeta.com, Twitter and LinkedIn.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements expressed or implied in this press release include, but are not limited to, quotations and statements relating to changing consumer preferences; increasing consumer adoption of certain digital payment methods, products, and solutions; which payment, banking, and financial services products and solutions may succeed; technological and market trends; Marqeta's business; Marqeta's products and services; and statements made by Marqeta's senior leadership. Actual results may differ materially from the expectations contained in these statements due to risks and uncertainties, including, but not limited to, the following: any factors creating issues with changes in domestic business, market, financial, political and legal conditions; the effect of and uncertainties related to the global COVID-19 pandemic on U.S. and global economies and demand for Marqeta's services and products; the uncertainties and direct and indirect effects of the significant military action against Ukraine launched by Russia, including threats of attacks against U.S. financial institutions as retaliation against financial institutions for sanctions imposed against Russia; the risk that Marqeta is unable to further attract and grow its customer base; the risk that consumers will not perceive the benefits of Marqeta's products and services, including digital payment and banking products and services; the risk that Marqeta's products and services do not operate as intended, including digital payment and banking products and services; the risk that Marqeta's products and solutions will not achieve the expected market acceptance, including digital payment and banking products and services; and the risk that competition could reduce expected demand for Marqeta's products and services, including digital payment and banking products and services. Detailed information about these risks and other factors that could potentially affect Marqeta's business, financial condition and results of operations are included in the "Risk Factors" disclosed in Marqeta's Annual Report on Form 10-K for the year ended December 31, 2022, as such risk factors may be updated from time to time in Marqeta's periodic filings with the SEC, available at *www.sec.gov* and Marqeta's website at *http://investors.marqeta.com*. The forward-looking statements in this press release are based on information available to Marqeta as of the date hereof. Marqeta disclaims any obligation to update any forward-looking statements, except as required by law.

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