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Pressure From All Sides: Card Programs Must Evolve or Risk Irrelevance

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Introduction

It's 1995. A shopper stands at a grocery checkout, hands the cashier a plastic loyalty card, watches it get swiped before the first item is scanned, swipes their card, and walks out with a coupon for the next visit. This experience was modern at the time. The same shopper today opens an app before leaving the house, clips digital offers, pays with a digital wallet, and still walks out unsure whether any discount was applied. The technology around the transaction experience has changed quite a bit, yet the relationship between earning value and receiving it has not. Things are virtual, but they're still disconnected.

Card rewards have followed the same arc. The model worked in its era, designed around how cardholders shop and an expectation that "things take time." That sentiment no longer holds.

Now picture the same shopper a few years from now, asking an AI shopping assistant to handle the weekly grocery order, prescription refill, and a birthday gift for a friend. The agent works through each request, compares options the shopper never sees, and selects which card to use for each purchase based on the value offered at that moment. The shopper never inputs a card number but knows the best payment device was used. This process shifts payment choice from cardholders to software that makes payment decisions all day.

Card issuers that give consumers what they want today and are prepared to give AI agents what they want in the future have the most to gain. This report, sponsored by FIS, discusses the changing landscape of cards, rewards, and incentives, and one way card issuers can best prepare to gain a competitive advantage today and in the future.

Methodology

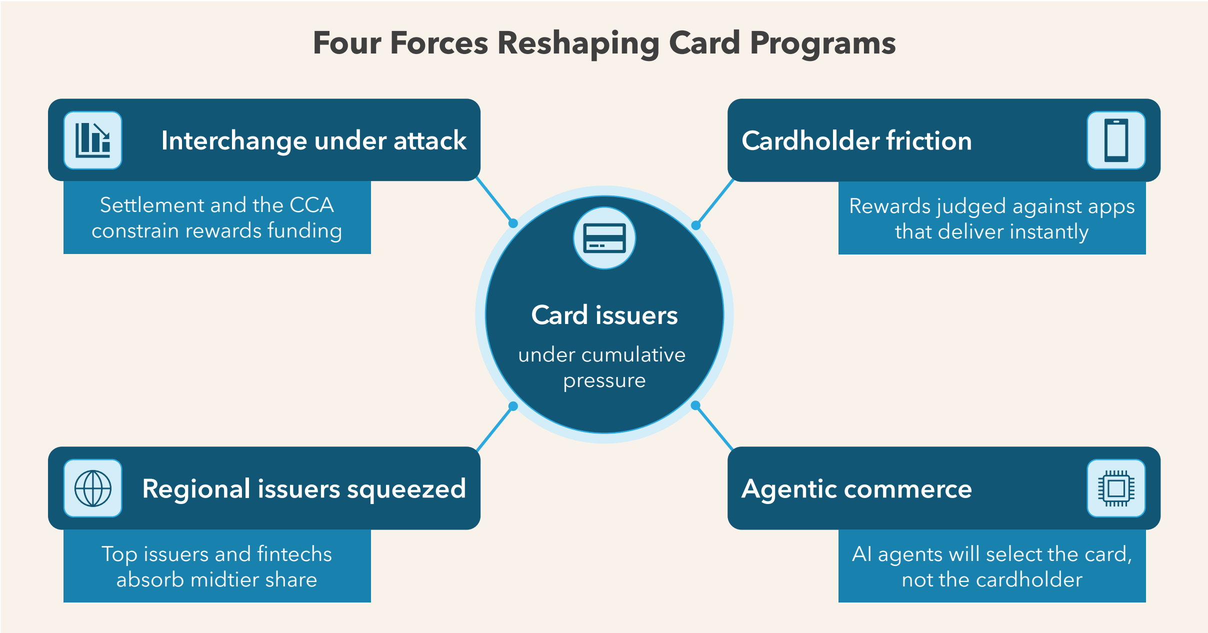
This white paper, sponsored by FIS, is based on interviews with nine executives with banking, merchant, or consumer packaged goods organizational experience in the U.S., as well as desk research, the author's experience managing card programs at FIs in the U.S., and a Datos Insights survey of 3,500 U.S. consumers. Those qualified to participate in the study have a relationship with an FI. The pool of consumers who answered questions to determine their eligibility for the study was representative of the population of their country with respect to age, gender, income, geographic region, and race.

The data for the full sample has a margin of error of 2 points at the 95% level of confidence. Statistical tests of significance were conducted at either the 95% level of confidence or the 90% confidence level, depending on the sample size.

Why Issuers Must Pay Attention

Forces are reshaping how card issuers fund and deliver value to cardholders (Figure 1). These forces will drive which issuers are positioned to grow and lead over the next five years, and which are not.

Figure 1: Four Forces Reshaping Card Programs



Source: Datos Insights

Interchange Under Sustained Attack

Interchange is the foundation of card-funded rewards in the U.S., and it is under pressure from two directions at once. First, in late 2025, Visa and Mastercard announced a revised settlement with U.S. merchants valued at approximately US$38 billion. The settlement reduces credit card swipe fees by 0.1 percentage point for five years, caps the standard U.S. consumer credit interchange rate at 1.25% for eight years, and gives merchants expanded ability to surcharge card transactions and choose which categories of cards to accept.[1] Final approval rests with a federal judge who rejected an earlier settlement in

[1] Jonathan Stempel, "Visa, Mastercard reach $38 billion swipe fee settlement, draw opposition," November 10, 2025, accessed June 8, 2026, https://www.reuters.com/sustainability/boards-policy-regulation/visa-mastercard-reach-revised-swipe-fee-settlement-with-merchants-2025-11-10/.

2024, but these settlement terms, or something less interchange-friendly, are likely to be approved at some point.

The second pressure comes from the Credit Card Competition Act (CCCA), which was reintroduced in 2026 with bipartisan support.[2] The bill would require U.S. banks with at least US$100 billion in assets, with some exceptions, to enable cards to process on at least two unaffiliated networks, introducing direct price competition at the network layer. This did not pass in this Congress, but the combination of bipartisan and presidential support makes the bill more likely than prior attempts. A future administration could expand the act further to impact smaller card issuers as well. Ultimately, issuers should prepare for how they will operate if or when the economics of interchange-funded programs tighten.

The settlement remains pending approval, and multiple versions of the CCCA have failed. However, the pressure is clear. Issuers must develop strategies to remain competitive and profitable if interchange-funded rewards are constrained across all card types.

Cardholders Have Stopped Tolerating Friction

Complaints filed with the Consumer Financial Protection Bureau (CFPB) rose by more than 70% in 2023 compared with pre-pandemic levels, with rewards-redemption issues among the recurring themes.[3] In response, the CFPB warned that devaluing rewards or making them difficult to redeem could result in regulatory action.[4] The CFPB is constrained under the current administration, but the complaint data cannot be ignored. Consumer expectations are shifting, and dissatisfied cardholders will leave. If consumer complaints continue, those complaints will attract regulatory scrutiny in future administrations.

Beyond banking and rewards issues, consumers also desire immediacy. Google's research found that 53% of mobile users abandon a website that takes more than three seconds to load, and half of users expect pages to load in under two seconds.[5] In retail products and services, 80% of consumers now expect same-day delivery, over three-quarters expect delivery within three hours of ordering, and 28% have abandoned an online purchase

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2 "Marshall, Durbin Reintroduce Credit Card Competition Act Backed by President Trump," January 13, 2026, accessed June 8, 2026, https://www.marshall.senate.gov/newsroom/press-releases/marshall-durbin-reintroduce-credit-card-competition-act-backed-by-president-trump/.

3 CFPB Issue Spotlight, "Credit Card Rewards Programs," May 2024 , accessed June 8, 2026, https://www.consumerfinance.gov/data-research/research-reports/issue-spotlight-credit-card-rewards/.

4 "CFPB Consumer Financial Protection Circular 2024-07: Design, marketing, and administration of credit card rewards programs," CFPB, December 18, 2024, accessed June 8, 2026, https://www.consumerfinance.gov/compliance/circulars/consumer-financial-protection-circular-2024-07-design-marketing-and-administration-of-credit-card-rewards-programs/.

5 Alex Shellhammer, Juliette Neel, "The Need for Mobile Speed," Google, September 8, 2016, accessed June 9, 2026, https://blog.google/products/admanager/the-need-for-mobile-speed/.

because they could not receive the items quickly enough.[6] Outside the banking sector, these points highlight that card issuers must respect consumers' need for frictionless, instant experiences. Rewards and incentives are now being judged against the apps and platforms cardholders use every day, where value is delivered soon after the action that earned it.

Regional and Smaller Issuers Are Squeezed

Regional and smaller issuers face different economics from those of the top players. The top five U.S. credit card issuers control over 70% of credit card purchase volume, and the top 10 control 82.29%.[7] The size of those portfolios provides advantages that benefit rewards-program economics: more interchange to support higher earn rates, large marketing budgets to support broader acquisition, and a large footprint to support retention. These FI's have clear advantages in the market.

Fintech competitors also take relationships that regional and smaller issuers depend on. For example, Chime captured the largest share of new U.S. checking account openings in late 2025 at 12.8%, ahead of Chase (8.4%) and Wells Fargo (7.1%), bringing its mass-market segment share to 14.2%.[8] Another survey found that 40% of consumers aged 18 to 34 said they use or would use Cash App as their primary bank, compared with 10% of consumers aged 55 or older.[9] This news is not great for FIs; what used to be fringe online-only banking providers are now becoming giant competitors that a significant portion of consumers would trust.

One final point is the loyalty of younger generations. Datos Insights found that Gen Z has a four-times greater likelihood of switching than baby boomers and seniors: 31% of Gen Z has considered switching or switched their primary FIs in the past 12 months, compared to 7% of baby boomers and seniors. Retaining these consumers will be key to growth in future years as older consumers age.

Differentiation in the market is not optional, but increasing the reward-earning rates or cutting fees and annual percentage rates is constrained by program economics. Issuers,

6 "Same-Day Delivery Statistics," Capital One, November 10, 2025, accessed June 9, 2026, https://capitaloneshopping.com/research/same-day-delivery-statistics/.

7 "Largest US Issuers of General Purpose Credit Cards," The Nilson Report, no. 1302, February 2026.

8 "Financial Services Intelligence Report: Fintech Brands Continue to Attract and Convert New Banking and Investment Accounts," JDPower, March 2026, accessed June 8, 2026, https://resolve.jdpower.com/business/resources/fintech-brands-continue-attract-and-convert-new-banking-and-investment-accounts.

9 James Pothen, "Sorry, Cash App. Gen Z still wants bank branches," BankingDive, May 21, 2024, accessed June 8, 2026, https://www.bankingdive.com/news/cash-app-block-fintech-digital-banking-branch-td-cowen-survey-gen-z/716738/.

especially regional and smaller issuers, need a path to differentiation that does not rely so heavily on interchange, which is under downward pressure from many angles, and a way to provide consumers with benefits that will keep them around.

Agentic Commerce Will Reshape Card Choice

The pace of change in AI outside of payments has been faster than anyone anticipated. As an example, Adobe Analytics reported that AI-driven traffic to U.S. retail sites surged 4,700% in July 2025 compared to July 2024, and that consumers are routing more shopping through AI-powered tools.[10] Combine that with data that found 47% of U.S. shoppers have already used AI for at least one shopping task, such as price comparison and personalized recommendations, and it is easy to see that the shift from AI-assisted shopping to AI-completed shopping could happen very quickly.[11]

Card networks control much of the global spend and are investing heavily in agentic commerce. Visa launched Intelligent Commerce in 2025, opening its payments network to AI agents, and by the end of that year, reported that over 100 partners and over 20 agents had integrated.[12] Mastercard launched Agent Pay around the same time, introducing tokens that bind a card credential to a specific AI agent and consent policy.[13]

There is much evidence that these moves are justified. For example, Visa predicts that millions of consumers will use AI agents to complete purchases by the 2026 holiday season.[14] Combine that with another study projecting that the U.S. business-to-consumer market could see up to US$1 trillion in revenue from agentic commerce by 2030; globally, it could reach US$3 trillion to US$5 trillion in the same period.[15] While these are only

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10 Vivek Pandya, "Adobe: Generative AI-powered shopping rises with traffic to U.S. retail sites up 4,700%," August 21, 2025, accessed June 8, 2026, https://business.adobe.com/blog/generative-ai-powered-shopping-rises-with-traffic-to-retail-sites.

11 "Visa Survey Finds AI and Crypto Poised to Transform U.S. Holiday Spending," December 2, 2025, accessed June 9, 2026, https://investor.visa.com/news/news-details/2025/Visa-Survey-Finds-AI-and-Crypto-Poised-to-Transform-U-S--Holiday-Spending/.

12 "Find and Buy with AI: Visa Unveils New Era of Commerce," Visa, April 30, 2025, accessed June 9, 2026, https://investor.visa.com/news/news-details/2025/Find-and-Buy-with-AI-Visa-Unveils-New-Era-of-Commerce/.

13 "Mastercard Unveils Agent Pay, Pioneering Agentic Payments Technology to Power Commerce in the Age of AI," Mastercard, April 29, 2025, accessed June 9, 2026, https://www.mastercard.com/us/en/news-and-trends/press/2025/april/mastercard-unveils-agent-pay-pioneering-agentic-payments-technology-to-power-commerce-in-the-age-of-ai.html.

14 "Visa and Partners Complete Secure AI Transactions, Setting the Stage for Mainstream Adoption in 2026," Visa, December 18, 2025, accessed June 9, 2026, https://usa.visa.com/about-visa/newsroom/press-releases.releaseId.21961.html.

15 "ICSC, McKinsey & Company Release 'Shopping in the Age of AI: Redefining Stores for a New Era' Report," ICSC, April 27, 2026, accessed June 9, 2026, https://www.icsc.com/news-and-views/icsc-exchange/icsc-mckinsey-company-release-shopping-in-the-age-of-ai-redefining-stores-for-a-new-era-report.

projections, they are strong signals that agentic commerce is coming, and quickly. Issuers must position their card products to compete strongly in this new era.

The four forces above are external to the card issuer. Next, this report will examine how existing rewards models fall short and how they can be improved to position card issuers for growth, even as the external environment evolves.

The Current Model Falls Short

The traditional rewards model runs on a simple cycle that has worked for decades: Interchange revenue pays primarily for rewards, rewards drive more spend, and increased spending generates more interchange revenue. Today, the entire model is under pressure. Interchange is likely to be constrained by the settlement and the CCCA, and cardholder expectations have shifted toward immediate, relevant, and personalized value. The model can absorb pressure from a single change or threat to the economic model, but it cannot easily absorb simultaneous pressure from multiple threats.

What Card-Linked Offers Solve, and What They Leave Open

The most common response to the rewards gap has been merchant-funded, or card-linked offers (CLO), which route merchant-funded incentives through the cardholder's existing payment relationship. These programs are available from most debit and credit card issuers and provide significant value because they can scale without increasing rewards expense. Still, as valuable as it is, CLO has limits that the next generation of rewards must address. Cardholders must turn on offers before they take effect. Value is credited days or weeks after the qualifying purchase, separating the reward or incentive from the action that earned it. These conditions are completely at odds with a growing desire for instant gratification.

The Funding Question Issuers Must Answer

The question for the next decade is who will fund cardholder value as interchange pressure tightens and cardholder expectations continue to rise. There are three possible answers. The issuer can absorb the cost, thereby squeezing margins. The cardholder can absorb the cost, which means program value erodes and competitors gain. Or someone else can fund the gap. The third option requires infrastructure that does not yet exist at scale: a way for other parties, specifically product brands and consumer packaged goods companies, to enter the card transaction directly, with measurement and targeting precision. That infrastructure is described in the report next. It is designed to complete what CLO started rather than replace it.

Smart Basket: A Platform for What's Next

Smart Basket is FIS' answer to the funding question raised in the previous chapter. It connects card issuers, merchants, and brands into a participant network where rewards, incentives, and item-level offers move. The sections below describe capabilities currently available in Smart Basket or under development for future release.

Real-Time Loyalty Redemption

Traditional rewards programs separate earning from the event. A cardholder swipes the card, the transaction completes, and the reward arrives days or weeks later. Value is separated from the payment moment, and everyone was fine with that; as discussed before, that is no longer the case. Smart Basket closes that gap through real-time loyalty redemption, the capability that FIS calls Premium Payback. The cardholder redeems rewards currency directly at checkout, within the same authorization flow as the payment, and sees the redemption applied at the point of sale rather than as a delayed credit.

The capability runs on existing rewards currency, so it supplements the issuer's rewards program by changing when and where the currency can be spent, not what the currency is. Real-time loyalty redemption is in production today, supported across a live merchant network and available to a large population of enrolled cardholders.

Transaction-Level Offers

In a CLO program, a cardholder spends at a participating merchant and receives a discount or rebate. The mechanic works, but it is limited to merchants and can be tedious for the cardholder, as they often must activate it before use. Smart Basket transaction-level offers, available now, are a programmable incentive engine that attaches a reward to a range of qualifying customer actions, including purchases. The same engine that funds "spend US$50 at a participating grocer, get US$5 back" also funds "activate your new card and make a purchase within 30 days, get US$15," "fund your new savings account with US$500 by Friday, receive US$50," and "we are sorry about the recent service issue, here is US$25 toward your next purchase."

For events the card network doesn't see, such as a deposit or a service issue, the issuer identifies the qualifying cardholder, and the platform delivers the value. Fulfillment is automatic via statement credit, delivered within one to three business days without activation, coupons, codes, or merchant integration.

Use cases span the customer life cycle: card activation and first use, new account opening or first account funding transaction, bill payment or bill pay setup, loyalty program engagement, service recovery after a negative customer experience, or any other event the card issuer wants to encourage. Transaction-level offers operate as a stand-alone capability and do not depend on the platform's item-level data layer, which makes them the starting line for issuers ready to act now.

Table A: Smart Basket Capabilities

	Smart Basket transaction-level offers (available now)	Smart Basket item-level offers (emerging)
In plain English	Customers and members get recognized the moment they act, and you drive the behavior FIs care about	See what consumers actually buy, down to the item, so the customers save more, and the FI spends less to deliver it
What to know	Where the customer transacted, how much, and what action triggered it	What was actually in the basket, item by item, by stock-keeping unit (SKU)
What to do	Incentivize a wide range of customer moments, such as card network events (e.g., purchases, activations), plus any life-cycle event the issuer defines	Deliver offers tied to what customers buy, enforce item-level eligibility for benefits programs, and measure exactly what changed behavior
Integration	None required, broadly available today	Point of sale integration, plus item-level merchant data, coming to select merchants in 2027
Fulfillment	Near-real-time engagement and reward confirmation via SMS or email, delivered via statement credit within one to three days	Real-time value during search, shopping, and checkout, with receipt-level proof
Best for	Broad life-cycle engagement at scale (the starting line)	Deeper personalization at lower cost, with brands funding the value

Source: FIS

Item-Level Data and Offers

Standard card data reveals the purchase location, dollar amount, and date, but not what was actually bought, which means eligibility rules for offers default to the merchant, basket total, or merchant category code because the cart contents are often not visible. Smart Basket reads item-level data within the authorization at merchants that supply level-2 and level-3 data. This is the foundation for offers that target a specific product and prove that they changed behavior.

Item-level purchase validation, delivered via the Filtered Spend capability, is live today. The platform verifies that each item in a basket meets program rules, which is required for some card products that enforce item-level spend controls. The remaining item-level capability set, including item-targeted offers and brand-funded incentives tied to specific products, goes live with the rest of Smart Basket in 2027. Many major retailers already capture line-item data card network compliance, so the technical foundation for participation is largely in place. Item-level offers operate wherever a merchant has joined the Smart Basket network, and coverage grows as more merchants come on board. Where item-level data isn't available, transaction-level offers continue to operate across the broader merchant footprint.

AI Orchestration

The AI orchestration layer is the part of Smart Basket that reads the basket, ranks the best available offer for the cardholder, and applies the value inside the authorization. When it comes fully online in 2027, offer matching, eligibility validation, redemption, and post-transaction messaging will run through the issuer's own channels in the background, while the cardholder simply pays with the supported card. This capability turns the participant network into a single coordinated experience rather than a set of capabilities working in parallel.

The platform is more than its components. The next chapter examines what it means for the card issuer's business.

Value to Card Issuers

For card issuers, the platform addresses four pressures at once: retaining cardholders, reaching moments the current program cannot, funding value without drawing on interchange further, and preparing for agentic commerce.

Real-Time Value as a Retention Lever

Datos Insights found that 42.6% of consumers cited rewards as an important factor when they opened their most recent credit card. Real-time value delivery does not change the rewards themselves, but it changes how cardholders experience them, strengthening an acquisition lever that already works. A Bankrate survey found that 23% of U.S. rewards cardholders did not redeem any rewards in the prior year.[16] When the cardholder cannot easily use the rewards they earn, the program is less effective at retaining the cardholder, even if the rewards themselves remain competitive.

Real-time value also creates retention moments outside the traditional rewards program. An issuer can recover from a service incident by applying an automatic credit to the cardholder's next purchase, delivering a milestone bonus when a cardholder completes a goal, or prompting re-engagement with an unused balance. Each of these adds retention without changing the underlying rewards program.

Differentiation Across the Consumer Life Cycle

Smart Basket transaction-level offers expand the range of rewards beyond shopping, including activation, deposit funding, bill pay setup, lending milestones, loyalty re-engagement, and service recovery. Each of these is a customer moment that traditional CLO cannot reach because CLO is built around the shopping transaction.

Younger cardholders, an especially valuable group of consumers for long-term growth, are more likely to respond to value and personalized offers in the moment. Datos Insights found that 23.1% of Gen Z and 22.3% of millennials acted on a personalized rate or offer from their FIs in the past 12 months, compared to 6.3% of baby boomers and seniors. In the same study, Datos also found that Gen Z shows lower loyalty to their primary FIs than baby boomers and seniors: 31% of Gen Z had considered or executed a switch in the prior 12 months, compared to 7% of baby boomers and seniors. The issuer's competitive

16 Katie Kelton, CCC, "Survey: Rewards cardholders favor cash back, but nearly 1 in 4 didn't redeem any rewards in the past year," Bankrate, December 19, 2024, accessed June 9, 2026, https://www.bankrate.com/credit-cards/news/credit-card-rewards-survey/.

position depends on what happens at activation, deposit, bill pay, retention, the point of sale, and service recovery. Those issuers that ignore these moments or only monitor them will gain no advantage. On the other hand, those issuers that capture and incentivize or encourage these moments will have a huge competitive advantage in the long term.

A Funding Source Beyond Interchange

A new funding source for rewards models could come from significant promotional spending by brands and consumer packaged goods companies. In the U.S., consumer packaged goods trade promotion totals approximately US$200 billion annually and is the primary funding pool for shelf-level promotional value.[17] For context on relative scale, U.S. mass-market credit card rewards exceeded US$47.5 billion in 2024, a number that is likely significantly higher today.[18] Allowing brands to allocate a small share of their funds to transaction-level offers represents a funding category that has the potential to deliver significant value to consumers, issuers, and participating brands. This brand-funded layer helps the issuer maintain strong cardholder value even as interchange-funded program economics tighten.

One executive captured the potential waste in promotional spend and the need for attribution directly: "A lot of brands don't really understand the impact of their promotion, the contribution of the promotion back to the brand. So, if I promoted something, what was my return on investment? How much did I achieve? How closely did I achieve my objective? And that's typically not measured by most brands, not even the big brands."

Positioning for Agentic Commerce

The pace of change in AI suggests that agentic commerce ubiquity may be closer than bank leadership assumes. In the near future, AI agents will query offer engines and payment networks in real time to make routing decisions on behalf of consumers, and Smart Basket's ability to expose item-level intelligence, real-time value delivery, and programmable offer logic, which agents can use to make recommendations and decisions for which payment option is the best at any moment.

Rewards programs that require cardholder activation and deliver value days after the transaction may be the ones agents will steer clear of in favor of those that provide a better

17 Strategy&/NielsenIQ trade promotion benchmarks.

18 "The Consumer Credit Market," CFPB, December 2025, accessed June 10, 2026, https://www.consumerfinance.gov/data-research/research-reports/the-consumer-credit-card-market/.

end-user experience and incentives. Issuers offering real-time, item-aware insights and incentives will position their cards for selection by agents as transaction volume grows.

The four areas above are the issuer's case for adopting the platform. The next section examines how the same model creates value for the other parties involved, because a funding source that depends on brand and merchant participation only works when each party gains something worth participating in.

A Model That Benefits Everyone

The Smart Basket platform connects card issuers, merchants, brands/consumer packaged goods, and consumers into a network where value circulates to benefit everyone (Figure 2). Issuers are more likely to achieve top-of-wallet usage without taking from interchange, merchants gain incremental traffic, brands gain access to a new promotional channel with measurable results, and cardholders receive the value created by the three other parties

Figure 2: Smart Basket Is a Four-Way Value Exchange

Source: FIS

Issuers Gain a Stronger Position in the Wallet

Issuers that integrate the platform with their existing card programs will provide cardholders with real-time redemption, transaction-level offers, and, where available, item-level offers. In return, issuers gain a funding source outside of interchange and fees, the ability to differentiate from competitors, real-time value that supports retention, and infrastructure positioned for AI-driven commerce. The platform already supports rewards tied to events, such as activation, deposit funding, bill pay setup, lending milestones, service recovery, and loyalty re-engagement, each a distinct customer moment that traditional card-linked offer programs cannot reach. Issuers also gain association with the retail and brand partners participating in the program, which adds co-marketing reach that the issuer could not assemble independently.

Merchants Providing SKU-Level Data Gain Traffic

Many large pharmacy retailers, big-box stores, grocery chains, and other merchants already provide line-item data, so they are best positioned to join the Smart Basket network first with the least added effort. These participating merchants and those that begin supplying this data gain incremental foot traffic from issuer-funded and brand-funded offers, lower acceptance costs through intelligent payment routing, and receipt-backed attribution that proves which campaigns drove which purchases. One consumer packaged goods category management executive interviewed for this research has worked with merchants throughout his career and explains: "Retailers want three things: more traffic, profit, and competitive advantage."

Brands Gain a Strong, New Promotional Engine

Brand promotional funding has historically flowed through trade promotion channels. By delivering offers through a card-linked channel, brands can target offers based on actual cardholder purchase behavior rather than estimated reach, attribution tied to verified purchases, and a promotional channel that operates independently of retailer co-op negotiations. For example, when item-level data becomes available in 2027, brands will be able to incentivize product purchases directly to consumers who previously purchased competing products and monitor whether the incentive drove ongoing purchase behavior.

A leading trade marketing consultant described the inefficiency of traditional trade promotion: "Trade marketing is everything for me to get my product in the hands of a shopper, and it usually accounts for about 25% of my gross sales as a business. And yet about 70% of those dollars are wasted. Maybe more. Actually, typically a lot more."

The Conditions That Make This Work

Four conditions support the model, and each is either already in place or moving in the right direction.

- **Merchant participation** is a low lift for the merchants best positioned to join. Many large pharmacy retailers, big-box stores, grocery chains, and business-to-business companies already produce line-item data for compliance, so for those merchants, joining the Smart Basket network adds reach without new data work.
- **Brand willingness** to fund various promotional channels is established. Trade promotion, retail media, and digital advertising all compete for the same dollars, and

promotional strategy will always shift spend to channels that can demonstrate their effectiveness. CLOs with item-level attribution fit that direction.

- **Issuer adoption** is supported by the platform's staged structure. An issuer can deploy real-time loyalty redemption and transaction-level offers today, then add item-level capabilities as merchant data participation grows.
- **Consumer desire** and willingness to respond to real-time, personalized events are documented. Younger cardholders are more open to data-driven personalization from their bank, a trend documented in multiple consumer studies.

As with any innovation in cards, issuers that move first capture the strongest position as the platform matures, because early adopters help shape program parameters, set best practices, and secure the strongest brand-funded offers before the field broadens.

The Decision for Issuers

The funding model that paid for cardholder rewards for two decades is under pressure. Interchange is already lower than it was 10 to 20 years ago and is likely to reduce further. Cardholders, particularly younger consumers, expect value in the moment and personalization that traditional rewards programs were not built to deliver. The top five issuers control most of the market, fintechs are taking relationships that regional and smaller issuers depend on, and AI agents are reshaping how consumers shop. None of these pressures is new in itself, but they are arriving at the same time, and the cumulative effect is likely to have a significant impact on card programs nationwide.

What Is Possible

The Smart Basket capabilities described in this report strengthen the rewards model rather than replace it. Real-time loyalty redemption closes the gap between earning rewards and using them; Transaction-level offers extend rewards beyond the shopping moment to include events such as activation, deposit funding, bill pay, service recovery, and loyalty re-engagement; Item-level data lets brands and issuers target specific products and prove what changed behavior; and the AI orchestration layer, planned for 2027, is designed to connect these capabilities in real time and expose them through interfaces that AI agents use.

Additionally, brand and consumer packaged goods will become funding sources that, as of now, are completely untapped by card programs. Life-cycle moments become differentiation opportunities that the rewards program could not previously reach. Real-time delivery turns the redemption experience from a friction point into a retention lever. Item-level data enables product-level attribution.

Why Timing Matters

The infrastructure decisions issuers make in the next 12 to 18 months may determine which cards AI agents select. Issuers who build real-time, item-aware infrastructure now will be selected when transaction volume develops. Issuers who do not may find their cards bypassed completely. The same case applies to the brand-funded side. As more brands shift promotional dollars toward measurable, data-driven channels, early-adopting issuers will not only benefit most but will also help shape program parameters, set best practices, and secure brand-funded offers before the field broadens.

Two Paths for Card Issuers

Two paths exist for issuers. The first is one in which issuers wait for greater merchant participation, brand funding flows, and ubiquitous agentic commerce. This path is safe in the short term but also cedes the strongest position to others because the issuers who participate and help drive the platform during its development capture advantages that wait-and-see issuers may lose.

The second path is one in which issuers consider how to participate and help shape the platform while it is still new. Issuers who take this path can gain influence over how the platform operates, secure the strongest brand-funded relationships before the field broadens, and position their cards as the ones AI agents select for a transaction as agentic commerce becomes more intelligent and widely used to manage the purchase life cycle.

The choice between paths depends on each issuer's tolerance for early commitment and their view of how quickly the conditions will mature. The pressures arriving now are moving on a faster timeline than payments planning typically anticipates, and the issuers who act on that timeline rather than against it stand to capture the most benefit.

Conclusion

As interchange tightens, cardholder expectations rise, and agentic commerce reshapes purchase decisions, card issuers must reconsider how they fund and deliver value to cardholders. The following recommendations are meant for issuers wanting to retain cardholders, secure new funding sources, and remain competitive as the commerce landscape shifts:

- **Treat interchange as a declining funding source:** Plan for a future in which interchange-funded rewards economics tighten further and identify funding sources or ways to incentivize cardholders that do not depend solely on interchange.

- **Close the gap between earning and using rewards:** Deliver value at or near the point of purchase rather than days or weeks later. Cardholders now judge rewards programs and incentives against the apps and platforms that deliver value in the moment.

- **Reach customers at moments beyond the shopping transaction:** Extend incentives to key moments, such as card activation, deposit funding, bill pay setup, lending milestones, service recovery, and loyalty re-engagement. Moreover, ensure those incentives are provided as quickly as possible.

- **Adopt in stages rather than waiting for full readiness:** Deploy the capabilities that work today, integrate the next ones as they become available, and add item-level participation as merchant data expands, because waiting for every condition to mature cedes position to issuers who move earlier.

- **Look beyond interchange for sources of cardholder value:** This report discusses brand and consumer packaged goods funding as one promising example, but issuers should also evaluate other paths to deliver value without adding program expense, because the rewards model of the next decade will draw on multiple funding sources rather than rely on interchange alone.

- **Prepare card programs for selection by AI agents:** Build real-time, item-aware infrastructure in the next 12 to 18 months, because the cards that cannot answer agent queries in the moment will be routed around as agentic commerce scales.

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FIS is a financial technology company providing solutions to financial institutions and businesses. We unlock financial technology to the world across the money life cycle underpinning the world's financial system. Our people are dedicated to advancing the way the world pays, banks, and invests by helping our clients to confidently run, grow, and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses of all sizes adapt to meet the needs of their customers by harnessing where reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500 and the Standard & Poor's 500 Index.

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