



Foster More Debit Card Loyalty Via Fractional Stocks

loyalty programs customer retention

Summary: Owning fractional stock in a company — less than one whole share — is becoming more popular, particularly among younger people who are just starting their careers. CFIs can now offer their customers fractional stocks of a merchant company participating in their debit card reward program. We detail how and the benefits of doing so.

From 1961 to 1989, the Berlin Wall separating West Berlin from East Berlin and East Germany quite literally symbolized the Iron Curtain between the West and the former Soviet bloc. But as the Eastern bloc countries began to fall, so, too, did the Berlin Wall — piece by piece, as jubilant crowds on both sides of the wall used sledgehammers, pickaxes, shovels, and their own hands to tear down the wall, many keeping a fraction of the Iron Curtain for a souvenir. You can still [buy a piece of that history on Amazon](#).

As individuals have long been able to own parts of a company by purchasing its stock, far more people now have a chance of ownership by buying even smaller parts. These are called [fractional stocks](#), meaning less than one whole share. The idea behind fractional stock purchases is to lower the barriers of entry for higher-valued stocks. This practice is gaining steam particularly among younger generations on tight budgets.

Opportunities for Your Institution

Now, community financial institutions (CFIs) are getting in on the trend. Institutions like yours now have the ability to offer customers ownership of fractional stocks as part of their debit card reward programs, through white-labeled platforms operated by a number of fintechs that connect with core provider platforms. The more purchases a customer makes from a participating merchant in a CFI's debit card program, the more the customer can own fractional shares of that particular company.

"We're very excited to be able to offer our customers another way to reach their financial goals," says the COO of a Missouri CFI that has launched a fractional stocks reward program. The organization has partnered with a fintech to offer fractional stocks that can then be placed in a brokerage account managed by the fintech on behalf of the CFI. Customers also have the option to automatically round up purchases for additional investment opportunities. The technology "helps make investing more accessible and, in turn, helps our customers build healthier financial habits, which is our ultimate mission."

The Proof Is in the Pudding

Recent research from NYU shows the power of such debit card reward programs. For every \$1 in stock rewards offered, [spending on rewarding merchants increases by \\$16.34](#). This is over 50x more effective than standard cash rewards. It also has a lasting impact on customer spending — the average monthly spending increase was 22.3%, contrasted with just a 0.012% spending increase with cash reward programs. The merchant categories that see the most spend increase are food, at 57%, shopping, at 47%, and travel, at 40%.

Given that younger generations in particular either have [insecurities about their financial literacy](#) or are intimidated by investing, these numbers are not a surprise. Fractional stock reward programs provide an easy,

secure way to start investing in the companies that customers frequent the most, and the drive to increase their fractional stock shares inevitably leads to spending increases.

Long-Term Loyalty

An earlier [article on loyalty programs](#) cited a KPMG study detailing the benefits of debit card reward programs that engender long-term loyalty by offering ongoing reward possibilities. A reward program based on giving fractional shares every time a customer purchases a participating merchant's product is an excellent way to incentivize that customer to keep using their debit card for as long as possible.

Consider offering your customers the opportunity to own a tiny piece of a company each time they purchase a product with their debit card. Not only will you foster long-term loyalty — and revenue — in the process, but you will also increase your customers' confidence in and knowledge about investing.

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ECONOMY & RATES

Rates As Of: 06/05/2023 05:38AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.50	-0.02	1.08
6M	5.50	0.04	0.74
1Y	5.21	0.06	0.51
2Y	4.54	0.14	0.12
5Y	3.90	0.14	-0.11
10Y	3.75	0.10	-0.13
30Y	3.93	0.07	-0.03
FF Market	FF Disc	IORB	
5.08	5.25	5.15	
SOFR	Prime	OBFR	
5.07	8.25	5.06	

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