

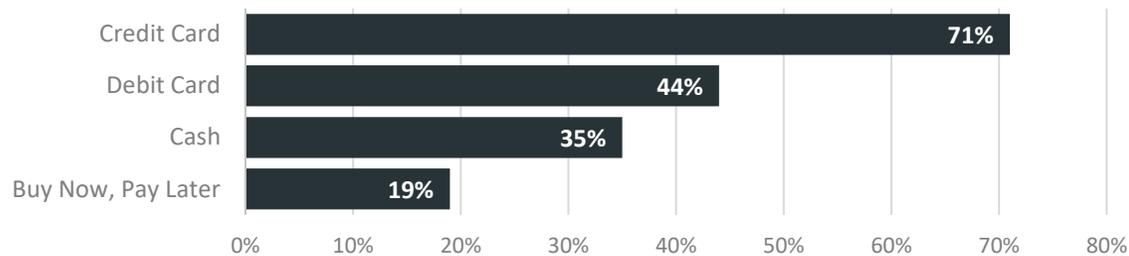
Most consumers intend to use credit cards as their primary payment method during the holidays. Credit cards are a particularly popular payment method during the holidays, driven by the growth in online shopping and holiday-related travel. Indeed, nearly two-thirds of holiday travelers used credit cards to pay for at least some of their travel expenses.

Consumers use credit card rewards to offset holiday shopping expenses. According to Morning Consult, half of consumers intend to use “cash back” credit card rewards to fund at least part of their holiday purchases. Among households that plan on using rewards this holiday season, 76% of households with income less than \$50k plan on using credit card rewards.

“Buy Now, Pay Later” plans are increasingly popular among holiday shoppers. Per Experian, almost 70% of consumers 18–34 intend to use or have used BNPL plans for holiday purchases, while Adobe Analytics expects BNPL purchases to increase 43% compared to 2022. The Consumer Financial Protection Bureau recently reported that BNPL lenders earn revenues exceeding 3% of transaction value from merchant discount fees and interchange on average, a significantly higher rate than credit cards.

Credit Cards Outpace Any Other Payment Form for Holiday Shopping

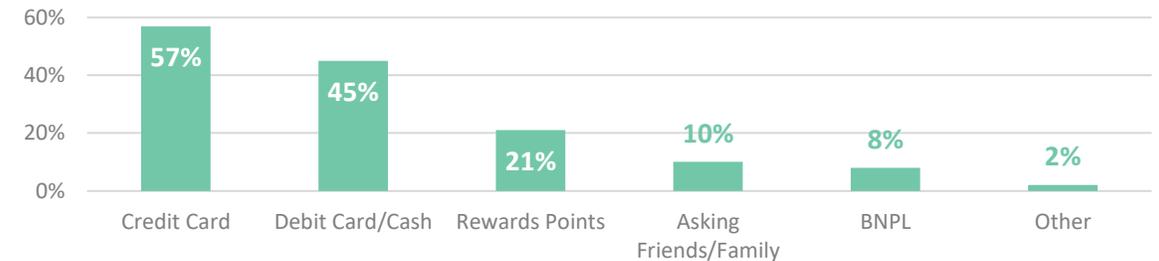
A McKinsey survey found that most consumers prefer using their credit cards for their holiday purchases. The survey also noted that BNPL is gaining popularity, especially among Gen Z consumers.



Source: [McKinsey & Co. \(2023\)](#)

More Than Half of Holiday Travelers will Book Using Credit Cards

Consumers prefer to use credit cards to book holiday travel over any other payment method. Nearly one-in-four respondents plan to use rewards points to pay for their holiday travel expenses.



Source: [Bankrate \(2023\)](#)

Consumers Rely on Credit Card Rewards for Their Holiday Purchases

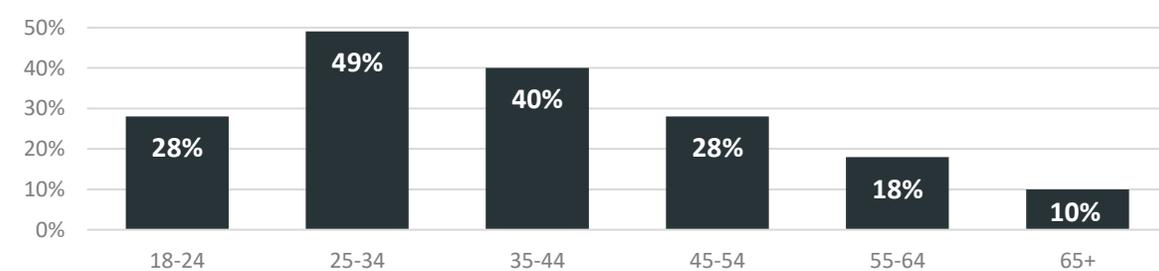
A survey from Morning Consult found that more than half of survey respondents plan on using credit card cash back rewards for holiday gifts and travel; others plan to accumulate rewards for use later in the year.



Source: [Electronic Payment Coalition \(2023\)](#)

BNPL Gains Popularity as a Payment Method for Holiday Shopping

Buy Now, Pay Later plans are gaining popularity among all age groups, especially younger consumers. Almost half of consumers ages 25 to 34 said they plan to or have used BNPL for their holiday purchases.

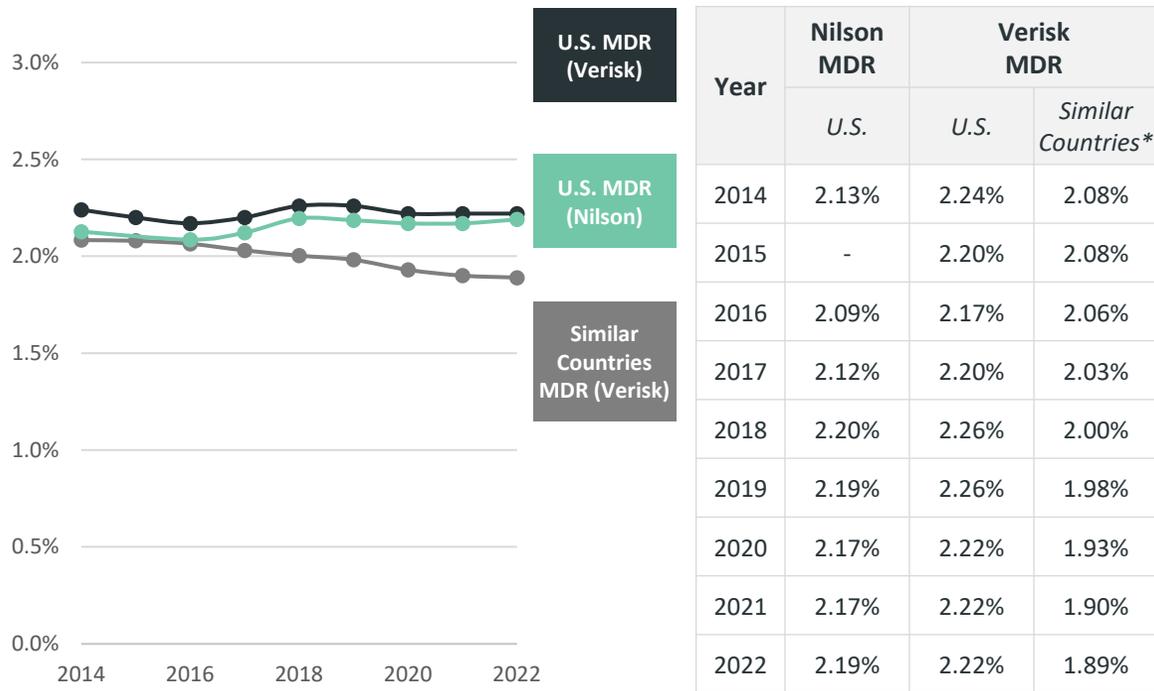


Source: [Experian \(2023\)](#)

Merchants keep a vast majority of revenue from credit card sales. They pay a small fee, called the merchant discount fee or the merchant discount rate (MDR), to accept card payments. **The average MDR (of which interchange is the largest component) is around 2.2% of total sales revenue — and is essentially unchanged over the last decade.**

Credit Merchant Discount Rate (MDR)

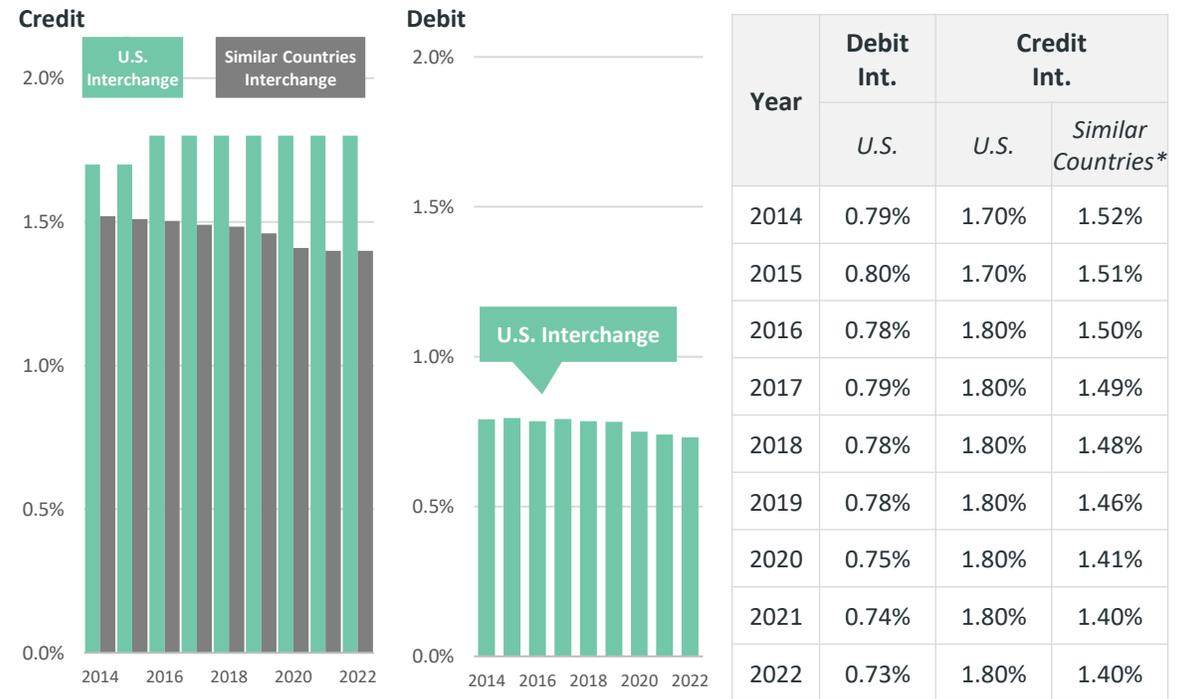
Both Verisk Financial Research and Nilson publish estimates of the MDR. In 2022 in the United States, Nilson estimated that the weighted average MDR was 2.24% for Visa and Mastercard, 2.29% for American Express, and 2.16% for Discover. Verisk found that the weighted average merchant discount fee across all credit cards was 2.22% in 2022, unchanged since 2020.



Source: Nilson Report; Verisk. Nilson data for 2015 is unavailable. *Average MDR for similar countries consists of a simple average of data for countries other than the U.S. that do not cap credit interchange or MDR. Countries with caps are excluded.

Interchange Rate (Largest Component of MDR)

Per Verisk, the average credit interchange rate in the U.S. has held steady at 1.80% since 2016. Meanwhile, the average debit interchange rate, which is capped below the market-determined level due to the Durbin amendment, fell 6bp to 0.73% from 2014–2022 per the Federal Reserve.



Source: Verisk (Credit) and [Federal Reserve](#) (Debit). Note: debit interchange estimates are weighted averages that account for exempt and covered transactions for signature and PIN networks. *Average interchange for similar countries consists of a simple average of data for countries other than the U.S. that do not cap credit interchange or MDR. Countries with caps are excluded.

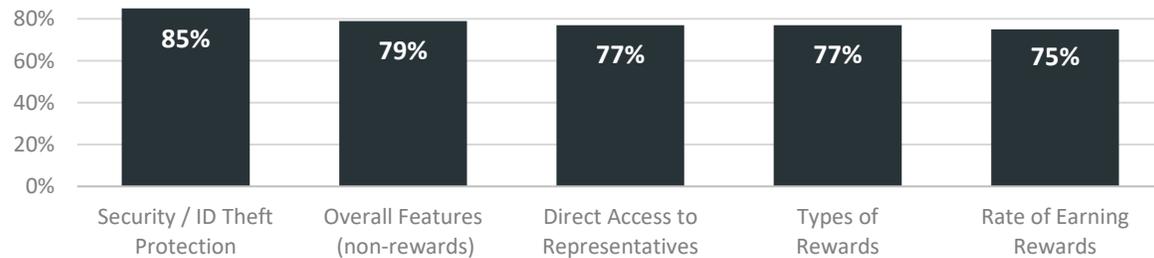
Consumers remain satisfied with their credit cards, and credit demand remains strong for both consumers and businesses. Small businesses in particular are using their credit cards more, and report being satisfied with their credit cards and associated rewards programs.

Consumers report being most satisfied with the data security and rewards offered by credit cards. A 2023 MarketCast study found that data security and identity theft protection were features consumers were the most satisfied with, and that card selection was driven mainly by the rewards and rebates offered.

Younger consumers are taking advantage of the features offered by their credit cards. Gen Z cardholders are redeeming their credit card rewards to pay for travel expenses during the upcoming winter holidays, as well as to pay for hotels, restaurant tabs, and gym memberships.

Data Security Features Remain Valued by Cardholders

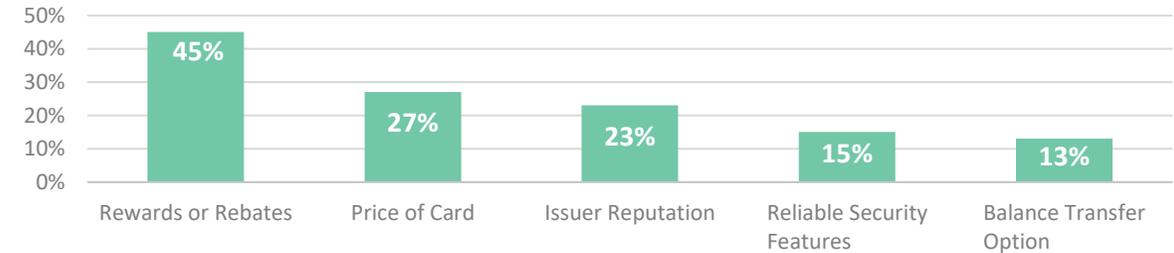
When asked about their satisfaction with various aspects of their primary credit card, most cardholders were “very” or “somewhat” satisfied with data security and ID theft protection.



Source: MarketCast (2023)

Rewards Listed as Top Feature for Opening New Credit Card Accounts

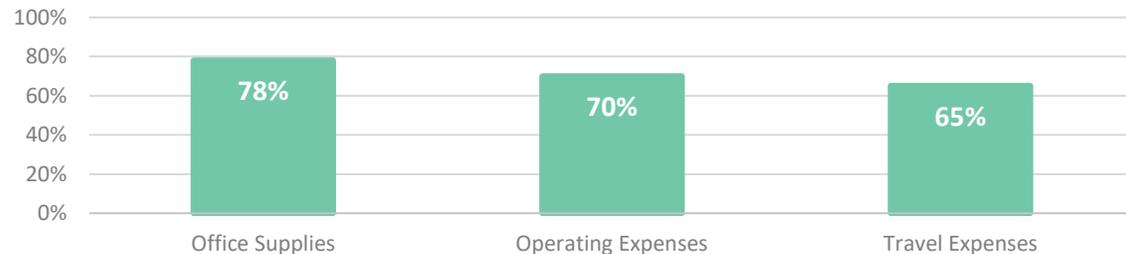
Almost half of cardholders reported that rewards and rebates programs were the most important reason they selected their most recent card, followed by pricing and the issuing company.



Source: MarketCast (2023)

Small Businesses are Increasingly Reliant on Credit Cards

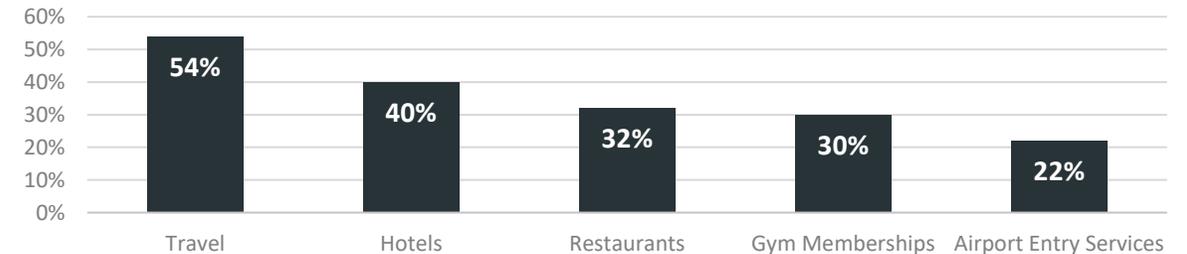
A recent J.D. Power survey found that small business’ satisfaction with credit cards has surpassed their pre-pandemic levels. Small businesses, on average, spend \$13,000 per month using their cards.



Source: Banking Exchange (2023)

Gen Z is Taking Advantage of Credit Card Rewards

A survey from Credit Karma found that more than half of Gen Z relies on credit card rewards to pay for their travel expenses. Young consumers also used rewards for spending at hotels, restaurants, and gyms.



Source: Credit Karma (2023)