

The Credit Economy:

The Role of Reward Programs in Consumer Credit Usage

January 2024



The Credit Economy: The Role of Reward Programs in Consumer Credit Usage,

a PYMNTS Intelligence and i2c collaboration, examines consumer behaviors and attitudes related to the rewards credit card loyalty programs offer. We surveyed 3,233 U.S. consumers between Nov. 14, 2023, and Nov. 28, 2023, to explore what drives interest in and usage of these programs across a range of spending categories and demographic groups.

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The Credit Economy: The Role of Reward Programs in Consumer Credit Usage was produced in collaboration with i2c, and PYMNTS Intelligence is grateful for the company's support and insight. [PYMNTS Intelligence](#) retains full editorial control over the following findings, methodology and data analysis.

Introduction

Generation Z has emerged as a pivotal demographic for financial institutions (FIs), introducing fresh challenges to traditional loyalty strategies. The generation, whose members are 18 to 25 years old, is dissatisfied with many existing reward structures and instead tends to prefer more innovative, personalized incentives.

Three in 5 members of Gen Z prefer nontraditional rewards such as flash sales or event access, contrasting with older generations' long-held affinity for cash-back rewards. Legacy formats, such as mail or in-store offers, are not well suited to Gen Z, which markedly prefers mobile app delivery of rewards, with nearly half favoring app-based offers. These youngest adult consumers have distinct spending patterns that support self-expression and favor categories such as clothing and accessories. In contrast, elevated spending levels for millennials are more likely to involve expenses for children, and older cohorts prioritize grocery-related rewards overall.

While rewards programs have long been a staple in consumer finance to foster loyalty and spending, PYMNTS Intelligence's data reveals that a sense of dissatisfaction and a craving for innovation are limiting Gen Z's engagement with these programs.

Gen Z's preferences have long-term significance for FIs, as relationships with these consumers could last for decades, and the generation is slated to gain spending power and influence as time passes. FIs, therefore, face a critical juncture. The one-size-fits-all approach to rewards programs will likely become increasingly obsolete with each passing year in the face of this generational shift. This changing of the guard could also serve as a great opportunity, however, as FIs could simultaneously reevaluate and reimagine their strategies to align with the evolving expectations of young consumers — or risk missing out on the cohort for many years to come.

The Credit Economy: The Role of Reward Programs in Consumer Credit Usage, a PYMNTS Intelligence and i2c collaboration, is based on a survey of 3,233 United States consumers conducted between Nov. 14, 2023, and Nov. 28, 2023, that examined consumers' behaviors and attitudes related to credit card loyalty programs. The report explores the forces driving consumers' interest in and usage of rewards across various spending categories and demographic groups.

This is what we learned.

1 Most credit card users have embraced credit card rewards programs, regardless of age.

Consumers have widely accepted credit card rewards programs. More than 80% of consumers receive rewards offers from their credit cards, and 72% utilized these rewards in the 90 days prior to being surveyed. The data also shows high interest in these programs, with 90% of consumers exhibiting enthusiasm, particularly younger generations. Millennials and Gen Z consumers are the most likely to show interest, both at 94%, but Gen X and even baby boomers and seniors are not far behind, at 90% and 88%, respectively. The most frequent rewards are linked to spending on groceries, restaurants and clothing and accessories.

3 Personalized rewards and digital offers are attractive to consumers.

Just more than half of consumers show greater interest in loyalty programs tailored to their preferences — 51%, to be precise. Younger consumers, particularly Gen Z and millennials, prefer receiving offers through mobile apps: 49% of Gen Z consumers and 46% of millennials favor this. In contrast, 46% of baby boomers and seniors prefer email for receiving rewards, along with 37% Gen X.

2 Millennial and Gen Z consumers are the most likely to be interested in credit rewards programs, but Gen Z consumers are also the most likely to report dissatisfaction with them.

Although millennials and Gen Z consumers show the most interest in credit card rewards programs, members of Gen Z are highly likely to report dissatisfaction, with 41% expressing discontent. For comparison, just 28% of millennials share this feeling. Preferred rewards include cash back on any purchase, eligible purchases and free shipping; however, these two generations are less likely to redeem rewards than older generations and favor free shipping, checkout codes and free subscriptions. Discontent is not only for the young: Though baby boomers and seniors are more likely to be satisfied with reward programs, 34% still express a need for more relevant deals.

4 Rewards programs with lengthy redemption processes or no personalized offers drive consumers away.

There is a real cost when rewards programs are generic or cumbersome. Roughly 31% of consumers find lengthy redemption procedures a significant issue, and 26% are frustrated by insufficient rewards for desired purchases. Additionally, 31% experienced friction in redeeming rewards in the past 90 days, with 23% reporting confusing technology, 23% mentioning long redemption processes and 22% pointing out unclear details in redemption offers. The general preference across generations for digital channels over traditional mail and in-store options indicates a desire for easily accessible and actionable deals.

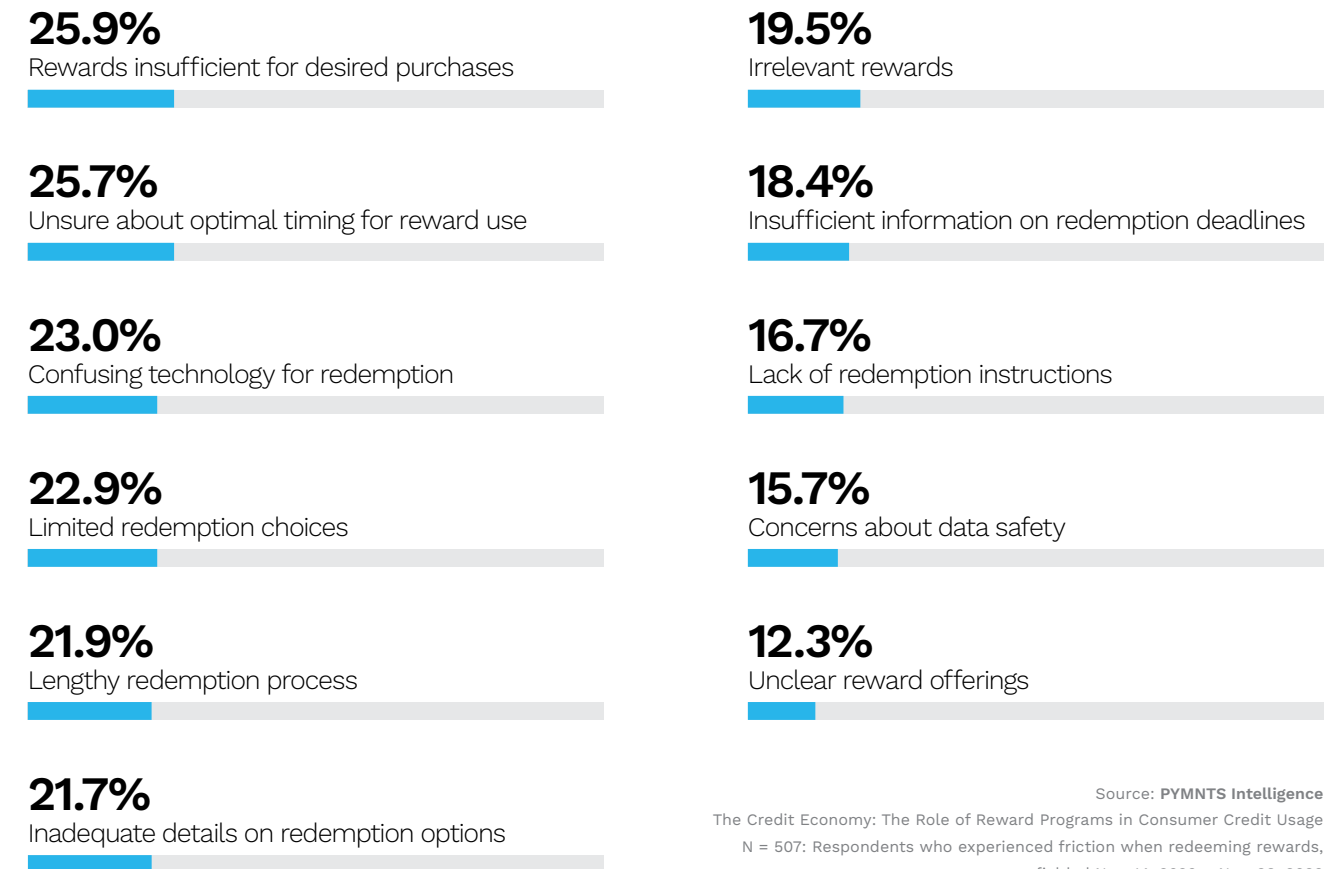
While existing loyalty programs attract many users and offer rewards, widespread friction and dissatisfaction present a significant market opportunity for a solution that smoothly delivers tailored rewards.

The current landscape of loyalty programs in the credit card industry is nuanced, particularly when viewed through the lens of generational differences. While these programs have a broad participation base, with 72% of credit card holders utilizing rewards in the past three months, there is notable friction. As many as 31% of consumers report difficulty redeeming rewards within the past 90 days. This dissatisfaction stems from several factors: 23% of users find the technology confusing, lengthy processes deter another 23% and 22% are frustrated by a lack of clear details regarding

FIGURE 1:

Rewards pain points

Share of consumers who experienced friction-related issues when redeeming credit card rewards



Source: PYMNTS Intelligence
The Credit Economy: The Role of Reward Programs in Consumer Credit Usage
N = 507: Respondents who experienced friction when redeeming rewards,
fielded Nov. 14, 2023 – Nov. 28, 2023

redemption offers. The latter, in particular, may help explain why generic cash-back rewards constitute nearly half of all claims. These pain points are not just operational glitches — they represent a deeper disconnect between consumer expectations and the programs' design.

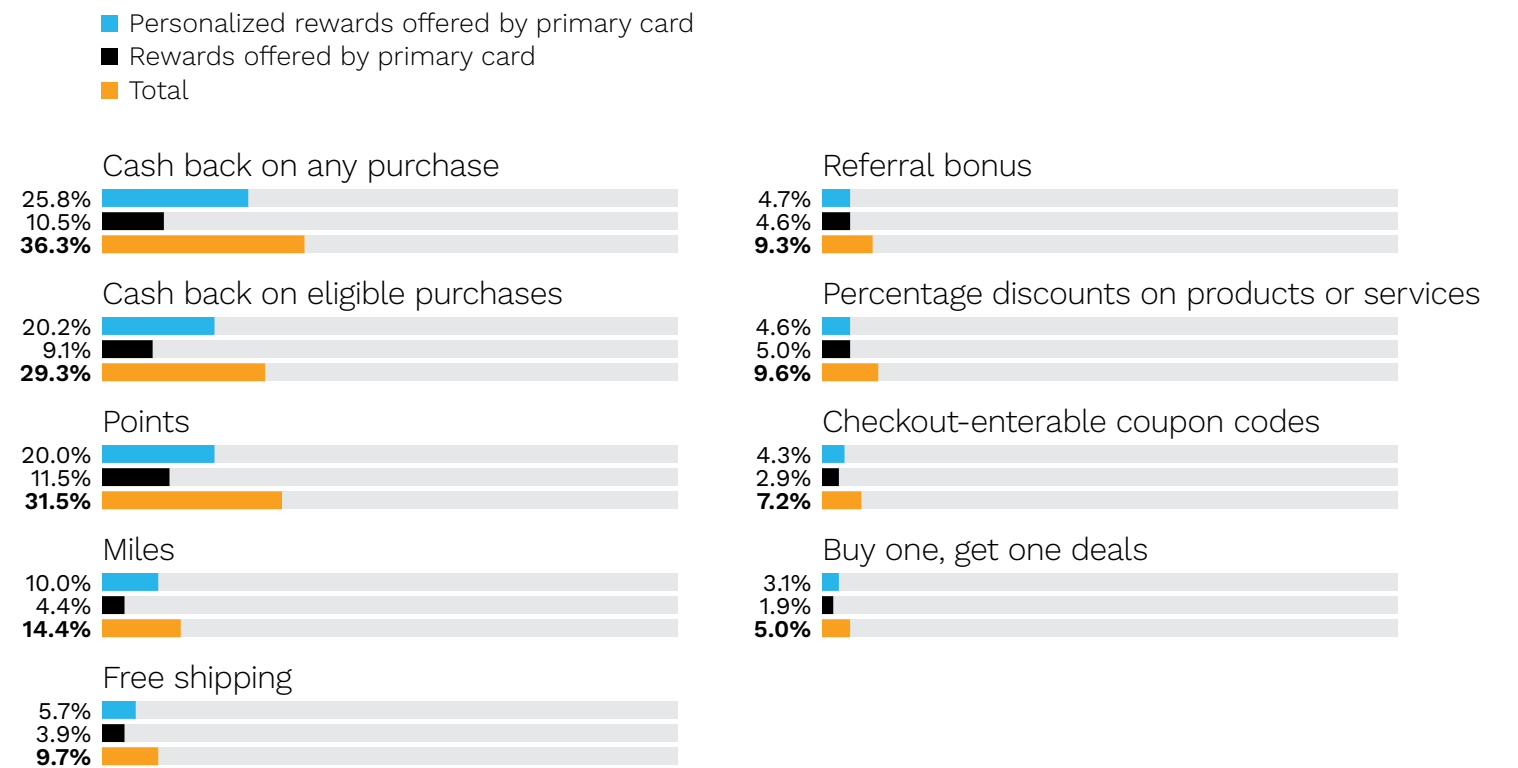
This friction also presents an opportunity for FIs to realign their loyalty strategies. By doing so, these FIs can close the gap between current reward offerings and the needs of today’s consumers — particularly the youngest adult generations. Gen Z and millennial consumers have a reputation for being more tech-savvy and valuing efficiency, placing them squarely in conflict with current programs’ operational inefficiencies. FIs need to innovate beyond traditional reward structures to alleviate these concerns, and tailoring reward programs to individual preferences, simplifying the redemption process and improving the clarity of offerings could significantly enhance these users’ satisfaction. This strategic realignment may prove necessary to compete in a market increasingly driven by younger consumers’ distinct preferences and behaviors.

Cardholders engage with credit card rewards programs: 83% of credit card users reported receiving rewards offered by their cards, with 72% of that group having used these rewards programs in the past 90 days. The high participation rate highlights the value that consumers place on these programs, and consumers’ preference for cash-back rewards aligns well with the broader consumer desire for straightforward, tangible benefits from their credit card usage. More than one-third of credit card holders received cash-back without eligibility limitations in the last three months, 36%, to be exact. Approximately one-fifth received points as a personalized reward on their primary card. Cash-back rewards are also

FIGURE 2:

Rewards received

Share of credit card holders who used select rewards credit cards offered in the past three months



Source: PYMNTS Intelligence
 The Credit Economy: The Role of Reward Programs in Consumer Credit Usage
 N = 2,120: Respondents who purchased products or services with a credit card in the last 90 days, fielded Nov. 14, 2023 – Nov. 28, 2023

the most popular type of offer, as card providers offered cash back on any purchase 26% of the time in the last 90 days. Cash back for eligible purchases accounted for one-fifth of offers in that time.



Millennial and Gen Z cardholders are most likely to be interested in rewards programs, but Gen Z cardholders have high standards and are also the most likely to be dissatisfied with their rewards programs.

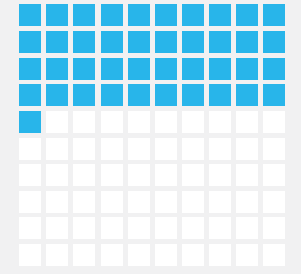
Although millennial and Gen Z cardholders exhibit the most widespread interest in rewards programs, that can be a bit of a double-edged sword, as Gen Z also shows the most widespread dissatisfaction. In fact, 41% of Gen Z cardholders report dissatisfaction with their credit rewards, which is generationally unique. For comparison, just 28% of millennials express similar discontent, and older generations such as Generation X and baby boomers

and seniors tend to be more content with the current offerings of rewards programs. This generational divide highlights that younger consumers expect more, and FIs must adapt their reward strategies accordingly to win over these consumers.

One-third of consumers favor cash back on any purchase, and cash back on eligible purchases and free shipping are also popular choices. Considering that reality with Gen Z's lower satisfaction begs the question: Why is cash back not as satisfying for these



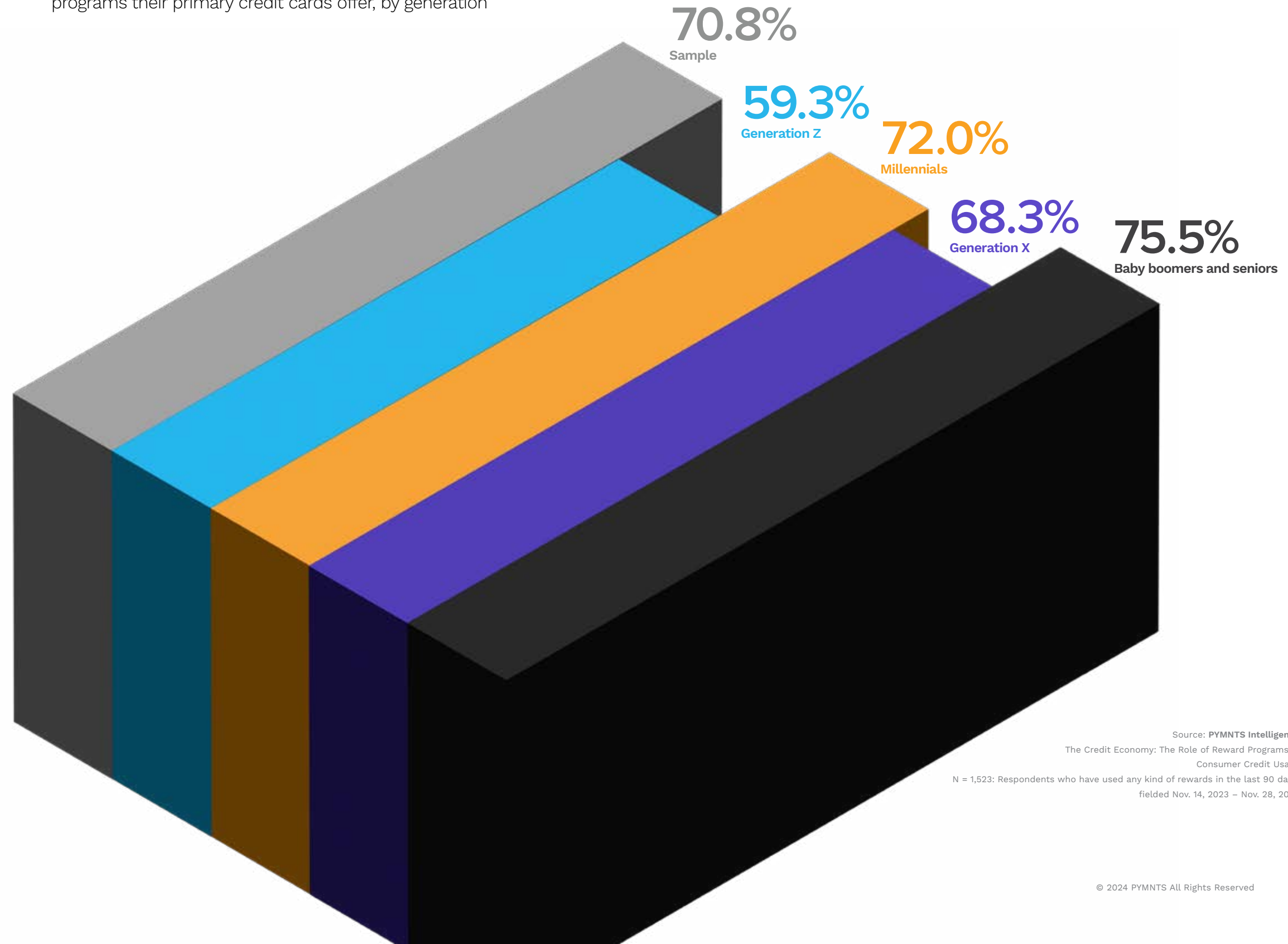
41%



Share of Gen Z cardholders who report **dissatisfaction** with their credit rewards

cardholders? Redemption habits may tell the story: Millennial and Gen Z cardholders exhibit a lower tendency to redeem rewards than older generations — but millennials and Gen Z more frequently redeem checkout codes and free subscriptions, diverging from overall trends. For instance, while 28% of the entire sample of cardholders redeemed cash back on purchases, just 18% of Gen Z did so for cash back on any purchase. One potential explanation is that checkout codes and free subscriptions take full effect immediately, whereas consumers must accrue funds for cash back before they can use it meaningfully. Factor in Gen Z’s generally reduced spending power relative to other generations, and it follows that these consumers might prefer benefits upfront rather than pennies on the dollar.

FIGURE 3:
Rewards satisfaction — or the lack thereof
 Share of consumers very or extremely satisfied with the rewards programs their primary credit cards offer, by generation



Source: PYMNTS Intelligence
 The Credit Economy: The Role of Reward Programs in
 Consumer Credit Usage
 N = 1,523: Respondents who have used any kind of rewards in the last 90 days,
 fielded Nov. 14, 2023 – Nov. 28, 2023



FIGURE 4:

Cash back dominates consumers' credit card rewards preferences

Share of consumers very or extremely satisfied with the rewards programs their primary credit cards offer, by type of reward used

More used

Less used



Source: PYMNTS Intelligence

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N = 1,523: Respondents who used some type of credit card reward in the last three months, fielded Nov. 14, 2023 – Nov. 28, 2023








Credit companies are not delivering rewards that Gen Z consumers want — and these young consumers want more than cash-only offers and are interested in additional cards from entities that offer personalized and diverse rewards.

Credit companies are not fully meeting younger consumers’ expectations in reward offerings, as they are significantly inclined to use credit cards that provide personalized and diverse rewards. Data indicates that nearly half of millennials and 43% of Gen Z consumers are highly likely to apply for a new credit card offering their preferred type of reward. Furthermore, 59% of Gen Z and 64% of millennials become more interested in rewards programs personalized to their preferences.

FIGURE 5:

Interest in personalized rewards

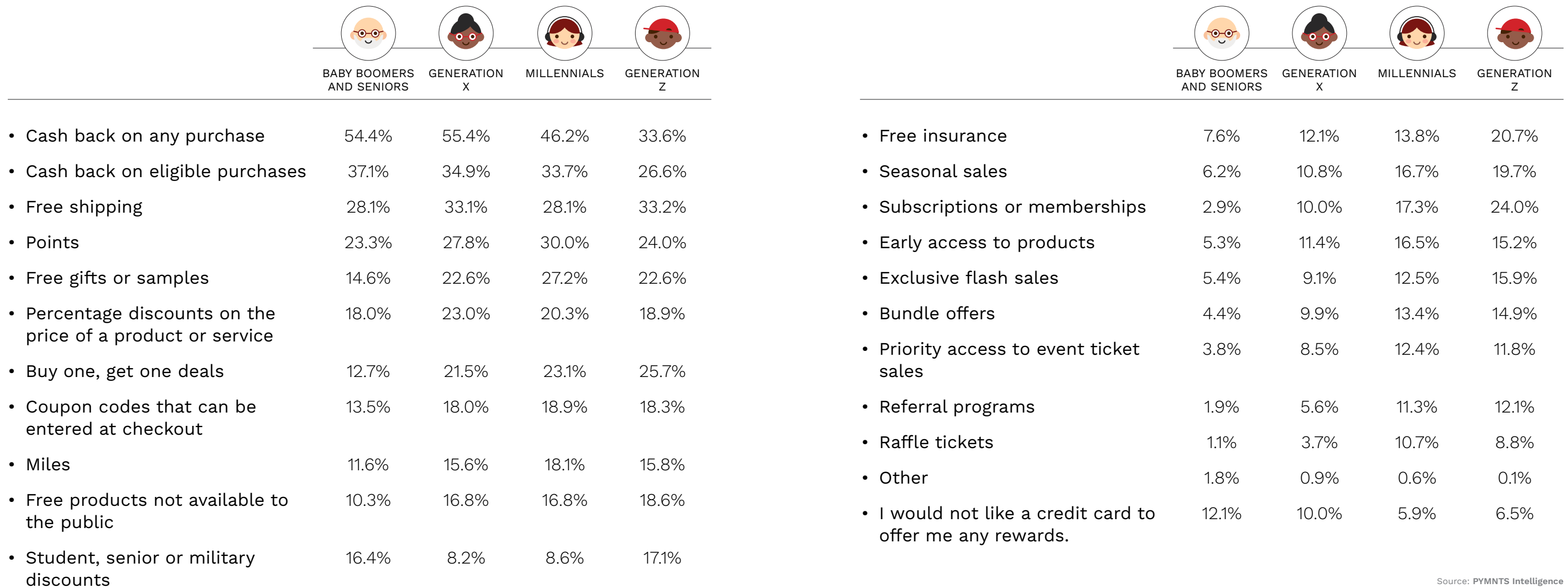
Share of consumers citing their level of interest in rewards if the card provider offered personalized rewards, by generation and income

	LESS INTERESTED IN REWARDS IF PERSONALIZED	SAME INTEREST IN REWARDS IF PERSONALIZED	MORE INTERESTED IN REWARDS IF PERSONALIZED
• Sample	13.2%	35.2%	51.6%
GENERATION			
 • Baby boomers and seniors	12.0%	50.2%	37.8%
 • Generation X	12.3%	35.9%	51.8%
 • Millennials	12.7%	22.9%	64.4%
 • Generation Z	18.5%	22.8%	58.7%
INCOME			
 • More than \$100K	11.1%	33.8%	55.1%
 • \$50K-\$100K	12.4%	36.0%	51.5%
 • Less than \$50K	16.5%	36.1%	47.4%

Source: PYMNTS Intelligence
 The Credit Economy: The Role of Reward Programs in Consumer Credit Usage
 N = 3,233: Complete responses, fielded Nov. 14, 2023 – Nov. 28, 2023

FIGURE 6:
Generational interest in reward types

Share of consumers who want card providers to offer select credit card rewards, by generation



Source: PYMNTS Intelligence
The Credit Economy: The Role of Reward Programs in Consumer Credit Usage
N = 3,233: Complete responses, fielded Nov. 14, 2023 – Nov. 28, 2023

Younger consumers, particularly those from Gen Z, prefer nontraditional rewards — flash sales, event ticket access and referral programs, to name a few — in far greater shares than older cohorts like baby boomers and seniors. For instance, flash sales draw in 16% of Gen Z consumers— a stark contrast to the 5.4% of older

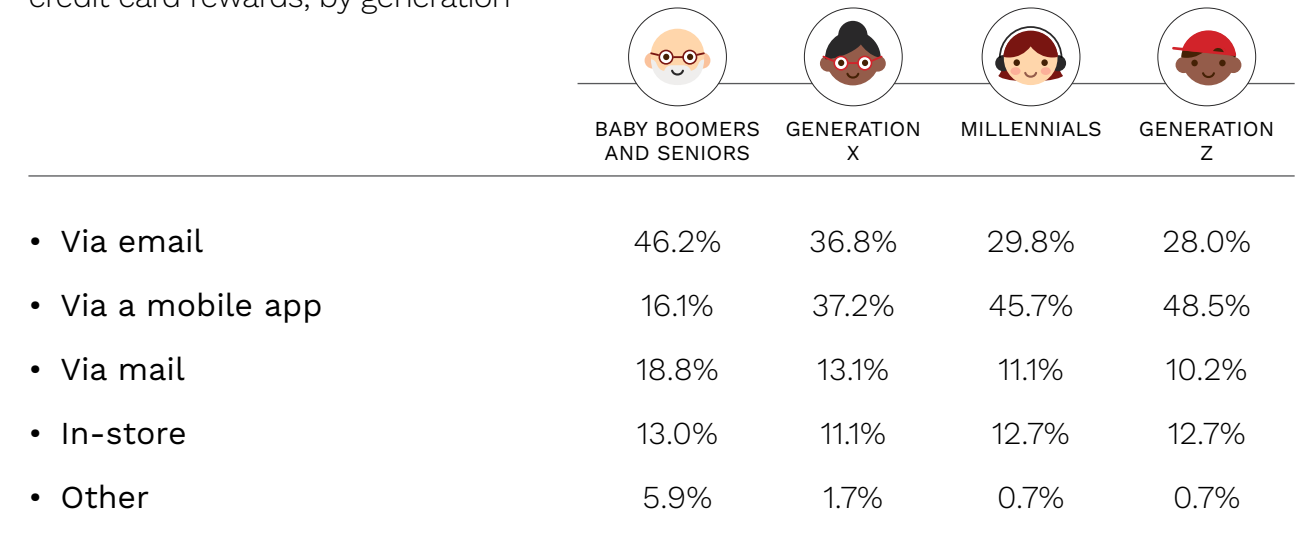
generations. Similarly, Gen Z’s preference for ticket access and referral programs is notably higher than the more traditional preferences of baby boomers and seniors. This trend underscores the generational shift in reward preferences and the growing appeal of unique and experiential rewards among younger consumers.

For Gen Z and millennial consumers, the delivery method for rewards also matters, with younger consumers preferring app-based offers to classical options like mail or email.

FIGURE 7:

Rewards communication preferences

Share of consumers who cite select methods as their most preferred way to receive credit card rewards, by generation



Source: PYMNTS Intelligence
 The Credit Economy: The Role of Reward Programs in Consumer Credit Usage
 N = 3,233: Complete responses, fielded Nov. 14, 2023 – Nov. 28, 2023

Apps have become more and more central to the connected lives of consumers, impacting their banking, messaging, work, leisure and more. In that context, it makes sense that legacy forms of reward delivery might not cut it, and the data bears this out, with 49% of Gen Z and 46% of millennials favoring notification of rewards through mobile apps. After all, mobile apps offer instant access and ease of use, both highly valued by Gen Z and millennials.

In contrast, Gen X and baby boomers and seniors lean on more traditional methods for receiving rewards, with a notable preference for email. Forty-six percent of baby boomers and seniors and 37% of Gen X favor receiving rewards offers via email. Physical mail, once a standard method for such communications, now sees dwindling favor across all age groups, with just 10% of Gen Z showing a preference for it. This divergence in preferences highlights a nuance of the evolving communication landscape: Those that can offer a variety of digital methods for reward reception will best position themselves to appeal to account holders across generations.

Younger cardholder cohorts look for rewards in different item categories than older cohorts, particularly items indicative of independence and self-expression.

Younger generations value independence and self-expression, which carries over to their reward program preferences, especially among members of Gen Z. Among that cohort, 39% favor rewards in categories such as clothing and accessories, as do just 25% of baby boomers and seniors.

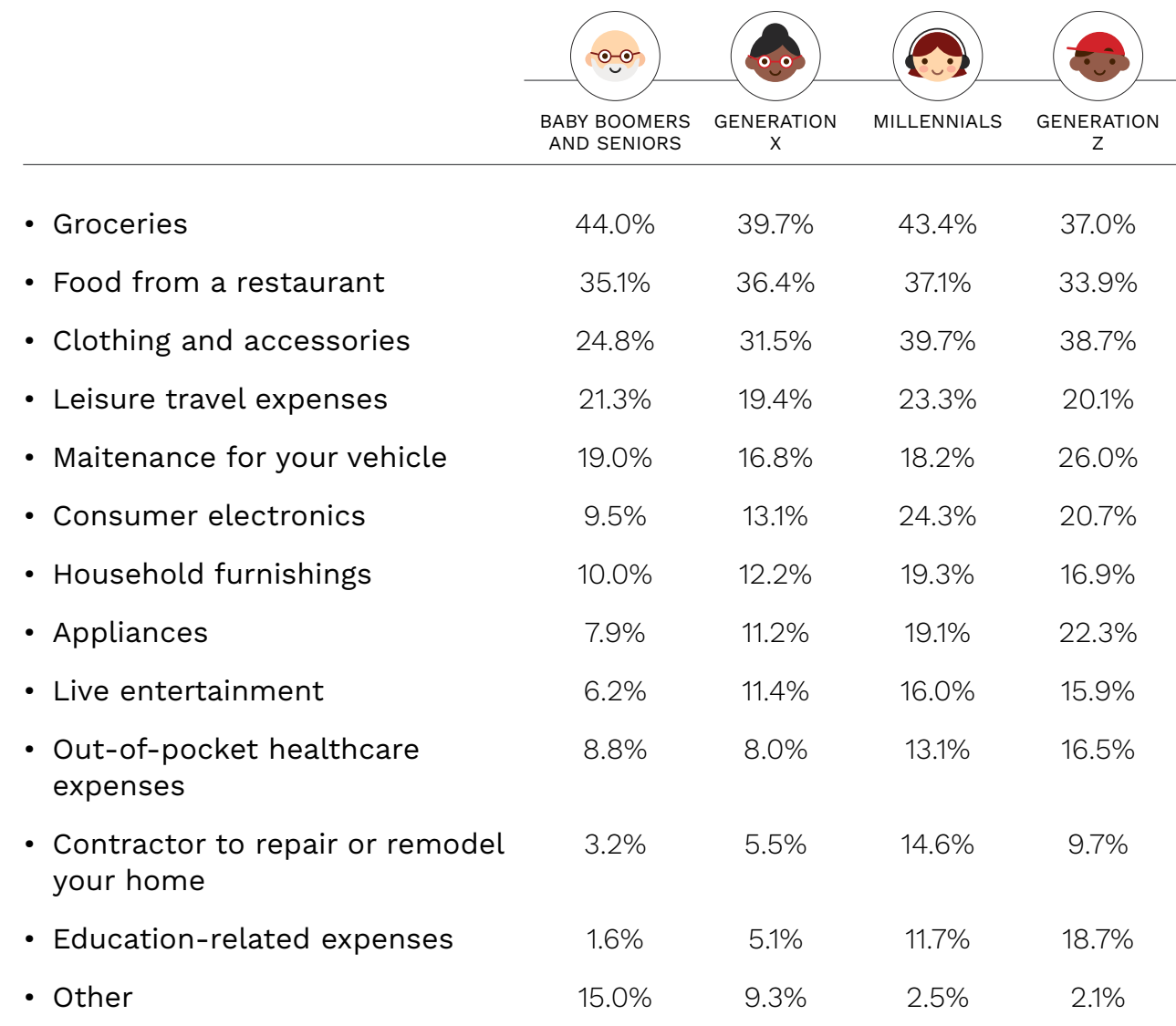
In addition, younger consumers show interest in rewards from less traditional categories such as appliances, household furnishings, and education-related expenses. Although perhaps not quite as indicative of self-expression, these categories, considered together, suggest an underlying desire for rewards that support their journey towards establishing independent lives and transitioning fully into adulthood. For Gen Z, rewards programs are more than just a financial incentive; they are a tool that aligns with their life stages and personal goals. For older consumers, however, they are more of a means

to an end, with groceries and restaurant food popular options. This divergence in reward preferences between younger and older cohorts underscores the need for credit companies to adapt their reward structures to cater to each generation’s distinct needs and aspirations.

FIGURE 8:

Spending categories for offered rewards

Share of consumers who did not receive rewards options from card providers in their most recent purchase in a select category, by generation



	BABY BOOMERS AND SENIORS	GENERATION X	MILLENNIALS	GENERATION Z
• Groceries	44.0%	39.7%	43.4%	37.0%
• Food from a restaurant	35.1%	36.4%	37.1%	33.9%
• Clothing and accessories	24.8%	31.5%	39.7%	38.7%
• Leisure travel expenses	21.3%	19.4%	23.3%	20.1%
• Maintenance for your vehicle	19.0%	16.8%	18.2%	26.0%
• Consumer electronics	9.5%	13.1%	24.3%	20.7%
• Household furnishings	10.0%	12.2%	19.3%	16.9%
• Appliances	7.9%	11.2%	19.1%	22.3%
• Live entertainment	6.2%	11.4%	16.0%	15.9%
• Out-of-pocket healthcare expenses	8.8%	8.0%	13.1%	16.5%
• Contractor to repair or remodel your home	3.2%	5.5%	14.6%	9.7%
• Education-related expenses	1.6%	5.1%	11.7%	18.7%
• Other	15.0%	9.3%	2.5%	2.1%

Source: PYMNTS Intelligence

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N = 2937: Respondents who would like a credit card to offer them any rewards, fielded Nov. 14, 2023 – Nov. 28, 2023



Conclusion

Credit card rewards programs have long been popular, and many generations of consumers appreciate cash back and other standard offerings. Data shows that this status quo does not cut it for younger generations, especially the youngest in our study — Gen Z — who do not find cash-back rewards sufficient and exhibit a distinct inclination toward nontraditional rewards and digital delivery methods. This shift reflects their specific values and tendencies and mirrors broader trends toward personalized and technology-driven financial services. FIs operating these programs need to recognize and adapt to these changing preferences to win over this key demographic, which can potentially connect them with cardholders for the long haul.

Innovation will be required, as the dissatisfaction among younger consumers with current reward offerings underscores the necessity for credit companies to go beyond traditional reward structures. Those that do will seize a market opportunity, enhancing customer satisfaction and fostering loyalty among consumers who are younger and increasingly influential but will become the diverse and dynamic consumer base of tomorrow.



Methodology

The Credit Economy: The Role of Reward Programs in Consumer Credit Usage, a PYMNTS Intelligence and i2c collaboration, examines consumer behaviors and attitudes related to the rewards credit card loyalty programs offer. We surveyed 3,233 U.S. consumers between Nov. 14, 2023, and Nov. 28, 2023, to explore what drives interest in and usage of these schemes across a range of spending categories and demographic groups. Our sample was balanced to match the U.S. adult population in key demographic variables: 51% of respondents identified as female, 34% were college educated and 31% reported annual incomes of \$100,000 or more.

About

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PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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