THE CONSUMER CARDS REPORT

REWARDS STRATEGIES ISSUERS CAN USE TO WIN AND MAINTAIN TOP-OF-WALLET STATUS WHILE MAXIMIZING RETURNS

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Jaime Toplin | Senior Research Analyst

BUSINESS INSIDER INTELLIGENCE

KEY POINTS

- **Competition driven by consumer card appetite in the US is hurting issuer returns.** Card debt is hitting postrecession peaks in the US, thanks to rising consumer confidence. But that's leading to more spending from banks as they work to capture and keep more customers, as well as increased delinquencies as lending gets riskier, which is making credit card lending a less profitable business. Return on assets (ROA), which Mercator defines as total income compared with total value of receivables, are at a five-year low at issuers, and should continue to fall through this year.

- **Card issuers can use rewards — consumers' most-valued feature — to build loyalty, but that can also drive up costs.** Exclusive data from a Business Insider Intelligence survey of US cardholders found that two-thirds of respondents cited rewards-related offerings as the leading driver of primary card, or "top-of-wallet," status, defined as a user's most preferred and used card. That's good for issuers, which have been emphasizing rewards as a way to grab users, but could drive up costs as rewards spending continues to skyrocket.

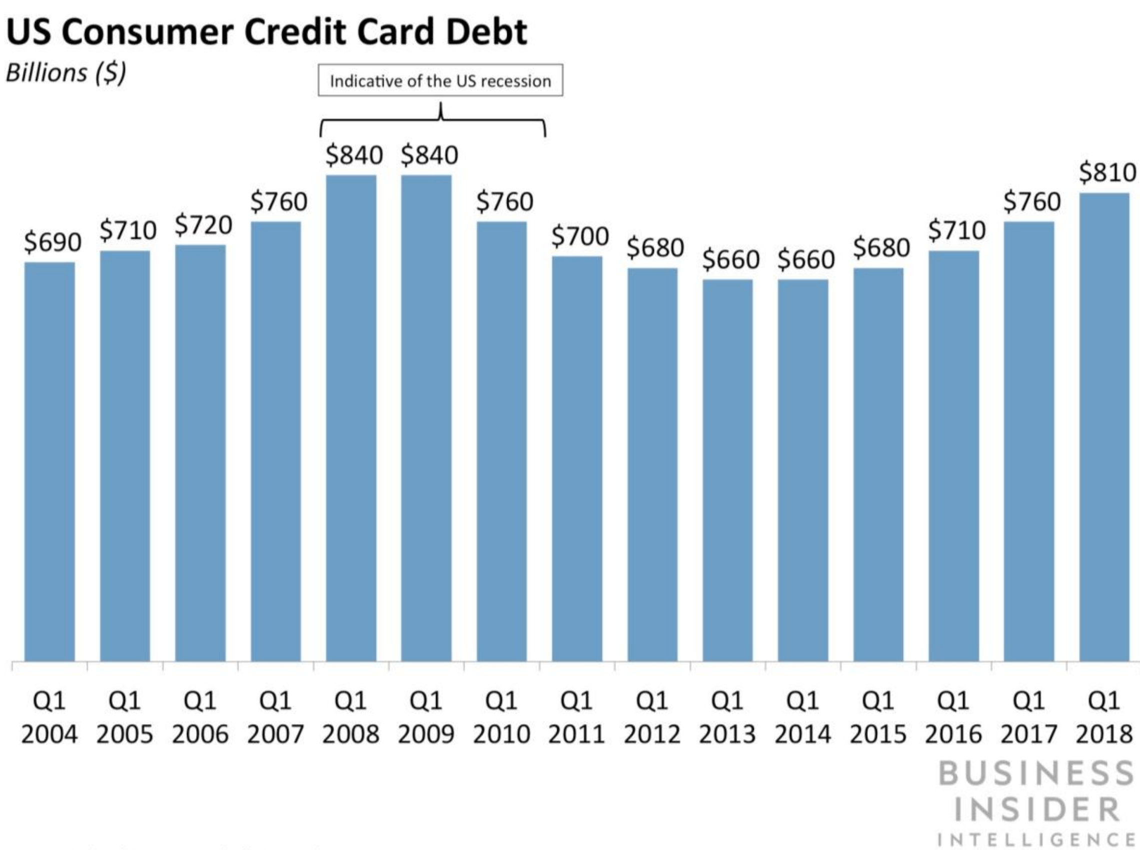
- **Issuers need to focus on building primary card status to win.** To do so, they should find ways use resources more strategically, and continue offering rewards while reducing costs. Instead of cutting benefits, which can reduce loyalty and drive users away, players need to find smart ways to drive top-of-wallet status so that volume and interest revenue can help compensate for rising costs.

- **Looking toward next-generation rewards in three key areas can help do that.** Three newer types of rewards stood out among survey respondents' preferences:
  - **Flexible rewards:** Allowing users to redeem rewards in multiple ways from the same card (i.e. cash back, travel points, and hotel points) could limit competition for primary card status, help issuers spread out spending among partnerships, and push users to redeem less frequently or in smaller chunks.
  - **Bonus rewards for e-commerce:** As online shopping becomes a more important part of users' day-to-day lives, layering additional rewards for some or all types of online purchases could help issuers build loyalty and attract key spend in a fast-growing segment.
  - **Bonus rewards for shopping locally:** Small and local businesses remain an important part of customers' routines, so targeting existing loyal customers with offers to help them form habits around a given card for everyday spending could grow loyalty and build spend.

Download the charts and associated data in Excel »

INTRODUCTION

US consumer credit appetite is riding a wave. The average US customer holds about three credit cards — a figure that rises to between five and six if retail cards are included — and carries a balance over $6,000, which increases by about $1,800 with retail cards, according to Experian. On the macro level, consumer card debt is hitting postrecession peaks — by the end of Q1 2018, the New York Fed calculated consumer card debt reached around $810 billion, which is slightly lower, but still close to prerecession spending.

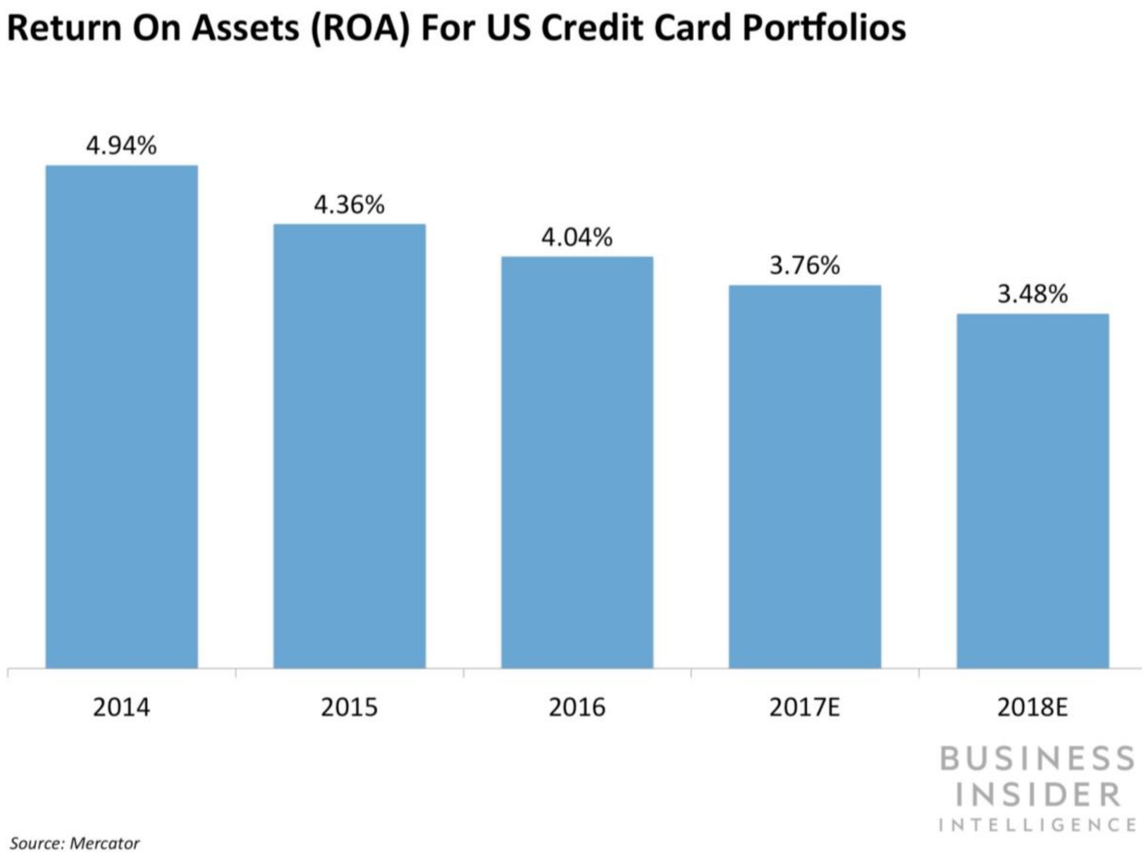


Source: Federal Reserve Bank of New York

For issuers, consumer interest hasn't been a long-term win — rising debt and high consumer interest are ultimately hurting returns.

- **Aiming for a wide customer base has surged expenses and increased charge-offs.** High credit appetite, combined with regulatory policy that boosts credit card profitability, has bolstered the strength of credit as a business. This has pushed issuers to attract a wider base of consumers to credit cards, encouraging them to spend as a means of growing volume and revenue, both through interchange and interest. But hustling to attract customers, and then retaining them once they come, hasn't been pain free. Expenses have surged as issuers pour money into marketing, rewards redemption, and more to attract and please the newest group of customers. And that audience growth and boosted spending has led to a rise in charge-off rates, defined as the amount of unpaid debt that issuers write off as a loss, which hit a nearly five-year high of 3.46% among major issuers in Q1 2018, according to the The Wall Street Journal.

- **These pain points are hurting returns.** Cards are supposed to be an easy channel to profits, rather than a detractor from them. But players have overextended themselves, with return on assets (ROA), which Mercator defines as total income compared with total value of receivables, trending down at major issuers in the past few quarters, according to The Wall Street Journal. This downward trend is set to continue throughout this year.



Issuers are responding by course-correcting back to profitability. Firms are shifting their approach to cards to limit the fallout from lower ROA and improve performance. Some players are restricting rewards — in Citi's Q1 2018 earnings call, CFO John Gerspach said that the firm has "pulled back" on growing its rewards offerings, and is instead focusing on value as a means of stabilizing balances. Others, like Amex, are aiming to use rewards to deliver the most value; the issuer's CFO noted that the firm is focusing mostly on "providing tremendous value propositions" to its customers on their cards. Though there are a number of ways issuers can improve profitability, they need to do so without eroding the appeal cards have to consumers to ensure that they continue spending frequently on their cards. Issuers should therefore invest heavily in the offerings that drive primary card status. Doing so can ensure that their investments bring in returns in the form of revenue from rising consumer spend and increased loyalty.

In this report, Business Insider Intelligence will take a deep dive into what makes a credit card most important to customers, with a focus on rewards. We will also examine the emerging, next-generation rewards and retention offerings that appeal to consumers, so that issuers can better understand what might drive primary card status without "breaking the bank."

To support that, we conducted a survey centered on users' card preferences, which was fielded to members of Business Insider Intelligence's proprietary panel in May 2018 and reached over 700 US consumers. Members of our panel tend to be more affluent and tech-savvy than the general population, making their responses an especially sensitive indicator of future trends in tech and commerce.

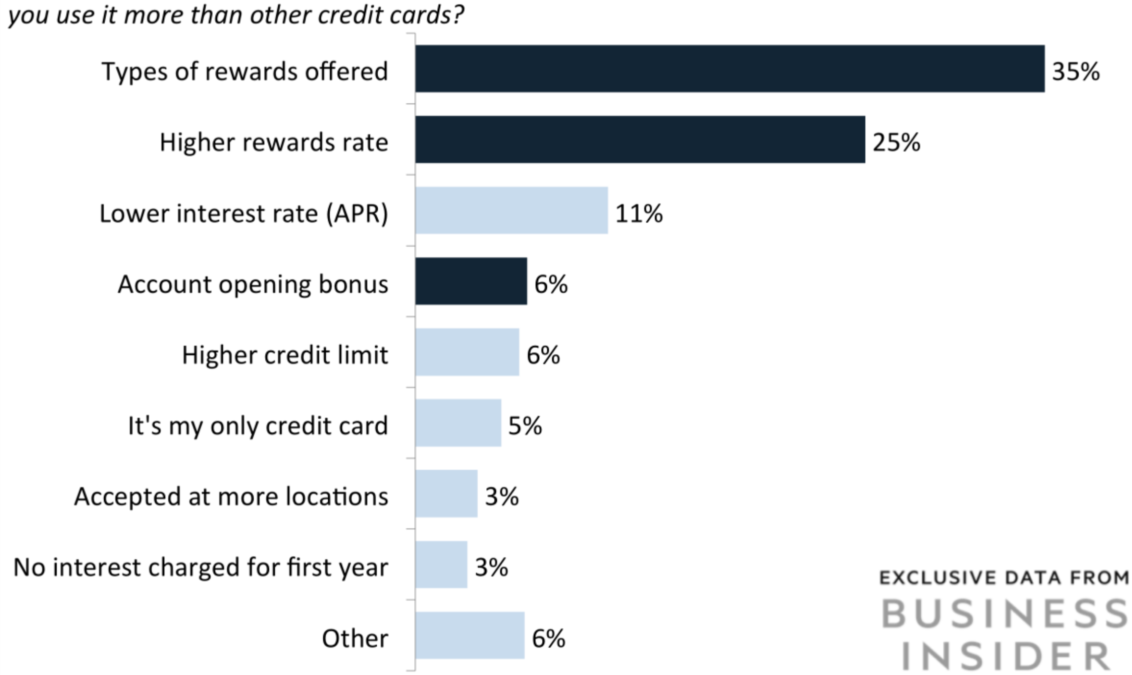
WHY REWARDS ARE THE KEY TO PRIMARY CARD STATUS

Seventy-five percent of consumers have a rewards program attached to their most preferred card, up from 58% two years ago, according to data from [TSYS](). These programs have long been important, as the number of users who rank rewards as a top feature has been steadily rising since 2014.

When it comes to top-of-wallet status, Business Insider Intelligence's survey data shows that consumers value rewards above other factors in picking their primary card. Among survey respondents, three of the top four factors cited as the most important in choosing a primary card were related to rewards, topping financial and other features.

Top Reasons US Cardholders Keep Cards Top-Of-Wallet

Q: Thinking of your most used credit card, what is the most important reason you use it more than other credit cards?

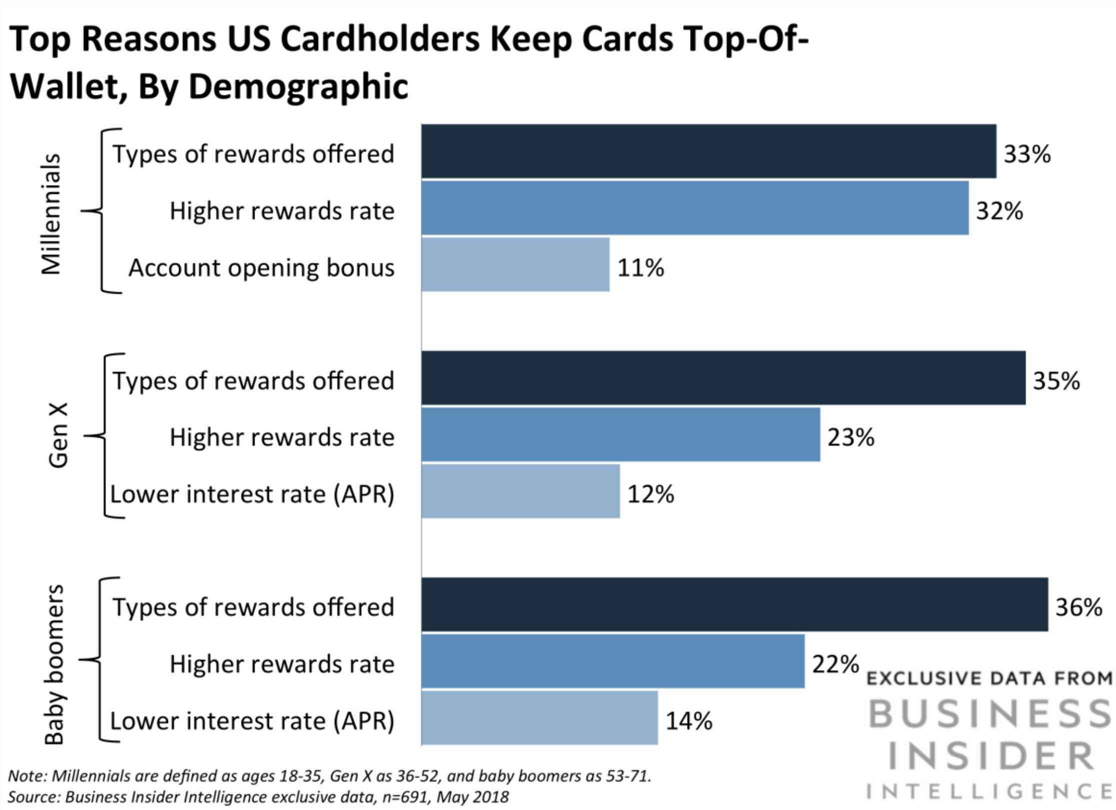


Source: Business Insider Intelligence exclusive data, n=691, May 2018

But the extent to which rewards matter is meaningful for issuers exploring how to attract customers in a competitive environment and deciding how to spend to do so.

- **More users value rewards than other factors combined.** Thirty-five percent of respondents rated the types of rewards offered by their card as the primary determinant in top-of-wallet status. An additional 25% noted that higher rewards rates — the amount of rewards earned per dollar spent as well as the value users can redeem per points earned — was a determinant, making it the second most popular factor. Those features, combined with account opening bonuses — ranked fourth — made up over two-thirds of responses, leaving other factors, like lower APRs and higher credit limits, in the minority.

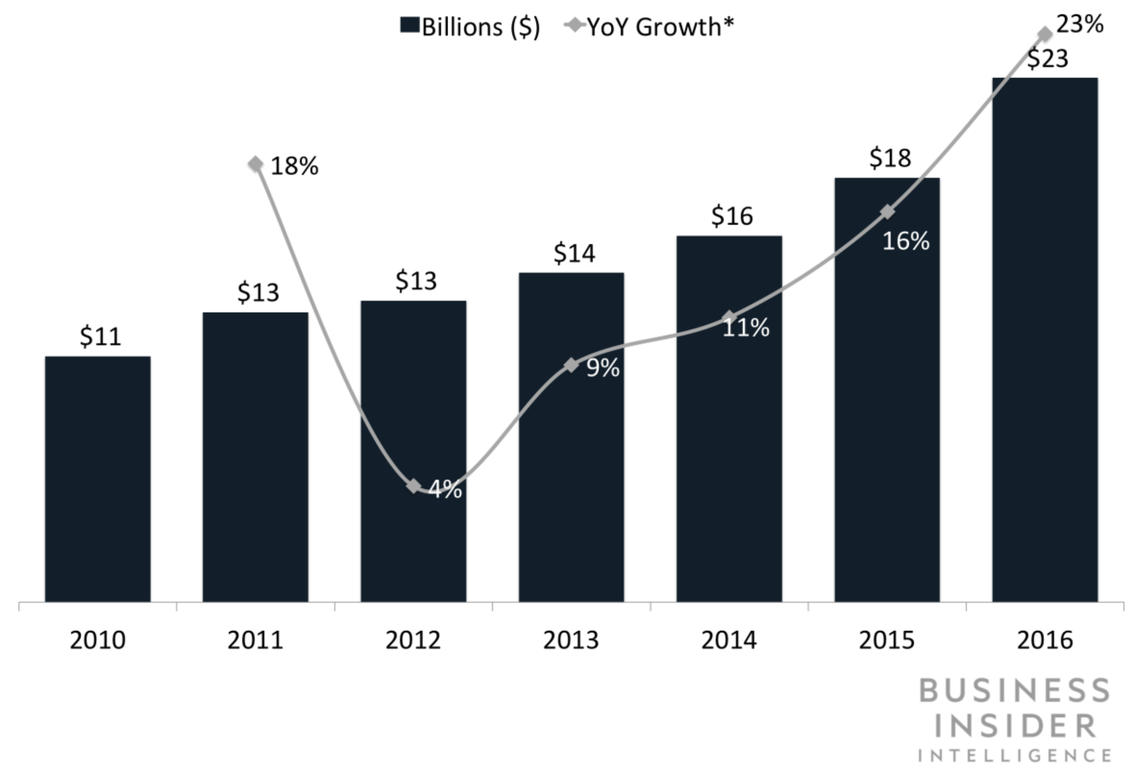
- **This preference is particularly strong among certain demographics.** Rewards-related functionality — specifically the types of rewards offered and rewards rates — were the top two primary card determinants across demographics. But among millennials, all three top features were related to rewards, underscoring their importance even further as issuers chase the opportunity among younger users, many of whom don't have credit cards and therefore mark a key target audience for issuers.



Rewards are still growing. Rewards are becoming more popular and remain a primary driver of card applications and top-of-wallet status, with more customers redeeming them than ever before: 53% of customers redeemed rewards in 2015, compared with 49% the prior year. By last year, 70% of rewards customers had redeemed at least once, according to Bankrate. And, at the same time, while high startup bonuses remain an attractive acquisition tool, they can lead to churn — some customers apply for a card, make it their primary card until they hit the threshold for the sign-up bonus, and then move on.

But that's creating new pain points. Card providers are ramping up rewards offerings and rates to stay top-of-wallet, leading to significant rewards spending. Rewards spending at top issuers grew 113% from 2010 to 2016, according to Magnify Money, and rose an additional 22% year-over-year (YoY) in Q1 2017.

Rewards Spending At Major US Issuers



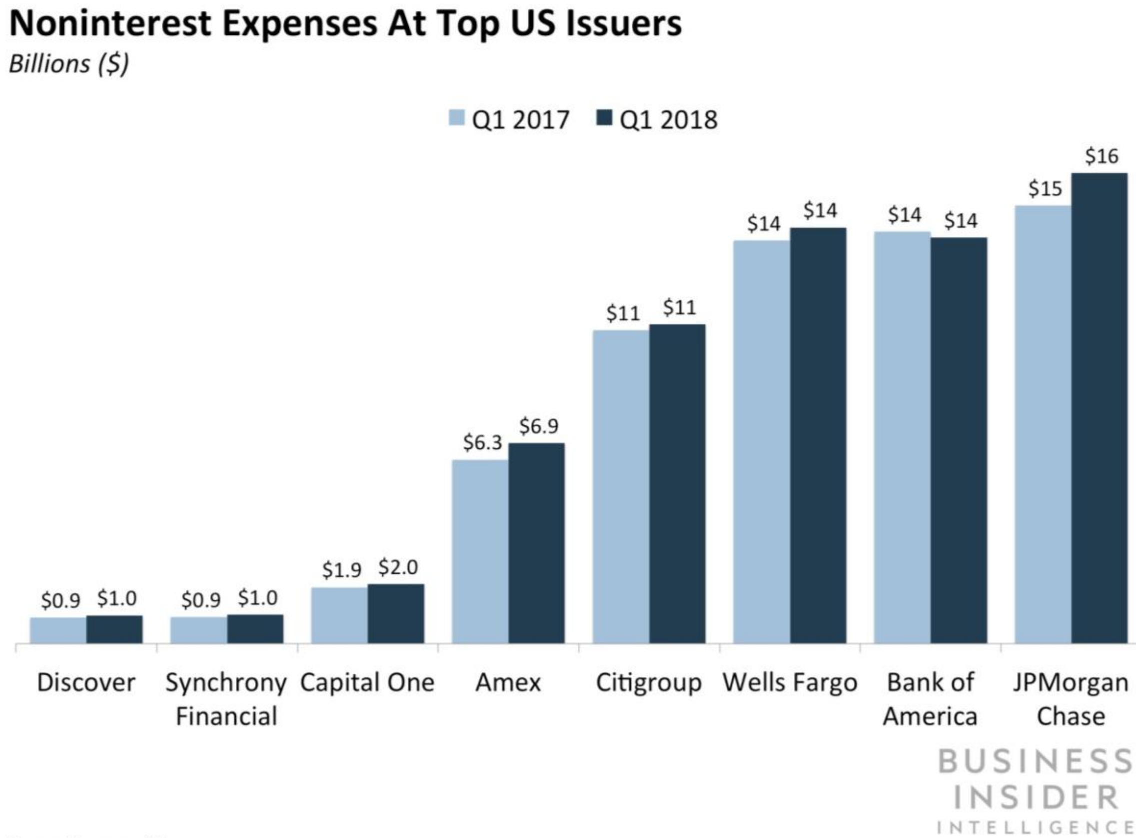
Source: Business Insider Intelligence estimates, Magnify Money*

Costs and spending aren't poised to drastically change anytime soon, as evidenced by Q1 2018 data, where overall expenses were still up across the board at major issuers. Not all players break out rewards spending specifically, but we know that the expenses associated with cards continue to create tie-ups.

- **JPMorgan Chase** has had the highest rewards spending since 2016, according to Magnify Money. That's in part due to its ultra-premium Sapphire Reserve card, but also reflects rising spend and shifting rewards on products across the board. The firm lost $900 million from "card-related headwinds" last year alone, and though it's working to temper that spend, ramping up rewards spending is poised to be a long-term problem — the firm isn't expected to break even on Sapphire Reserve for five years.

- **Discover's** rewards costs increased to $392 million in Q1 2018, up from $363 million the prior year. The gain was due to a shift in its portfolio toward rewards products, indicating demand. This pushed a key rewards reporting metric for Discover — its rewards costs divided by volume — up by two basis points annually, and four sequentially, in the period. That's a big slowdown from Q1 2017, which saw a 19-basis-point annual increase in rewards rates and a huge surge in costs, but still represents cost gains that could impact overall business.

- **Amex** is also seeing an increase in rewards spending, which ticked up 14% annually in Q1 2018 — a slowdown from prior quarters, but still a notable expense relative to the firm's overall 9% increase in noninterest expenses in the same period. Amex's rewards costs are increasing relatively on pace with consumer spending — which grew 13% in the same period — showing improved efficiency, but these costs are still worth watching since they could be draining assets.



Source: Company filings

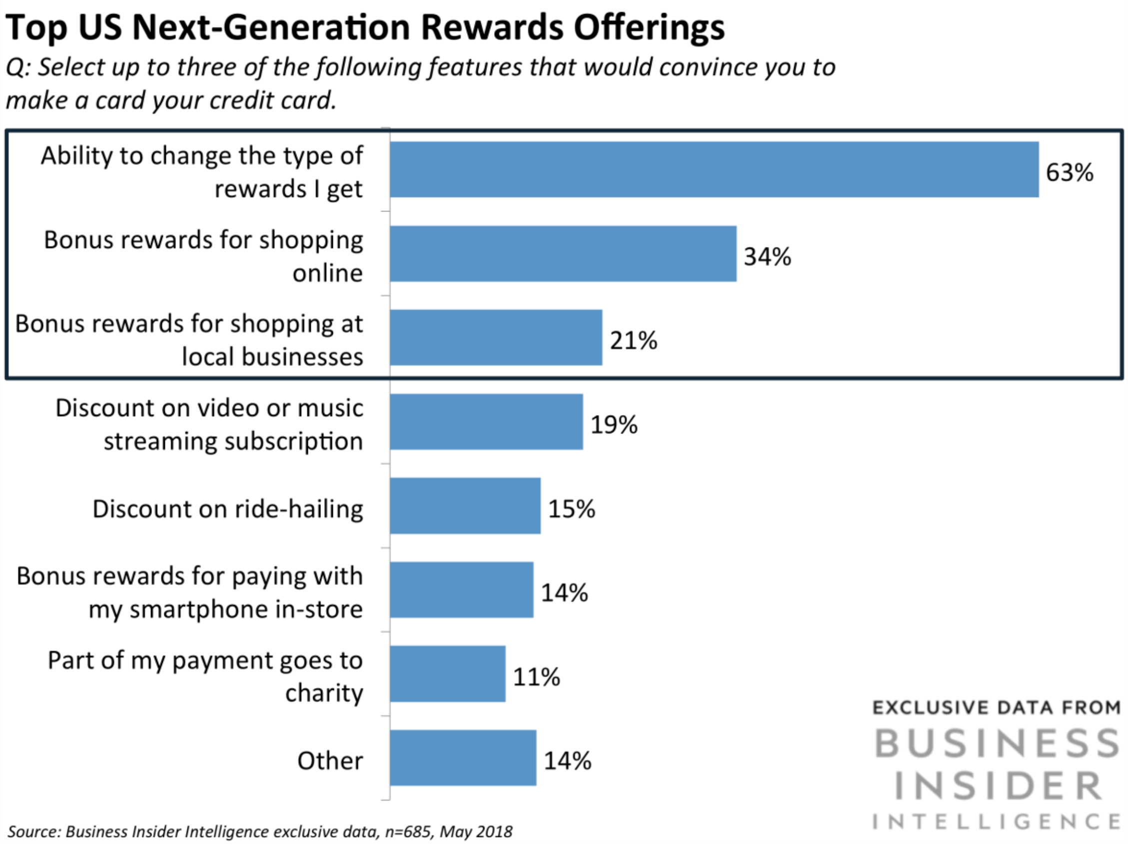
Providers need to tweak their strategies to focus on smarter rewards offerings in order to win. Offering robust rewards programs and high rates for redemption has been an effective way of driving top-of-wallet status, but it's continuing to hurt providers' bottom lines. Moving forward, issuers need to be more like Amex than like JPMorgan Chase, and find ways to continue emphasizing the rewards programs that customers value without sacrificing their profitability. To do so, firms need to find and emphasize offerings that drive long-term engagement and promote primary card status, but in a way that boosts volume at the same pace or faster than rewards spending occurs.

- **Placing limits on benefits is a quick fix, but it isn't necessarily effective in the long term.** Some players have opted to limit a few of their pricier offerings: Chase and Citi recently reduced or removed price protection, which allows customers to get an issuer-funded rebate on products that decreased in price since purchase, after it surged in popularity and contributed to skyrocketing costs, for example. This can be a fast way to limit expenses — Citi paid $28.7 million in price protection refunds in 2017 alone — but it could ultimately backfire. By limiting cards' more popular or unusual benefits (not all issuers offer price protection, so it was a point of differentiation for these players), issuers could bring about customer dissatisfaction, limiting the likelihood that a product will stay top-of-wallet, or even leading to increased churn and a rise in attrition.

- **Instead, to grow sustainably, providers need to build smarter programs.** Issuers need to offer users the rewards they demand, but in a way that's affordable and entices them to frequently spend enough money to help compensate for, or offset entirely, the costs associated with these incentives. By looking at customer preferences and identifying which next-generation features users may want, such as e-commerce-related rewards, discounts, partnerships, or rotating categories, card companies can pique users' interest and maintain top-of-wallet status without falling victim to the current pricing boom.

USING NEXT-GENERATION REWARDS TO BUILD TOP-OF-WALLET STATUS

As issuers seek out smarter partnerships, they're beginning to look toward next-generation rewards offerings that provide the type of incentives they're looking for to improve ROA. In our survey, we asked customers which of these benefits would be most influential in determining primary card status.



To realize the opportunity in rewards, card issuers should focus on cardholders' three top-cited responses:

- **Flexible rewards:** Nearly two-thirds of cardholders (63%) surveyed cited flexible rewards redemption — or the ability to choose which type of rewards they redeem, like cash back, airline travel, hotel discounts, and more — as a top driver of primary card status, making it far-and-away the most popular option.

- **Bonus rewards for e-commerce:** Just over one-third (34%) of cardholders selected the ability to gain additional rewards for shopping online as another reason to make a card top-of-wallet.

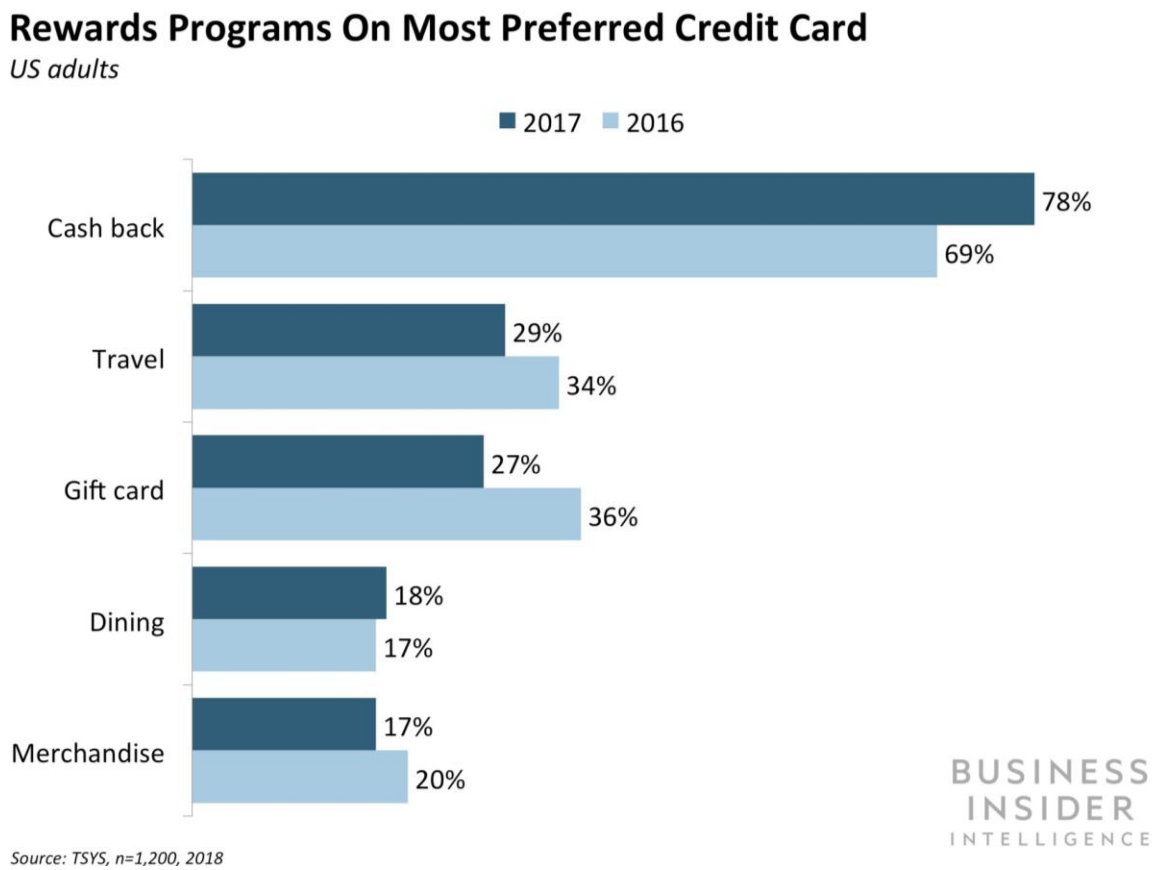
- **Bonus rewards for shopping locally:** Users want to be rewarded for integrating cards into their routine, with 21% of respondents keeping local bonuses in their top three drivers of primary card status.

These offerings, if implemented correctly, can help issuers drive spending, build habit formation, and encourage repeat usage, while allowing for opportunities to keep costs low.

Flexible Rewards

Why They Work

Consumers are interested in multiple types of rewards — though cash back is the most common on users' preferred cards, travel rewards and access to gift cards are also popular, according to TSYS.



But users must often pick between rewards types when applying for a card, which, while good for customers who want to spread out their credit or focus on different types of rewards at different times, isn't ideal for issuers, since it forces users to maintain multiple credit accounts to maximize rewards across types. As a result, multiple products are vying for top-of-wallet status as consumers split their spending between offerings to maximize potential across categories. This hurts everyone, since juggling cards or keeping rewards offerings straight on certain cards is inconvenient for users, and no one card is getting the lion's share of a customer's spend.

Flexible rewards, which allow users to pick and choose what they redeem their credits for, can help resolve that, which is likely why they're in demand.

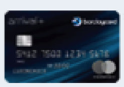
- **Multiple rewards categories within the same product can make it more compelling.** By eliminating the forced choice between products and creating a one-stop shop, an issuer can increase the value proposition of its card, making it more attractive to a wider array of customers and allowing them to spend continually on it regardless of their needs at a given time.

- **And flexible rewards can be more cost-effective for issuers.** In addition to incentivizing spending, a wide array of rewards options could help issuers save costs, since different categories could have different "return rates," (e.g. the same number of points might go further for hotels than airlines). This may push users to redeem in smaller chunks, spreading out payout and costs. Flexibility could also complicate the process for redemption, since it might necessitate users to convert their points from cash to travel, for example, or require them to consider different rewards rates. This could dissuade customers from redeeming as frequently, creating a cynical, but perhaps effective way to reduce costs.

What Issuers Can Learn

Flexible rewards are still a somewhat new card format — not all products offer travel and cash-back benefits, and those that do don't always advertise the option to redeem rewards in multiple ways. But offerings do exist, as detailed in the table below:

FLEXIBLE REWARDS CREDIT CARD OFFERINGS

Card	Travel Card	Cash back Card	Key Features	How It's Flexible
	✔		• $95 annual fee • Two points per dollar on travel/dining and 1.5 points per dollar in other categories • Up to 75% rewards bonus for preferred clients	Users can redeem points for cash back or travel at the same rate
		✔	• No annual fee • Unlimited 1.5% cash back on all purchases • Rewards don't expire and no minimum to redeem	Cardholders can transfer points to redeem as travel benefits
 *	✔		• No annual fee first year, then $89 • Two miles/dollar on all purchases with 5% return on redemption • No foreign transaction fees	Users can redeem miles for travel or cash back, though the rewards rate is lower for cash back

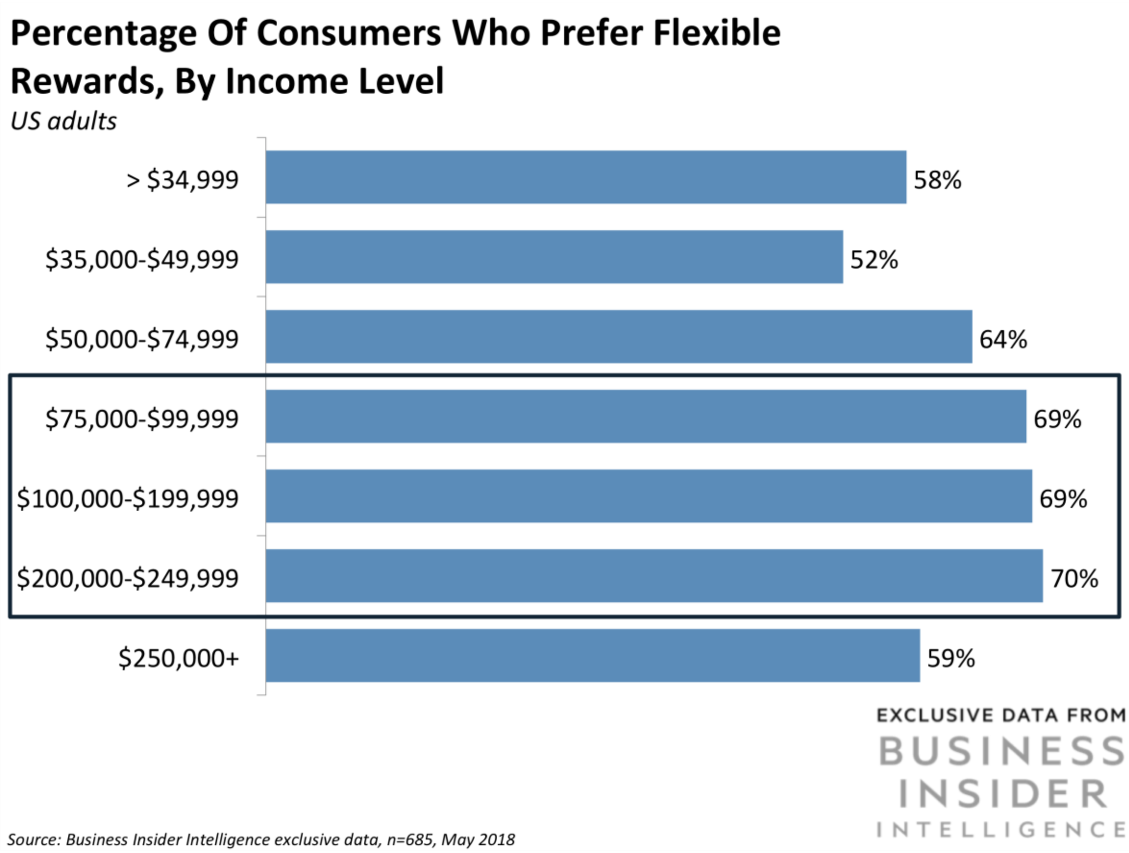
**Note: Card offer no longer exists under this name.*

Travel/cash-back hybrid cards can be challenging to offer, as they require more sophisticated points redemption systems and a wider variety of partnerships, or they might emphasize one type of benefit over the other. But there are still steps issuers can take to make their offerings more flexible and entice spend.

- **Give customers an array of options.** Cobrand cards can be particularly valuable within a niche group of consumers with an affinity to the larger brand. But their benefits don't always resonate among the wider audience — Amex, which was historically quite reliant on cobrands, has shifted focus toward proprietary cardholders for this reason. For issuers, developing a proprietary set of benefits that users can redeem with a variety of brands or partners can encourage spend because it lets users know their rewards are always relevant. Issuers can take it a step further by switching up their rewards options from time to time, through the introduction of new partners or limited-time redemption offers, as a way to keep cards attractive in the long run rather than offering a flashy option that users can max out, tire of, and move on from. And keeping rewards rates lower for more popular categories, like Barclaycard has (see table, above), allows firms to remain flexible while limiting expenses.

- **Focus on the whole user, rather than just their credit card usage.** Flexibility can go beyond just cards and move into full banking relationships. For example, Bank of America's Preferred Rewards program puts users in tiers based on their account balances, with higher-balance customers getting higher rewards rates and improved bonuses on their credit cards, as well as other benefits like reduced fees or discounts on loans. These programs might not encourage customers to spend more on their cards, but it may push them toward other banking services, which could help the bank boost revenue in other areas and compensate for higher acquisition- or rewards-related expenses.

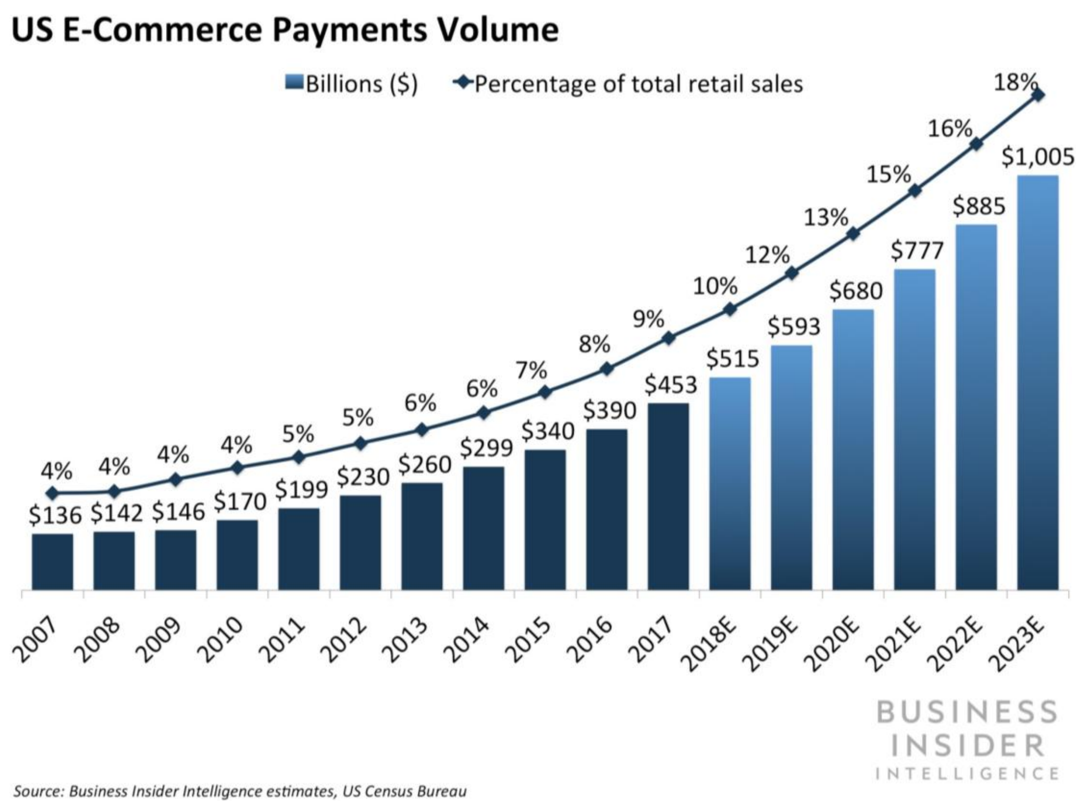
For maximum potential, these rewards should be targeted to higher-income customers. The popularity of flexible rewards steadily rises with income, peaking among respondents to our survey who make between $200,000 and $300,000 a year, over 70% of whom ranked the offering in their top-three next-generation products. Higher-income users are likely to spend more on their cards: Amex has long justified its higher interchange fees by noting that its customers tend to be more affluent and spend more. For banks, offering more expensive rewards options, but targeting them to a higher-spend demographic that happens to be interested, could be a smart way to grow engagement while improving returns.



Bonus Rewards For Shopping Online

Why They Work

E-commerce is surging in the US, and Business Insider Intelligence expects volume to grow at a 14.3% five-year compound annual growth rate (CAGR) to hit over $1 trillion in 2023, comprising nearly one-fifth of total US retail sales.



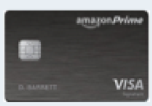
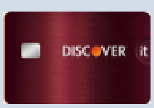
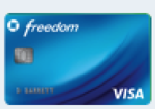
Meanwhile, online shopping is becoming a more meaningful part of users' day-to-day lives, with various shopping categories, like consumer packaged goods (CPGs) and grocery, shifting toward digital. For example, online accounted for 1.5% of US grocery sales last year, a figure that's rising, and Nielsen estimates that 70% of US customers will make a food or beverage purchase online between 2022 and 2024. And 94% of respondents to Business Insider Intelligence's 2018 Amazon Commerce Competitive Edge survey (enterprise only) made a purchase on Amazon in the past year.

This opens a big opportunity for issuers. Forty-eight percent of consumers prefer to use a credit card when shopping online, nearly double the 28% who prefer debit cards, the next top option, according to TSYS. These gains in volume are up for grabs, making this an important segment for issuers to pursue.

What Issuers Can Learn

Although many issuers treat e-commerce purchases as regular sales, and offer rewards compensation accordingly, layering additional rewards on top of that can encourage users to spend on, and forge habits around, specific cards. This can create a high-growth volume channel that can help compensate for costs, with some players beginning to explore this option:

E-COMMERCE BONUS CREDIT CARD OFFERINGS

Card	Key Features	E-Commerce Bonus
	• No annual fee for Prime members • 5% back on Amazon/Whole Foods purchases; 2% back on dining, fuel, and drugstore; and 1% back on everything else • Points don't expire and can be redeemed instantly	Users get the best rewards for spending with the card on Amazon, and can use points most quickly there as well.
	• No annual fee • Match program offers 5% cash back at rotating categories quarterly, and 1% back on all other purchases, plus bonus rewards from Discover partners within the first year • Referral bonus	Amazon and other e-tailers frequently appear in the 5% rotating category.
	• No annual fee • 5% cash back on up to $1,500 in purchases from rotating categories each quarter that users activate, and 1% back on all other purchases • Rewards don't expire	The 5% rotating category has included PayPal as well as other digital payment options to incentivize e-commerce.

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There are a few concrete steps issuers can take to move in the direction of these bonuses and realize the benefits.

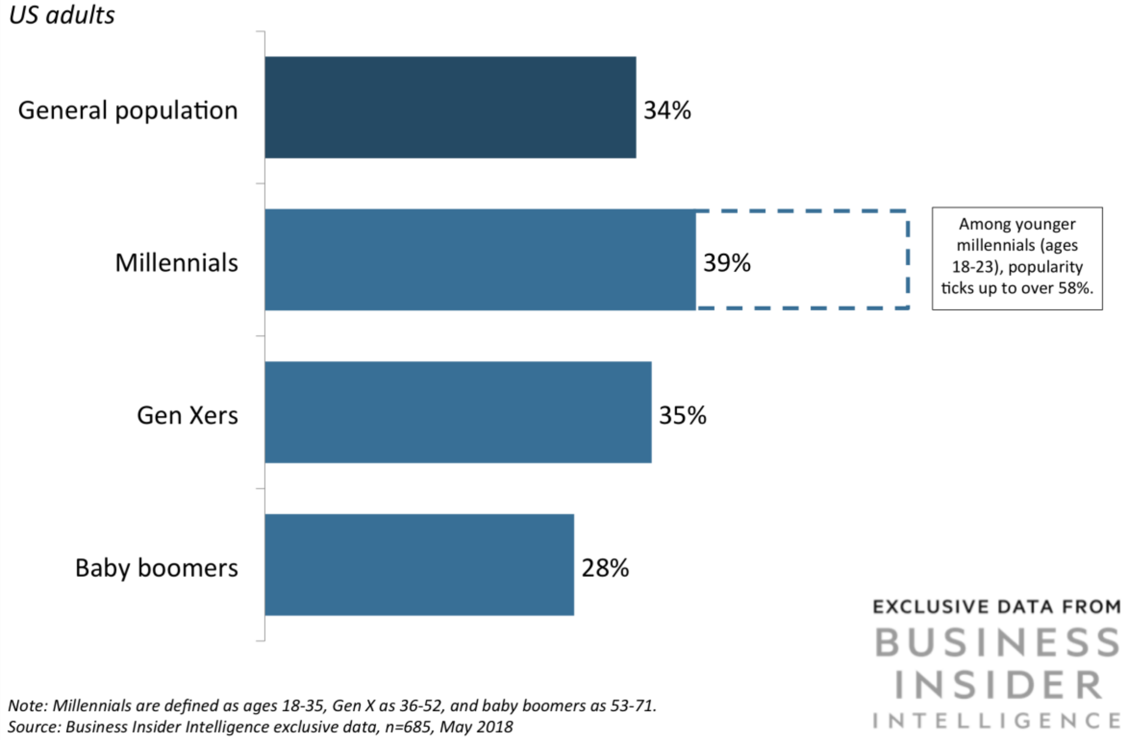
- **Partner with specific digital payments companies or retailers.** Broadly, issuers can add additional rewards for all digital purchases — something that players have done in partnership with specific brands, but seldom across the board. But, if adding additional rewards for all e-commerce is too costly or not appealing to all customers, more specific partnerships are also an option. For example, Chase Freedom's rotating 5% cash-back category in Q2 2018 applied to purchases made using PayPal, allowing the firm to incentivize online purchases that appeal to a broad group without casting too wide a net, creating a good balance between benefiting users without overextending resources. Likewise, Amazon frequently appears in Discover It's rotating options. This method allows firms to reach and reward users for places they regularly shop, which can assist in habit formation, but on a smaller-scale basis that could help keep costs down when users redeem.

- **Build loyalty programs related to online shopping.** Loyalty and rewards go hand-in-hand, as customers want incentives to return to a brand or issuer. By finding creative ways to work with retailers on incentives that aren't necessarily tied to card rewards — e.g. getting a brand to offer extra points, free shipping, gifts, or other benefits if customers spend online using a certain card — issuers can give users a reason to pay with their card at specific merchants without necessarily bearing the brunt of that cost.

These offerings should be targeted toward younger consumers for the largest benefit. Bonus rewards for online shopping were slightly more popular among millennial respondents to our survey than they were among the full group. But that figure surged substantially among younger millennials, defined as 18- to 23-year-olds, 58.3% of whom ranked these bonuses in their top three next-generation rewards preferences. This marks an untapped opportunity for issuers, and they can entice these users to apply by advertising or partnering where they're most likely to shop. Since these users may be less likely to have credit than the general pool, issuers that tap into this population may become their first and, by default, primary card account. This would give these issuers an early mover advantage among a possibly long-term loyal group that has the potential for high lifetime value that bolsters results.

Percentage Of Consumers Who Prefer Bonus E-Commerce Rewards, By Generation

US adults



Note: Millennials are defined as ages 18-35, Gen X as 36-52, and baby boomers as 53-71.
Source: Business Insider Intelligence exclusive data, n=685, May 2018

Bonus Rewards For Shopping At Local Businesses

Why They Work

Despite gains in online shopping and the rise of major chains, shopping locally is still an important part of customers' day-to-day lives. Forty percent of millennials claim they prefer to shop locally, according to FedEx, and that share could tick up among older demographics that might be less inclined to shop online.

There are two key reasons why customers might like local rewards:

- **They want to support their local communities.** Fifty-two percent of respondents to a Vistaprint survey in late 2017 noted that commitment to their community was the top driver of local businesses. Ninety-nine percent of US businesses are still considered small businesses, so local options, especially where the customer has a relationship with the owner, can influence choices on where to spend.

- **Shopping locally can be an important part of users' routines.** Local stores are often conveniently located, whether they're within walking distance of a customer's home or part of their commute. That allows customers to integrate local shopping into their daily routines and form habits around this type of purchasing.

But it isn't always the most affordable option, which means adding incentives and giving customers the opportunity to earn back could ultimately help issuers. Grabbing "routine spending" is another way issuers can assist in habit formation and pull users toward their cards rather than competitors'. But local businesses tend to have higher prices, which can influence customers to spend at national chains instead. Offering incentives and making it more worthwhile for customers to shop locally could be an easy and fast way for issuers to gain volume. Attracting this category of spend, which will continue to rise — 25% more consumers are planning to shop or work with a small business in 2018 than in 2017, according to Vistaprint — could help issuers improve returns without overextending, while also building relationships with merchants.

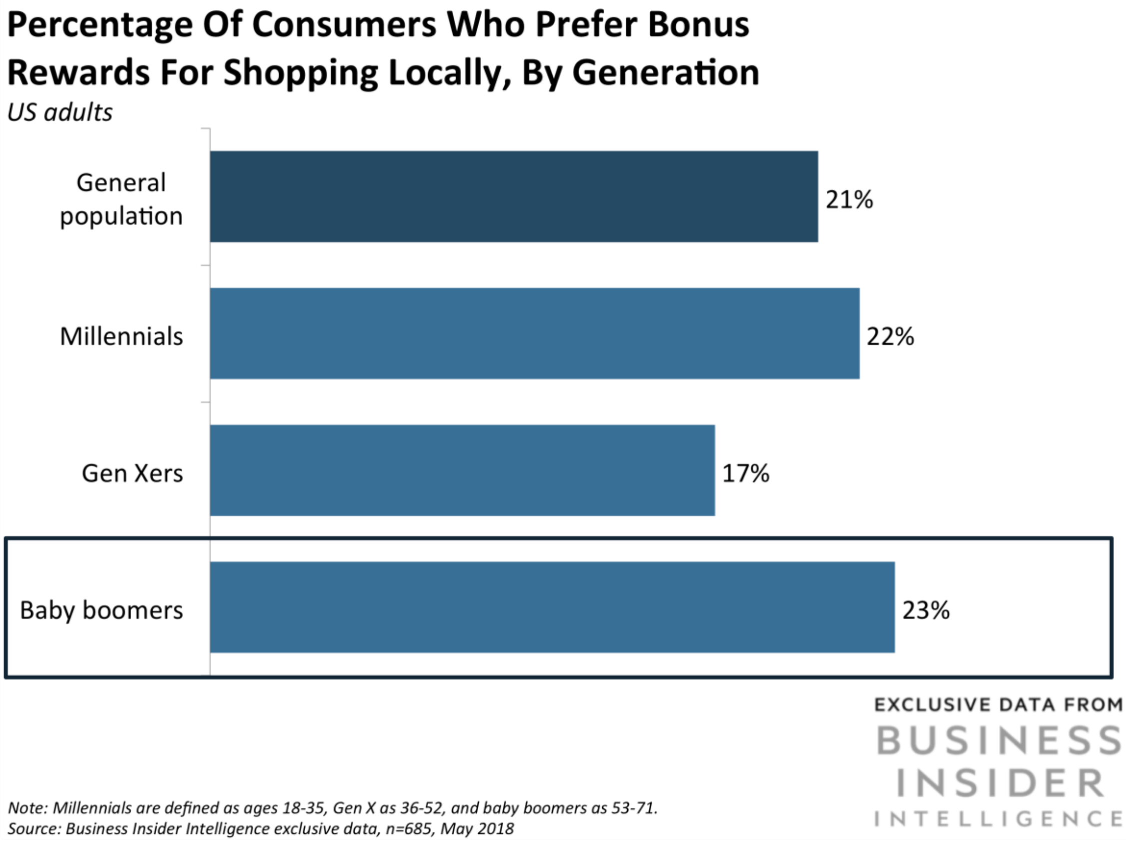
What Issuers Can Learn

Local offers are an emerging category, and one that issuers are only beginning to enter. But there are a few ways banks can take steps into this space when delving into these types of cards.

- **Partner with other players.** Visa, the largest US card network, has partnered with Uber to build Visa Local Offers. The program allows customers with select Visa-branded cards to earn rewards, in the form of Uber credits, for shopping at local businesses and then using that card in their Uber account. Such a program offers two key benefits: It incentivizes repeat spend because customers need to use the card at both a retailer and in their Uber app to redeem the full rewards, and it helps issuers save costs since the credits are likely split with partners like networks or third parties, allowing the card to function almost like a cobrand hybrid. Opting into these programs, or looking for similar opportunities, could be a strong way to improve ROA.

- **Create campaigns around spending locally.** For the past few years, Amex has been pushing to grow acceptance among and usage at smaller businesses. One way it's doing this is through an annual Small Business Saturday campaign, which has given users extra rewards in the past, like a statement credit or double rewards, for shopping at small or local sellers on the Saturday following Thanksgiving and throughout the holiday season. While these promotions aren't ongoing, they could entice users to shift small business spend to a specific card, in turn boosting volume at key shopping times throughout the year. If these promotions occur regularly enough, customers might continue to spend on the card in question to earn bonus rewards more often, boosting status, improving loyalty, and growing engagement.

Older customers are likely to be the most responsive. Banks have historically chased millennials because there's a large opportunity for credit. But our survey found that local offers do better among baby boomers, just under a quarter of whom favored the option, than the general population. These users might do more brick-and-mortar shopping than their younger counterparts, and likely use both cash and a few different credit cards for transactions. By offering this demographic an incentive to use a specific card for shopping they're already doing, issuers could bolster spend from users who would otherwise rely on cash, or, at best, convert customers to a new primary card, in turn growing card income and improving ROA.


Percentage Of Consumers Who Prefer Bonus Rewards For Shopping Locally, By Generation
US adults
General population
21%
Millennials
22%
Gen Xers
17%
Baby boomers
23%
EXCLUSIVE DATA FROM
BUSINESS INSIDER INTELLIGENCE
Note: Millennials are defined as ages 18-35, Gen X as 36-52, and baby boomers as 53-71.
Source: Business Insider Intelligence exclusive data, n=685, May 2018

THE BOTTOM LINE

- Rewards are contributing to a surge in expenses at major issuers. A boom in credit appetite has led to a significant push to attract new users, which has boosted issuer spending and surged charge-offs.

- To stay afloat, issuers need to focus on building loyalty among users and ensuring that their product is top-of-wallet for customers.

- Rewards offerings, both in type and in rate, are the best way to become a consumer's primary card, which can exacerbate the spending problem. Firms need to build rewards programs that incentivize top-of-wallet status so that volume growth is equal to or faster than rewards spending.

- Since flexible rewards, bonus offerings for e-commerce, and bonus rewards for shopping locally are popular among consumers, marketing these programs to certain demographics and forging partnerships can help firms build up spend without sacrificing dollars, allowing them to grow at a lower cost.

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