

# The future of credit cards

Adapting and driving success during challenging times



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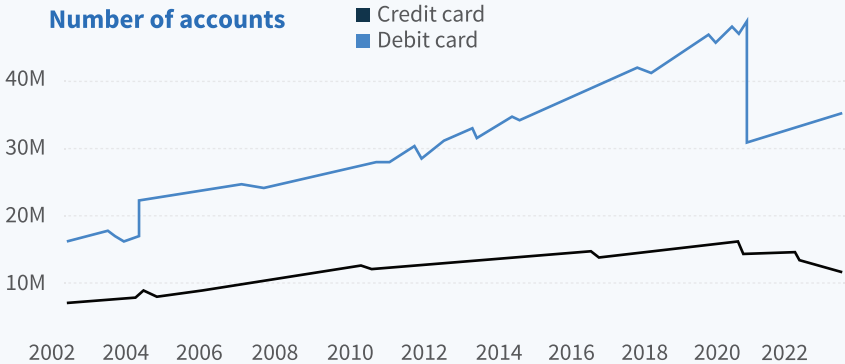
The credit card industry is facing immense challenges: the rise of buy now pay later services, the impact of COVID-19 on consumer spending, travel restrictions and the viability of some airlines are all contributing to a transforming market.

At the same time, there's a significant opportunity for the industry to innovate and adapt. Market shifts show that customer expectations are

rapidly evolving, with customers valuing flexibility and ease of use. This report will give an overview of the state of the market today, and some insight into what is to come in 2021 and beyond.

The report combines data and trends from the Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS) as well as insights from Finder's Consumer Sentiment Tracker.

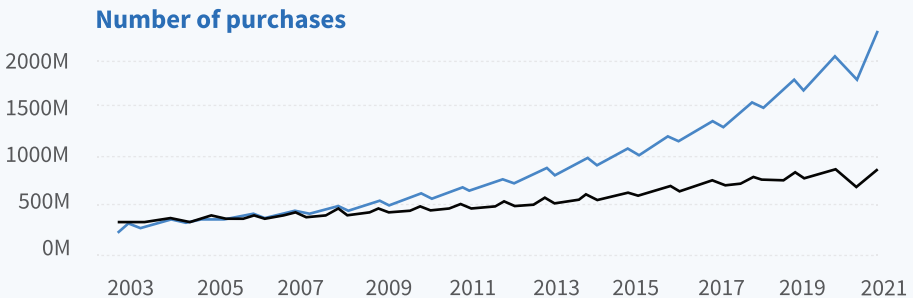
## Number of accounts



Credit card in circulation  
\$13,630,276

Debit card in circulation  
\$34,912,995

## Number of purchases



Average credit card purchase \$101.03

Average debit card purchase \$48.59

# So what does the state of the market look like today?



**71% Australians**

Close to three in four Australians have at least one credit card equivalent to 13.8 million people nationwide.

**\$29.7 billion**

In December alone, Australians spent a modest \$29.7 billion on purchases.

## The average credit card user



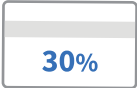
Average credit card purchase



Average credit card balance



Average balance accruing interest



Average credit limit used



Number of cards

The majority (66%) of spenders check their balance at least once a week, while some (6%) like to stay in the dark and pay their bills without checking their balance.

✓ **66%**  
check their  
balance



✗ **6%**  
Don't  
check



**13%**  
Gambling

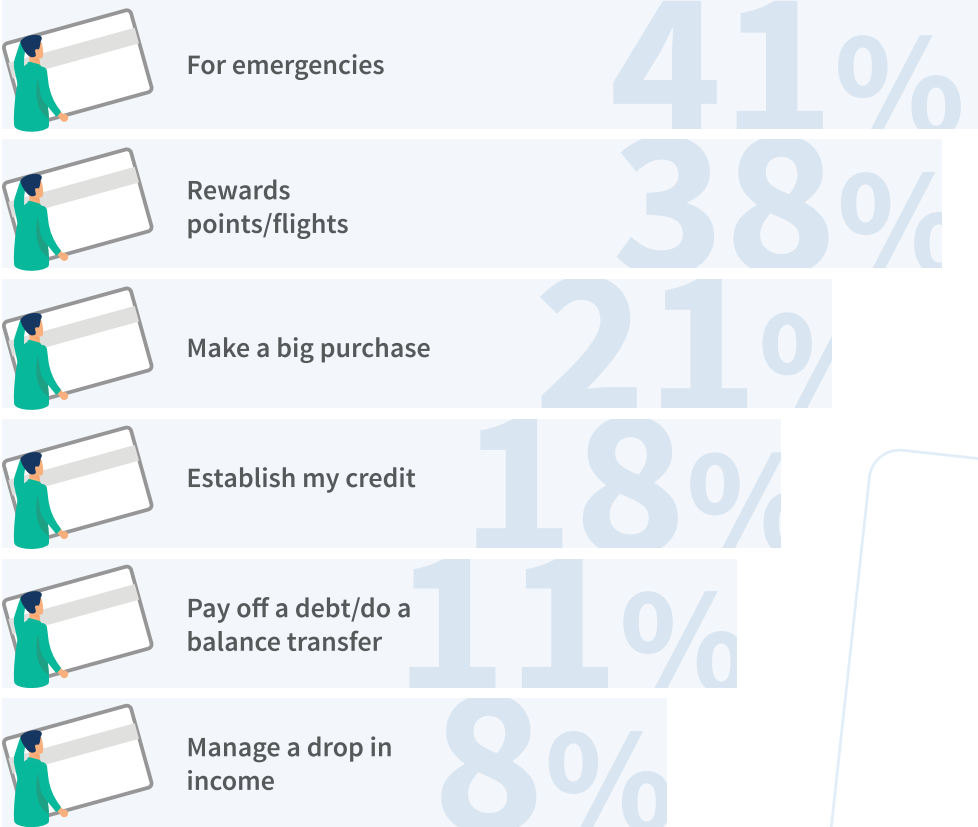
**9%**  
Electronic

**8%**  
Holidays

Card holders say some of their most regrettable purchases include gambling (13%), electronics (9%) and holidays (8%).

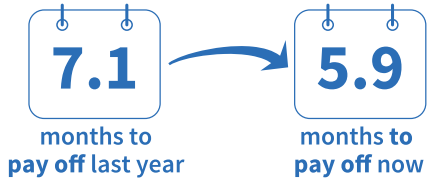
## Why do Australians take out credit cards?

The majority of Australians take out credit cards for emergencies or to collect rewards points.

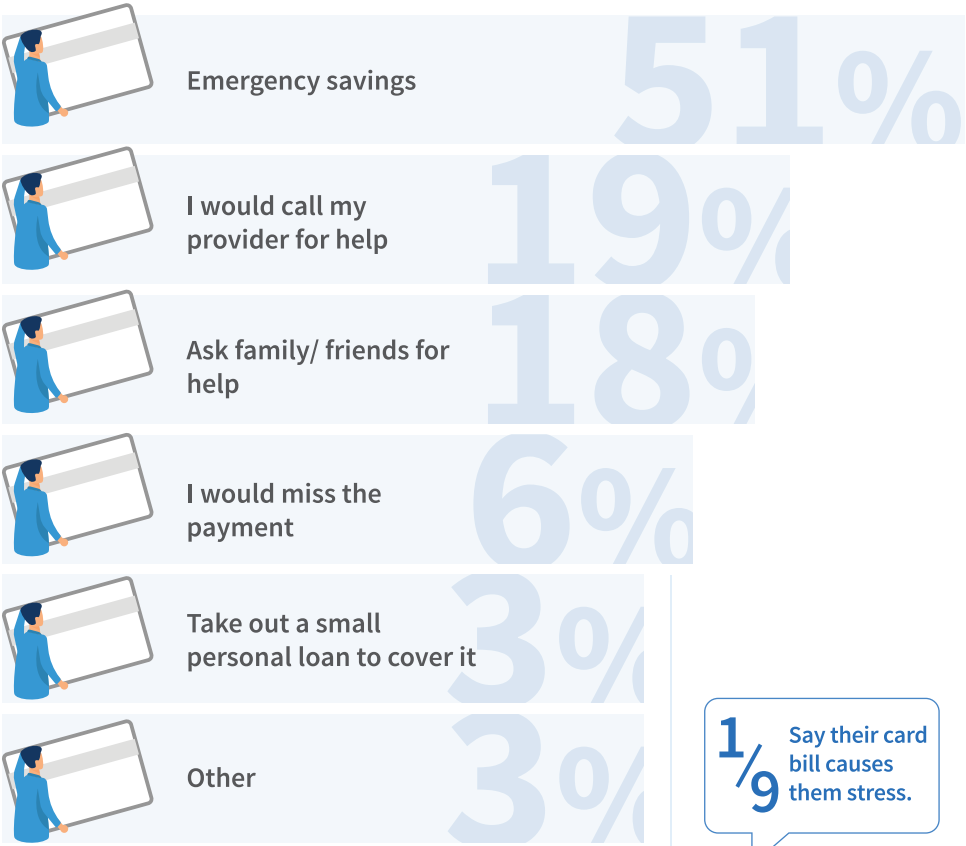


# Australians are getting better at paying off their credit card debt

On average, consumers are paying off their credit card debts quicker than they used to. It takes spenders 5.9 months to make their repayments, compared with 7.1 months a year ago.



## Where would you turn if you couldn't meet a credit card payment?



In addition, nearly two-thirds of credit card holders (64%) have footed late payment fees, and one-fifth (19%) say their credit card bill causes them stress.

## The emergence of the digital wallet

Digital wallets are slowly replacing the traditional plastic card. One in five Australians (19%) has their debit or credit card connected to their smartphone or smartwatch and uses it regularly. A further 11% have set up a digital wallet but don't use it.

Younger generations are far more likely to use digital wallets: 39% of generation Z say they use it regularly, compared to just 6% of baby boomers.

### Do you have your debit or credit card connected to your phone or smartwatch?



No, and I don't plan to

55%



Yes, and I use it often

19%



Yes, but I don't use it

11%



No, but I plan to

10%



No, my bank doesn't have a digital wallet option

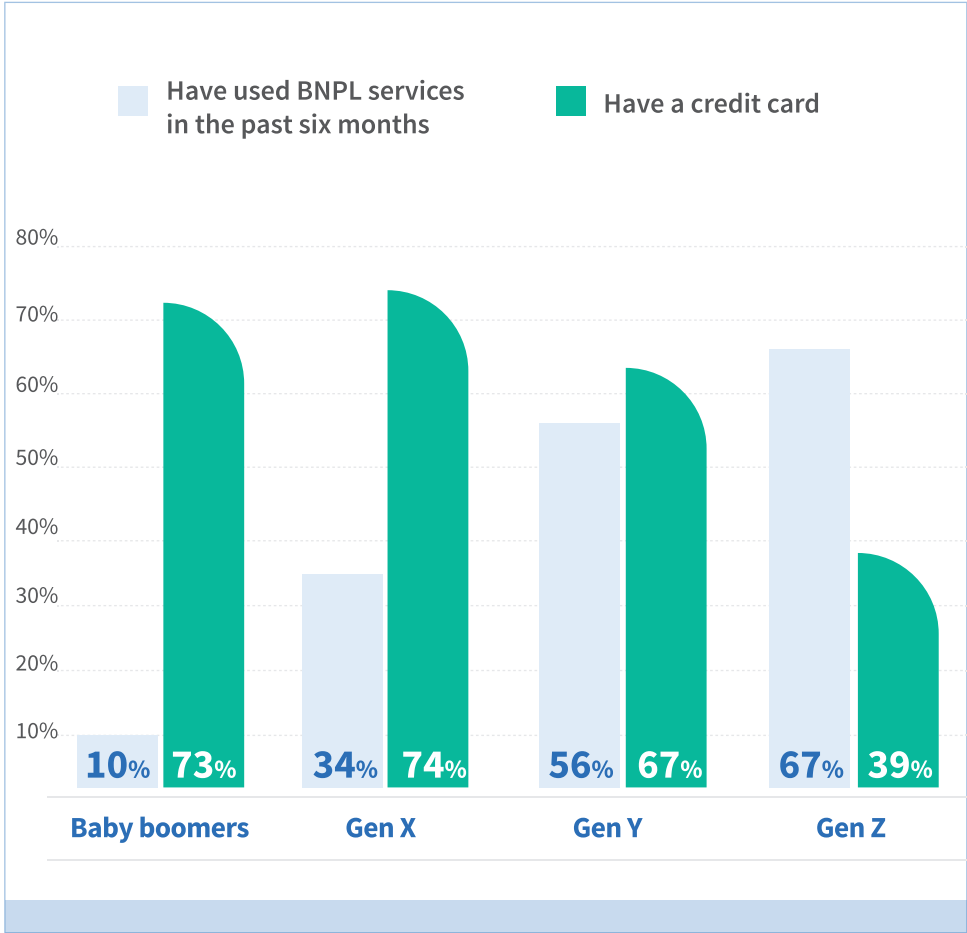
5%

# The eruption of buy now pay later services has changed the credit landscape

On average, consumers used buy now pay later services (BNPL) twice per month, with millennials and generation Z much more likely to use BNPL services than their parents.

With the emergence of BNPL services creating an increasingly competitive

credit landscape, credit card providers have the opportunity to offer more innovative products, particularly for younger Australians, who are less likely to own credit cards than their parents.

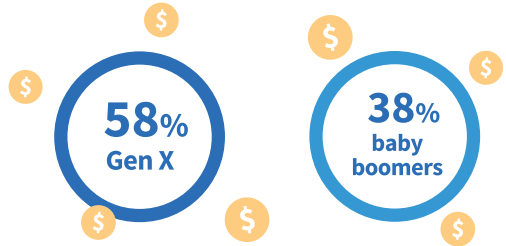




Younger generations are more receptive to new credit card products than older Australians. Finder's data shows three in five people in generation Z (58%) would choose a cashback rewards credit card over a

frequent flyer card, compared with 38% of baby boomers. During the pandemic, millennials (13%) and generation Z (8%) were more likely to turn to 0% balance transfer cards to pay off debt than baby boomers (2%).

More likely to choose cashback rewards



63%

The good news is that 63% of credit card holders say their card meets their needs.



9%

15%

However, nearly 9% – and 15% of millennial and generation Z card holders – say they are incompatible with their card.

New forms of payment won't eradicate demand for credit cards, but they are changing customer expectations – and that means financial institutions will need to work even harder to attract and retain their customers.

## What does the future hold for the credit card industry?



**Amy Bradney-George**  
**Credit Cards Editor**  
**Finder**

*“This report shows that generation Z favours BNPL services over credit cards”*

Looking at the insights around why people get cards or use particular payment methods gives credit card providers an opportunity to adapt. This report shows that gen Z favours BNPL services over credit cards but they also showed a strong interest in cashback credit cards. This type of rewards card hasn't been focused on in Australia as much as it has in North America or the UK – is now the time when we'll see that change?



**Graham Cooke**  
**Head of Consumer Research - International**  
**Finder**

*“We will likely see much more use of virtual cards... as consumers are less likely to be carrying multiple cards with them.”*

We may see a split in the market between high-spending rewards customers, and more "everyday" users who simply want to be able to purchase items and pay for them later. While the former is unlikely to be swayed from the high earn rate of rewards cards (and will not be concerned about the cost), the latter customer would be far more open to product hopping. In the end, this means we will see more "no interest" cards, with brands competing on simplicity and cost. We will likely see more use of virtual cards – as consumers are less likely to be carrying multiple cards with them.

# What does the future hold for the credit card industry?



**Taylor Blackburn**  
**Personal Finance Expert and Spokesperson**  
**Finder**

*“...the allure of reward points, free lounge passes, travel insurance and being able to actually pay for things overseas will put the shine back on credit cards.”*

Reports of the death of credit cards are premature. While younger people are keen on BNPL services now, when travel reopens, the allure of reward points, free lounge passes, travel insurance and being able to actually pay for things overseas will put the shine back on credit cards. While I don't see the new “No Interest” credit cards as viable alternatives to BNPL services. I do think they are a nice first step to bridge the gap between BNPL and traditional cards for newer users. If credit card issuers can assuage the concerns of vendors on interchange charges, continue to offer rewards that more than pay for their card's annual fees and reduce the villainous stigma that they have garnered over the years, when the world reopens in 2022 or 2023, phones and watches will be tapping away more than ever.

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## References

Finder's Consumer Sentiment Tracker is a nationally representative survey owned by Finder and operated by Qualtrics, a SAP company. The survey contains data from 21,358 respondents between May 2019 and January 2021. Credit card spending statistics are from RBA Payments Data.

