

# Credit Cards: Incl Impact of COVID-19 - Canada - September 2020

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## This report looks at the following areas:

- The impact of COVID-19 on consumer behaviour related to credit cards.
- This Report covers consumer attitudes and behaviour related to credit cards. It explores ownership, rewards usage, COVID-19-specific credit card behaviours and attitudes, value perception of rewards, the competitive ecosystem, factors influencing card usage, attitudes towards rewards and general attitudes towards credit cards.

Credit cards are the most popular method of payment with most Canadians owning at least one. The credit card market in Canada was estimated at \$552 billion at the end of 2018 (per Payments Canada). Canadians are highly motivated by the relatively generous rewards credit cards offer. In addition, consumer perceptions favour credit cards in areas such as perceived costs, convenience and security.

The marketplace is extremely competitive and is dominated by the major banks, but smaller card companies, store cards and global companies offer multiple options to consumers. Also, emerging challengers to the credit card industry include "Buy Now Pay Later" (BNPL) instalment financing, prepaid debit and more instant rewards from newer card issuers and reward shopping apps.

The COVID-19 pandemic has also affected consumer confidence while accelerating contactless and mobile payment usage. With governments imposing lockdowns and travel restrictions to stop the spread of COVID-19, travel rewards have become less relevant, with consumers preferring cashback options. Consumer perception of financial health has declined and this has also impacted spending levels. As the industry offers some relief measures to customers, the pandemic has also fostered a rethink among both issuers and consumers about the type of rewards that matter and how issuers can become more innovative to better serve credit card users.



"Credit card spending is down due to the pandemic. Rewards are great tools to spur incremental spend but consumers are rethinking which rewards matter to them. Innovative rewards are in and cashback remains king, but travel rewards are less relevant now."

– Sanjay Sharma, Senior Financial Services Analyst

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- COVID-19 could reduce the influence of branch staff while increasing the influence of online reviews

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