

The Credit Economy: How Younger Consumers Make Credit Decisions, a PYMNTS and i2c collaboration, examines behaviors and attitudes related to credit. We surveyed 3,396 consumers across generations between March 16 and March 21 to explore what drives their interest in using credit cards and BNPL for everyday and occasional purchases.

The Credit Economy

How Younger Consumers Make Credit Decisions

June 2023



PYMNTS®



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The Credit Economy: How Younger Consumers Make Credit Decisions was produced in collaboration with i2c, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

Introduction

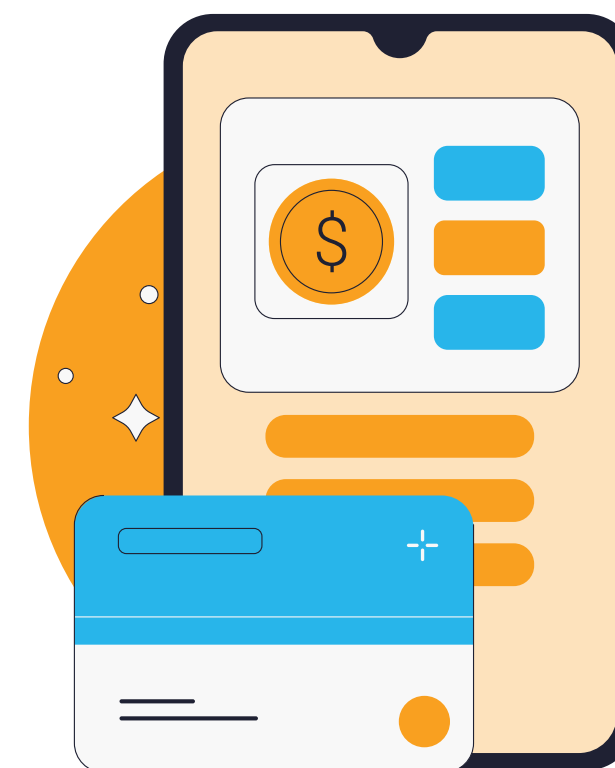
Households are borrowing more money, meaning it is critical to understand the mechanics of how consumers make credit decisions. These mechanics are complex, and data reveals notable differences in how specific types of consumers use credit and the credit products they prefer. For example, although earning rewards drives established and more financially secure consumers to use multiple credit cards, the adoption of buy now, pay later (BNPL) has grown among millennial and Gen Z consumers, even without the rewards focus.

Whether accessed via credit card, BNPL or another type of product, credit, in general, is a significant part of life for most consumers across generations. PYMNTS' research finds that 83% made payments for credit products in the last 90 days. Although overall credit use is lower among Generation Z consumers, PYMNTS' data shows that millennial and Gen Z consumers are actually the most likely to have increased their use of credit products in the last year, suggesting that they may well catch up, albeit by using the products that work best for them. In that context, younger consumers' penchant for BNPL could have massive ramifications for the future of the industry at large.

What's driving this growing interest in BNPL among younger generations? We find that financial concerns and better cash flow management are key factors driving millennial and Gen Z consumers to use these products. Additionally, details such as the average spending trends across BNPL and credit cards among millennial and Gen Z demographics versus older counterparts highlight key nuances in how different types of consumers navigate credit opportunities.

The Credit Economy: How Younger Consumers Make Credit Decisions, a PYMNTS and i2c collaboration, examines behaviors and attitudes related to credit product usage among younger consumers, in particular. We surveyed 3,396 consumers across generations between March 16 and March 21 to explore what drives their interest in using credit cards and BNPL for everyday and occasional purchases.

This is what we learned.



1 Rewards drive credit card usage for nearly all consumers, but Gen Z diverges by mostly wanting access to credit.

Gen Z consumers were the least likely to have used credit products in the 90 days prior to being surveyed, primarily because they own fewer credit cards than their older counterparts. Baby boomers and seniors are 75% more likely to have used a credit card in the last quarter than Gen Z consumers, and 41% have three or more credit cards. Rewards are a top perk for credit card holders, yet factors such as brand affinity, easy access and better terms drive BNPL usage. While 47% of credit card holders cite rewards as a reason they use the payment method, just 24% of BNPL users cite rewards as an incentive for usage.

2 More than half of millennials use credit for everyday purchases to better manage their cash flows.

Better spending management was a top reason to use credit products for more than half of millennial and Gen Z consumers but just 38% of baby boomers and seniors. Leading all generations, 42% of millennials increased their use of credit products in the last year for everyday purchases, followed by Gen Z at 30%. Millennial and Generation X consumers are the most likely age groups to use credit products other than cards. Twenty percent of millennials used BNPL in the last 90 days, while just 5.9% of baby boomers and seniors did the same.

3 Fifty-five percent of all consumers now revolve their credit card balances monthly, including those with installment plans linked to those cards.

While 45% of all cardholders say they pay off their credit card balance every month, one-third say they rarely or never pay their balances in full. Baby boomers and seniors are the most likely to pay their credit card balance in full, yet even so, half say they do so every month. Thirty-eight percent of all cardholders have installment programs and payments pending on their credit cards, compared to 59% of millennials and 45% of Gen Z consumers.

4 Millennial and Gen Z consumers use BNPL because of their limited credit options, while Gen X and baby boomers use it to pay off more expensive purchases over time.

PYMNTS' data finds that the average BNPL purchase is nearly 70% higher than the average credit card purchase, suggesting consumers tend to use BNPL for occasional, higher-ticket purchases. This margin narrows among millennial and Gen Z consumers, however, suggesting that they use BNPL and credit cards with less differentiation, possibly because they have just one credit card with a low credit limit or might not have a credit card at all. In the last 90 days, millennials spent \$1,851 via BNPL and \$1,485 via credit cards; Gen Z consumers spent \$1,230 via BNPL and \$1,112 via credit cards.

Why consumers use credit products

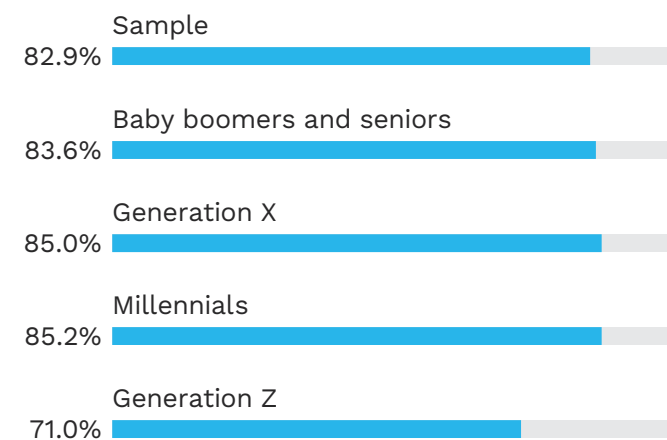
PYMNTS' research finds that credit product use closely relates to the number of credit sources available to a consumer, and consumers' access to credit sources increases with age. Forty-one percent of baby boomers and seniors have three or more credit cards. For comparison, 35% of Gen Z consumers have just one credit card, and 34% hold no cards.

Consumers with fewer options use credit less frequently, are less concerned about rewards and are more concerned with simply having access to credit. For instance, Gen Z respondents were the least likely to have used credit products in the 90 days prior to being surveyed, mainly because they own fewer credit cards than their older counterparts. While at least 8 in 10 consumers made payments on credit products in the last 90 days, this share drops to 71% among Gen Z consumers. Baby boomers and seniors are 75% more likely to have used a credit card in the last 90 days than Gen Z consumers, with 74% using cards versus 42% of Gen Z.

FIGURE 1:

Credit usage to help manage cash flow

Share of consumers who made payments on credit products in the last 90 days, by demographic



Source: PYMNTS proprietary data
The Credit Economy: How Younger Consumers Make Credit Decisions, June 2023
N = 3,363: Whole sample, fielded March 8, 2023 – March 17, 2023

71%





Share of Gen Z consumers who made payments on credit products in the last 90 days

The ability to earn rewards is the key driver of interest in and use of credit products for consumers in all age groups except Gen Z, indicating that these youngest consumers' main interest is getting access to credit to better manage their cash flows. Just 50% of Gen Z consumers mention rewards as a reason they use credit products, whereas 71% of baby boomers and seniors cited rewards. Rewards are also the top reason for Gen X consumers and millennials, yet the related shares drop to 59% and 57%, respectively.

TABLE 1:

Drivers of credit usage

Share of consumers citing select reasons for using credit for products or services purchased in the last 90 days, by generation

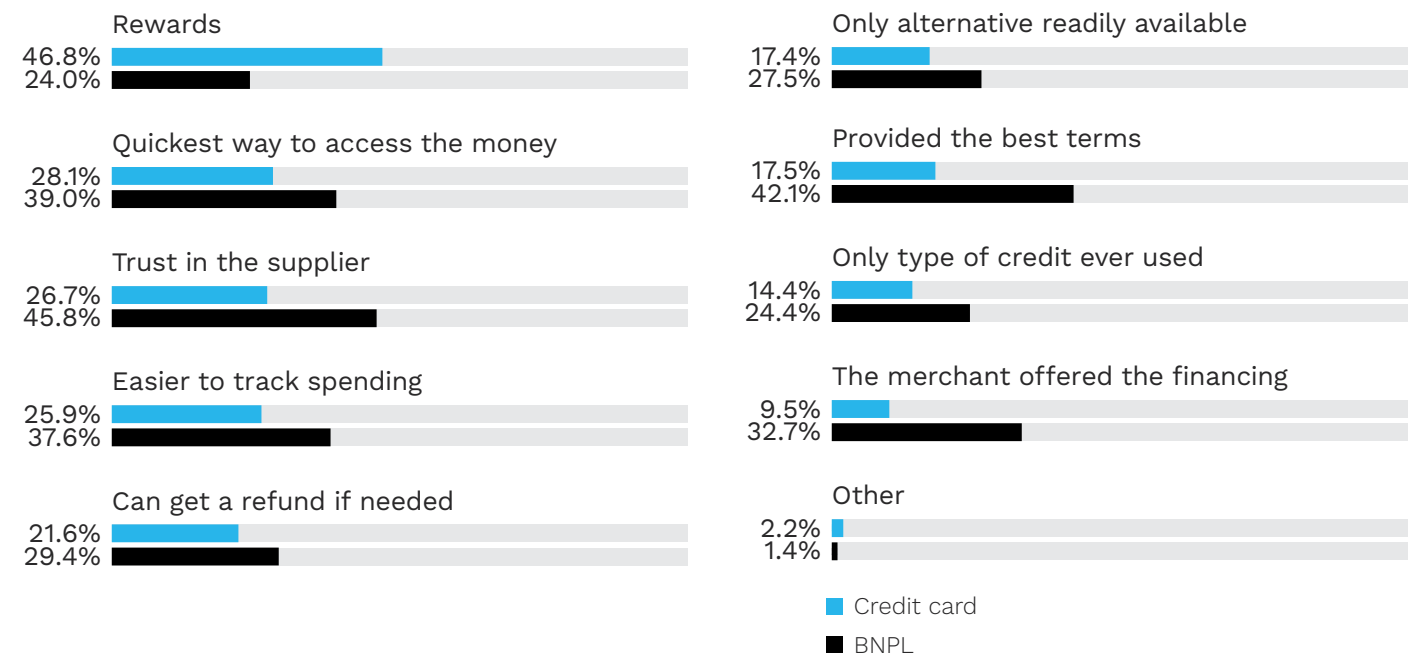
	 Baby boomers and seniors	 Generation X	 Millennials	 Generation Z
• Rewards	71.0%	59.3%	57.1%	50.1%
• Better spending management	38.1%	45.0%	51.7%	53.7%
• Can get a refund if needed	20.3%	23.2%	30.8%	27.6%
• To finance large purchases	8.3%	21.0%	32.2%	28.2%
• Cannot afford purchases without credit	15.4%	23.3%	25.5%	17.6%
• Other	6.5%	3.6%	1.7%	2.4%

Source: PYMNTS
The Credit Economy: How Younger Consumers Make Credit Decisions, June 2023
N = 3,396: Whole sample; fielded March 16, 2023 – March 21, 2023

FIGURE 2:

Top drivers of credit usage

Share of consumers stating the most important reason for using credit cards or BNPL over other payment options



Source: PYMNTS
The Credit Economy: How Younger Consumers Make Credit Decisions, June 2023
N = 2,270: Respondents who used a credit card issued by a financial institution to make a purchase in the last 90 days;
N = 720: Respondents who used a BNPL option to make a purchase in the last 90 days;
fielded March 16, 2023 – March 21, 2023

Although rewards are a top perk for credit card holders, factors such as brand affinity, easy access and better terms drive BNPL usage. While 47% of credit card holders cite rewards as a reason they use the payment method, just 24% of BNPL users cite rewards. Among BNPL users, 46% cited trust in the provider, 42% cited better terms and 39% cited quick access to funds as incentives.

Being able to earn rewards may not be the most important reason for Gen Z consumers to use credit products, as the ability to better manage their spending and cash flow is most cited by these consumers. They were most likely to report that better spending management was one of their reasons for using credit for products or services purchased in the last 90 days, at 54%. Millennials were second, at 52%, and 45% of Gen X consumers and 38% of baby boomers and seniors cited the same.





It may not be surprising that millennial and Gen Z consumers are the most likely to have increased their use of credit products in the last year, a reality that suggests finding ways to better manage their spending is increasingly important. This is true for everyday purchases, with 42% of millennials and 30% of Gen Z saying so, and occasional purchases, cited by 44% and 35%, respectively.

Our data also finds that millennial and Gen X consumers are the most likely age groups to use non-card credit products for their most recent purchases. Gen X consumers are the most likely to have made an auto loan payment in the last 90 days, at 39%, and millennials are the most likely to have made a personal loan payment in the last 90 days, at 22%. Although just 5.9% of baby boomers and seniors recently made a payment via BNPL, millennials are the most likely to have made a BNPL payment in that span, followed by Gen X and Gen Z consumers.

TABLE 2:

Consumers' recent credit product usage

Share of consumers who used select forms of credit to make payments in the 90 days prior to March 2023, by generation

	 Baby boomers and seniors	 Generation X	 Millennials	 Generation Z
• Home equity loans	6.6%	11.3%	12.4%	6.1%
• Buy now, pay later	5.9%	14.0%	20.1%	14.3%
• Personal loans	12.1%	19.2%	21.9%	14.6%
• Auto loans	25.3%	39.2%	29.3%	16.5%
• Mortgage	27.3%	42.9%	28.6%	13.9%
• Credit cards	73.7%	71.3%	62.0%	41.9%

Source: PYMNTS Proprietary data
N = 3,363: Respondents; fielded March 8, 2023 – March 17, 2023



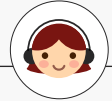

42%

Share of millennials who have increased their use of credit products in the last year

TABLE 3A:

Change in consumer credit usage

Share of consumers reporting their change in credit product usage in the last year for everyday purchases, by generation

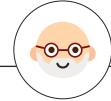
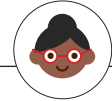

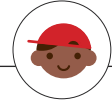
	 Baby boomers and seniors	 Generation X	 Millennials	 Generation Z
• Have not used credit products	19.4%	20.4%	16.0%	24.4%
• Have used credit products significantly or somewhat less	16.7%	18.5%	19.6%	18.6%
• Have used credit products about the same	48.3%	34.7%	22.5%	27.5%
• Have used credit products significantly or somewhat more	15.5%	26.5%	41.9%	29.5%

Source: PYMNTS
The Credit Economy: How Younger Consumers Make Credit Decisions, June 2023
N = 3,396: Whole sample; fielded March 16, 2023 – March 21, 2023

TABLE 3B:

Change in consumer credit usage

Share of consumers reporting their change in credit product usage in the last year for occasional purchases, by generation

	 Baby boomers and seniors	 Generation X	 Millennials	 Generation Z
• Have not used credit products	19.0%	17.1%	14.4%	24.0%
• Have used credit products significantly or somewhat less	16.1%	18.7%	17.1%	14.2%
• Have used credit products about the same	47.7%	36.9%	24.3%	26.4%
• Have used credit products significantly or somewhat more	17.3%	27.3%	44.3%	35.3%

Source: PYMNTS
The Credit Economy: How Younger Consumers Make Credit Decisions, June 2023
N = 3,396: Whole sample; fielded March 16, 2023 – March 21, 2023

Reaping the benefits of credit alternatives

With such a significant portion of consumers using credit products to manage their spending and cash, it may not be surprising that 55% of cardholders now revolve their credit card balances monthly, with 34% reporting that they rarely or never pay their balances in full.

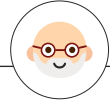



Baby boomers and seniors are the most likely to pay their credit card balance in full, yet just 50% do so every month. Data additionally shows that at least 4 in 10 millennial and Gen Z consumers report paying credit card balances in full every month, meaning that more than half of these cardholders revolve balances. Consequently, 38% of all cardholders have installment repayments pending on their credit cards, with 59% of millennials and 45% of Gen Z consumers doing so.

With revolving credit becoming more and more common, it is notable that what BNPL users appreciate about the payment method is the easy access to credit along with better terms, often including flexible payment plans outside the traditional 30-day schedule.

TABLE 4:

How consumers pay off balances

Share of credit card users stating how often they pay their monthly balances in full, by generation

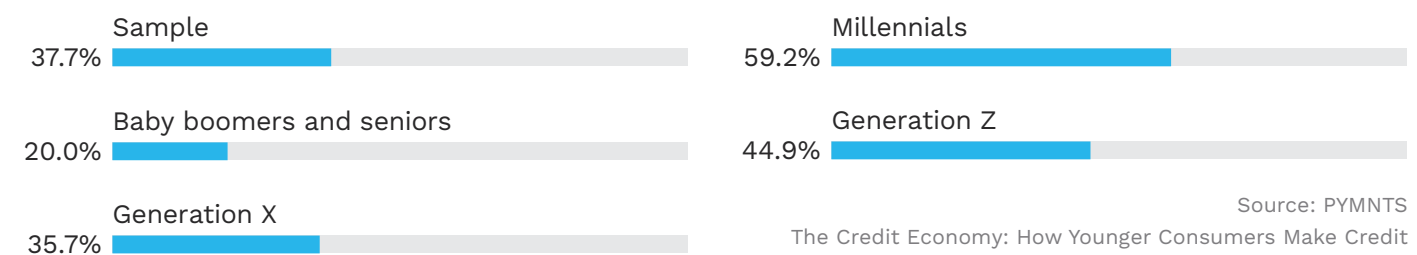
	SAMPLE	 Baby boomers and seniors	 Generation X	 Millennials	 Generation Z
• Always	44.6%	49.5%	39.9%	42.4%	45.2%
• Usually	20.5%	14.7%	20.2%	25.9%	26.9%
• Occasionally	13.8%	12.9%	17.1%	11.9%	14.4%
• Never or almost never	20.3%	22.1%	22.3%	18.6%	13.6%
• Other	0.7%	0.8%	0.5%	1.1%	0.0%

Source: PYMNTS
The Credit Economy: How Younger Consumers Make Credit Decisions, June 2023
N = 2,861: Consumers with at least one credit card, fielded March 16, 2023 – March 21, 2023

FIGURE 3:

Cardholders' use of installment repayment plans

Share of credit card holders with pending repayments on their credit cards, by generation



Source: PYMNTS
The Credit Economy: How Younger Consumers Make Credit Decisions, June 2023
N = 2,861: Consumers with at least one credit card, fielded March 16, 2023 – March 21, 2023



Credit cards continue to dominate the credit product market relative to BNPL. Our data finds that five times more consumers used credit cards than BNPL to make a purchase in the last 90 days.

In terms of BNPL usage, millennial and Gen Z consumers lead the pack at 20% and 14%, respectively. To understand BNPL’s impact on the youngest generations in our survey, three times more millennial and Gen Z consumers used credit cards than BNPL.

Why should merchants consider BNPL when the usage is still so relatively low? One reason is value. The average BNPL purchase was nearly 70% higher than the average credit card purchase, suggesting consumers tend to use BNPL for higher-ticket purchases. In the last 90 days, consumers spent \$1,692, on average, via BNPL and \$1,006 via credit card.

Among millennial and Gen Z consumers, the prime BNPL demographics, the dollar value of BNPL purchases more closely matches those made with credit cards. In the last 90 days, millennials spent \$1,851 via BNPL and \$1,485 via credit card. Gen Z consumers spent \$1,230 via BNPL and \$1,112 via credit card. This spend indicates that these shoppers use BNPL and credit cards relatively interchangeably. For example, younger consumers may have just one credit card with a low limit or might not have one at all.

55%

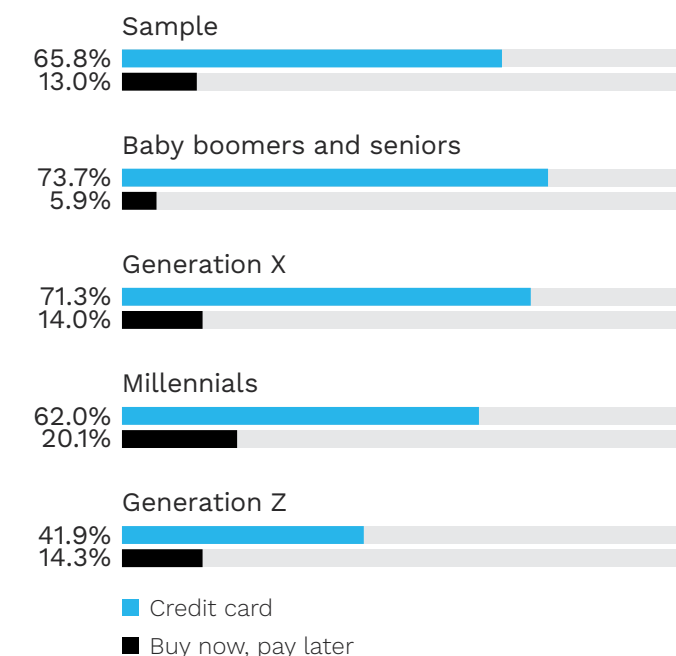
Share of consumers who revolve their credit card balances monthly

Gen Z consumers are using BNPL for practical, smaller purchases. Gen Z consumers, at 39%, are most likely to use BNPL to buy clothing, with groceries and restaurant purchases in second and third place. On the other hand, baby boomers and seniors are most likely to use BNPL for furniture purchases.

FIGURE 4A:

Credit usage

Share of consumers who used credit cards or BNPL in the last 90 days, by generation



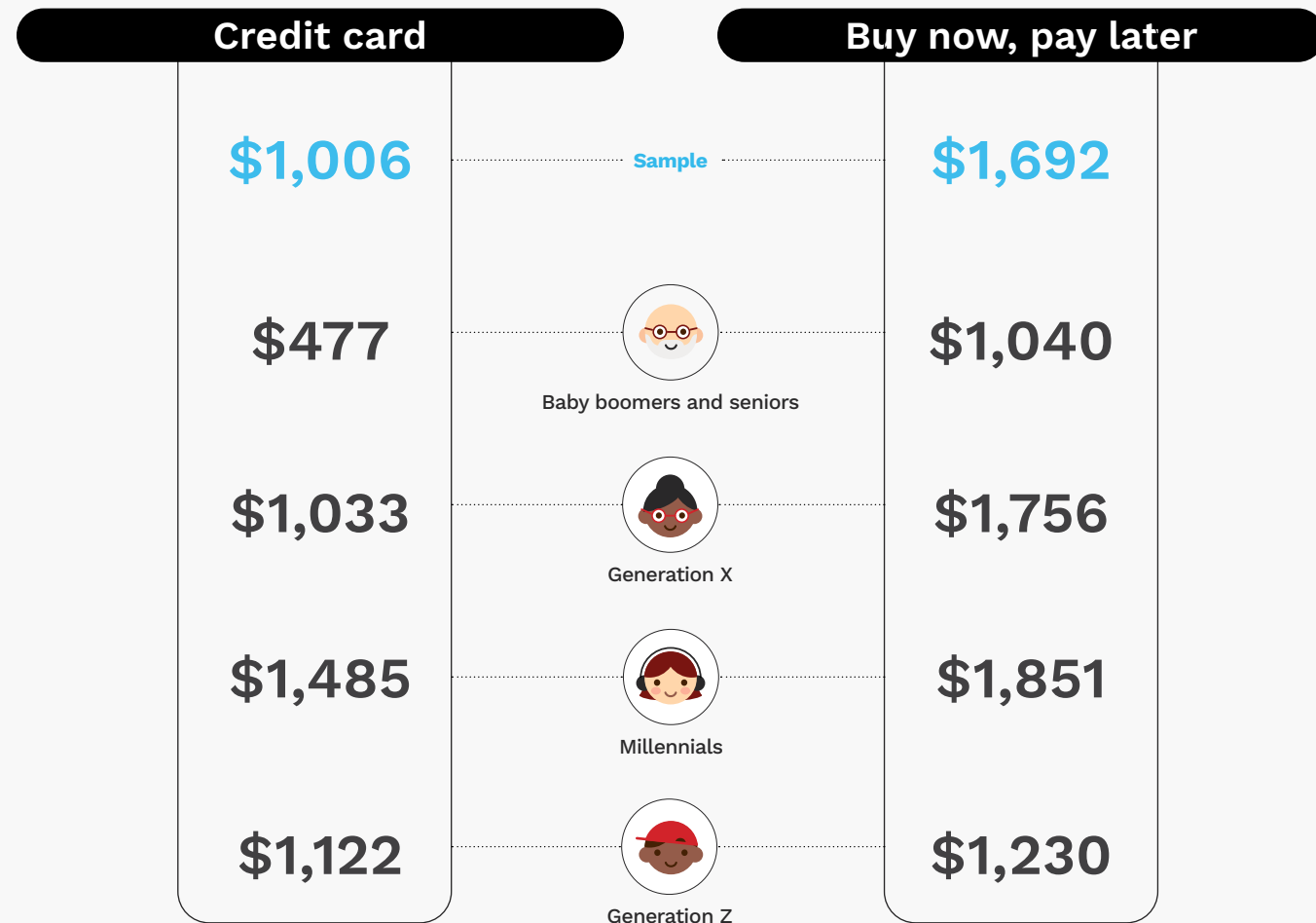
Source: PYMNTS
 The Credit Economy: How Younger Consumers Make Credit Decisions, June 2023
 N = 2,270: Respondents who used a credit card issued by a financial institution to make a purchase in the last 90 days; N = 720: Respondents who used a BNPL option to make a purchase in the last 90 days; fielded March 16, 2023 – March 21, 2023



FIGURE 4B:

Credit usage

Average amount consumers spent via credit cards and BNPL, by generation



Source: PYMNTS

The Credit Economy: How Younger Consumers Make Credit Decisions, June 2023

N = 2,270: Respondents who used a credit card issued by a financial institution to make a purchase in the last 90 days; N = 720: Respondents who used a BNPL option to make a purchase in the last 90 days; fielded March 16, 2023 – March 21, 2023

TABLE 5:

BNPL purchase categories

Share of consumers citing the category of the product or service they purchased in their last BNPL transaction, by generation

	Baby boomers and seniors	Generation X	Millennials	Generation Z
• Groceries	12.2%	14.3%	14.6%	11.1%
• Restaurant	1.7%	4.7%	12.7%	10.2%
• Clothing	17.7%	21.1%	18.6%	39.1%
• Vehicle maintenance	1.7%	3.2%	5.8%	3.9%
• Travel	2.0%	4.0%	1.4%	2.0%
• Healthcare	0.0%	3.7%	2.9%	2.6%
• Furniture	19.6%	10.2%	10.0%	6.7%
• Electronics	4.6%	7.4%	8.1%	10.6%
• Appliances	7.8%	4.7%	7.7%	3.2%
• Entertainment	0.0%	3.6%	4.4%	3.9%
• Education	0.0%	3.6%	3.9%	1.8%
• Home repairs	0.0%	0.8%	3.8%	1.8%
• Other	15.3%	12.5%	4.1%	2.3%
• Do not remember	17.4%	6.1%	2.2%	0.8%

Source: PYMNTS

The Credit Economy: How Younger Consumers Make Credit Decisions, June 2023

N = 720: Respondents who used a BNPL option to make a purchase in the last 90 days; fielded March 16, 2023 – March 21, 2023



Conclusion

Baby boomers and seniors are likely to use multiple credit cards for purchases. At the same time, the youngest adult generations are more likely to use multiple credit products. BNPL has become a popular credit alternative for millennial and Gen Z consumers.

Millennial and Gen Z consumers are increasing their reliance on credit to manage cash flows and are significantly more likely to have increased their use of credit products for everyday and occasional spending than Gen X consumers and baby boomers and seniors. Millennial and Gen Z consumers spend more comparable amounts via credit card and BNPL, suggesting that they use BNPL for all types of purchases and not just big-ticket items, unlike the standard practice of older BNPL users.

The key takeaway is that generations' different financial challenges lead them to make different choices in credit products. Earning rewards drives established and more financially

secure consumers to use multiple credit cards, while BNPL has found growing adoption among millennial and Gen Z consumers because of its improved access to funds to manage cash flows along with better terms, often including flexible payment plans outside the traditional 30-day schedule. This still-developing trend towards regular BNPL usage bodes well for retailers and BNPL providers looking to serve the current and next generations of the market.

Methodology

The Credit Economy: How Younger Consumers Make Credit Decisions is based on a census-balanced survey of 3,396 consumers conducted between March 16 and March 21. The report examines consumers' behaviors and attitudes as they relate to credit. We explore what drives interest and usage of credit cards and BNPL for everyday and occasional purchases across generations. Our sample was balanced to match the U.S. adult population in key demographic variables: 54% of respondents identified as female, 32% were college-educated and 37% reported incomes of more than \$100,000 per year.

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