

# Extending Kohl's card partnership helps Capital One tap retail spending growth

Article

**The news:** Kohl's and Capital One extended their private-label card partnership and plan to pilot a co-branded credit card in 2023, per a press release.

**Here's how it works:** The Kohl's Card has zero fees and will let Kohl's Rewards customers earn an additional 2.5% on top of their 5% rewards. New cardholders also get 35% off their first Kohl's purchase within 14 days of account opening.

**Why it's worth watching:** As retail sales tick up, store cards are well-positioned to capture volume and build consumer loyalty.

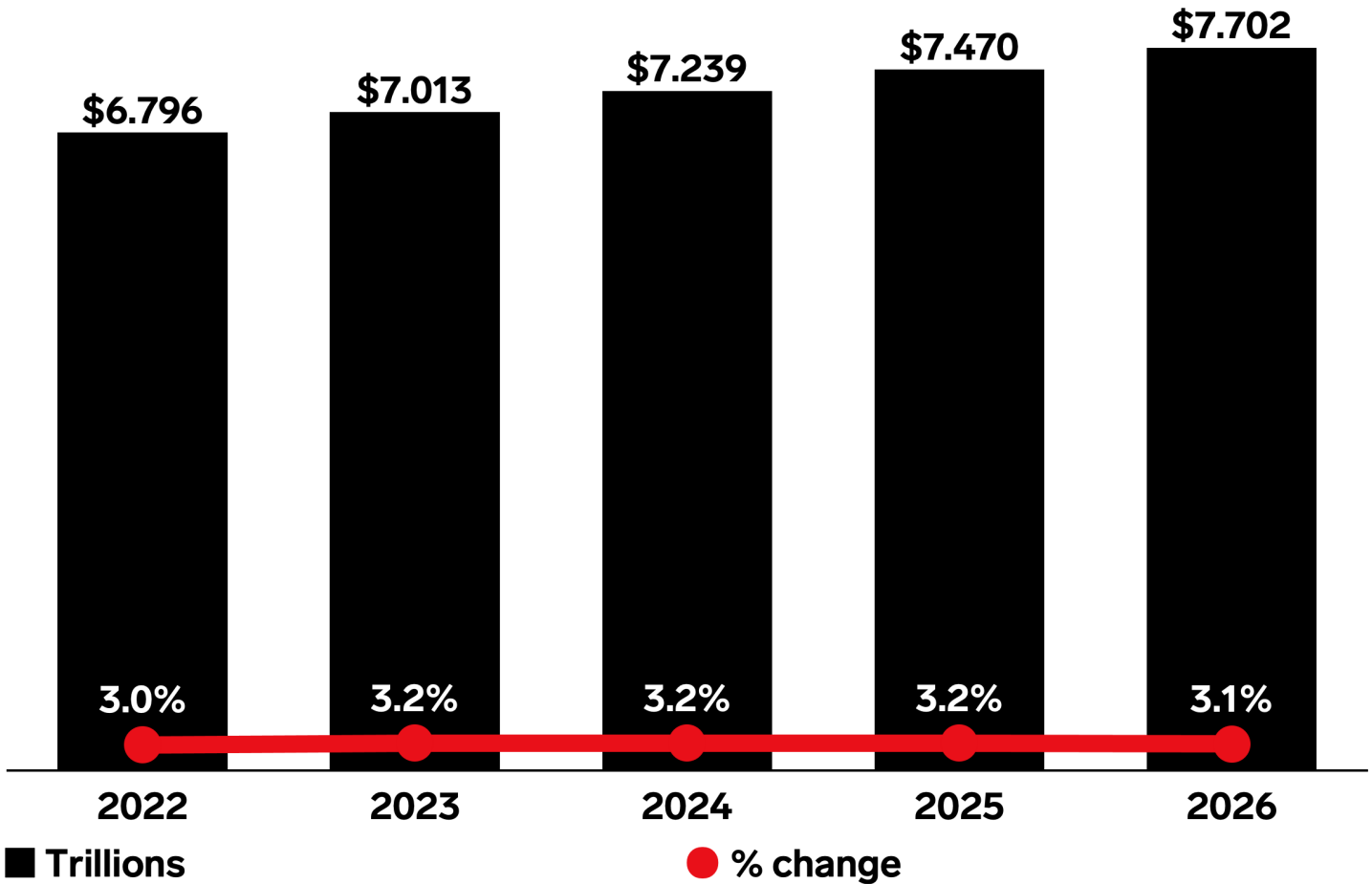
- Retail sales have steadily increased each month—January sales **jumped** the most since March 2021. And total US retail sales are expected to **climb up 3%** year over year (YoY) and hit \$6.796 trillion in 2022, **per** eMarketer forecasts from Insider Intelligence. As strong retail appetite and widespread inflation come to a head, consumers may be more inclined to spend with private-label cards to earn rewards on purchases at their favorite stores.
- Because private-label cards only let customers spend at one brand, they tend to offer attractive rewards and deals that encourage repeat purchases: Kohl's **holds** cash promotional events throughout the year that let its cardholders earn an additional \$10 for every \$50 spent during a single transaction. These perks drive spend: Last year, Kohl's rewards members spent twice as much as non-members, and Kohl's cardholders spent six times more, **per** Kohl's 2022 investor day.
- These perks also help bolster consumer loyalty. Improving customer relationships using loyalty programs is a top priority for brands: 52% of executive marketing and ecommerce respondents plan to launch or expand their brands' loyalty programs, **per** a CommerceX and CommX survey.

**What this means for Capital One:** Extending its relationship with Kohl's can help sustain Capital One's volume growth.

- Capital One **reported** a **28% increase in credit card purchase volume** in Q4 2021. And while the Kohl's program made up a small portion of Capital One's volume, the retailer's rewards and card program demonstrably encourage spending.
- The Kohl's co-brand can also bolster Capital One's volume because it might appeal to a wider base of customers. The global value of consumer credit card rewards is **expected to exceed \$108 billion** by 2026 (up from \$92 billion in 2022), driven by an increase in co-brand credit card adoption by retailers, **per** Juniper Research.
- Capital One has inked several co-brand deals, **including** a program with **BJ's Wholesale Club**—and the Kohl's extension might further its reach in the space.

# Retail Sales

US, 2022-2026



*Note: Excludes travel and event tickets, payments (such as bill pay, taxes, or money transfers), food services and drinking place sales, gambling, and other vice good sales. eMarketer benchmarks its US total retail sales figures against the US Department of Commerce (DoC), for which the last full year measured was 2020.*

*Source: eMarketer, February 2022*

*Methodology: Estimates are based on the analysis of data from benchmark source US Department of Commerce, estimates from other research firms, historical trends, consumer buying trends, and macro-level economic conditions.*

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