

Discover gives rewards-based debit cards a second chance

Article

The news: Discover relaunched its debit account service, CEO Roger Hochschild said at a Bernstein investor conference, [per](#) Payments Dive. The service includes a checking account and a debit card that offers cash-back rewards.

Discover will ramp up marketing efforts for the debit accounts later in 2023 after an unspecified “soft launch” period, per Hochschild.

How we got here: Discover stopped accepting applications for its digital checking account last summer due to fraud issues, just months after the product went live. At the time, Hochschild said the fraud issues were manageable and the service would relaunch with more advanced capabilities.

Why this could gain traction: Debit rewards could yield strong growth for Discover.

- Discover’s Cashback Debit account offers **1% cash back on debit card purchases with a monthly limit of \$3,000**.
- Debit card rewards programs are hard to come by, mainly only offered by smaller fintechs or neobanks.
- But customers highly value rewards. This should attract prospective debit cardholders, especially since the card is coming from a trusted issuer that consumers may already have a relationship with. And once customers have a debit account with Discover, they could be receptive to cross-sell opportunities like credit cards.

Debit cards reign supreme over consumer spending: Total US debit card transaction value will hit \$3.207 trillion in 2023, per our forecast, making it the most popular payment method. This creates a massive opportunity for Discover to capture volume.

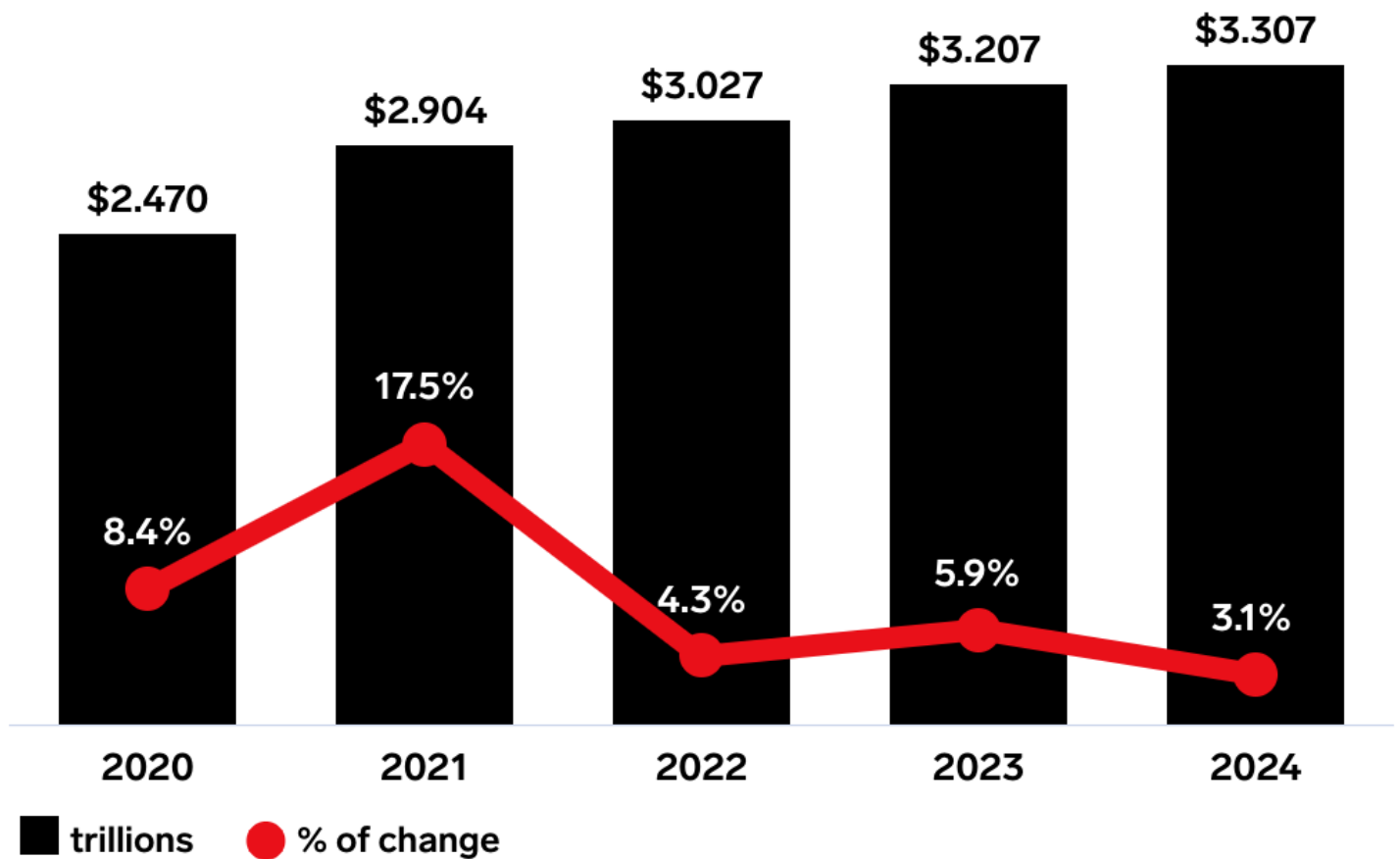
Leftover problems: Despite the appeal of a rewards-based offering, Discover’s debit card problems haven’t gone away.

- Discover didn’t say what kind of fraud plagued the initial rollout, but fraud is a growing issue in the debit card space. We expect total US debit card payments fraud losses will reach \$4.28 billion this year, growing 7.2% YoY, per our forecast—a slightly faster pace than on the credit card side.
- And the debit space is dominated by **Visa** and **Mastercard**, which hold the majority share of the market. This will make it difficult for Discover to make significant inroads in the segment overall. It will need to target specific consumer segments, like younger demographics, to stay competitive.

Dig deeper: [Read our report on “The State of Payment Methods”](#) to learn more about emerging debit card trends.

Total Debit Card Transaction Value

US, 2020-2024



Note: includes point-of-sale (POS) transactions made in-store and over the internet using debit cards; includes food services and drinking places sales; includes sales tax; excludes travel and event tickets, payments (such as bill pay, taxes, or money transfers), mail orders, gambling, and other vice goods sales; includes desktop/laptop, mobile and tablet purchases

Source: eMarketer, August 2022

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