

Payment behaviors are expected to shift over the holidays due to consumers' financial concerns

Article

The news: Many consumers kicked off their holiday spending this weekend, but economic uncertainty and inflationary pressures will shift what they're spending on and how, [per](#) a November survey from PYMNTS and i2c.

- **Spending on gifts is expected to increase a modest 2% year over year (YoY) across income levels**, averaging roughly \$1,000.
- **But spending on non-gift holiday purchases will decrease this year**, at roughly \$860 per consumer compared with \$1,160 last year. These purchases include travel, dining out, and experiences like live entertainment.

Bills trump shopping sprees: Student loan repayments will be a driving force behind holiday budgeting.

- About 17% of consumers have student loans to repay after the pandemic-driven pause in repayments, according to Deloitte. The average monthly payment is expected to be roughly [\\$400 per borrower](#).
- **Almost half (48%) of these consumers plan to adjust spending by cutting back on holiday expenditures**, per Deloitte's holiday retail survey. It will also reinforce more cost-conscious behaviors like searching for deals and rewards.

Four trends to watch: Here's what payments firms should be aware of to stay competitive during what's expected to be a more frugal holiday shopping season.

1. Credit cards will be the top payment choice this holiday season.

- **About 62% of consumers** plan to cover holiday expenses with a credit card.
- Credit card use during the holidays will increase across income levels and generations.
- More than two-thirds (68%) of baby boomers and 64% of Gen Xers will use credit cards, compared with 44% of Gen Z shoppers.

Credit card providers have beefed up their rewards offerings ahead of the holidays to capture this volume.

- [American Express added rewards redemption](#) at Amazon checkout for its cash-back cardholders.

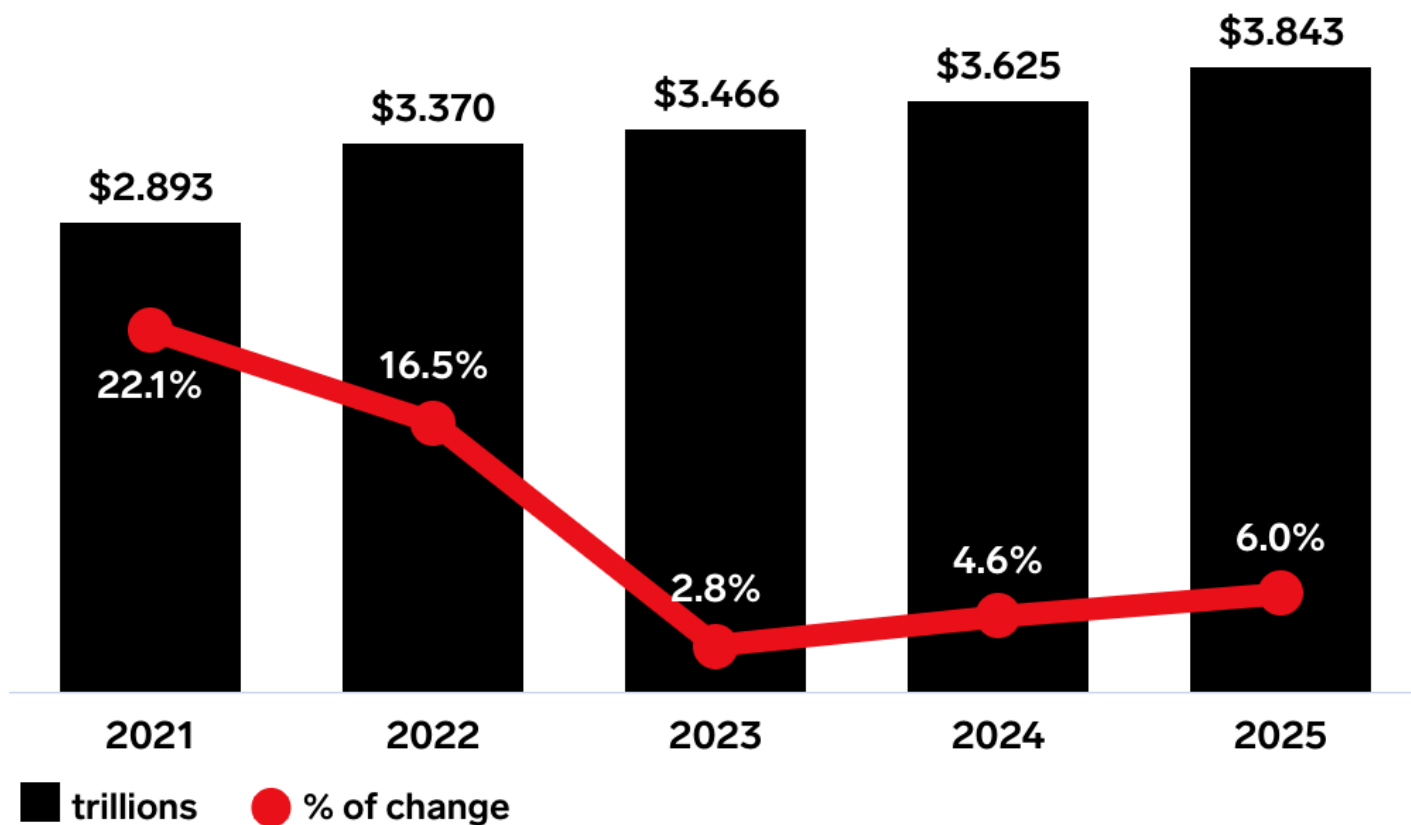
- And **Mastercard** partnered with Live Nation to bring live entertainment benefits to its cardholders.

But putting so much holiday spending on credit cards could add to rising consumer debt loads and delinquencies.

- Credit card balances increased 15% YoY to a record \$995 billion in Q3 2023, per TransUnion.
- And the **90-day borrower delinquency rate was 2.34% in Q3**, up from 1.94% in Q3 last year, and 1.82% pre-pandemic in Q3 2019.

Total Credit Card Transaction Value

US, 2021-2025



Note: includes point-of-sale (POS) transactions made in-store and over the internet using credit 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: Insider Intelligence | eMarketer, August 2023

Insider Intelligence | eMarketer

2. Younger consumers will lean on BNPL to finance their holiday purchases.

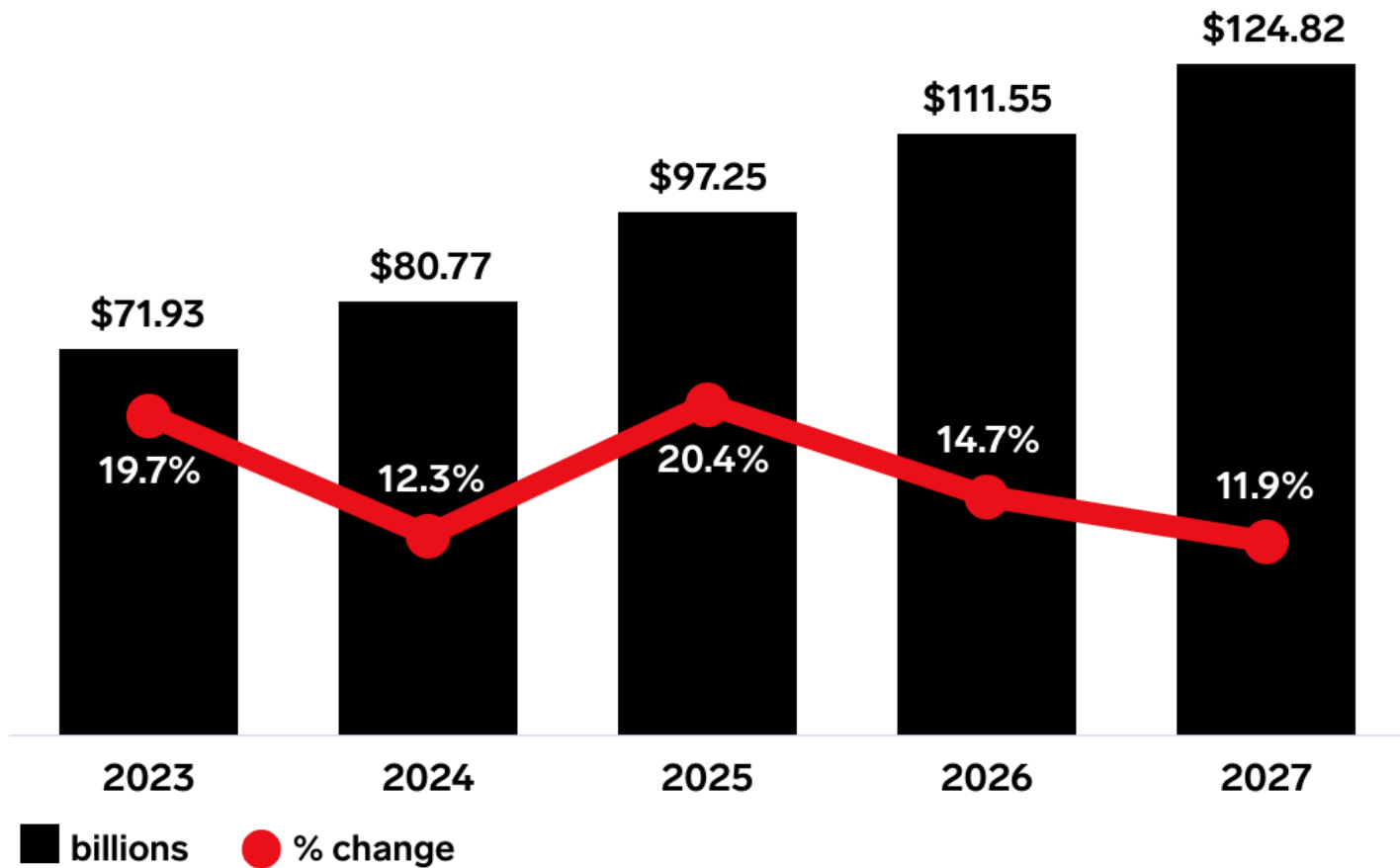
- Gen Zers are more likely than other demographics to finance holiday gifts with buy now, pay later (BNPL).
- **About 39% of Gen Zers will use BNPL over the holidays**, as opposed to just 9% of baby boomers and 21% of Gen X consumers, per i2c and PYMNTS.
- US BNPL spending is expected to reach a monthly record \$9.3 billion in November as consumers start their holiday shopping, [per](#) PYMNTS and Sezzle.

BNPL providers have built out their shopping features to capitalize on holiday spend.

- **Klarna [launched a suite of retail tools](#)** in October including an AI-powered shopping lens, cash-back rewards in the UK, and shoppable videos.
- And **Afterpay [partnered with Rokt](#)** last week to display targeted offers in Afterpay's checkout, which can help boost basket sizes.

Buy Now, Pay Later Payment Value

US, 2023-2027



Note: includes products or services paid with a buy now, pay later service platform; excludes payments such as bill pay, taxes, or money transfers, gambling and other vice goods sales

Source: Insider Intelligence | eMarketer, July 2023

Insider Intelligence | eMarketer

3. Gift cards will be the second-most popular retail gift category, behind clothing.

- More than one-third (37%) of shoppers plan on buying gift cards this holiday season, per i2c and PYMNTS.

- Gen Zers will lead the way in gift card buying, according to **Blackhawk Network's** holiday sales forecast: **Gen Z plans to buy 70% more gift cards than older generations this holiday season.**
- And digital cards haven't overtaken physical cards: the average Gen Zer will buy 10 physical gift cards and 7 digital cards.

Gift card providers are leading into the demographic with tailored offerings.

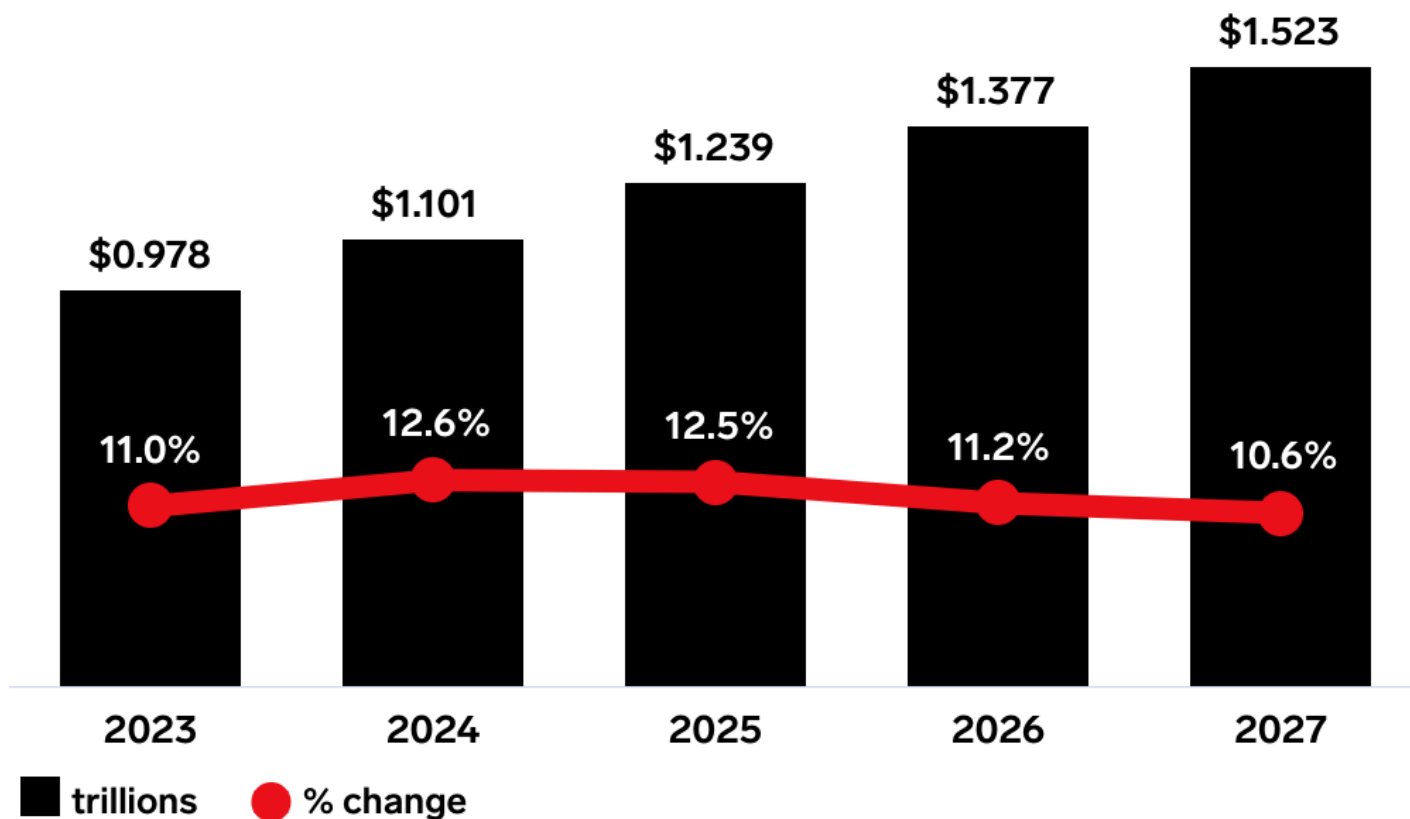
- Blackhawk Network, for example, [launched multi-choice gift cards](#) and personalized gift card bundles—like a Games and Grub card that lets recipients redeem the card at brands like Xbox and Domino's—to meet Gen Z's interest in unique gifts.
- Blackhawk also partnered with Klarna to lean into Gen Z's love of BNPL.

4. Digital wallets and rewards points will also be key payment methods for holiday purchases.

- **Almost 30% of consumers plan to use PayPal for holiday shopping**, and about 15% plan to use Apple Pay, per i2c and PYMNTS.
- Twenty-eight percent of shoppers said they'll use their rewards points to purchase gifts, highlighting another way consumers are trying to save money.

PayPal Transaction Payment Value

US, 2023-2027



Note: the value of payments on PayPal's platforms and those enabled by PayPal via a partner payment solution; net value after payment reversals; completed by users on all PayPal accounts

Source: Insider Intelligence | eMarketer, July 2023

Insider Intelligence | eMarketer

The takeaway: Despite many consumers budgeting and cutting back this holiday season, holiday sales will still make up a large share of annual spending.

US holiday retail and ecommerce sales are projected to make up 18% of the full-year sales in 2023, according to our forecasts. Capturing this volume is vital to retailers' and payment

providers' success this year. Offering payment choice, rewards, and cost-savings incentives can help them draw in shoppers.

Holiday Retail & Ecommerce Sales *US, 2023*

Retail Ecommerce*

billions \$253.71

Non-Ecommerce Retail**

billions \$1,063.02

Total Retail

billions \$1,316.73

*Note: sales are for Nov and Dec of each year; excludes travel and event tickets, payments (such as bill pay, taxes, or money transfers), food services and drinking place sales, gambling and other vice goods sales; *includes products or services ordered using the internet, regardless of the method of payment or fulfillment; **excludes products or services ordered using the internet*

Source: Insider Intelligence | eMarketer, June 2023

Insider Intelligence | eMarketer

*This article originally appeared in **Insider Intelligence's Payments Innovation Briefing**—a three-times-weekly recap of top stories reshaping the payments industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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