

Average Retail Card APR Increases to Over 26%

18 Million U.S. adults applied for retail cards because they felt pressured

New York – October 10, 2019 – The average retail credit card APR is 26.01%, up 37 basis points from last year and nearly five percentage points higher than the average overall credit card APR (21.10%), according to a new report from CreditCards.com. This is particularly surprising because the prime rate has fallen 25 basis points over the past year. The study reviewed 88 cards from 64 retailers, which included 55 store-only cards and 33 co-branded cards. Click here for more information:

<https://www.creditcards.com/credit-card-news/retail-store-credit-card-survey.php>

Store-only credit cards' average APR is up 29 basis points to 27.52% this year, whereas the average co-branded card APR is a bit lower at 23.39% (up 33 basis points from last year). Consequently, the highest average retail card APRs are all charged by store-only cards. They include five of the same top six as last year: Brandsource (30.24%), Big Lots (29.99%), Piercing Pagoda (29.99%), Zales (29.99%) and Discount Tire (29.99%).

Three additional retailers, Sterling Family of Jewelers, Jared and Kay Jewelers, raised their rates to join the 29.99% crowd. Ted Rossman, industry analyst for CreditCards.com notes, "The 30% threshold definitely seems to be an important psychological barrier. These cards are issued by banks headquartered in Delaware, South Dakota and Connecticut – three states that do not have maximum credit card rates. So, they could charge more, but they're choosing not to."

Store credit cards sometimes offer deferred interest promotions – a reduced rate that typically applies for six months or more – as an incentive for consumers to apply. However, once the deferred term ends, that interest is charged retroactively to the account unless the entire balance has been paid off. Rossman warns that, "Buyers should beware! These are very risky and you'd likely be better off with a 0% offer (<https://www.creditcards.com/zero-interest/>) from a general-purpose card because those don't tend to charge deferred interest."

Overall, about two-thirds (66%) of U.S. adults have applied for a retail credit card. Older generations seem more inclined to apply for this type of card; 81% of baby boomers (ages 55-73), 71% of Gen Xers (ages 39-54) and 53% of millennials (ages 23-38) say they have done so.

Possibly in search of deals to offset the added cost of raising children, parents (78%) are much more likely to have applied for a store credit card than non-parents (54%). Women (69%) are also more likely to have applied than men (62%).

The reasons U.S. adults opted to apply for retail cards varied. The most popular reason respondents cited was benefitting from the discount/sign-up bonus (59%). Rossman advises, "Prospective applicants should consider the opportunity cost. There's a good chance they'd be better off with a general-purpose rewards card (<https://www.creditcards.com/rewards-cards/>)."

Nearly 1 in 3 respondents who applied for retail cards said it was because they love the store (31%). “That’s a good answer as long as you pay in full and the store card offers competitive rewards. Retailers such as Amazon, Target, Best Buy, Gap and Ann Taylor all give their cardholders 5% cash back, which is typically better than you’d get on a general-purpose card,” Rossman noted.

Over a quarter (29%) of consumers who applied for a retail card said it was because the card was easy to get and 11% applied because they felt pressured by the store clerk. “That 11% extrapolates to about 18 million people getting a credit card for the wrong reason. You don’t want to make a credit commitment because a store clerk pressured you. It’s totally fine to say no or that you want to think about it,” said Rossman.

Men and women tended to apply for store cards for different reasons. 65% of women and 52% of men said the discount/sign-up bonus was an incentive for applying. 37% of women and 25% of men said they love the store. Men were five percentage points more likely than women to say the card was easy to get and six percentage points more likely to cite a low interest rate promotion.

Methodology:

The retail cards research was conducted in September and October 2019 by CreditCards.com using the terms and conditions agreements of 88 cards from 64 retailers, which included 55 store-only cards and 33 co-branded cards. Each of the 100 largest retailers (as defined by the National Retail Federation based upon 2018 sales) that offers a retail credit card program was selected for study.

Additionally, CreditCards.com commissioned YouGov Plc to conduct a consumer survey. Total sample size was 2,490 adults. Fieldwork was undertaken on August 28-30, 2019. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

About CreditCards.com:

CreditCards.com is the ultimate credit card destination and the largest marketplace of credit card offers you can find online, along with relevant news, advice, features and user-friendly tools. Our mission is to help consumers seize greater opportunity through smarter spending, and we believe that the right credit card, used the right way, can be a life-changer.

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