



MARKETS

How Discover won over the US middle class

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Tala Hadavi

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How Discover credit cards became a card for the masses

KEY POINTS

Discover credit cards have topped the JD Power customer satisfaction survey in five of the past six years.

Discover is the sixth-largest credit card issuer in the U.S.

But in the past five years, the stock has underperformed that of the S&P 500 and competitors.

While [Discover](#) may be just the [sixth-largest credit card issuer in the U.S.](#), it has established itself as the preferable option for the masses because of its attention to customer service and convenience.

This is the story of the unusual road Discover took to get there, including its humble beginnings as a part of Sears Roebuck and longtime battles with Visa and Mastercard.

“We might be more like Toyota and American Express may be more like Mercedes,” Discover CEO Roger Hochschild told CNBC. “Any income can drive and buy a Toyota.”

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Discover credit cards have topped the [J.D. Power customer satisfaction survey in five of the past six years](#) with a focus on middle-class borrowers.

Sears launched the Discover card in 1986, with options that at the time were considered quite innovative, including cash-back rewards and no annual fees. However, it struggled to get a foothold under the retailer. In 1993, Dean Witter, Discover &

Co. spun off from Sears and later merged with Morgan Stanley in 1997.

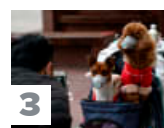
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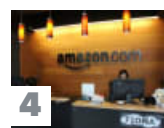
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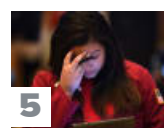
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In 2004, Discover filed a lawsuit seeking damages against MasterCard and Visa claiming that the networks had harmed its business with their exclusionary policies. [MasterCard and Visa settled for nearly \\$3 billion in 2008, a year after Discover became independent](#). During this time, Discover gained important card clients like Sam's Club, Wal-Mart and GE Consumer Finance, and acquired Pulse, a debit card network.

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Discover Financial shares have jumped nearly 500% since the aftermath of the financial crisis a decade ago, making it one of the best financial stocks over that time period.

The gains have slowed recently, however, with the stock underperforming the market and major competitors over the last one- and five-year periods.

“It would not be surprising if in time we see Discover either making an acquisition through a merger with another credit card issuer or being acquired by somebody bigger,” said David Robertson, publisher of The Nilson Report, a newsletter about the payment industry.

Watch the video above to learn more about how Discover credit cards became the card of the American middle class.

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