



The state of the American shopper

October 2022



"We can't look back to 2019 to understand today's customer. Brands and businesses have to keep a current pulse on consumers and watch how their customers are evolving in order to stay relevant."

Val Greer, Chief Commercial Officer



Navigating our new normal

Nearly three years after COVID-19 was first declared a global pandemic, additional forces – including supply chain disruptions, remote working, increasing inflation, geopolitical instability and more – have converged to alter the way American consumers shop, pay and engage with brands.

Now that so much has changed, it becomes necessary to create modern baselines to help us understand who the American shopper is today – and what the future might hold for tomorrow.

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Methodology

In order to break down exactly who the American shopper is, we took a two-phased approach to understanding consumers' behaviors and expectations by life stage:



Qualitative research

Rich detail and the "whys" behind the data



Quantitative research

A survey of more than 5,000 U.S. shoppers to understand and validate their differences by life stage



Students

Currently attending a post-secondary school



Parents

Parent or guardian to a child under 18



Singles

Unmarried adults, both younger and older



Retirees

No longer in the workforce

Life stage and the generations



Generation Z: 1997-2004

Seventy-five percent of post-secondary students are in Gen Z



Millennials: 1981-1996

Forty-three percent of parents are millennials



Generation X: 1965-1980

Twenty-six percent of parents are in Gen X



Baby boomers: 1946-1964

Sixty-four percent of retirees are baby boomers

Retail vertical and digital channel examples



Digital marketplaces
Amazon, eBay



Retailer websites
ulta.com, boscovs.com



Retailer mobile apps
Academy Sports + Outdoors app, Carter's app



Same-day delivery service
Shipt, Instacart, Door Dash



Discount store retailers
Big Lots, Five Below



Beauty/health/personal care retailers
Ulta, Sephora, CVS



Home improvement retailers
Lowe's, Home Depot



Off-price retailers
Burlington, TJ Maxx, Ross Dress for Less



Specialty apparel retailers
Victoria's Secret, Express, Torrid



Warehouse clubs
Costco, Sam's Club

Meet the average American shopper



Female



38 years old – millennial



Lives in the suburbs



Household income: \$67,521

According to 2021 U.S. Census Bureau data



The American shopper mindset: Internal optimists and external pessimists

Seventy percent of American consumers are fairly to very confident they're on the right track financially. More than 80% have confidence in their employment status and 74% have maintained or increased their spending to last year.

Looking outside their personal situations, consumers don't feel as confident. More than 50% of American consumers rate the U.S. economy as fair to poor. The top three factors influencing that thinking include gas prices (65%), inflation (64%) and COVID-19 (41%).

Cash is (still) king, but she wouldn't hesitate to use her cards

When it comes to everyday purchases under \$500, she's likely to pay with cash (61%), but would also use her debit card (59%) and bank-branded credit cards (52%). She also uses her retail credit cards (37%) and buy now, pay later (27%).



"As a shopper, I am definitely looking for quality and [am] comfortable spend[ing] more for it. I do always take a look at prices of course and appreciate a great deal, however I don't make it a point to solely buy something just because it is on sale."

Susan, shopper

She shops digitally (of course)

The pandemic encouraged consumers to adopt digital habits and many have stuck with the practice: 87% of consumers shop digitally at least some of the time, with nearly 60% saying they shop online half of the time or more. Her top digital channels are:



Her inflation-fighting playbook

Most Americans are feeling the pinch of inflation, and **92% have changed their spending habits**, with 43% trying to spend less overall. Other savings strategies include:



She shops mass retailers the most

When it comes to high-frequency retailers, she first prefers mass retailers (68%), then supermarkets (63%) and non-store retailers (54%). Looking at other retail categories, she's shopping:





Students: Digital budget-minders



Gen Z: 75%



Average income: \$44,382

"COVID made me shop online way more, I started using Instacart, Door Dash, UberEats, and Amazon mainly. I think that once you get used to something and it is convenient then the extra charge doesn't matter that much."

Hassan, student

Fun fact: The majority of post-secondary students come from diverse backgrounds.

Students are looking ahead to an uncertain future

On the leading edge of adulthood, today's students are balancing youthful hopefulness with an anxiousness about the world around them.

- **Optimistic on their futures:** 78% are fairly to very confident they're on the right track financially
- **Concerned about the job market:** 35% are concerned about the unemployment rate and 25% are concerned about their own job prospects
- **COVID on campus:** 79% of students at least somewhat agree that they have health and hygiene concerns when in large crowds or public spaces



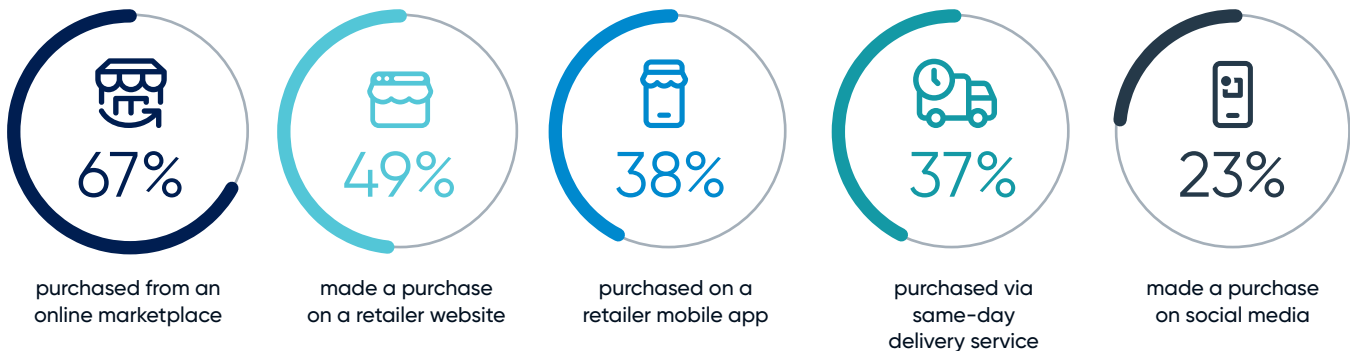
How they pay for it all:

For purchases under \$500, students are most likely to use cash (67%) and debit (60%), and 71% would use financing tools, including general-purpose credit cards (51%), retail store cards (39%) and buy now, pay later (36%).



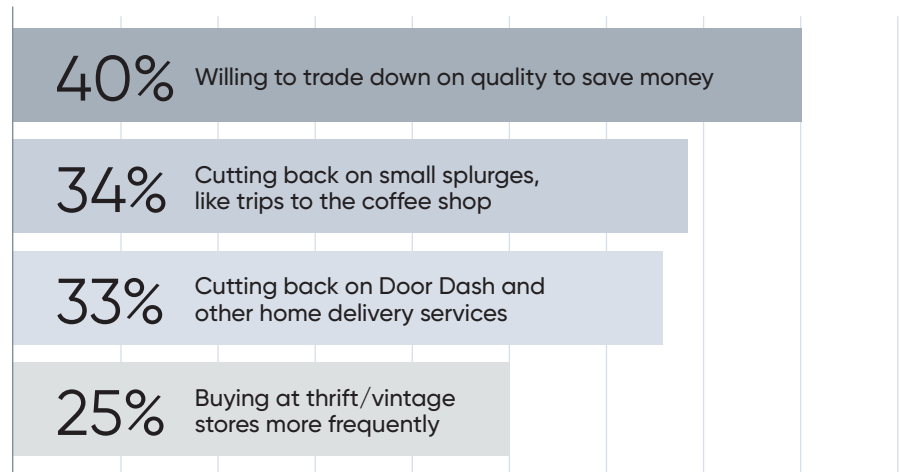
Students are digital darlings

Many younger consumers are digital natives, and they're extremely comfortable shopping that way: 67% of students say they're now shopping online half or more of the time. Their digital shopping is spread across multiple channels:



Making trade-offs to manage spending

Forty-two percent of students said they're spending more this year compared to last year. Despite spending more, many are trying to make small adjustments to stay within their budgets:




Students are focused on looking good – on a budget

After high-frequency categories like mass retailers (64%) and supermarkets (56%), students are also shopping:





Parents: Balancing their values and convenience

-  Millennials: 43%
-  Gen X: 26%
-  Average income: \$77,008

"With digital assistance becoming more prominent, I would love for it to be a way that I could just make payments using voice commands. I feel that will be the ultimate layer of convenience."

Yurel, parent

Fun fact: 24% of U.S. parents say buying a home is a priority over the next 12 months.

Parents are optimistic about the future

Today's parents are hopeful about the future. At this point in their lives, they're also confident about their own paths forward.

- **Bullish on the economy:** 61% rate the U.S. economy as good to excellent
- **Optimistic on their own futures:** 69% are fairly to very certain they're on the right track financially
- **Still spending:** 51% of parents said they're spending more this year than they did last year



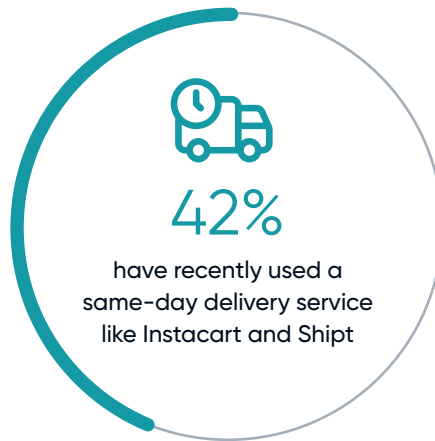
How they pay for it all:

When it comes to purchases under \$500, parents are most likely to pay with cash (62%) and debit (58%). Parents also rely on general-purpose credit cards (51%), gift cards (43%), retail store cards (40%) and buy now, pay later (36%).



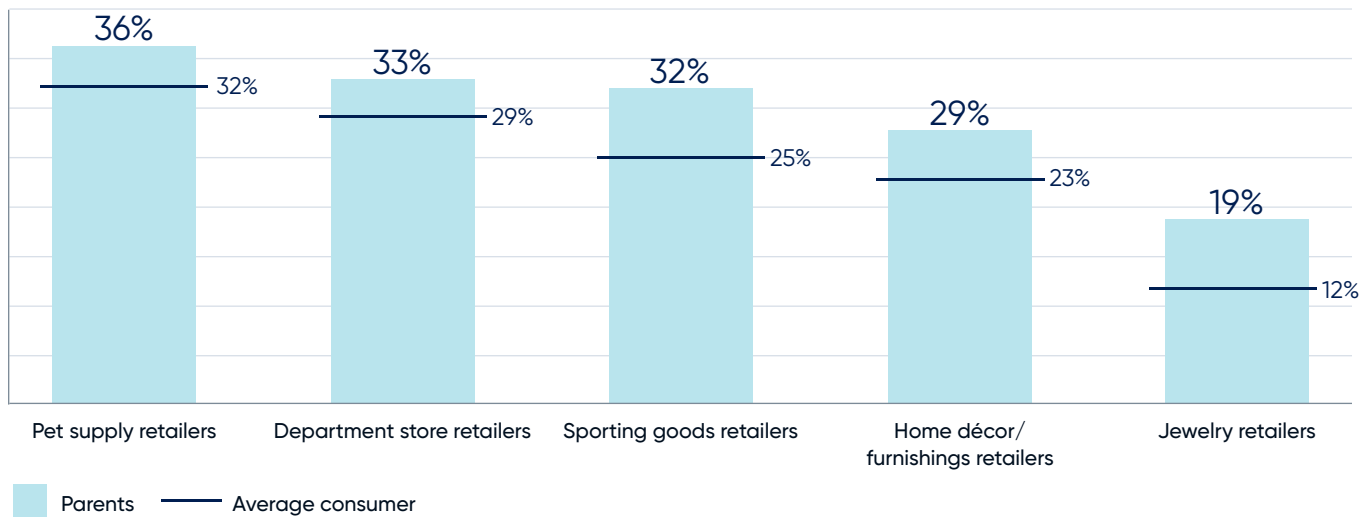
Parents value convenience

Eighty-six percent of parents shop digitally, and many are taking advantage of the conveniences these channels offer. Looking across all parents, in the last six months:



Reflecting their multiple needs, parents shop in a lot of verticals

Like most consumers, parents shop mass retailers (64%), supermarkets (54%) and non-store retailers (51%) the most. More than the average consumer, parents also shop:



Values matter

Many parents are actively changing the ways they shop to live through their values – knowing their children are watching.





Young single adults: Just getting started



Gen Z: 42%



Millennials: 30%



Average income: \$49,352

Fun fact:

**44% of young singles
live in the suburbs.**

Young adults are optimistic and spending more

- 60% rate the economy as good to excellent
- 69% are fairly to very certain they're on the right track financially
- 46% say they're spending more this year than they did last year

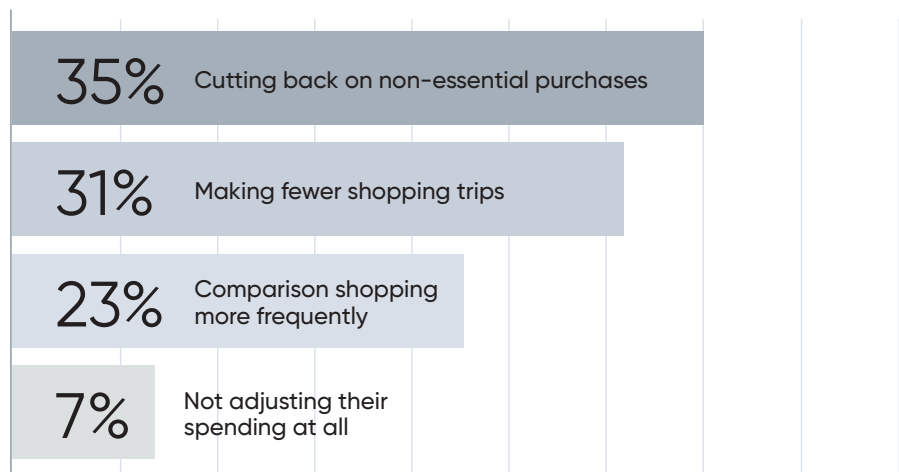
Young adults shop similarly to students

Like other consumers, young singles shop mass retailers (59%), supermarkets (51%) and non-store retailers (48%). Other verticals of note include:



Young adults are cutting back on non-essentials

Fifty-one percent of young adults say inflation is impacting their view of the economy, far less than older adults (71%). And, in some cases, young adults are slightly less likely to make changes to their spending than older adults:



Older single adults: Keeping a careful eye



Gen X: 18%



Baby boomers: 9%



Average income: \$43,880



Fun fact:

**43% of older singles
are employed full time.**

Older adults are more cautious

- 38% rate the economy as good to excellent
- 58% are fairly to very certain they're on the right track financially
- 23% say they're spending more this year than they did last year

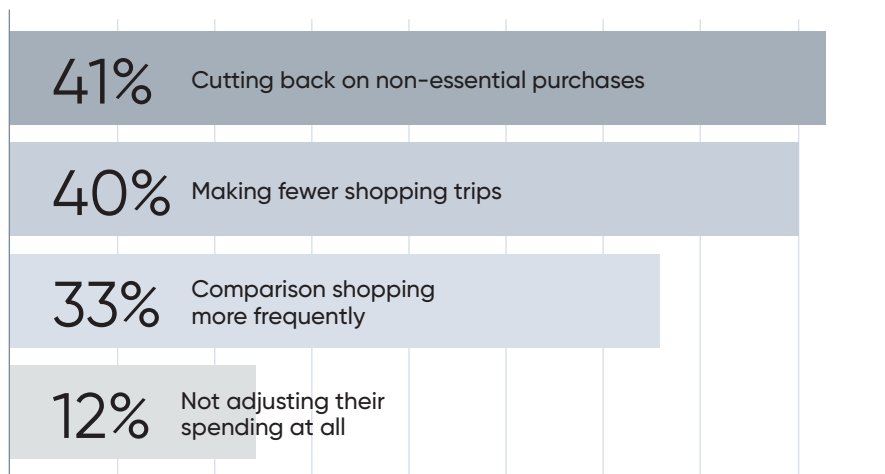
Older adults shop grocery and general-merchandise verticals

Like other consumers, older singles shop mass retailers (71%), supermarkets (69%) and non-store retailers (54%). Other verticals of note include:






Older adults are more likely to feel the impact of inflation

Seventy-one percent of older adults say inflation is impacting their view of the economy, higher than the average consumer. Some – but not all – are adjusting their spending to match their outlook:





Retirees: Stretching their dollars

-  Baby boomers: 64%
-  Silent generation: 22%
-  Average income: \$58,609

"I use some of the apps that save you money, like Honey and Rakuten. They automatically scan for you any discounts and it's a nice surprise when they find discounts on my purchase! I have apps installed for stores I frequent such as Kohl's, Macy's, Nordstrom, etc. They sometimes have special discounts through their app."

Mindy, retiree

Fun fact: 36% of retirees describe their credit rating as "exceptional."

Retirees are weighed down with personal and worldly concerns

Whether their own financial situation or the prospect of international war, retirees are carrying a lot of worries.

- **Negative view of the economy:** 67% of retirees describe the economy as fair to poor
- **High prices hit hard:** More than 75% of retirees are concerned about inflation and high gas prices
- **Tough world outlook:** 53% are concerned about government policy/decision-making and 39% are concerned about international war



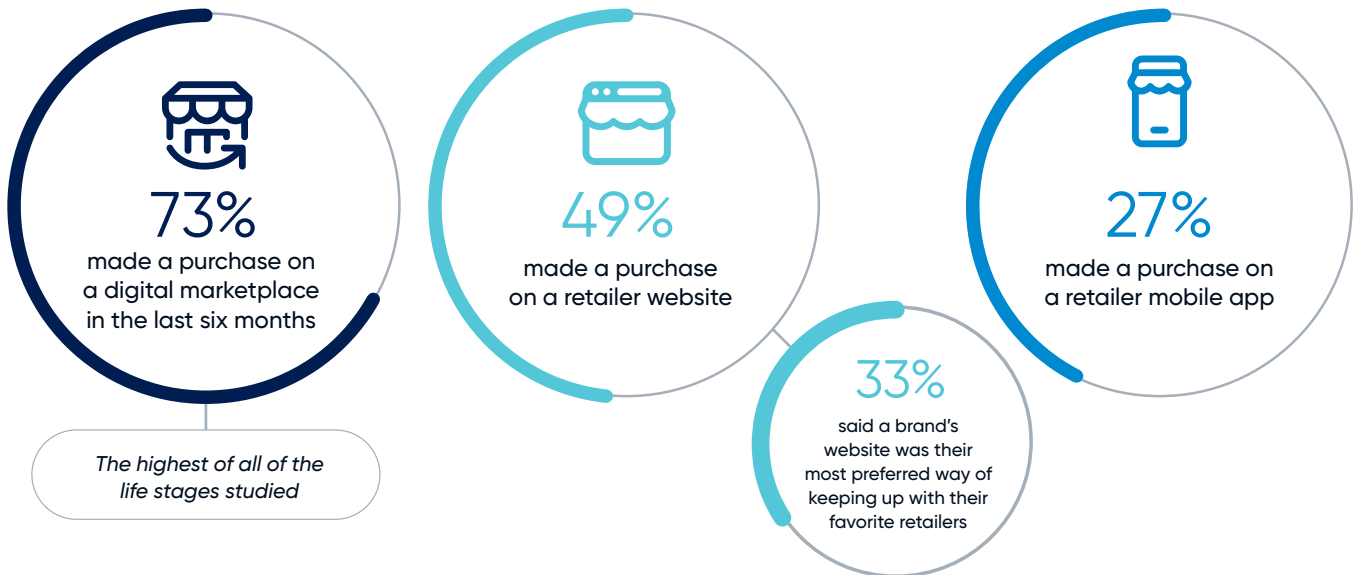
How they pay for it all:

When it comes to purchases under \$500, retirees are most likely to reach for their credit cards first: 59% would pay with a general-purpose card and 35% would use a retail store card. Cash (57%) and debit cards (55%) are popular choices as well.



Many retirees got – and stayed – digital over the pandemic

Eighty-nine percent of retirees are shopping digitally at least some of the time, and 21% said they feel like they're shopping online more now than before.



Inflation has caused many to cut back

Despite higher prices, 71% of retirees say they're spending the same or even less this year than they did last year. Their savings strategies include:



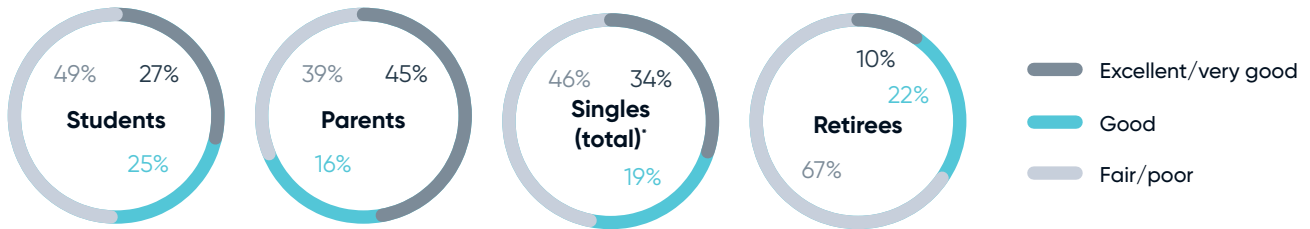
Retirees show a preference for grocery and general-merchandise verticals

More than the average shopper, retirees are shopping high-frequency categories, including supermarkets (77% vs. 63%), mass retailers (74% vs. 68%) and non-store retailers (61% vs. 54%). They're also shopping:

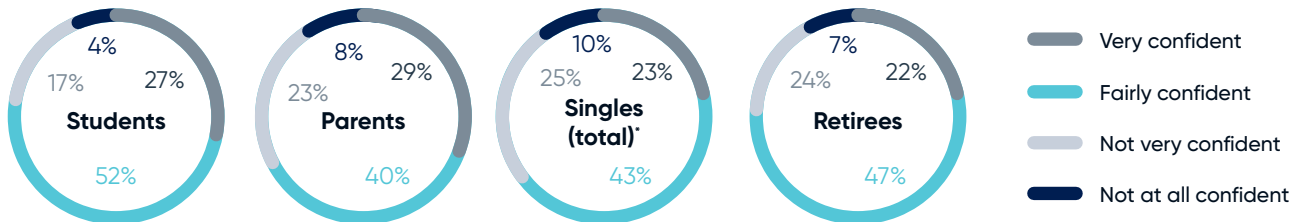


Key comparison points by life stage

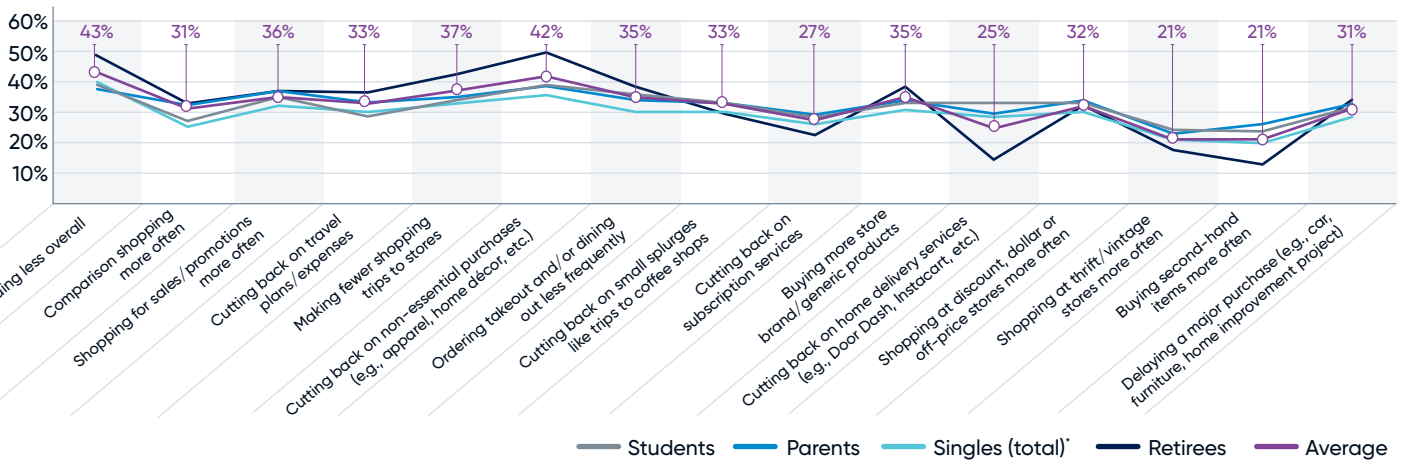
Economy



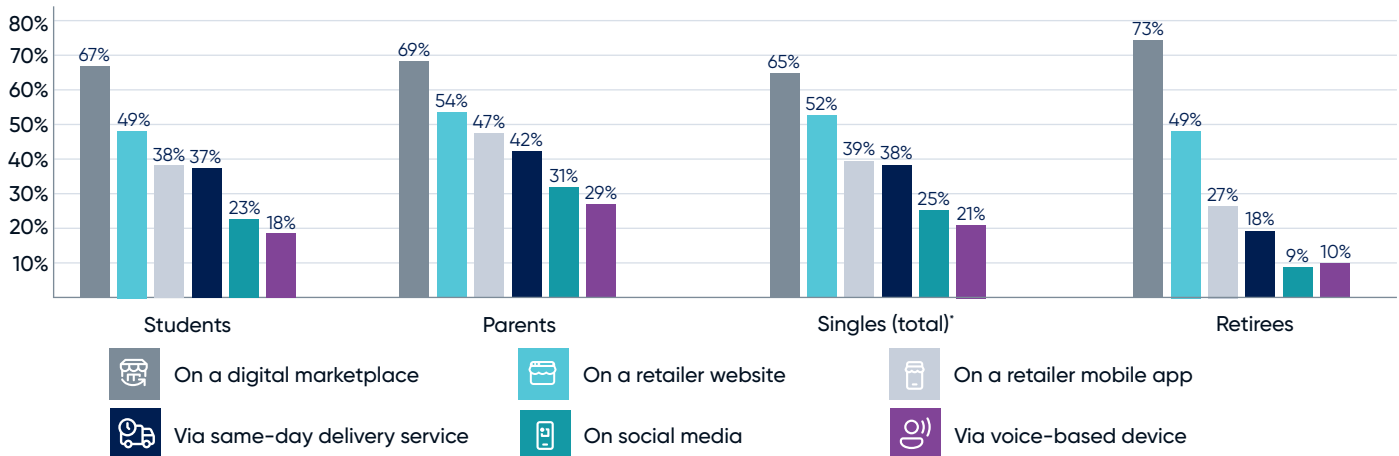
Believe they're on the right track financially



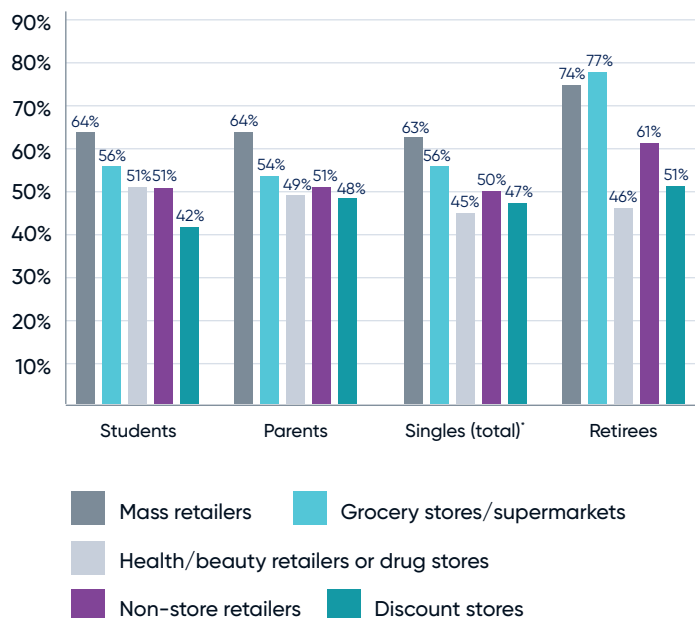
How they're adjusting spending due to economy



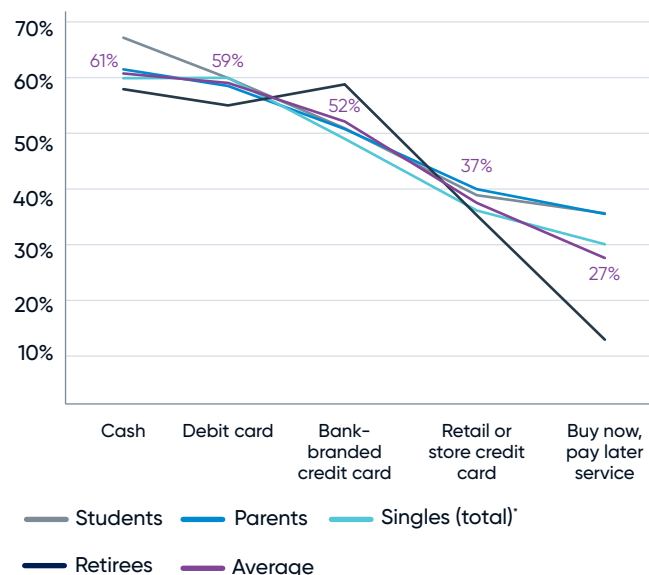
Digital channels shopped



Verticals shopped



Payment methods



Three key takeaways

1. The question isn't which of my brand's customers are digital, it's **which digital channels are my customers using the most**.
2. With many shoppers feeling higher prices, they're willing to shop around. Savvy brands could turn this deal-seeking into a win-back opportunity for customers lost during the pandemic.
3. While cash and debit are still top payment methods across most life stage groups, the majority of consumers are comfortable leveraging financing tools, including credit cards and buy now, pay later.

Three short-term predictions

1. Digital shopping behaviors will continue into the holiday season, but expect a slowdown in adoption of same-day delivery services, like Shipt and Door Dash, as consumers pull back spending on these extra conveniences to trim budgets.
2. While inflation is likely to moderate, it will continue to weigh on consumers' wallets. Brands should expect a continuation of deal-seeking and value-driven customer behaviors.
3. Financing tools, including credit cards and buy now, pay later, will remain popular with consumers trying to maintain their buying power and their current lifestyles.





About this study

This study included a qualitative phase of research consisting of online discussion boards fielded from Aug. 24 to Aug. 26, 2022. The second phase was a quantitative online survey fielded from Aug. 17 to Aug. 24, 2022. The study included 5,267 U.S. consumers, with quotas on age and gender to reflect the general population.

About Bread Financial

Bread Financial™ (NYSE: BFH) is a tech-forward financial services company providing simple, personalized payment, lending and saving solutions. The company creates opportunities for its customers and partners through digitally enabled choices that offer ease, empowerment, financial flexibility and exceptional customer experiences. Driven by a digital-first approach, data insights and white-label technology, Bread Financial delivers growth for its partners through a comprehensive product suite, including private label and co-brand credit cards, installment lending, and buy now, pay later (BNPL). Bread Financial also offers direct-to-consumer solutions that give customers more access, choice and freedom through its branded Bread Cashback™ American Express® Credit Card and Bread Savings™ products.

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