



Currency of connection

How emotional relationships drive brand loyalty

Emotional connections are powerful

Humans are social creatures. We're inquisitive, curious, and engaging. We seek connections and respond to what's happening in the world around us. So, it's not surprising that we form deeper bonds with brands that effectively mirror human characteristics—those qualities that make human relationships more successful.

Brands will gain significant benefits by fostering deeper connections with their customers.

Emotionally connected customers are nearly:

8x

more likely to shop the brand frequently

5x

more likely to recommend the brand to others

4x

more likely to shop the brand first



“Nearly half of a brand’s customers will have a deep emotional connection. Those customers are the ones shopping the brand the most and recommending the brand to friends and family, making them a valuable group to target.”

Nick Antonelli
SVP, Chief Marketing Officer
Bread Financial

CONTENT HIGHLIGHTS

P 4 **Emotional impacts**

P 8 **Human elements**

P 13 **Better experiences**

Roughly 50% of a brand's customers are deeply connected

This means the consumer identifies with a brand and believes there to be a strong relationship between themselves and the brand.

Brands know customers with deep emotional connections are valuable: they shop the brand more frequently and are more likely to engage with communications.¹

Strong emotional brand connections lead to loyal behaviors



Emotional impacts

Deeply connected customers are more likely to exhibit loyal behaviors, including shopping the brand more frequently, recommending the brand to friends and family, and taking their time to browse.



Human elements

Brands looking to create these deep emotional connections should mirror the characteristics that make human relationships successful, by exhibiting a clear personality, fostering two-way communication, and demonstrating that the individual matters.



Better experiences

While technology can be used to create 1:1 relationships at scale, brands still have an awareness issue to contend with, as many deeply connected customers are unsure of the benefits the brand offers.

78% of deeply connected customers have maintained or increased their shopping with the brand in the last six months.

¹ The Great Divide, Bread Financial, 2019.



Two phases of consumer research

Qualitative

Understand what deep emotional connections look like through a consumer lens

Quantitative

Validate the idea that deep human connections lead to loyal customer behaviors

The research also breaks down the data by generation and categories shopped

GENERATIONS:

Generation Z
(1997–2011)²

Millennials
(1981–1996)

Generation X
(1965–1980)

Baby boomers
(1946–1964)

CATEGORIES:

Beauty/grooming

Furniture/
home decor

General
merchandise/
big box

Jewelry

Online only

Specialty apparel

² Generation Z survey respondents were born between 1997 and 2001.

Emotional impacts

Deeper connections drive loyal behaviors

Emotional customer connections can be difficult to cultivate. They're personal to the individual, don't have transactional metrics, and can be challenging to replicate across channels and locations.

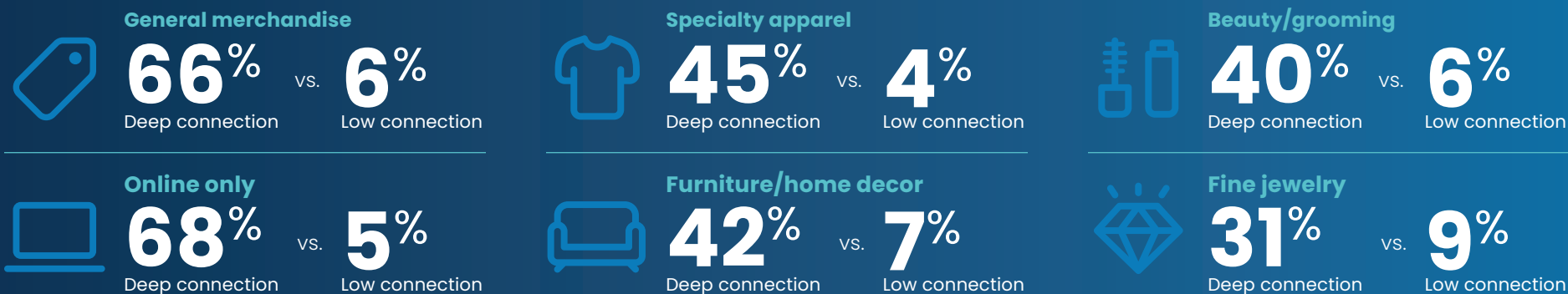
Despite these challenges, brands that create their own "secret sauce" will earn significant benefits. Customers are more likely to give their business to brands they feel deeply connected to.

Forge emotional connections to drive customer loyalty

There's a stark difference in customer behavior between those with deep connections and those with low connections. Deeply connected customers are shopping, engaging, and recommending the brand far more frequently than the brands they have a low connection with.

Despite the constant threat of competition, Deeply connected customers are **9x more likely** to make shopping the brand a part of their routine in comparison to those with a low connection.

The percentage of customers who say they shop the brand frequently varies by retail category and connection level:



95% of consumers—even deeply connected ones—**are shopping around.**

66% of deeply connected general-merchandise shoppers **say they shop the brand frequently**, the most of any category studied.

GET CONNECTED

Promotions can drive short-term behaviors, but rarely create lasting value. Brands need **long-term strategies** to build emotional connections and enduring loyalty.

Deeply connected customers expect brands to show loyalty in return

Emotional connections work both ways.

Customers expect brands to show them appreciation and loyalty in return for their business. And from their perspective, customers say showing loyalty means appreciating their business and offering a good customer experience.

Deeply connected customers feel valued:



71% say the brand **makes them feel like a valued customer**

but **only 33%** of customers with low connections say the same



“I feel they get me as a customer, they understand me. They show they appreciate me in how easy they make it to do business with them...”

Spencer W.

Functional elements of the brand experience are table stakes

Brands building emotional connections must get the basics right.

First, customers expect desirable products at a reasonable price. After that baseline is met, the shopping experience becomes a differentiator. Customers with deep connections are more likely to say the brand offers an easy shopping experience with helpful customer service.

An easy shopping experience

7 in 10 deeply connected customers say the brand:

- Is easy to shop when/how I want
- Is a convenient retailer to shop
- Offers easy product returns

Knowledgeable and accessible staff for service needs

70% of deeply connected customers say the brand has **knowledgeable staff**, compared to 50% of those with a low connection

63% of deeply connected customers say the brand's **employees go out of their way to help**, compared to 32% of those with a low connection

Emotional connections in action:

Ulta Beauty is arming associates with a new tool to deliver a more robust customer experience. The brand's digital stylist is designed to work in the salon and brow bar, and uses augmented reality to help associates advise how hair color, makeup, and eyebrow services would look on the guest.

GET CONNECTED

The foundational elements of the brand experience are important to meet customers' functional and emotional needs. Examine your customers' journeys to **identify areas of friction**, prioritizing those that make the brand easier to shop.



Human elements

Human connections build emotional loyalty

Brands can build deeper emotional connections by adopting characteristics that make human relationships more successful: exhibiting a personality and values, engaging in two-way conversation, and showing that the individual matters by remedying any mistakes that arise.

Bring the brand's personality to life

Every brand individually embodies various characteristics that reflect who the brand is. Research shows that simply being associated with human personality traits and having shared values increases the likelihood that customers will develop an emotional connection.

The anatomy of a human connection

Consumers with deep emotional connections associate the brand with an average of 12 or more personality traits, indicating the customer perceives the brand to have a robust personality. This is nearly double the traits consumers with low connections associate with a brand.

Brand personalities can vary widely, with some traits being ranked the highest by emotionally connected customers:

 **79%** reliable

 **78%** trustworthy
friendly
popular

 **76%** helpful

68% of deeply connected Gen Zers called a brand “caring,” the most of all generations studied.



“[The brand] is honest and fair, straightforward. These are things that I exhibit in my personality as well. I don’t lie to people, I’m very open and straightforward, and I think that most people appreciate that.”

Tim H.

Living the brand's values

Today's customers have higher expectations that brands will have a set of values and live by them. Deeply connected customers across all generations are more likely to say a brand's values resonate with their own.

Deeply connected customers are 3x more likely to:

- say the brand **supports social issues** that are important to them
- say the brand **supports environmental issues** that are important to them
- to say the brand **shares their values**

Across all generations, nearly 7 in 10 deeply connected customers describe the brand as “caring,” a significant increase from customers with low connections:

Baby boomers

66% vs. **31%**
Deep connection Low connection

Millennials

66% vs. **41%**
Deep connection Low connection

Gen X

66% vs. **36%**
Deep connection Low connection

Gen Z

68% vs. **37%**
Deep connection Low connection

GET CONNECTED

Customers are more likely to connect with a brand that has a distinctive personality. **Identify your brand's personality traits** and ensure those are coming through consistently across all channels.



Foster a dialogue to build deeper connections

Customers expect brands to go beyond simply pushing messages out. They expect the brand to offer opportunities for two-way conversations.

Deeply connected consumers feel heard:



57% of deeply connected consumers **say the brand listens** to any feedback they may have

only 28% of customers with low connections say the same

Open the feedback loop

Giving customers the opportunity to provide input and feedback is important to building deep connections. Deeply connected customers are more than twice as likely to say the brand proactively asks for their feedback, compared to customers with a low connection.

Deeply connected customers are:

5x

more likely to post a review

3x

more likely to fill out a survey

Deeply connected fine jewelry customers are 2x as likely to fill out a survey as shoppers in other retail categories.

Two-way connections in action:

Hyatt gives their customers control with a multi-channel approach to getting feedback. They encourage customers to post comments and content on social media using specific hashtags, provide access to feedback forms on targeted pages of their website, and promote a phone number for customers to call.

GET CONNECTED

Proactively reach out to customers across levels of connection to avoid unconscious bias and gather relevant insights on how to improve the brand experience.

Deeply connected customers are more forgiving

Humans are prone to error. Even the best brands make mistakes. While all customers are equally likely to experience brand mistakes, customers with deep connections are most likely to forgive missteps and continue the relationship.

Forgiveness is divine

There is danger in ignoring problems: 75% of all customers said brand perception was negatively impacted if a problem was not effectively addressed.

57% of deeply connected customers **had a more positive view** or no change to their view of the brand after a negative experience was effectively addressed. **Only 19%** of customers with a low connection said the same.

"I can forgive a business if I hear they are making improvements about their problem or if they apologize for their problems and are sincere about it."

Janet O.

Deeply connected customers give the brand the chance to make it right

Many brands aren't aware their customers have experienced any problems, with 49% of all customers saying they never reach out to the retailer after having an issue. Deeply connected customers are far more likely to let brands know there's a problem, with 60% reaching out, compared to only 37% of those with low connections.

Low connections may make customers less tolerant of a poor experience

Two problems stood out for customers with low connection to a brand. Of those who experienced an issue:

50% of customers **said the brand's employees were rude or uncaring**, compared to 20% of those with a deep connection

24% of customers **said the brand was difficult to shop**, compared to 15% of those with a deep connection

GET CONNECTED

Effectively addressing problems can make a significant impact on the customer's impression of the brand. **Give customers visibility into your efforts to create a better experience.**



Better experiences

Great experiences create deeper relationships.

Brands can win customers' hearts and minds through great experiences executed consistently across all channels. Digital tools can bolster human interactions and create 1:1 connections, and must meaningfully enhance the customer experience.

"If [the brand] is out of a size or color, it's easy to either go on their app/ website and order it, or have the customer service agent order for me..."

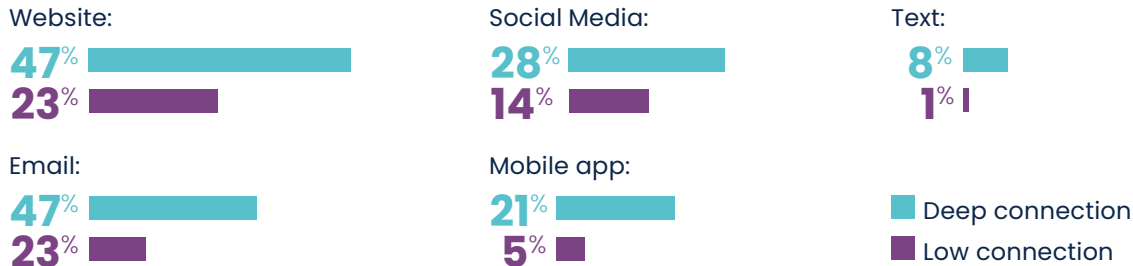
Cami A.

BETTER EXPERIENCES

Create 1:1 human connections through digital channels

In this increasingly digital age, 75% of deeply connected customers engage with brands via digital media, compared with only 47% of those with a low connection.

Deeply connected customers are more likely to engage Delivering on customers' expectations:



Customers expect technology to deliver a better experience

Today's tech-savvy customers expect the brand to leverage technology that makes the experience simpler, easier, and more personalized.

Delivering on customers' expectations:

69% of deeply connected customers say the brand offers good online/mobile shopping capabilities, compared to only 40% of those with low connections

62% of deeply connected customers say the brand provides relevant recommendations, compared to only 28% of those with low connections

46% of deeply connected Gen Zers **use social media to stay connected** to a brand.

Digital connections in action:

Adidas and Dick's Sporting Goods partnered to become the first brands to sell directly through a Snapchat game. "Baseball's Next Level" players could dress their player in virtual Adidas shoes and purchase a pair from Dick's within the game experience.

GET CONNECTED

Serve up ultra-personalized experiences using data from shopping history, loyalty status, marketing engagement, and more.



Engage customers with fresh, new shopping experiences

Whether online or in store, deeply connected customers gravitate toward brands that offer desirable products and brand names, and consistently have the goods consumers need. They also want inventive shopping experiences that encourage them to come back.

Enjoyable experiences turn shopping into a social activity

Deeply connected customers are more likely to say shopping the brand makes them happy and is something they do with friends and family.

Offers an experience that makes me happy



I shop there with friends or family



When I am shopping, I take the time to browse



■ Deep connection
■ Low connection

Inspiring customers to try something new

Deeply connected customers rely on the brand to provide a welcoming place to get new ideas and try new things.



Is a retailer where I can explore new products

74%
51%



The brand offers something unique

67%
47%

■ Deep connection ■ Low connection

Deeply connected customers are:

4.5x more likely to say shopping the brand is a weekend escape.

63% of deeply connected customers **say the brand inspires them to try new things**, compared to 31% of customers with a low connection.

“I love [my favorite] stores because I never know what I am going to find. I always find new and exciting products even when I’m not looking for them...”

Briana M.

GET CONNECTED

Explore opportunities for more frequent updates to seasonal offerings, creating pop-ups or shop-in-shops **to keep experiences fresh.**

BETTER EXPERIENCES

Grow your brand's deeply connected customer base

Brands still have room to drive sales growth with deeply connected customers. More than 7 in 10 deeply connected customers say they have not opted in to marketing or joined the brand's rewards program. This indicates both low awareness and recall of these programs, and opportunities to improve engagement.

Boost relationships with deeply connected customers:

Those who opted in to marketing are:

16% more likely to shop the brand frequently

23% more likely to recommend the brand to friends and family

Those who joined the loyalty program are:

22% more likely to shop the brand frequently

19% more likely to recommend the brand to friends and family

Loyalty membership for deeply connected customers varies by retail category, with all having significant room to increase awareness and engagement:

32% General merchandise

20% Online only

32% Beauty/grooming

19% Fine jewelry

24% Specialty apparel

15% Furniture/home decor

Beauty/grooming and general-merchandise shoppers are the most likely to sign up for the brand's rewards program, with one in three of deeply connected customers joining.

Boost awareness—and adoption—of offerings

Even consumers with deep connections can be unaware of the brand's efforts to offer better service and communication—27% of deeply connected customers were unsure if the brand offered access to a special sale or event.

3 in 10 deeply connected customers said they were "not sure" if their brand offered:

- Special checkout or order pickup
- Free shipping/delivery
- Great loyalty/rewards program
- Special customer service
- Frequent coupons
- Mobile shopping capabilities

GET CONNECTED

Customers are often not aware of an offering or service until they need it. **Make sure benefits are prominently displayed** on the right channels and in the right places so they can take action and engage on a deeper level.

Harness the power of emotional connections

Deeply connected customers are more likely to shop frequently, shop the brand first, and recommend the brand to others.

Growing these relationships is critical to a brand's long-term success. Savvy brands need to balance human connections with great experiences across all channels, enabling them to deepen customer engagement and ultimately drive sales.

"To form emotional connections with customers, the brand has to behave more like a person. And that means having a distinctive personality, enabling two-way conversations, and fixing mistakes that happen along the way."

Wes Hunt, SVP, Enterprise Data Science & Analytics
Bread Financial



Research methodology

A sample of 5,994 U.S. consumers participated in the Currency of Connection study through an online quantitative survey that took place from November 11–20, 2019. Additionally, qualitative feedback was gathered from a total of 33 U.S. consumers in two online discussion boards conducted on September 19–20, 2019.

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 and financial flexibility. 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 proprietary credit card, personal loan and saving products. Formerly Alliance Data, Bread Financial is focused on creating value and driving mutual, sustainable success for its stakeholders. An S&P MidCap 400 company headquartered in Columbus, Ohio, it is a growth-oriented business powered by 6,000+ global associates.

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