The great divide

Connecting brands to the real needs of today's consumer

Crossing the great divide

"An interesting divide has been developing between consumers and brands. On one side, brands and their beliefs about what their consumers need. On the other, consumers' actual beliefs on the brand experience. And, while the core of many consumer needs remains the same, how consumers expect brands to solve for them is changing dramatically."

Shannon Andrick,
VP, Business Strategy
Bread Financial

What's inside:
Through our deliberately different and measurably superior approach, **the Bread Financial research reveals**:

- What's most important to customers in the brand communications and marketing experience
- Gaps between what consumers want and what brands are delivering
- Which innovations are truly driving value for brands and consumers alike

Pinpointing what consumers value most

Our multi-phase research approach uncovered consumers' basic needs and how brands are addressing them.

Identifying consumers' needs

Discovered consumers' needs and expectations of brand marketing and communications by using detailed discussion groups.

Determining what's important

Determined which needs are most important and where consumers believed the gaps are through quantitative data and live video insights.

Understanding the disconnects

Uncovered which consumer needs brand marketers prioritize, and their perspectives on how well they are fulfilling them, through surveys and open-ended comments.

The research covers a wide spectrum of generations and verticals, highlighting where these groups differ from each other.

Gen Z born: 1997–2011*

Millennials born: 1981–1996

Gen X born: 1965–1980

Baby Boomers born: 1946–1964

Verticals studied include:

– Specialty retail

– Furniture and home decor

– General merchandise

– Department stores

– Online only

– Sporting goods/hobby/home improvement

*Gen Z survey respondents included those born from 1997–2000.

Consumers' priorities are misunderstood

After studying consumers' perceptions of 31 different needs, three clear themes emerged:

simplicity, personalization, and **control.**

Gaps exist between what consumers find valuable within simplicity, personalization, and control, and how brands are solving for those challenges.

Themes	Brands' perceptions	Consumers' needs
Simplicity	Brands are under-delivering on simplicity, with about half of consumers saying brands are not meeting their needs	Consumers rated simplicity-related needs among the most important of all 31 studied
Personalization	Brands continue to focus on personalization, with nearly 98% of marketers claiming personalization related needs are important or very important	Consumers aren't finding as much value in personalization related needs, rating all but two as unimportant
Control	Brands are missing a significant opportunity to empower their consumers, underestimating how important control is to them	Consumers are seeking more control over their inboxes, scoring control-related needs as needing the most improvement by brands

Setting basic expectations

The gap between what consumers want and what brands are delivering

Today's consumers expect a lot from brands across the retail experience, including communications.

Consumers are finding more value in some types of marketing and communications over others. In addition, consumers and brands often disagree on how well communications are executed.

Maybe most telling is that brands believe everything is important, making it difficult to execute flawlessly where it matters most.

Consumers and retail marketers were asked about a range of 31 different marketing and communication elements to determine how they ranked in importance for consumers versus retail marketers. Consumers had average importance scores ranging from 28%–88%. **Retail marketers gave each communication element an average importance score of 92%**, a clear disconnect from how consumers scored these communications.

The critical disconnect:

Brands
Ranked all 31 consumer offerings as important and treated them with equal weight.

Consumers
Have a wide range of priorities and needs, with varying importance.

Generational differences can shape consumers' expectations

Each generation has their own expectations when it comes to brand interactions.

Younger consumers are more likely to keep up with brands digitally

Communication vehicle	Gen Z	Millennials	Gen X	Baby boomers
Shop/browse website regularly	43%	48%	44%	42%
Visit store on a regular basis	40%	42%	45%	43%
Subscribe to their emails	25%	34%	40%	38%
Review their advertising circulars	14%	17%	26%	34%
Receive direct mail from them (e.g. catalogs, postcards, etc.)	17%	21%	28%	25%
Use their mobile app	24%	28%	18%	8%
Have seen their online display advertisements	24%	17%	15%	11%
Follow them on social media	15%	16%	11%	4%
Subscribe to their text messages	7%	9%	7%	3%

How do you keep up with [Vertical] retailers, including [Retailer]?

Significantly higher (95% confidence)

Significantly lower (95% confidence)

Connecting with each generation:

Gen Z

Those looking to connect with Gen Z need to look past their email inboxes. This generation favors the more tailored experiences available on mobile apps, digital advertising, and social media compared to other generations, and is the least likely to use email to keep up with brands.

Millennials

Leading the way to digital preferences, this group uses mobile apps and social media to follow their favorite brands, but also appreciates traditional communication methods like email and direct mail.

Gen X

Comfortable both online and offline, Gen X values a mix of the traditional and digital. Aside from in store and online, the top ways this generation keeps up with retailers are emails, direct mail, and ad circulars. This group also shows interest in other digital vehicles, though not at the same pace as younger generations.

Baby boomers

Brands seeking deeper connections with baby boomers need to head for the mailbox—both the digital one and the one attached to the house. Grounded in traditional communication methods, baby boomers prefer emails, ad circulars, and direct mail to other digital vehicles.

> "Personalize my shopping experience. Show me products I'm really interested in. From an interaction standpoint, treat the customer like an actual person and not someone to sell products to; show that you care about each individual customer's needs."
>
> **Joseph,** Gen Z

Consumers interact with each vertical differently

Across all verticals, visiting the brand's website or store are frequently shoppers' top ways of keeping up with retailers.

Communication vehicle	Specialty	Decor	General	Dept	Online	Sporting goods/ hobby/home improvement
Shop/browse website regularly	53%	45%	22%	34%	75%	38%
Visit store on a regular basis (brick & mortar verticals only)	47%	52%	63%	46%	N/A	52%
Subscribe to their emails	53%	36%	18%	44%	34%	33%
Review their advertising circulars	22%	23%	27%	36%	5%	37%
Receive direct mail from them (e.g. catalogs, postcards, etc.)	34%	30%	9%	41%	7%	25%
Use their mobile app	20%	14%	16%	14%	34%	12%
Have seen their online display advertisements	17%	25%	8%	14%	9%	17%
Follow them on social media	19%	15%	6%	8%	5%	12%
Subscribe to their text messages	15%	7%	2%	6%	5%	3%

How do you keep up with [Vertical] retailers, including [Retailer]?

Significantly higher (95% confidence)

Significantly lower (95% confidence)

Reaching consumers where and how they shop:

Specialty brands should continue the online focus: Email is one of the top ways these consumers stay connected to brands. They are also using text messages more than those shopping other verticals.

Furniture and decor
These consumers are most likely to recall online display ads and, with relatively high social media engagement, brands should consider exploring digital advertising opportunities both in and out of social media.

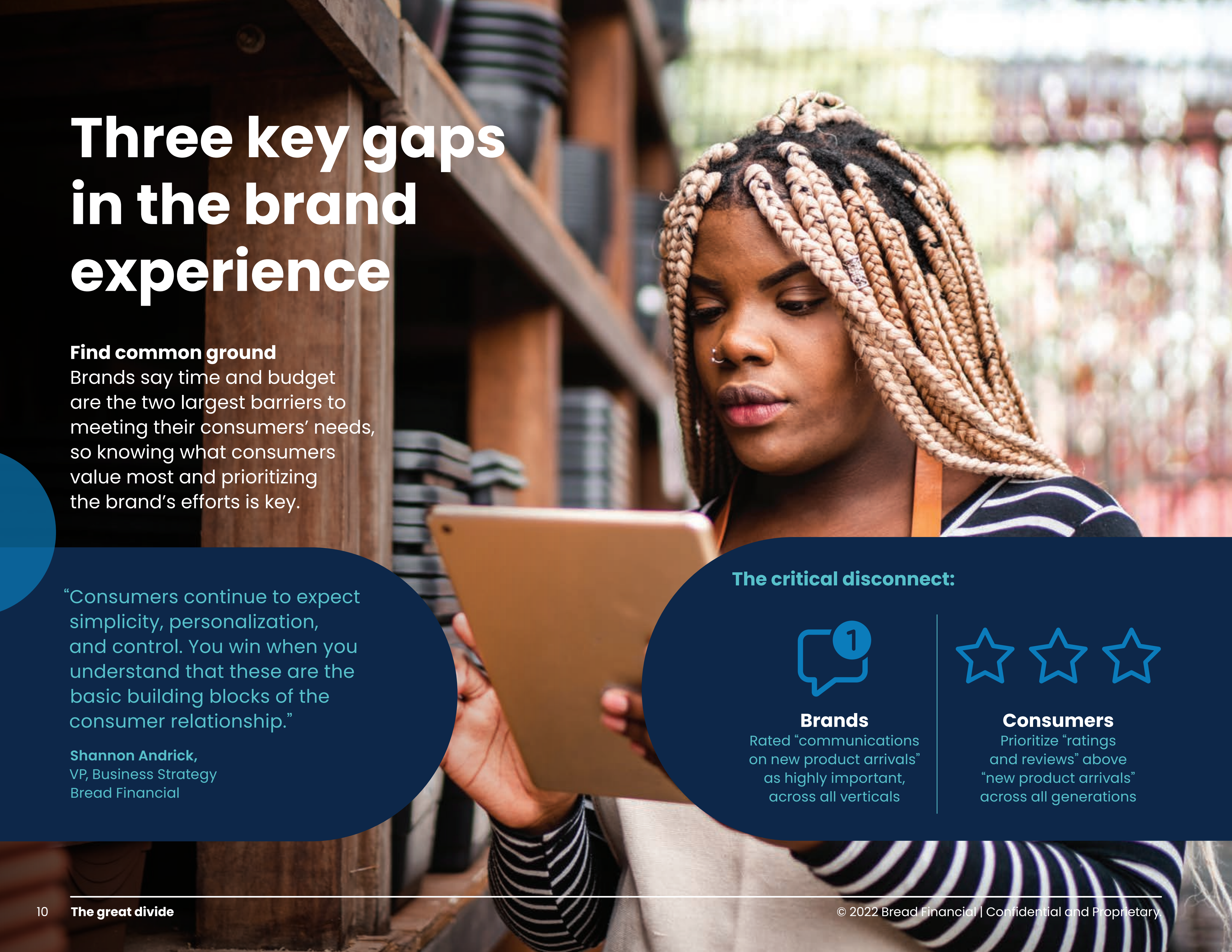
General
Consumers are in store frequently, as reflected by the data. These consumers are least likely to engage digitally, but don't discount technology's ability to make the experience simpler and easier.

Department
Department store consumers are more likely to use email and direct mail to connect with brands, and are less likely to visit the website. Consider direct marketing efforts, both online and off, to connect with consumers and drive interest.

Online only
As expected, online brand consumers engage frequently via the website and app. It appears that online brands have an opportunity in online display advertising, with significantly fewer consumers recalling seeing the brands' ads.

Sporting goods/hobby/ home improvement
Aside from the store and website, these consumers look to ad circulars to stay connected to the brand. Social media is also a bright spot, potentially creating opportunities for deeper levels of content there.

Bridging the gap:
Digital is winning with key demographics and in specific verticals. Understand where the brand's consumers place their priorities and test new approaches in those areas.



Three key gaps in the brand experience

Find common ground
Brands say time and budget are the two largest barriers to meeting their consumers' needs, so knowing what consumers value most and prioritizing the brand's efforts is key.

"Consumers continue to expect simplicity, personalization, and control. You win when you understand that these are the basic building blocks of the consumer relationship."

Shannon Andrick,
VP, Business Strategy
Bread Financial

The critical disconnect:

Brands
Rated "communications on new product arrivals" as highly important, across all verticals

Consumers
Prioritize "ratings and reviews" above "new product arrivals" across all generations

Key gap 1: **Simplicity**

Consumers crave simplicity

Out of the 31 needs studied, all of the simplicity-related needs were rated "important" or "very important" by consumers.

Consumers' top-three unmet needs around simplicity include:

1. Simple, straightforward, easy-to-understand content
2. Easier-to-find contact information online or within the mobile app
3. Making it easier to tell if the consumer qualifies for a sale, discount, or promotion

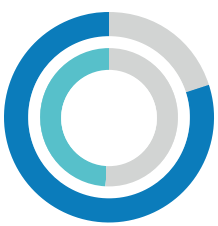
A miss in communication
Across all verticals, brands claimed delivering clear, straightforward content was important and a strength, but consumers believe there is a lot of room for improvement.

84% of consumers claim **clear content is important**.

However only

49% of consumers **believe brands are doing a good job** delivering clear content.

Make service simple and easy
Service remains a key issue for consumers who want to resolve an issue on their terms and time.



80% of digital consumers report that **easy-to-find contact information online or within the app is important**.

However only

49% of consumers say brands are **meeting their need** for easy-to-find contact information.

Consumers are afraid of missing out
Both consumers and brands agree that the ability to easily and quickly tell if the consumer qualifies for a sale, discount, or promotion is a highly important—but unmet—need.

Though it's important to 77% of consumers, only 43% of consumers feel retailers are executing well on "the ability to easily and quickly tell if I qualify for a sale, discount, or promotion that a retailer sends to me."

Bridging the gap:
One of brands' biggest opportunities is in making communications clearer and easier to understand, especially in promotional content. Test streamlined messaging against existing content to optimize.

Key gap 2: **Personalization**

Personalization should deliver relevancy

Consumers don't value all aspects of personalization, rating all but two needs as "unimportant." Even with advances in data and technology, consumers are not impressed with how brands are using past purchases or browsing history to inform content and make recommendations, with many stating that the content delivered is often not relevant to their needs in the moment.

Personalization priorities across all generations

Go local:

75% want products featured in communications **to be available in their local store**.

Make it relevant:

75% want **tailored sales, discounts, and promotions**.

Gaps in personalization expectations

In name only:

31% say that communications **that refer to them by name** are important.

Know what matters:

Fewer than 50% of consumers find value in:

- Communications or recommendations **based on past purchases** or buying history.
- Communications **based on online or app browsing history**.

"Sometimes the emails will say my name, but that doesn't really mean much on the side of personalization."

Michelle, Gen Z

"To me, personalization means notices of when the products I buy most are going to be on sale."

Lori, Gen X

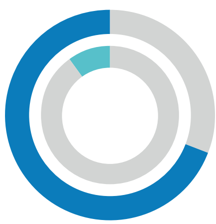
Bridging the gap:
Consumers want more relevant messages, and they expect brands to strategically use their data to provide promotions on the items they want to purchase.

Key gap 3: **Control**

Consumers want more control

Consumers' desire for control was the biggest gap between what they want and what brands are delivering. Marketers believe control-related needs are of low importance to consumers, presenting a big opportunity to improve the experience.

Frequency and content controls are unmet needs



69% say they **want control over email frequency**—this is consumers' top unmet need.

However only **10%** of marketers **say they are meeting this need well**.

63% say they **want control over the content they receive**.

However only **24%** of marketers **say they are meeting this need well**.

Consumers in control are less overwhelmed...
Giving consumers control over the amount and kinds of communications they receive reduces their likelihood to be overwhelmed by brand communications by 50%.

...and are more likely to engage
52% of consumers agree with the statement: "When I can control the content and/or the frequency of the communications I receive from retailers, I am more likely to pay attention when they send something to me."

> "I want to be in control and have the option to receive communications how often (or little) I want."
>
> **Doug,** Millennial

Bridging the gap:
Consumers are actively seeking more control over their inboxes and experiences. Brands should offer simple tools and options that make consumers feel more empowered.

Make deeper consumer connections

Stay focused on consumers
Chasing what's next is tempting. However, brands strategizing around tomorrow's consumer should steer clear of chasing trendy innovations that offer more flash than substance.

Some investments in innovation are resonating with the consumers who try them—and for the younger consumers, these technologies will become the baseline expectations of tomorrow.

The critical disconnect:

Brands	Consumers
Claim innovative technologies and experiences merely meet consumers' expectations	Often report innovations exceed or greatly exceed their expectations

Digitally engaged consumers have more needs

These consumers connect with retailers in more ways. They are likely to shop more frequently, online and offline.

Compared to other consumers, digitally engaged consumers are more likely to want:

	Ratings from and reviews from verified buyers	Control over the kinds of content they receive	Ratings and reviews that include user-uploaded photos	Product photos within a retailer's email or a social media post
Digitally engaged customers	80%	76%	72%	72%
vs. All customers	65%	63%	52%	64%

Digitally engaged consumers are:

Younger, with an average age of 36

More **emotionally driven** consumers

68% more likely to shop online multiple times per month

33% more likely to shop in store multiple times per month

25% of all consumers **fall into the digitally engaged category**—those who also use mobile apps or social media to keep up with retailers.

Significantly more likely to have tried retailer-offered technology than other consumers, including:

- Scanning products to find additional information or discounts: **25% higher**
- Using chat services to access customer service: **2X higher**
- Buying online, picking up in store: **26% higher**
- Checking local inventory via website or app: **32% higher**
- Attending an online only event: **50% higher**
- Using mobile co-payments: **>2X higher**

Bridging the gap:
As brand engagement increases, so does consumer satisfaction. Promote all of the channels the brand uses to communicate, and actively encourage consumers to interact.

Separate fads from value drivers

Technology can drive satisfaction. Seven in ten of consumers surveyed have tried a new retail technology offering. And most of these consumers report that the experience exceeded or greatly exceeded their expectations.

The adoption hurdle
With such high satisfaction ratings, the key for marketers will be to focus on capabilities driving the most value for their consumers. Understanding and then removing barriers to adoption will help drive consumer engagement.

Buy online, pick up in store
Across all generations, buy online, pick up in store had the highest overall adoption rate at 31%.

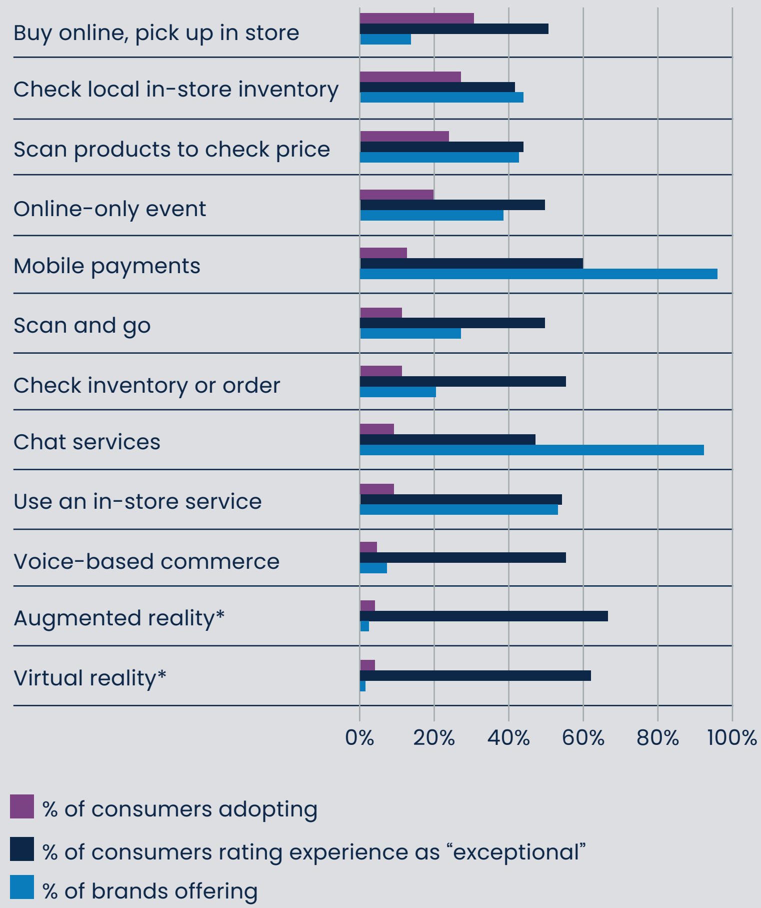
Total	Gen Z	Millennials	Gen x	Baby boomers
31%	36%	33%	33%	26%

"When I am shopping for clothing for myself, it is easiest to do this in person so I can see/touch/try on the product. When I buy clothing for my one-year-old daughter, I prefer to do this online because it is a hassle to take her into stores with me."

Sarah, millennial

Consumers adopt and value offerings that make shopping easier
Consumers across all generations are more likely to adopt solutions that remove the hassle from getting what they need. About 40% of consumers agree they are interested in new retail technology—**as long as there is a clear benefit**.

How consumers are adopting and perceiving retailer offerings



*Small sample size, directional guidance only

The brand experience for tomorrow's consumer

Today's innovation becomes tomorrow's expectation. What consumers become accustomed to when they begin shopping for themselves sets a baseline for their shopping expectations in the future.

Appeal to younger consumers with a balance of fun and functional
Aside from carrying products and brands they love, a nearly equal number of Gen Z and millennials say they select a retailer because:

34% stated they **offer a fun/enjoyable experience**.

33% stated they **make my life easier** in some way.

Stay focused on what matters most
Younger consumers have a higher preference for innovations that meaningfully enhance the shopping experience, adopting those with functional benefits more frequently:

Channel-less shopping conveniences

Mobile-enabled capabilities

In-store services

Adoption rates of retailer offerings by younger consumers

Offering	Gen Z	Millennials	All consumers
Buy online, pick up in store	36%	33%	31%
Check local in-store inventory on website or mobile app	31%	29%	28%
Scan products to check price or find information, discounts, etc.	31%	29%	28%
Online-only event	23%	25%	20%
Mobile payments (e.g., Apple Pay, Samsung Pay)	20%	20%	13%
Scan and go/cashier-less technology	18%	16%	11%
Check inventory or order merchandise on a kiosk in store	18%	15%	11%
Chat services (via Facebook Messenger or online chat/chatbot through retailer)	15%	12%	9%
Use an in-store service	15%	12%	9%
Voice-based commerce (e.g., Alexa, Google Home)	6%	9%	4%
Augmented reality	7%	7%	4%
Virtual reality	6%	6%	3%

Bridging the gap:
Not all innovations add value to the consumer experience. Across all generations, consumers favor technology solutions that save time and make shopping easier and more convenient.

Bridge the divide

Connect with consumers' priorities

Simple and easy experiences and communications
Fine print adds friction. Consumers want clear, straightforward content, especially in promotional communications.

Personalization that delivers relevant results
Consumers know brands have their data. They expect brands to use it strategically to deliver content that matters.

More control over the frequency and types of content
Consumers want more control over their inboxes, giving brands the opportunity to showcase the ways they are empowering them.

Technology and solutions that serve a clear purpose
Consumers are more willing to try innovations and services that have a clear benefit and solve real challenges.

"Brands need to keep a laser focus on consumers' needs, especially when it comes to marketing and communications.

While their core needs may remain relatively stable, how they expect brands to solve for their needs will continue to change as technology and consumer behaviors evolve.

As we look to the future, brands should use these insights to bridge the gaps between what they are delivering and what their consumers actually want. The innovations and technology solutions winning consumers' hearts and minds (and wallets) are those adding meaningful value to the brand experience."

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

bread financial™

Research methodology
A sample of 2,515 consumers participated in The Great Divide study through an online quantitative survey that took place between November 9 and November 19, 2018. Additionally, 200 retailer marketers participated in a mixed mode quantitative survey between November 9 and November 21, 2018. We also gathered qualitative feedback from a total of 47 consumers in two online discussion boards between October 18 and October 19, 2018.

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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