

The State of the American Shopper

An annual look at how consumers
shop and spend

October 2023



 **bread financial**.™



Consumers are under pressure – but remain resilient

In our second annual study, we discovered that prolonged inflation has taken a toll on consumers, reducing their purchasing power and taking a bite out of their wallets. In response, consumers are changing their behaviors: making tradeoffs, challenging their wants vs. their needs and increasingly looking for good deals.

To be sure, consumers are still shopping and spending – it's their mental math that's changing. Brands seeking to connect with customers need to understand the changes taking place in order to end up on the right side of that equation.

Table of contents

The average American shopper	4
Gen Z shoppers	6
Millennial shoppers	10
Gen X shoppers	14
Baby boomer shoppers	18



Consumers are more careful with the dollars they are spending. Now more than ever, brands need to offer compelling products at a good value to win customer loyalty.



Val Greer, EVP, Chief Commercial Officer
Bread Financial

Methodology

In order to better understand how today's American consumer feels about their finances, views the economy, and shops retailers and brands, we took a two-phased approach to the research, breaking down the results by generation and showing comparisons to last year:



Qualitative research

Four panels of more than 20 consumers each provided rich detail and the "whys" behind the data



Quantitative research

A survey of 2,042 U.S. shoppers to understand how economic views and shopping behaviors are evolving

Generational breakdowns used in this study:



Gen Z

Born 1997–2005
Ages 18–26



Millennials

Born 1981–1996
Ages 27–42



Gen X

Born 1965–1980
Ages 43–58



Baby boomers

Born 1946–1964
Ages 59–77

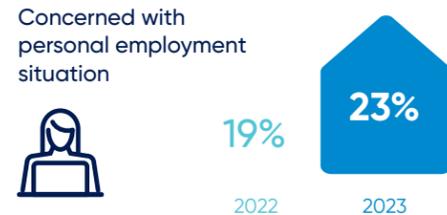
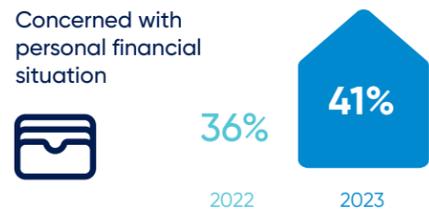


Meet today's average American shopper

The average American shopper is a middle-aged female millennial living in the suburbs. She's 38.9 years old, according to the U.S. Census Bureau – and has a household income of \$69,021 (in 2021 dollars), up from \$67,521 (in 2020 dollars).

Consumers are starting to worry about their personal economies

Consumers are growing more concerned about their personal financial and employment situations. They remain pessimistic on the economy, with **55% saying the economy is fair to poor**, in line with last year's sentiment.



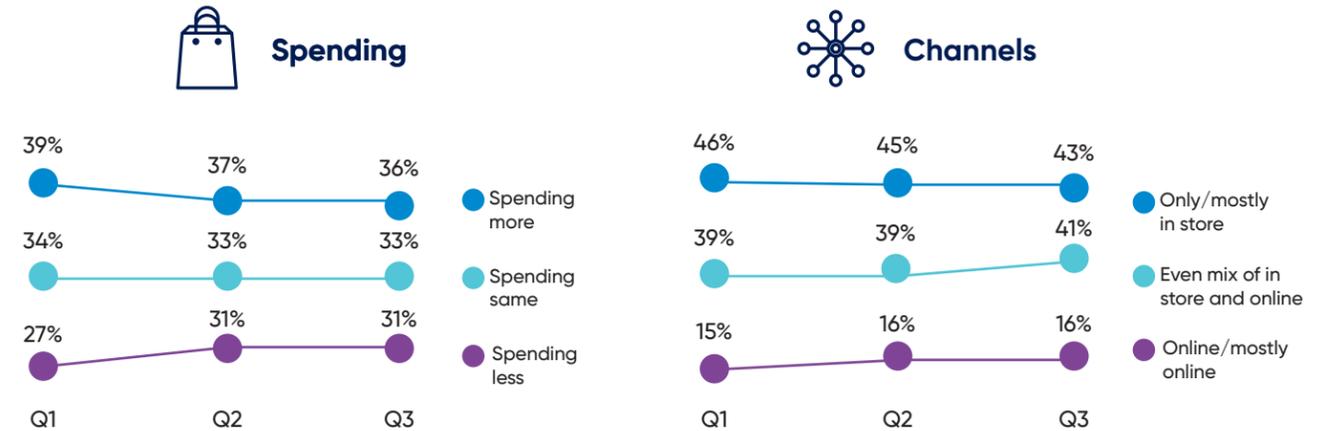
An inflation-weary consumer

After two straight years of rising inflation, cost-cutting actions, like cutting back on non-essentials (42%), making fewer shopping trips (37%) and comparison shopping more (32%), have become sticky behaviors. There are also increases in the number of consumers who:



Consumers downshift spending and migrate further into digital channels

As 2023 stretches on, fewer consumers believe they're spending more, and more consumers say they're spending less. While nearly nine in 10 shoppers are still in stores at least some of the time, consumers are migrating to hybrid and digital experiences.



How consumers pay

The average consumer uses three to four payment methods regularly for everyday purchases under \$500. Some of their top ways to pay include:



Inflation's impacts aren't felt evenly by all consumers

When we compare consumers making above and below \$75,000 in annual household income, sentiment and behaviors shift widely:



Gen Z



“

Exceptional customer service and taking care of the customer and employees are some things I feel loyal to. It's important to me that everyone in the business is well taken care of.

”

Vincenzo D.

“

I feel like I'm doing okay but can be doing so much better. One misse[d] paycheck will throw my whole life off, so there needs to be some improvements.

”

Empress H.

“

I'm a BIG rewards girly so I have all the apps and accounts associated with almost every rewards program for freebies. I've learned I can get the best deals that way, so I've never looked back.

Shannon D.

”

Gen Z

• Ages 18-26 • 69% employed • 52% in school

Coming of age during unprecedented times

Members of Gen Z are more optimistic than average consumers, without the full weight of adulthood and responsibilities on their shoulders. Thirty-two percent of Gen Zers describe the economy as excellent to very good, compared to only 25% of average consumers.

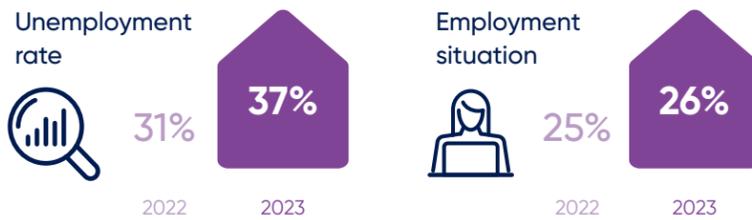
Optimistic on their futures

Seventy-eight percent are fairly to very confident they're on the right track financially, up from 72% last year



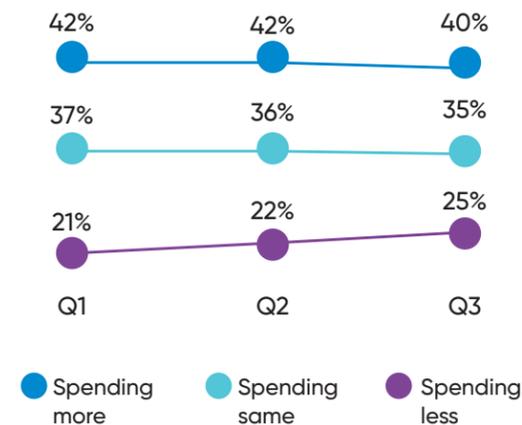
Growing concern about their job prospects

Thirty-seven percent are concerned about the unemployment rate, up from 31% last year; 26% are also concerned about their personal employment situation, up slightly from 25% last year



Gen Z tries to cut back on spending

Throughout the year, the number of Gen Zers saying they're spending less grew, while those spending the same and spending more fell.



“Inflation is horrible right now. Prices are through the roof. The Dollar Tree even raised their prices.” McKenna H.

Gen Z is making tradeoffs

As inflation wears on, Gen Z shoppers are making changes to their spending patterns. Compared to last year, Gen Z is:



How they shop

As Gen Z ages into adulthood, they appear to be shifting more of their shopping to online channels.

The number of Gen Zers who say they're shopping more:



The top three ways they purchase digitally:



How they pay

Sixty-four percent of Gen Z uses cash and 64% also use debit for everyday purchases under \$500, flat to the average consumer. They also use:



Millennials



“

I feel like I am doing ok, but not enjoying seeing our money go out as fast as it comes in.

Joseph B.

”

“

I've been cutting back a lot and am not spending as much on things I want. I'm trying to choose what I purchase based on their importance. For instance, I need some clothing and items for my upcoming trip to Iceland. So I'm prioritizing what I want to get for that. I'm also trying to spend less on specific items... trying to find a better balance between quality and cost.

Nicholas C.

”

“

On paper it would seem I'm set for life, but I'm freaking out about federal loans coming back. I already live paycheck to paycheck - yes as an attorney! - and my money is tight. I want to stop renting and become a homeowner but it feels like I'll never get there.

Carlianna D.

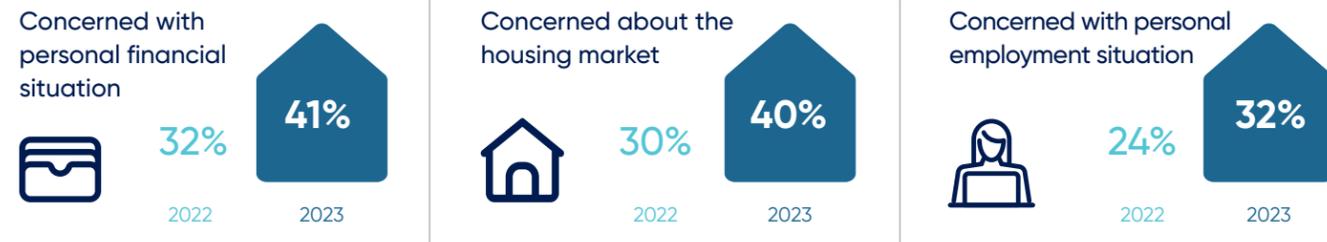
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Millennials

- Ages 27-42
- 75% employed
- 71% are parents of children under 18

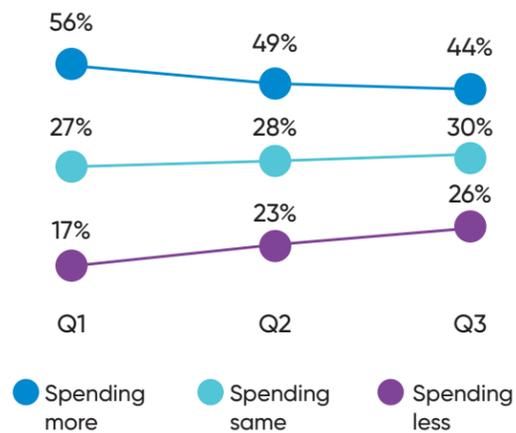
Millennials are starting to sound uneasy

In the midst of building careers and families, millennials are balancing a lot of competing priorities. While 40% of millennials described the economy as excellent to very good, the highest of all generations, they're starting to report increasing concerns:



Millennials pull back

Throughout the year, millennials saying they're spending the same and less grew, while those spending more fell.



“I enjoy my Carter's loyalty program because I shop there a lot for my youngest daughter and earn rewards back for every time I shop. So sometimes I only earn \$10 back but others I earn \$50 back which makes a difference in my pocket when I go to use them. Stephanie B.”

Millennials increased cost-cutting behaviors

With higher prices firmly entrenched, 93% of millennials are taking steps to reduce their spending. Compared to last year, millennials increased:



How they shop

Compared to 2022, millennials have increased their digital shopping.

The number of millennials who say they're shopping more:



The top three ways they purchase digitally:



How they pay

Sixty-six percent of millennials use cash and 61% use debit for everyday purchases under \$500. They also use:



Gen X



“

Honestly, I think I'm doing average. It could be better and it could be worse. I do know I have to adjust my budget if I want to be able to continue to incorporate some of the things that I love to do.

Michelle W.

”

“

We stopped going to clothing stores and relied on apps like Poshmark and Mercari to get styles we like.

Sean D.

”

“

In the past, I'd just impulse buy a lot more. Now I find myself searching for better deals without compromising quality.

Tammy P.

”

Gen X

• Ages 43-58 • 61% employed • 36% are parents of children under 18

Gen X is pessimistic about the world around them

In a sharp turn, only 17% of Gen X describes the economy as excellent to very good, below 25% of average consumers, and far below the 40% of neighboring millennials.

Concerned with personal financial situation



43%

2022



2023

Concerned with personal employment situation



19%

2022



2023

Compared to last year, Gen X is showing increasing concern with:

Government policy and decision making

36%

2022



2023

U.S. public safety/security

15%

2022



2023

War/conflict outside the U.S.

27%

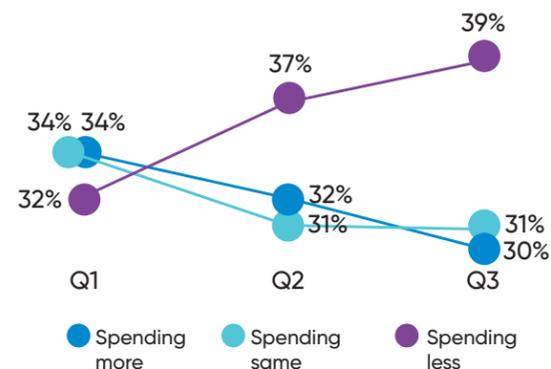
2022



2023

Gen X reins in spending

Gen X saw a jump in the number of consumers spending less as the year progressed.



“ I try to prioritize what I spend my money on because a downturn seems to be coming in the near future. Serge A. ”

Gen X is looking for a good deal

Similar to other generations, 93% of Gen Xers have changed their shopping behaviors in response to prolonged inflation. Compared to last year, Gen X is:



How they shop

While shifting their mix, Gen X is shopping less overall.

The number of Gen Xers who say they're shopping more:



Showing the percent change to last year

The top three ways they purchase digitally:



How they pay

Sixty-nine percent of Gen X use a debit card and 67% use cash for everyday purchases under \$500. Gen X has the highest debit card use for everyday purchases of all generations. They also use:



Baby boomers



I was a “just buy it” person, often ending up with multiple same items (I know I’m not alone in that). Now?..... “Do I have this? or Do I need this?” is the first question I ask.

Diana C.



I don’t think I would splurge at this point, as I don’t see prices going down so it could be a warning of things going even higher. But if I really want something, like my trip to Europe - I’m doing it!!

Rina C.



It’s always nice when a sales associate knows who I am and contacts me when my interests are available, on sale, etc.

Barbara S.

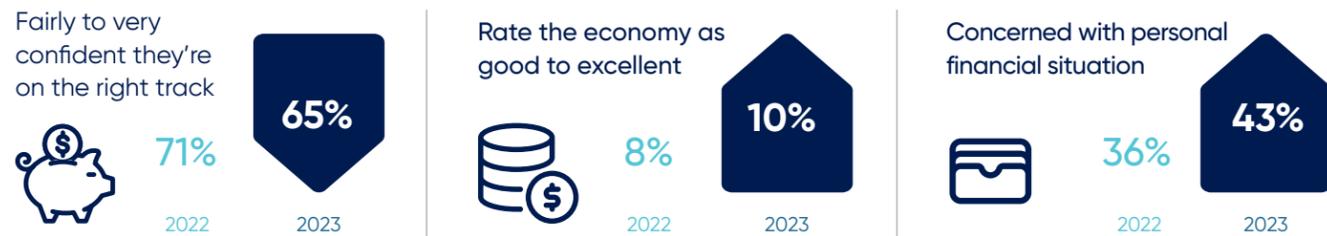


Baby boomers

• Ages 59-77 • 65% retired • 23% employed

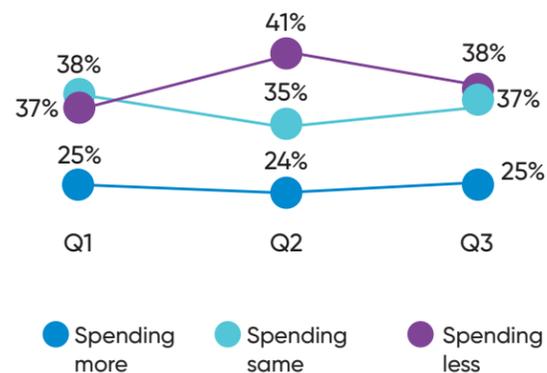
Baby boomers are carrying personal, economic worries

Baby boomers are the least optimistic on the economy and their personal financial situations.



Baby boomers maintain their spending

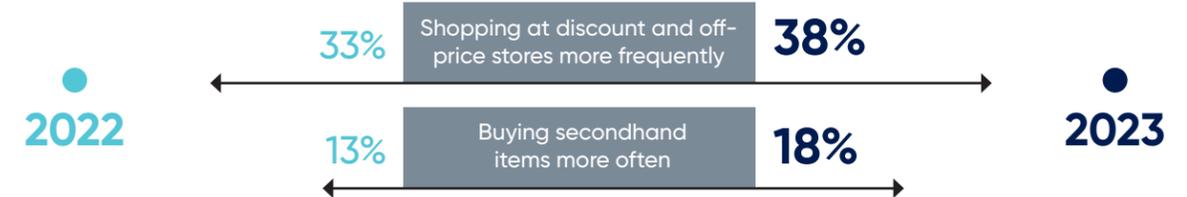
Looking across 2023, baby boomers haven't made major changes to their spending patterns.



“I’m doing fine. While others are paying higher interest, I’m earning higher interest.”
Sherry P.

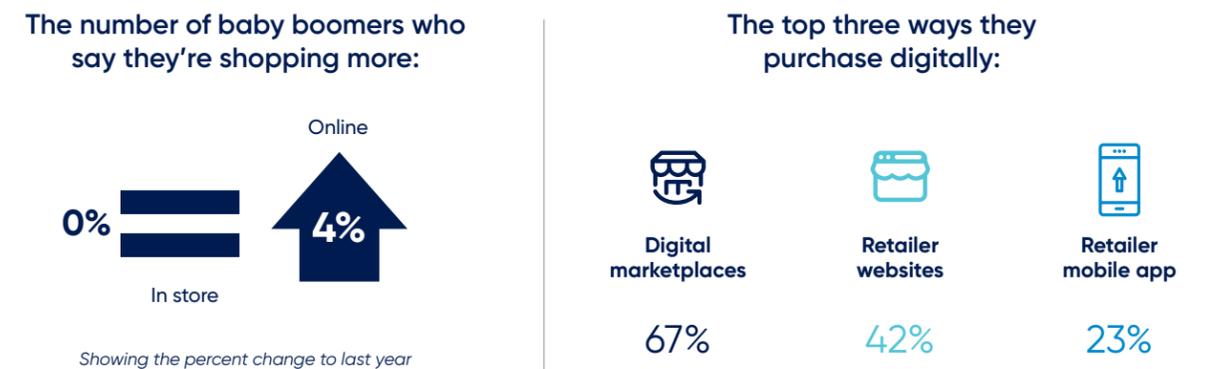
Baby boomers' habits may be hard to break

Fifty-eight percent of baby boomers are trying to spend less overall in response to ongoing inflation. While they're feeling the pressure, baby boomers haven't changed many of their spending behaviors compared to last year. Notable exceptions include:



How they shop

While stores are still highly relevant, baby boomers continued to shift some of their shopping to digital channels.



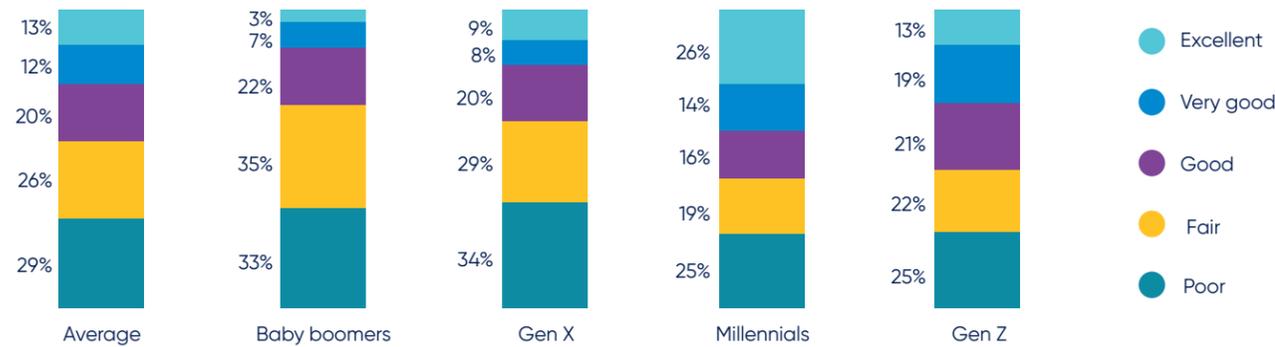
How they pay

Sixty-one percent of baby boomers use a debit card and 58% use cash for everyday purchases under \$500. They also use:



Generational comparisons

View of economy



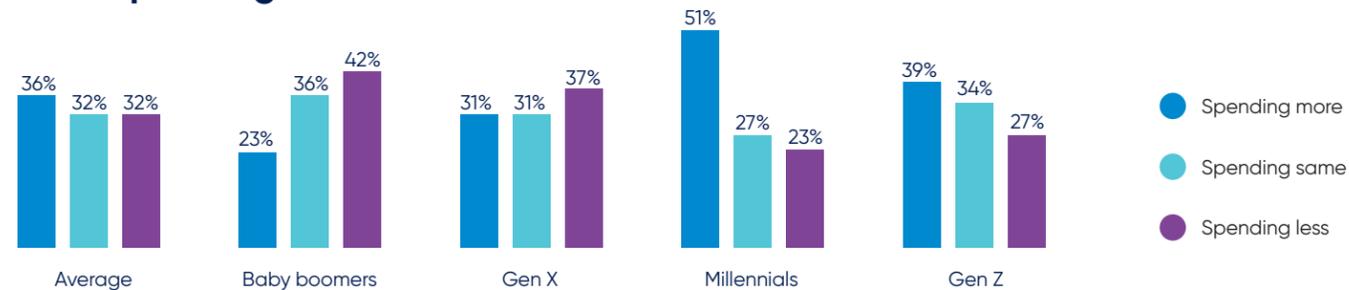
Key takeaways for brands

With inflation remaining a key influence on consumers' willingness to spend, brands should keep these three takeaways in mind:



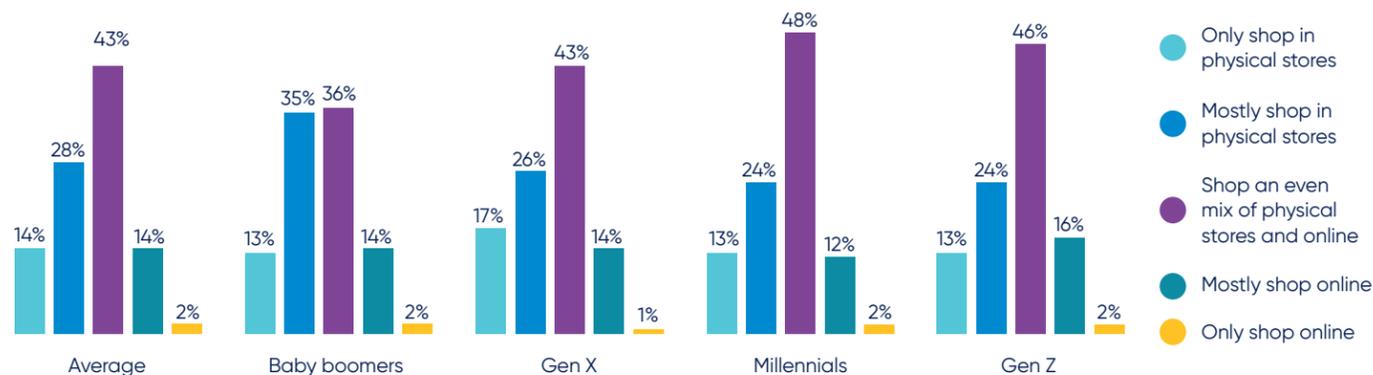
Consumers are adjusting their mental math, making trade-offs, trading down and evaluating needs vs. wants. From little indulgences to larger purchases, brands need to offer compelling products at the right price to win the sale – and keep customers coming back.

2023 spending



More than eight in 10 consumers shop digitally – but not always in the same digital channels. Same-day delivery apps are emerging as one of the top ways younger consumers are purchasing, while older ones continue to favor marketplaces and websites. Brands need to be where their customers are – including within third-party spaces, ready to engage across channels with effortless experiences.

Online vs. in-store shopping mix



Consumers are actively managing their cash flows as budgets tighten up, and offering a variety of payment options will be critical to enabling the sale. While cash and debit remain the top payment methods across all generations, the majority of consumers are comfortable leveraging a variety of financing tools, including credit cards and buy now, pay later. Brands need to offer a slate of payment and financing options to meet the shifting needs and expectations of today's customer.

About this study

This study included a qualitative phase of research consisting of online discussion boards fielded from Aug. 16 to Aug. 18, 2023.

The study included a quantitative phase, leveraging Bread Financial's proprietary consumer tracking study. This study is fielded monthly to 2,000 U.S. consumers, with quotas on age and gender to reflect the general population. The August 2023 wave included 2,042 U.S. consumers.

Where comparisons to 2022 are made: This study was a quantitative online survey fielded from Aug. 17 to Aug. 24, 2022, and 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 suite of payment solutions that includes private label and co-brand credit cards and Bread Pay™ buy now, pay later products. Bread Financial also offers direct-to-consumer products that give customers more access, choice and freedom through its branded Bread Cashback™ American Express® Credit Card and Bread Savings™ products.

Headquartered in Columbus, Ohio, Bread Financial is powered by its 7,500+ global associates and is committed to sustainable business practices. To learn more about Bread Financial, visit breadfinancial.com or follow us on Facebook, LinkedIn, Twitter and Instagram.