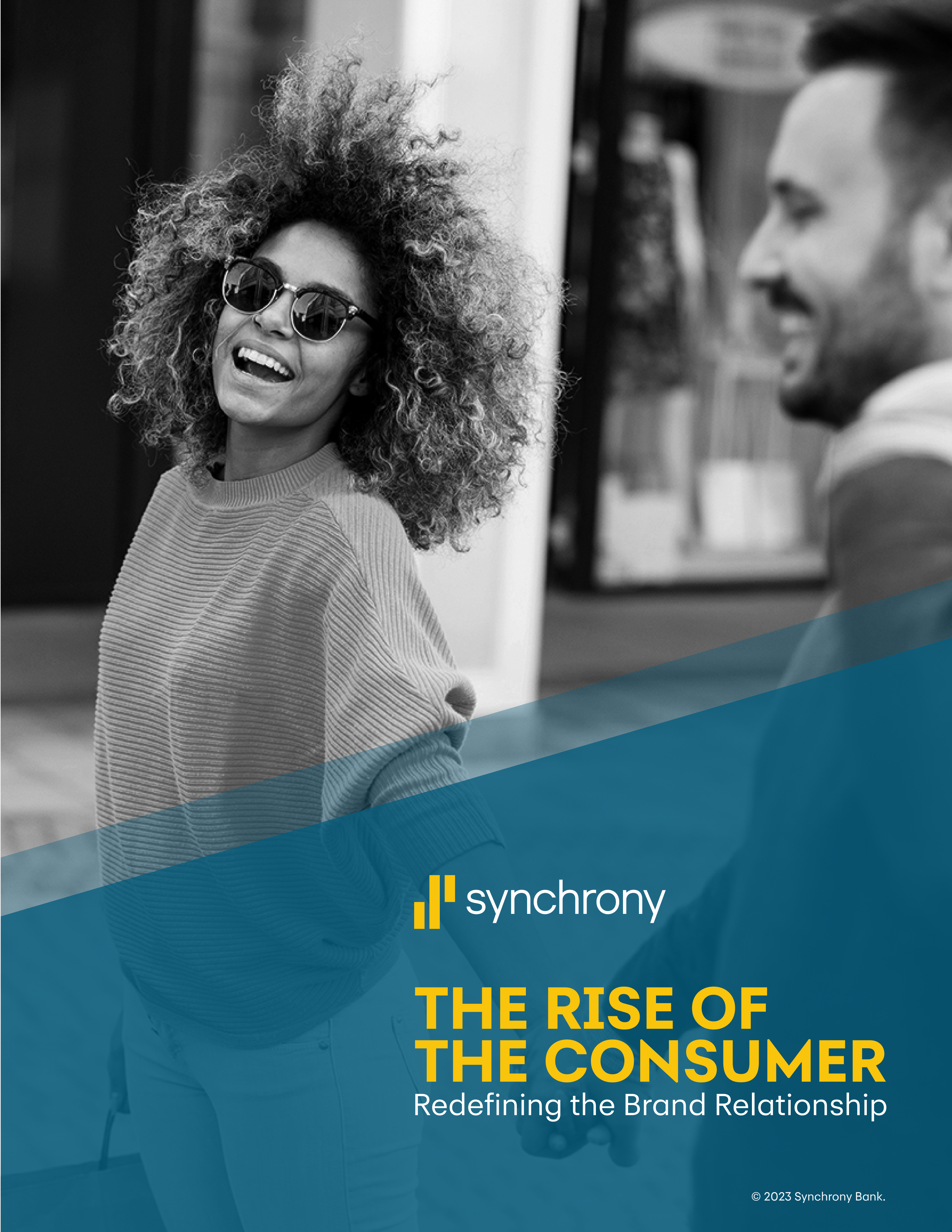


synchrony

THE RISE OF THE CONSUMER

Redefining the Brand Relationship

INTRODUCTION

Given the current environment where consumers are faced with so many concerns and stressors, they have a strong desire to be in control.[1] Looming large is their growing discontent with how brands interact with them. This report looks at how the consumer/brand relationship is rapidly changing in the post-COVID environment.

WHAT CONSUMERS WANT

Simply put, consumers are looking for a more personalized, positive experience where brands make them feel special. They want brands to demonstrate their investment in the relationship.[2] And they want to support brands that are aligned with their values.[3]

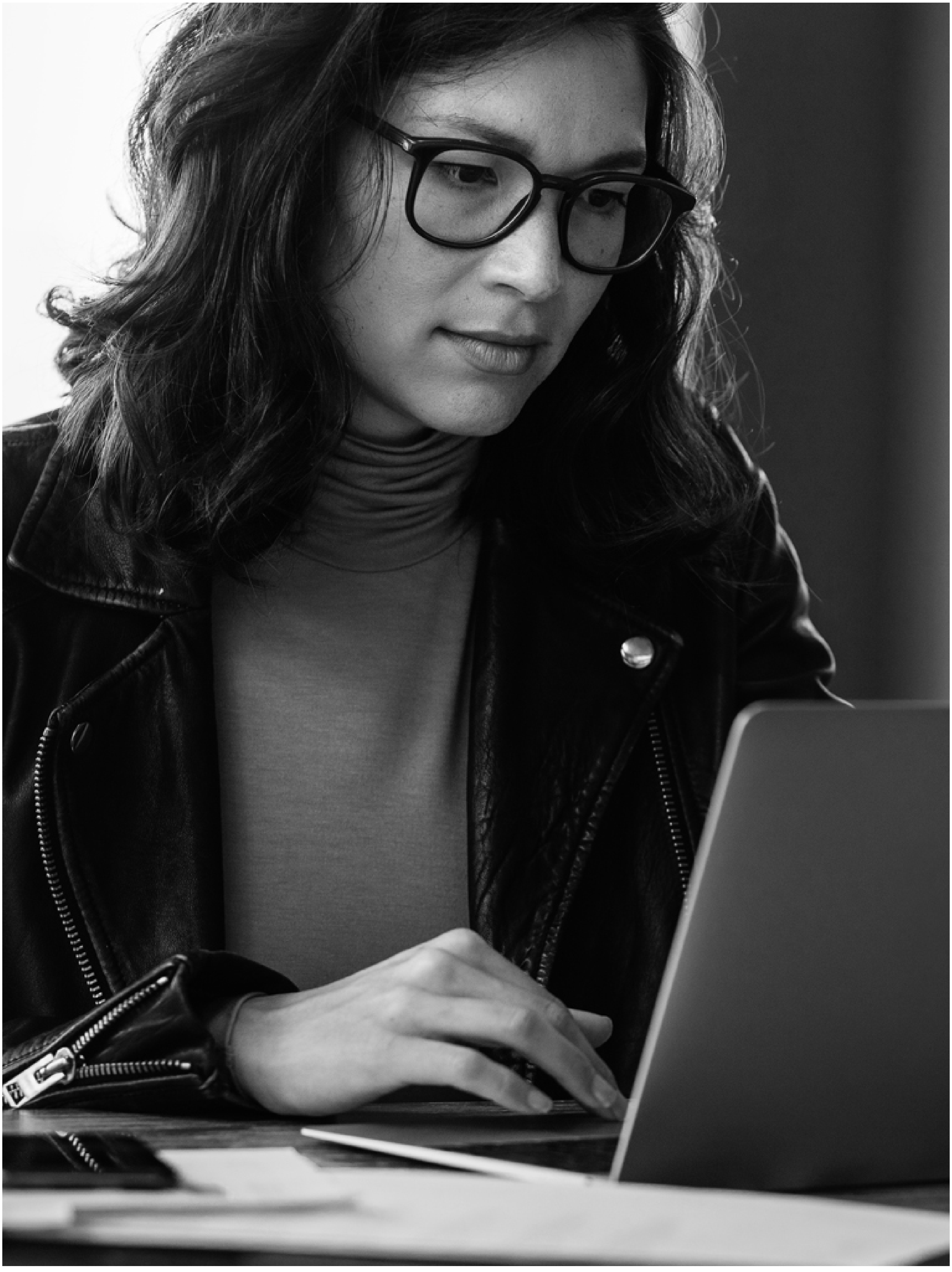
While these consumer expectations of brands continue to evolve, three significant trends are converging that may also bring big changes to the consumer/brand relationship.

75%
of consumers want brands to make in-store/online easy to navigate.[2]

67%
want relevant product/service recommendations.[2]

51%
want brands to engage and onboard them when they buy for the first time.[2]

35%
avoid brands that do not share their values.[3]



1 DATA DESERT

Up to now, brands have been successful in finding, acquiring and keeping customers by using third-party data. But there are several factors in play that will change that.

CONSUMER PUSHBACK.

Consumers are growing weary of brands that collect and use their personal information for commercial gain. Just as important, they also want to know how well that information is being safeguarded.[4] For these and other reasons, they are proactively putting guardrails in place in their digital lives, hoping to secure their individual digital rights.[5]

We are also seeing a shift where brands are being judged on how well they protect personal data.[6]

IN FACT,
81% OF CONSUMERS
believe the way a brand protects their data shows how well it will treat them as customers.[6]

GREATER TRANSPARENCY.

Big tech companies are introducing tools that give consumers control over how they are tracked, drying up brand access to third-party data and cookies.

For instance, in 2021, Apple introduced App Tracking Transparency (ATT), giving iPhone users a means to control how their data was collected across apps. ATT proved so impactful that Meta took a $10B hit to revenue when it was introduced.

Google took an even stronger stance. In 2022, they introduced Privacy Sandbox. They predict its functionality will end third-party cookies in the Chrome browser by 2024—less than a year away.

39% OF CONSUMERS
say they want more clarity on how their data is used.[6]

FACEBOOK (NOW META) **LOST**
$10B
in revenue due to increased tracking transparency.[7]

REGULATORY LIMITATIONS.

Governmental agencies are beginning to regulate how brands can collect personal data and how that data may be used to target consumers. For example, in 2016, the EU passed the General Data Protection Regulation (GDPR), a comprehensive data protection and privacy law in the EU and the European Economic Area. Nationally, we don't have a law that replicates GDPR, but many states are using it to guide their laws.

For example, California passed the first significant U.S. privacy law (California Consumer Privacy Act or CCPA) in 2020 containing many of the provisions reflected in the GDPR. And earlier this year, California supplemented that law with the passage of the California Privacy Rights Act (CPRA), in addition to the states of Utah, Colorado, Virginia and Connecticut also passing new privacy regimes similar to the CCPA.

Large, global companies are also adjusting their privacy and data protection policies worldwide and use GDPR as a standard – so it's more that the passing in the EU has influenced other changes.

The SEC fined Morgan Stanley **$35M** when their consumer data was found on online auction sites in 2022.[8]

WHAT THIS MEANS TO BRANDS:

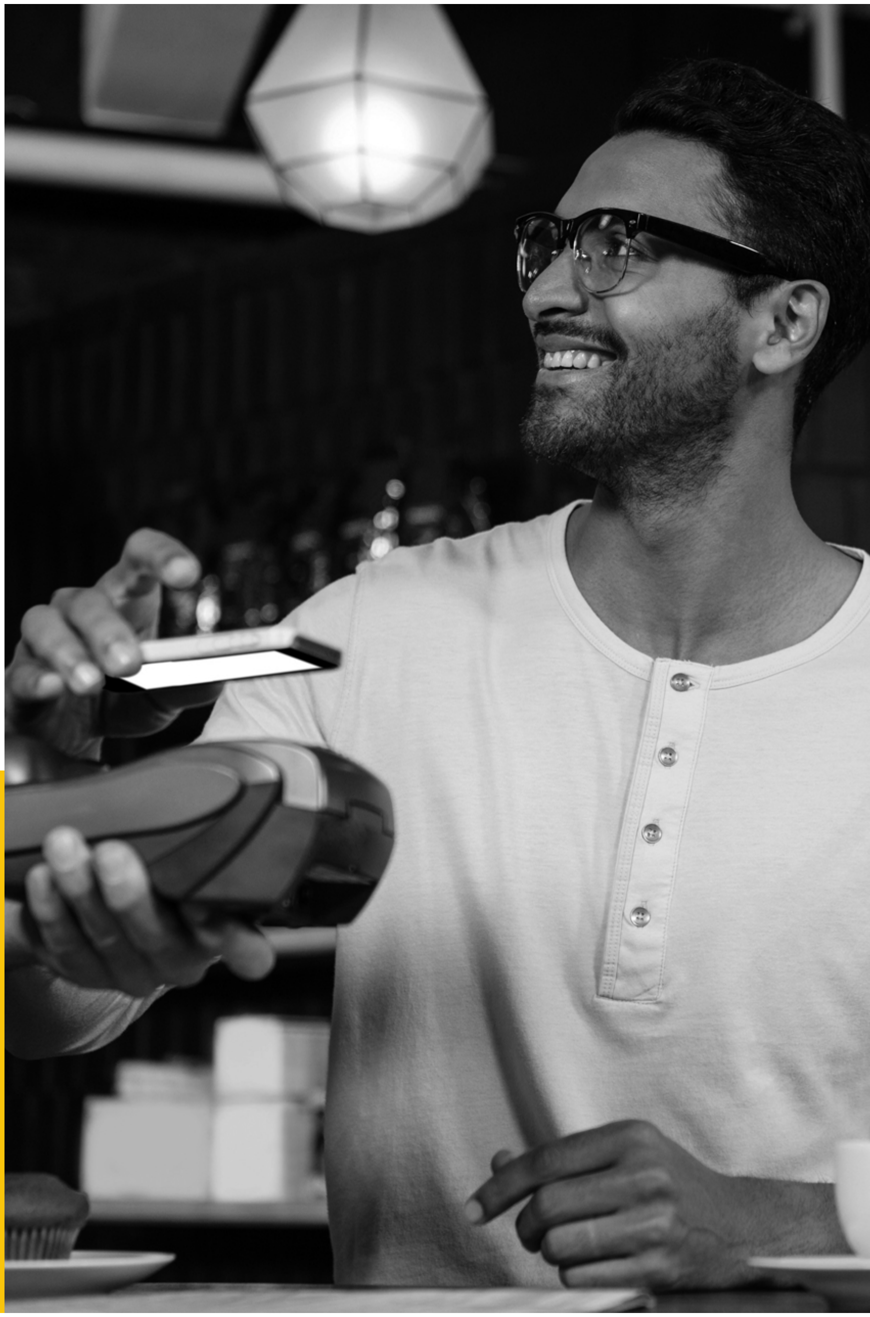
We're at a crossroads in commerce, one that brands should not ignore. To stay relevant, brands will now need to develop their own first-party data strategies and sources. No doubt, this will mean strengthening their bonds with consumers through loyalty programs and other relationship-building activities.

2 FRICTIONLESS EVOLUTION

Consumers are embracing new forms of payment that make transactions more seamless and faster.

MOBILE WALLETS AND MOBILE PAYMENTS.

Consumers are rapidly adopting these two direct payment methods, not only for their speed and convenience but also as an easy way to cut friction from the shopping transaction. As a result, traditional intermediaries are becoming less relevant. Consumers are becoming more comfortable completing a transaction without a third party.



NEARLY 30% OF RETAIL SPENDING will be done via mobile wallets by 2025.[9]

OVER 60% OF ADULTS use peer-to-peer payment services like Venmo and Zelle.[10]

NON-BANK PLAYERS ARE TAKING NOTICE.

Large retailers and manufacturers are looking to cash in on these newfound preferences. They see direct payments as a giant step in expanding their relationship with consumers. Some have even started to offer bank-like services to address all consumer financial needs—from deposits to bill pay to loans.

In-vehicle digital wallet spend is projected to exceed **$86B** by 2025.[11]

More big retailers are starting to launch **in-house banking services**.

Walmart files trademark applications for Walmart Apollo, LLC, its new in-house financial services company.

WHAT THIS MEANS TO BRANDS:

Brands can use direct access to customers to build out their existing ecosystems beyond payments. Once consumers are comfortable using the brand's ecosystem for payments, brands can conveniently offer adjacent products and services. This type of service is already present in the automotive industry, where manufacturers can curate an array of services including fuel, charging and maintenance. In addition, large brick-and-mortar retailers can use a payments and bank-like services ecosystem to remove friction, adding value for consumers while gaining their loyalty.

3 WEB3 DEEPENS CONNECTIONS

Most consider Web3 to be the foundation of the new Metaverse. But Web3's blockchain technology is also helping drive the future of commerce. It offers a decentralized, permissionless, transparent, trustworthy and more efficient online experience that unlocks myriad opportunities for brands and consumers.

THE EMERGENCE OF NONFUNGIBLE TOKENS (NFTS).

An NFT serves as a unique identification and ownership receipt of a physical or digital asset. Stored in a digital wallet, outside of the highly controlled digital platforms of today's internet, it is a public ledger that cannot be edited, changed or adjusted.

Consumers can earn NFTs through engagement with a brand or buy them outright in the market. Brands themselves can sell NFTs to raise funds for a particular project or cause. NFTs are also the key to unlocking decentralized autonomous organizations (DAOs).

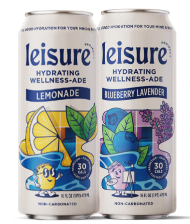
NFTs

- **ART**
- **OWNERSHIP OF SOMETHING**
- **PROPERTY DEEDS**
- **COLLECTIBLES**
- **MUSIC**
- **ACCESS TO AN EXCLUSIVE EVENT OR PROMOTION**

NFTs can help brands forge a closer relationship with consumers.

leisure PROJECT

Leisure is a new wellness beverage company funded by NFTs. Hydration Club members are owners with a direct say in how the company is run.



DeStore

DeStore is a Destination Marketing Organization (DAO) governed retail store in San Francisco. NFT members have a say in the store direction by voting on products, accepting brands as partners and managing profits.

WHAT THIS MEANS TO BRANDS:

With NFTs in the mix, commerce will evolve beyond the simple exchange of money for goods and services. At that point, offering a quality product or service will no longer be enough to attract and keep customers.

As consumer acceptance of NFTs increases, tokenized experiences will become the new norm, driving both affinity and loyalty. Brands that offer these experiences will be rewarded with stronger, more personalized connections to consumers and vice versa. This can offer consumers what they're looking for—part ownership of the brand experience, which can include a stake in shaping future products or services or access to exclusive perks and benefits available only to members or owners.

Although virtual environments are still in their infancy, brands may be able to use the power of Web3 to offer NFTs that bridge the gap between the experience of today and what consumers will expect in the future.

THREE TAKEAWAYS

Brands that offer customers a stake in shaping the brand experience may be able to cultivate a more loyal following.

Brands that offer safe, secure and frictionless ways to pay will gain consumers' trust.

Brands that add NFTs to their strategic marketing plan may be successful in delivering consumers the brand experience they're looking for.

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