



Driving Shopper Engagement through Digital Technology

The sixth annual Synchrony Financial Digital Study

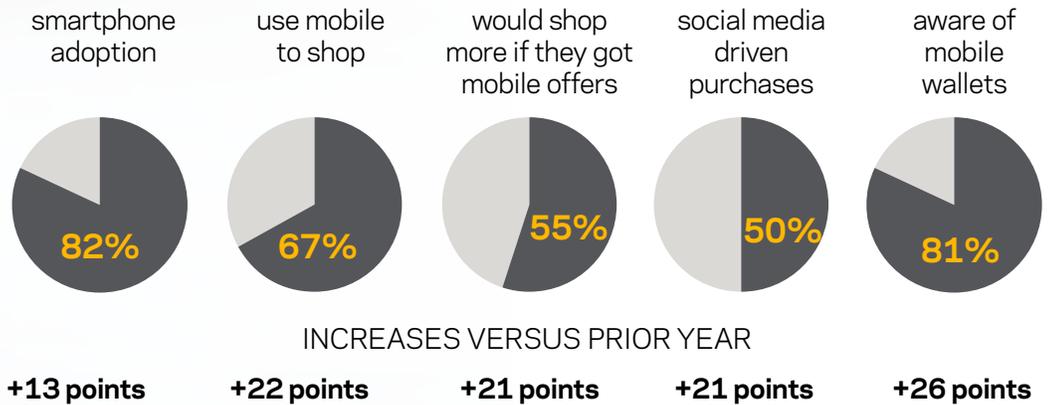
October 2016





INTRODUCTION

Digital shopping has gone from a trend to a way of life. This, our sixth annual Digital Study, shows a dramatic rise in digital shopping, with almost 70% of the U.S. taking part in this now mainstream activity. In the past year, we have seen increases in the use of digital and social tools in almost every category.



No longer just a tool for younger generations, the growth in smartphones has extended to everyone. As a result, retailers should focus on digital as a marketing and service priority. Shoppers expect the digital experience to not only be present, but also proactive and seamless. Where in the past, only a sub-segment of the population was driven by technology such as geo-location, social media and text alerts, many more consumers now say these tools would make shopping easier and drive incremental visits.

INSIGHTS—EXECUTIVE SUMMARY

Our 2016 Synchrony Financial Digital Study gathered insights on mobile adoption and digital usage, revealing how U.S. shoppers view mobile technology and what they expect from their mobile retail experience. Based on these insights, we've outlined strategies for attracting shoppers and turning them into loyal customers and brand advocates.

KEY INSIGHTS INCLUDE:

INSIGHT 1

Overall adoption of smartphone technology has continued to increase, driven by Gen X, Baby Boomer and Silent Generations.*

INSIGHT 2

Using mobile technology for shopping-related tasks increased dramatically in almost every area of the retail experience.

INSIGHT 3

Providing mobile offers drives shopping behavior.

INSIGHT 4

Mobile wallet awareness has skyrocketed, but regular usage has lagged.

INSIGHT 5

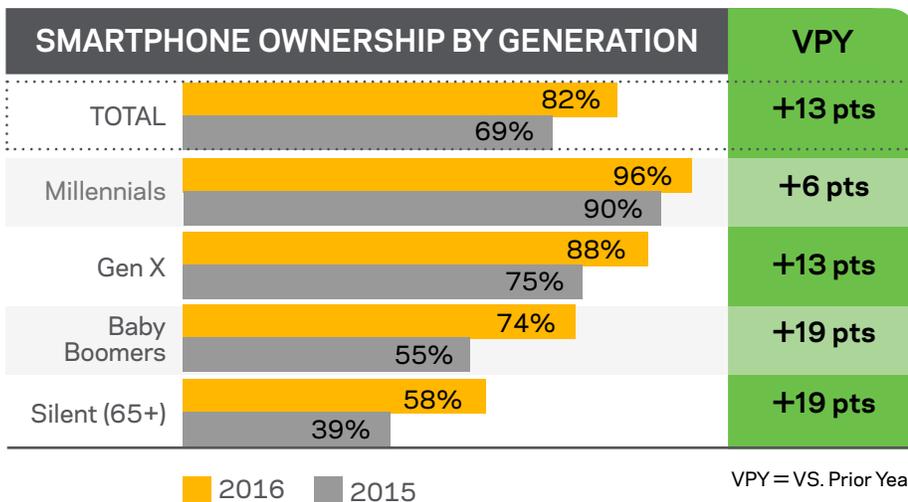
Social media is now a significant sales driver. The rise in social media influence is apparent in all age groups.

The consumer data on the following pages summarize the results of the 2016 Synchrony Financial Digital Study. All references to the U.S. population, customers or consumers in this paper refer to survey respondents unless otherwise noted. This white paper also outlines strategies and best practices to help retailers get the greatest impact from their digital media efforts.





Smartphone ownership and usage is up. 82% of the population now say they own a smartphone, up from 69% last year—primarily driven by those over 35 years old.



Now that three quarters of Baby Boomers surveyed say they have smartphones, their use of the technology is likely to increase. This is good news for retailers with digital strategies in place. The data shows that all retailers, no matter which generation they are targeting, need to embrace the growth of digital technology and its role in shoppers' everyday lives.

Winning Strategies for Increasing Digital Usage

Optimize the digital experience. Create a digital experience using responsive design to make it easy to view on a smartphone, tablet or laptop. Make it easy to access and navigate the site (or app) and make purchases.

Incorporate “pull” functionality. Make the email, app or text offer easy to navigate. Pull users into the app or website to see the product and access the offer. Too many steps in the process can lead to frustrated customers and lost sales. Create content that is intuitive and easy to read.

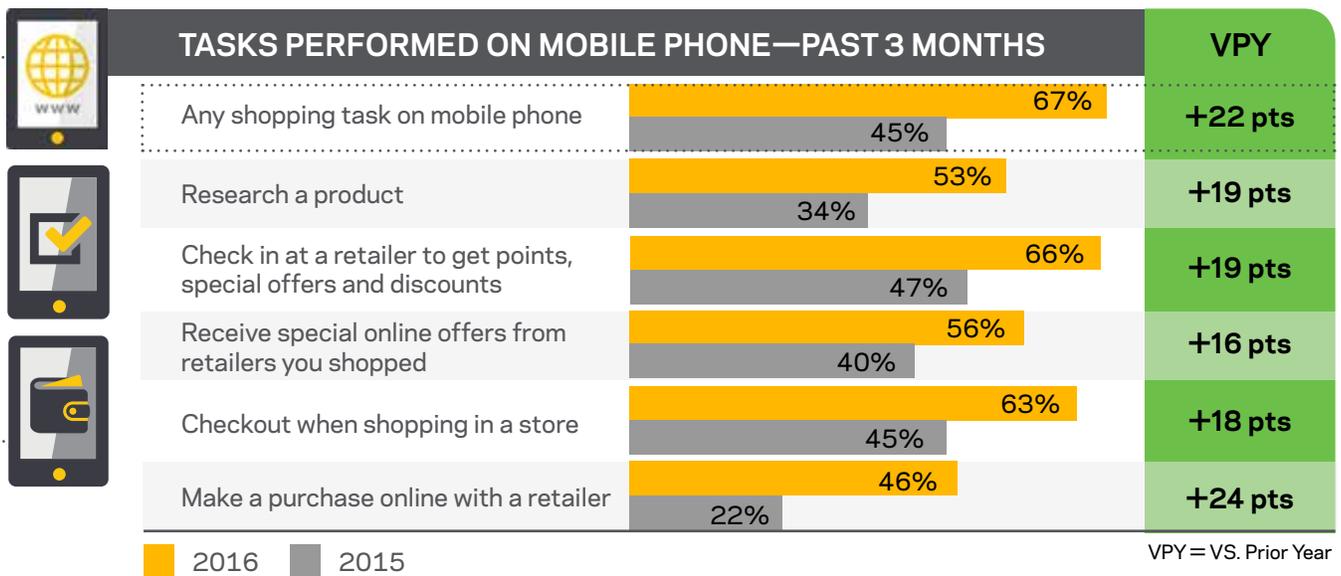
Keep it simple. Customers new to smartphone technology may be afraid of making mistakes. So make it easy for users to be comfortable. Ensure that customers always understand what screen they are in (purchase screen, confirmation screen, etc.), on the app or website.

Take security seriously. Ensure strategies are in place that protect the privacy of the customer. Use secure technology that encrypts and protects credit card information.

MOBILE TECHNOLOGY FOR SHOPPING HAS BECOME PREVALENT WITH THE MAJORITY OF U.S. SHOPPERS

Smartphone use for shopping has increased dramatically—**67% of the survey respondents state they have completed some kind of shopping related task on their mobile phone, up from 45% last year.** Mobile usage has increased across most shopping-related tasks.

Over half the population has researched a product, checked in at a retailer, tracked rewards points, or checked out while using a smartphone in the last three months alone. This behavior has dramatically increased since 2014 and 2015, when smartphone usage for shopping remained relatively flat, at about 35-45%.



Strategies and Best Practices for Enhancing the Digital Shopping Experience

Make it intuitive. Since consumers are shopping with smartphones, ensure the experience is intuitive, frictionless and fun.

Communicate brand values. Content marketing has become a key way to get brand messaging out. Focus on what the brand stands for and what the experience is from the customer’s point of view. This can be done through social media channels, YouTube videos and influential bloggers.

Design apps with high functionality. The best shopping apps authenticate with a thumbprint and don’t ask the customer for the same information every time they engage. Biometrics makes this possible. The app should provide access to everything related to the shopping experience—rewards, travel and checkout (e.g., Starbucks® mobile app has the reward program, payment capability and geo-location all in one place). This makes the process quick, easy and intuitive.

Digital loyalty via app. Our 2016 Loyalty Consumer Study revealed that 38% of consumers use digital loyalty cards and that 53% find digital loyalty programs appealing.* For retailers who have loyalty/rewards programs, it is imperative to have a digital strategy in place.

*Source: Synchrony Financial Loyalty Study, April 2016.
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MORE THAN HALF OF SHOPPERS SAY MOBILE OFFERS WOULD DRIVE BEHAVIOR

Consumers are becoming much more open to retailers using texts and location-based offers to communicate discounts and promotions.



SHOPPERS' VIEWS ON MOBILE OFFERS	2016	VPY
Open to receiving valuable special offers on mobile device from retailer	52%	+17 pts
Would check in at a retailer if received tailored offers	53%	+17 pts
Willing to send text message to receive a discount	63%	+12 pts
Would shop retailer more often if I knew about available offers	66%	+16 pts
If favorite retailer sent relevant offers to mobile device, would shop there more often	55%	+20 pts
Nothing wrong with retailer using transaction history to provide offers/ discounts on items purchased most often	53%	+9 pts
I've allowed a website to access my current location on my mobile	52%	+17 pts
I would like a company to send me relevant offers according to my location	48%	+7 pts

Percent agree somewhat or completely with statement

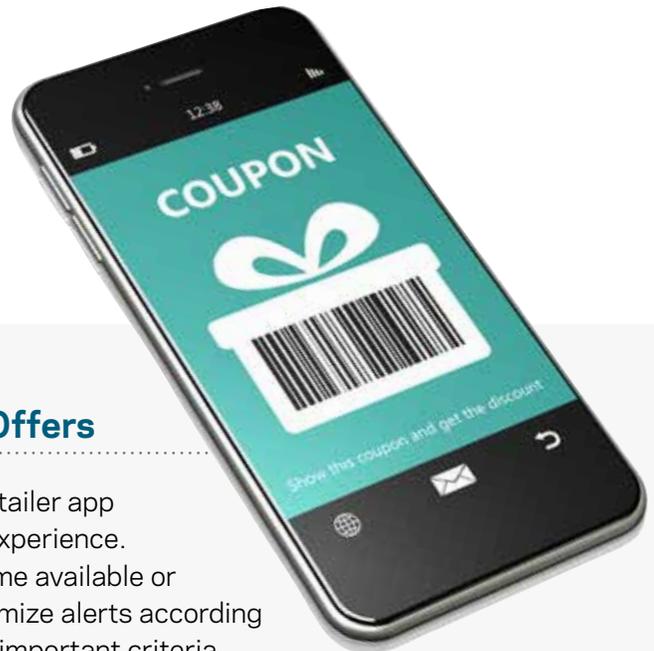
VPY = VS. Prior Year

55% report they would shop a retailer more often if they received relevant offers on their mobile device, up significantly from last year.



According to eMarketer®, by the end of 2016, U.S. mobile coupon usage will increase 11% in one year, to 104 million. Koupon Media (a mobile offer platform) reports 500 million mobile coupons were delivered in 2015, and says that customers spend more money, buy more products and adopt new technologies when given mobile coupons. As mobile engagement becomes increasingly important to brands and retailers, mobile coupons are emerging as a top priority.¹ Some other important insights:

- Basket size increases 26% when customers use a mobile coupon²
- 39% of customers spend more if they receive a personalized coupon³



Strategies and Best Practices for Digital Offers

Create custom alerts. Personalized offers through the retailer app or via text messages can bring shoppers into the mobile experience. Allow customers to set up mobile alerts when items become available or go on sale. At Synchrony Bank, our cardholders can customize alerts according to payment due date, balance, spend threshold and other important criteria. These strategies can be used to engage the shopper as well—offer customers the option of being notified if an item becomes available in their size or preferred color.

Optimize the customer experience. Pay attention to the customer experience. Is it easy to access the offer and buy? There needs to be synergy between the mobile experience and native app (an application program that has been developed for use on a particular platform or device). Too many steps to access the offer leads to lost sales.

Location is a game changer. Some forward thinking retailers are using geo-location in combination with special offers to develop personalized mobile marketing initiatives. 54% of all shoppers and 74% of Millennials say they find geo-targeted offers appealing.⁴ Ask customers to opt-in to geo-location, and once they do, use their location to provide timely and relevant offers. To help customers find what they're looking for, map the interior of the store. Create offers for frequently purchased items or items saved in a customer's cart or shopping list.

Leverage personalization. Many retailer apps gather purchase and location information, and create profiles on their customers. This data can be used to generate unique offers and personalized messages that drive visits and purchases. By developing a partnership between the Marketing and Data Analytics teams, retailers can identify behavioral and purchase data to create impactful offers and personalize the experience for the customer.

¹ Source: Koupon Media. State of the Industry 2016. kouponmedia.com

² Source: Deloitte Consulting. Navigating the New Digital Divide.

³ Source: 2016 State of the Mobile Coupon Industry. Koupon Media.

⁴ Source: Synchrony Financial Loyalty Study. April 2016.

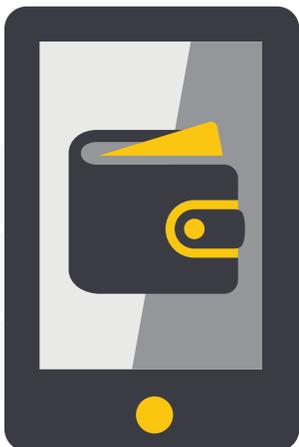
INSIGHT 4

MOBILE WALLET AWARENESS HAS INCREASED DRAMATICALLY IN THE PAST YEAR, BUT REGULAR USAGE HAS LAGGED



81% of the U.S. population say they have heard of mobile wallets, up from 55% only one year ago. Increased awareness is driven by several factors:

- The technology is promoted and immediately available on new smartphone models (e.g., Wallet on Apple iPhones, Samsung Pay, etc.)
- An increase in advertising
- Greater retailer adoption of Point of Sale (POS) technology



While 61% of consumers report that they have tried mobile wallets, only 9% indicate they are likely to use them in the next 12-18 months. Barriers include a lack of perceived need, and a perceived concern about safety and security. On the other hand, there is growing awareness of the added convenience of the mobile wallet, as well as the increased speed of use.

MOBILE WALLET BENEFITS AND BARRIERS



BENEFITS

65% Convenience
59% Speed
47% Security



BARRIERS

51% Happy using traditional payment cards
46% Not sure it's safe/secure
43% Don't have a need

Since many shoppers have only recently become aware of mobile wallet functionality, it will take some more time before they feel comfortable with the technology. Similar to keeping calendars and loyalty cards on their mobile devices, once consumers understand and appreciate the convenience and **enhanced security** of the technology, adoption will be rapid and irreversible.

Strategies and Best Practices for Mobile Wallet

Give customers reasons to use it. Since the majority of consumers say they are happy with traditional cards, encourage mobile wallet use by providing an offer or unique value proposition to load their credit card and try the wallet. A recent Forrester® research study found that 63% of retailers feel that consumers will use mobile/digital payments when more features become available—these include elements like coupons, offers and loyalty programs.* The use of mobile wallets as marketing and advertising vehicles is increasing. A number of advertisers and brands now provide consumers with a link that downloads a customized offer to the Apple or Android wallet app.

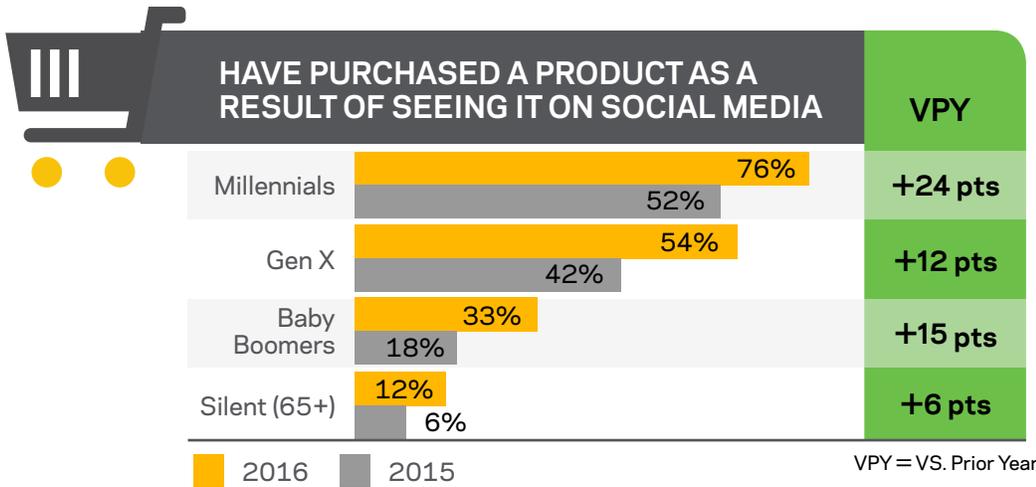
Make it more ubiquitous. Paying with a mobile phone would be more appealing if it replaced a physical wallet. However, today's consumers don't have a clear understanding of which retailers accept the mobile wallet and which don't. According to the same recent study of retailers by Forrester Research, retailer adoption is growing, as 75% of retailers say they plan on accepting Apple Pay by the end of 2017.*



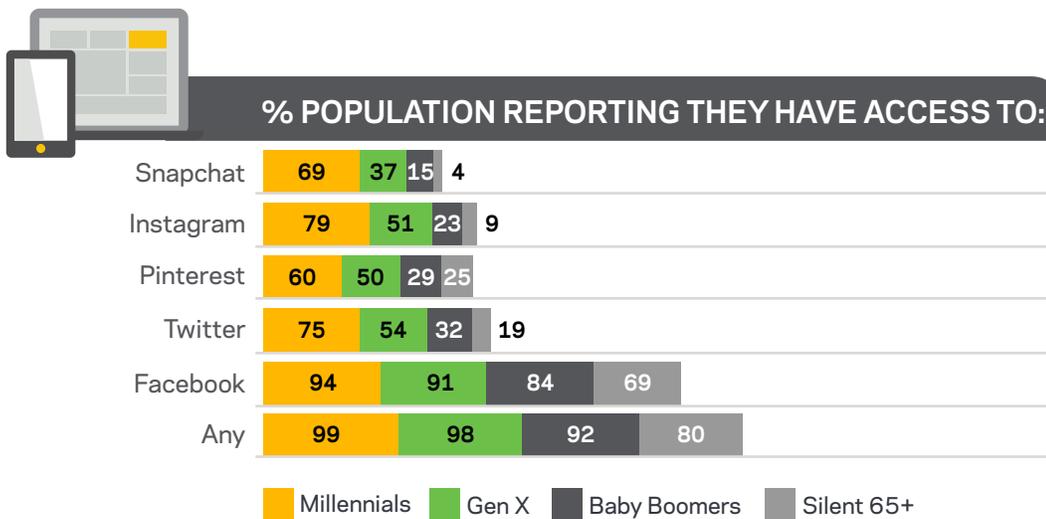
As a result of improved value propositions for mobile wallet use and increased POS acceptance, mobile wallet adoption is likely to grow in the coming years. Retailers who have not yet embraced mobile payment technology should consider them as they develop POS strategies in the coming years.

* Source: The State of Retail Payments 2016, an NRF study conducted by Forrester Research

The impact of social media on purchasing behavior can't be ignored. **About 50% of the U.S. population now state they have purchased a product as a result of social media.** This is a substantial increase over last year, when the percentage was only one-third.



The numbers vary considerably by generation. The impact of social media on Millennial shoppers is significant, as three-fourths say that social media drives their purchases. But across the board, every generation has seen an increase.



Millennials are more likely to be on Snapchat and Instagram, while all generations have access to Facebook.

Strategies and Best Practices for Social Media

Select the most effective channels. Test many social media channels and select which ones appeal most to customers. The majority of all generations have access to Facebook, but as the above chart shows, Millennials are more likely to be on Instagram and Snapchat.

Maintain a social media strategy tied to brand identity. This strategy should feature helpful content, not just a sales pitch. Social media content that makes an emotional connection to the brand is the most successful. A highly interactive social media strategy is especially important for retailers who have a large Millennial customer base, as three-fourths of Millennials report that social media influences their purchases.

Keep it engaging. Use social media in a fun way by creating games and encouraging social interactions while customers are in the store.



CONCLUSION

Digital technology has permanently altered the retail landscape. In 2016, consumers significantly increased their ownership and comfort level with using mobile technology for shopping tasks. To keep up with this growth, retailers must adopt digital strategies that meet their customers' needs and expectations. As the quality of digital retail experiences increases, consumers will continue to feel more comfortable using this media for their shopping transactions. To provide a better, more satisfying shopping experience, as well as to stay competitive and relevant, retailers must be constantly innovating and exploring new ways of leveraging today's digital technology and tools. Change happens fast, and it can be hard to keep up. But one thing is certain—digital shopping, social media influence and mobile payments are here to stay. Retailers who are fast adopters will put themselves in a better position to be winners in their space.

Survey Methodology

The survey data used in this report is produced through online research conducted in May/June 2016. Respondents shopped in all price points, in at least one of the following retail categories in the past six months: apparel, home improvement, home furnishings, mass merchandiser, oil and gas, warehouse club, appliance and electronics, department stores, Web-only, sporting goods and toys. U.S. base sample sources are from national panel suppliers. U.S. base data has been weighted to U.S. census proportions. Data in this research has been stat-tested (two tailed test) at the 90% confidence level.

- U.S. randomly sourced population of 1,294 responders. Sample sourced from MindField Online and Survey Sampling national panel providers.
- 18+ participate in household financial decisions and shopped with major U.S. retailer in the last six months.
- U.S. base data was weighted to U.S. census data proportions on age and gender.

Focus on what really matters.

Synchrony Financial is one of the premier consumer financial services companies in the United States. Our roots in consumer finance trace back to 1932, and today we are the largest provider of private label credit cards in the United States, based on purchase volume and receivables.*



About Synchrony Connect

Synchrony Connect is a value-added program that lets Synchrony Financial partners tap into our expertise in non-credit areas. It offers knowledge and tools that can help you grow, lead and operate your business.

Grow

Marketing, analytics and research expertise to help you drive business growth

Lead

Tools for leading your organization and developing yourself as a leader

Operate

Best practices around business strategy and optimizing cost

Contact your Synchrony Financial representative or visit us at SynchronyFinancial.com or SynchronyBusiness.com to discover how we can help you grow your business.

Author: Sue Yasav—Vice President, Thought Leadership

Contributors: John Williams—Senior Vice President, Innovation
Jennifer Muller—Vice President, Mobile Marketing
Judy Lahart—Vice President, Research Insights
Sarah Zupnick—AVP, Research Insights



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* Source: The Nilson Report (May 2016, Issue # 1087)—based on 2015 data.