

Rebranded Bread Financial rolls out Victoria's Secret co-brand card amid digital refocus

Article

The news: Bread Financial (formerly Alliance Data Systems) expanded its partnership with Victoria's Secret by renewing their private-label credit card and launching a new co-brand

card, the **Victoria's Secret Mastercard**, per a press release.

More on this: The Victoria's Secret Mastercard offers cardholders 5% back in rewards on Victoria's Secret and Pink purchases and 7.5% for gold tier loyalty members.

The card also enables rewards outside of the brand: Customers earn 2% back on bonus categories like travel, dining, and streaming and 1% for all other purchases. Cardholders also receive a \$30 activation bonus if they spend \$500 outside of the retailer within 90 days of activation.

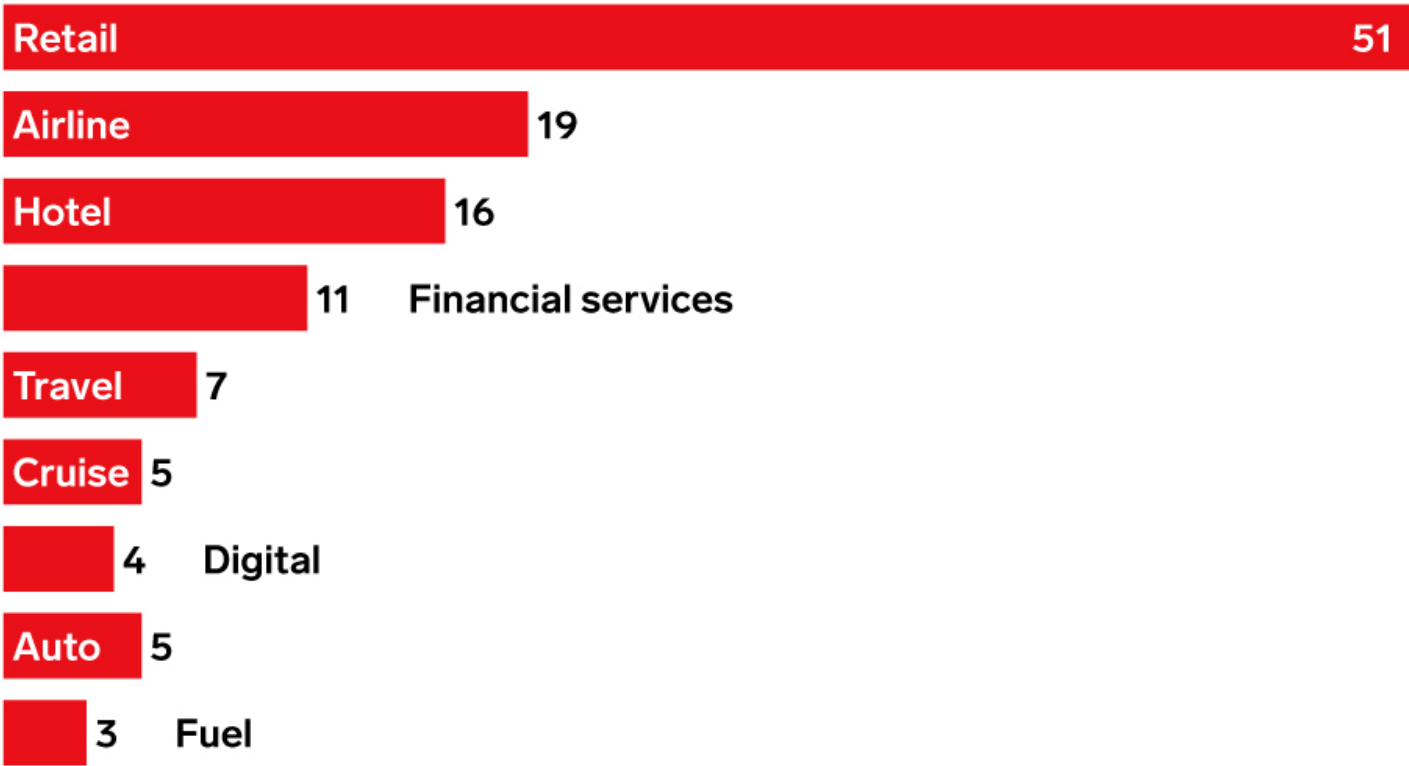
Why this matters: Bread is a market leader in the co-brand landscape and is widening its moat with this new card.

- Co-brands historically **account for about \$1 trillion in annual spending**. And in August 2021, we **estimated** that Bread issued **22 co-brand programs**—more programs than any of its peers. Victoria's Secret's big footprint should help solidify Bread's market leadership: Victoria's Secret has close to 1,400 retail stores and **notched \$6.79 billion in sales** last year, up 10% annually, per Q4 earnings.
- Victoria's Secret customers may view the co-brand more favorably than the private-label card thanks to the comprehensive perks it brings outside of the brand, which are on par with many general purpose cards. This could help build out the program—which **composed** 10% of Bread's overall receivables in 2019—and accelerate growth: **Bread's credit card sales hit \$29.6 billion** in 2021, up 20% year over year (YoY).

The bigger picture: The Victoria's Secret card rollout comes on the heels of Bread's rebrand from Alliance Data, assuming the identity of the buy now, pay later (BNPL) startup it acquired in 2020.

- Bread plans to become a tech-forward company and will shift its strategic focus to include more direct-to-consumer products. The issuer will have to innovate its card programs to keep up with competition—**Goldman Sachs**, for example, is ramping **up** its digital co-brand offerings.
- Bread will also need to embrace shifts in the retail co-brand card space like tailoring solutions to customer preferences and embracing omnichannel programs and personalization. Issuers have launched many new co-brand credit cards in the past year, so providers should look to those programs to help nail down customer expectations.

US Co-Brand Credit Card Programs, by Category, July 2021



Note: total co-brand programs as of July 2021=121; a co-brand program is defined as a group of cards that share benefits, even between brands (e.g., Gap's program issues Athleta, Banana Republic, Gap, and Old Navy cards with shared benefits structure)
Source: Insider Intelligence estimates from major banks, brands, and Consumer Financial Protection (CFPB) data, June 16, 2021

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