

NBCUniversal

2022

Retail Industry Assessment



Welcome!



Introduction

Explore NBCUniversal's latest perspectives and insights into the Retail industry. This report provides an overview of recent marketplace dynamics, our prediction of key future trends impacting the industry, and strategic recommendations for Retail brands and marketers as they navigate what's next.

Our Approach

At NBCUniversal, we have a legacy of working with a diverse range of Retail partners to build their brands. This report has been created based on NBCU's:

- Ongoing Industry Evaluation
 - Conversations with Retail Advertisers and Agencies
 - Continual Marketplace Analysis
 - Examination of Consumer Attitudes towards the Retail Industry
-



NBCUniversal Has a Unique Perspective

In 2022, NBCU worked with:
174 Retail Industry Advertisers



**Apparel &
Accessories**



**Pet
Care**



DTC



Grocery



Big Box



Toys

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NBCU Relevant Materials



2022 Landscape

Overview of Key Retail Marketplace Dynamics



For Retail brands,
2022 has been a time of

Ongoing Adoption

as a means of overcoming constant
changes in consumer behavior and
evolving macroeconomic
conditions



Retailers had to Adapt to Ambiguity and Change in 2022



Increasing Costs from Inflation and Supply Chain Challenges

Retailers are finding the optimal balance between absorbing costs and passing on price increases to their customers, in addition to redefining value for their customers through private label, messaging, discounting, and more.



Battling for Loyalty

Consumers are becoming more channel-agnostic, prioritizing product over brand, and becoming more price sensitive. At the same time, the barrier to entry for new retailers has fallen.



Anticipating Consumer Demand

Retailers are challenged with anticipating changing needs of consumers as the ripple effects of the pandemic impact consumers' day-to-day activities (i.e., return of events), needs (i.e., work apparel), and desires (i.e., travel accessories).



Shifting Platforms within an Omni-Channel World

As e-commerce sales growth begins to normalize and delivery costs increase, retailers are re-assessing how to balance investing in their physical and digital presence.

BRANDS ACROSS RETAIL SUB-CATEGORIES ARE Adapting to Changing Mindsets & Behaviors

Big Box

Big box retailers continue to **grow as “one-stop shops”** by investing in adjacent subcategories, such as, grocery, pet care, and pharmacy, helping them **steal share from specialty retailers**.

29%

Of U.S. retail sales accounted for by the top 6 big box stores in 2020.

Multi-cultural consumers account for 30% of mass + online sales.

Apparel

As in-person events continue to make a **comeback, leisurewear is being replaced** with clothes for social events, travel, and back to school/office. As a result, apparel retailers and department stores are **capturing** this **increased demand**.

30%

Apparel sales increase from 2020 to 2021.

34% of the growth is expected to come from Hispanic HHs over the next several years.

Grocery

Consumers continue to care about both the quality and value of products during **record high inflation**. With regards to groceries, shoppers believe the quality of **private label** has improved and are turning to these products to save money.

50%

Of grocery shoppers believe private label quality has improved. **38%** have purchased private label to save money.

Toys

Toy sales saw a spike during the pandemic, as families spent more time outside and looked for ways to entertain children. Toy sales are **forecasted to still experience healthy growth** driven by growth in baby, collectibles and other sub-categories.

13%

Growth in Toy retail sales in 2021.

Pet Care

Growth in pet adoptions during the pandemic and the continued humanization of pets is **fueling overall subcategory growth**. As competition continues to grow, retailers will continue to invest in this area.

51%

Of pet owners purchase premium food.

Hispanics are 29% more likely to spend on pet supplies YoY.

Retail Forward- Looking Trends

Key Trends We Expect to Influence Retail Marketing & Media Strategies



LOOKING AHEAD,

Key Retail Trends We Expect to Influence Marketing & Media Strategies



Addressing
Multiple Consumer Journeys



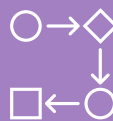
Optimizing the
Checkout Experience



Refocusing
Sustainability Efforts



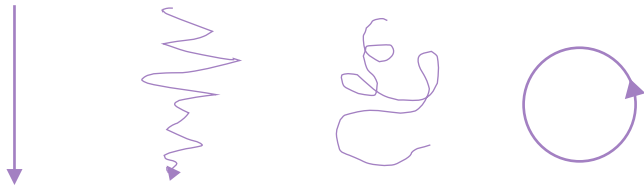
Big Box vs. Everyone



Evolving
Operations

Addressing Multiple Consumer Journeys

The Rise of Immersive Shopping Experiences



The rise of immersive shopping experiences is creating new consumer journeys – ones where consumers engage with brands in new environments without buying something; others where they're sling-shotted from awareness to conversion in an instant, and ones that keep more traditional journeys intact.



METaverse:

79% of consumers that are active in the metaverse have made a purchase¹

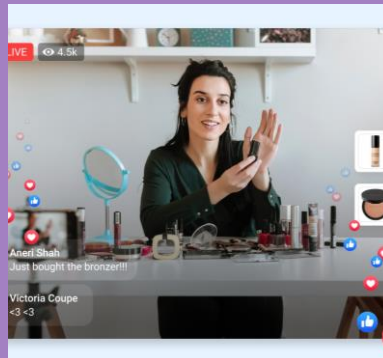
51% of Hispanic consumers are interested in trying things in the metaverse that they would not try in real life²



OMNI-CHANNEL EXPERIENCES:

54% of consumers believe in-store shopping should also have a virtual component

Shoppers increasingly seek more channel-agnostic experiences² as the siloes between physical and online diminish and becomes more interconnected



SOCIAL MEDIA SHOPPING:

44% of consumers like the convenience of directly shopping on social media²

Optimizing the Checkout Experience

Keeping up with evolving payment technology is a new imperative for retailers

Historically, the payment process was not a differentiator for retailers, except for co-branded loyalty cards with credit card partners.

Today, with so much advancement in payment technologies and services, retailers recognize the correlation between payment experiences and sales. Therefore, they continue to invest in financial technology, both in-stores and online.

Bad payment experiences prevent sales and cost customers...

5 of the top 10

reasons for cart abandonment are related to the payment experience

...while good experiences drive revenue

Buy Now, Pay Later, the latest retail payment trend, can translate to

+20-30%

higher conversion rates for merchants

Where Retailers Are Investing	Example	Customer Benefits	Retailer Benefits
Alternate forms of payment	Accepting cash, credit, Paypal/Venmo, Crypto, etc.	Pay with preferred method	Higher conversion, lower abandonment, higher cross-border (global) sales
Contextual / Content Commerce	Instagram checkout, NBCU Shoppable TV, etc.	Frictionless experience and seamless checkout	Increased transactions
New Fintech Services	Buy Now Pay Later (BNPL)	Improves accessibility to higher cost items with flexible payment plans	New customer acquisition, higher basket value, lapsed customer retention
Owned & Operated Payments	Retailer Branded Credit Card	Rewards, exclusive offers, new lines of credit	Increased loyalty, increased spending/visits, mitigate extra transaction fees

Refocusing Sustainability Efforts

Retailers need to manage consumers' expectations for convenience and value while sustainability becomes more of a priority

Retailers have been slowly addressing consumer demands for sustainability across different areas of their business. But as consumers truly begin to prioritize sustainability over convenience when it comes to making shopping decisions, retailers must carefully choose where to invest and evolve business to keep customers and sales.

IMPETUS FOR CHANGE

94%

of consumers report being concerned about environmental sustainability¹

87%

of multicultural consumers believe people have an obligation to be environmentally responsible⁶



BARRIERS TO RESPONSE

Actions ≠ Intent

Only 13% of consumers consider a retailer's **eco-friendly practices** to be within the top 3 factors they consider when choosing a retailer¹

Price Sensitivity

During the 2008/2009 recession, shoppers purchased less and switched to **private-label goods**²

Skepticism

53% of consumers never or only sometimes believe claims of **sustainability**⁵ & 68% of U.S. C-suite leaders have admitted their companies were guilty of **greenwashing**⁴



HOW WE EXPECT RETAILERS TO FOCUS THEIR SUSTAINABILITY EFFORTS

Highlight Health & Wellness Benefits

24% of consumers consider products **free of harmful or synthetic materials** extremely important when choosing a retailer¹

Connect Sustainability to Value

Almost 50% of shoppers consider **product value** (quality for price) the most important factor to consider when choosing a retailer¹

Focus on Both Product & Logistics

19% of consumers consider **minimal packing** for shipping extremely important when choosing a retailer¹

Big Box vs. Everyone

Competition heats up as new allies come together

As this competition heats up, big-box retailers will continue to highlight premium products and convenient experiences while specialty retailers will focus on quality, expertise and new partnerships.

Big Box retailers are securing their positions as top destinations to purchase specialty products & services



The **#1 grocer** in the U.S. is **Walmart**, followed by Kroger



20% of U.S. adults shop for pet food & supplies at a **Big-Box Store** while 15% shop at a Chain Pet Store



\$73 bn. The amount that Amazon will reach in apparel & footwear sales in 2022.



One Medical was purchased by **Amazon** in July 2022. MeMD, was acquired by Walmart Health in 2021.

Specialty retailers are teaming up to gain scale and capture new customers

The New York Times

In search of Growth, Kohl's Expands Sephora Shops to All Stores



Lowe's Will Open Petco Shops Inside Some Stores, as it Looks Beyond Appliances and Paint

npr

Toys "R" Us is making another comeback – this time in Macy's stores

Evolving Operations

New and magnified challenges to overcome stemming from the ripple effect of the pandemic

Retailers are re-assessing their business operations, changing supply chain processes, pricing, and more, as macroeconomic factors put pressure on sales and profitability

ONGOING LOSSES FROM Supply Chain

71%

Of Chief Supply Chain Officers say **lower inventory for raw materials and finished goods has created stock-outs and lost sales.**¹

NEW Costs to Cover

60%

Have reverted to **expediting products to meet customer needs** in the face of these challenges. This **accelerates logistics challenges and drives up shipment costs.**¹

RETAIL PROFITS MUST BE Recalculated

~10.6%

Of total U.S. retail sales are typically returned to the retailer and 25% of returns are discarded²

AN EVOLUTION IN Logistics

800M sq. ft.

Of additional warehouse space beyond earlier projections will be needed for Prologis, the biggest owner of warehouses, to handle excess inventory for retailers and logistics operators³

SUMMARY

Key Retail Trends We Expect to Influence Marketing & Media Strategies



Addressing Multiple Consumer Journeys

Immersive shopping experiences are creating new types of consumer journeys that retailers are adapting to.



Optimizing the Checkout Experience

As retailers realize the impact payment experiences have on the bottom line, many are boosting investments into the checkout experience both on and offline.



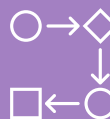
Refocusing Sustainability Efforts

Retailers are investing in sustainable products and business practices in areas that matter most to consumers (product sourcing, packaging, shipping, etc.).



Big Box vs. Everyone

Competition continues to intensify between big box brands and specialty experts.



Evolving Operations

Problems magnified by the lasting effects of the pandemic are forcing retailers to more quickly adapt operations in response to always changing consumer needs.

NBCU Retail Strategic Considerations

Key Considerations for Driving Growth for Retail Brands



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Retail Strategic Considerations



01. Align Media Strategy with the Consumer Journey

Respond to evolving consumer journeys and viewing consumption patterns with cross-platform activation.

02. Build Relevance through Storytelling

Differentiate your brand from emerging competitors by highlighting your brand story within purpose-led and culturally relevant content.

03. Leverage Data to Follow Consumers & Maximize ROI

Use data to better understand your consumers, where they are and how to reach them to drive engagement and optimize your investments.

04. Cultivate Relationships with Key Audiences

Connect with younger, diverse and more niche audiences on platforms tailored to their needs and through aligning with their passion points.

05. Drive Action through Shoppable Experiences

Create immersive shopping experiences (content commerce, social shopping, etc.) to drive sales.

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Retail Strategic Considerations



01. Align Media Strategy with the Consumer Journey

Why: Brands must modernize their approach to include all screens and activate on all platforms in order to maximize reach potential and meet consumer demands.

Good For: Awareness | Consideration | Salience | Incremental Reach | Targeted Reach

02. Build Relevance through Storytelling

Why: Purpose alignment and cultural relevance enables brands to differentiate themselves, capture attention, and build deeper consumer connections.

Good For: Awareness | Consideration | Familiarity | Brand Perception | Familiarity | Purchase Intent

03. Leverage Data to Follow Consumers & Maximize ROI

Why: Data-driven approaches can help identify sources of growth and maximize ROI as the retail consumer journey continues to evolve.

Good For: Awareness | Targeted Reach | Incremental Reach | Conversion | Discovery

04. Cultivate Relationships with Key Audiences

Why: New platforms, such as Anzu and Reach TV, can help reach elusive audiences while content & contextual strategies build stronger relationships.

Good For: Brand Perception | Consideration | Loyalty | Ad Recall

05. Drive Action through Shoppable Experiences

Why: As the demand for innovative shopping experiences grows, brands must align with new interactive experiences to drive conversion.

Good For: Consideration | Engagement | Conversion | CRM/Lead Generation

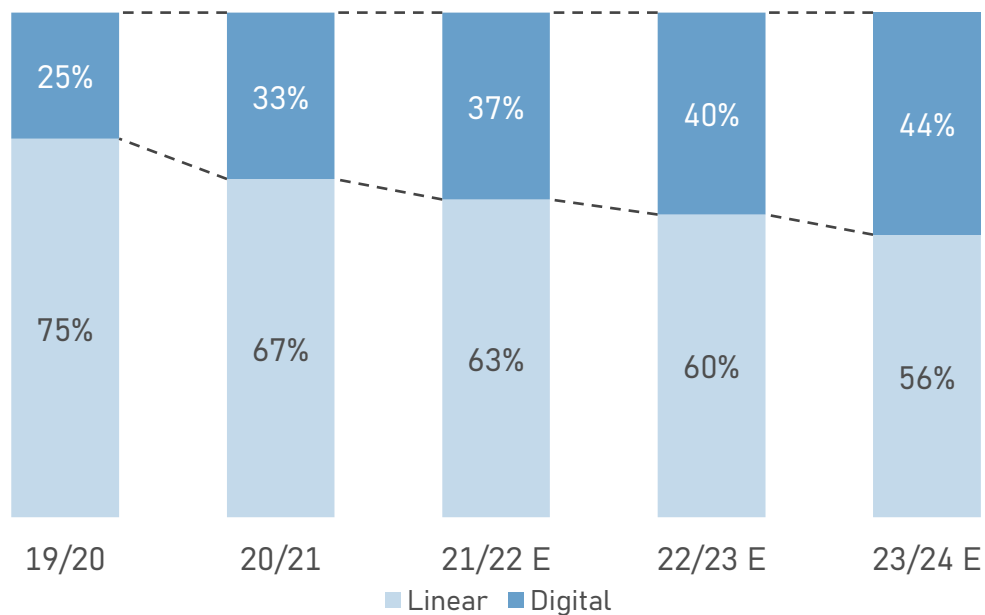
01. Align Media Strategy with the Consumer Journey

Capitalize on evolving consumer journey and demand for immersive shopping experiences to maximize reach through cross-platform activation.

The way content is being consumed continues to evolve.

NBCU One Platform – Share Of Minutes

P21-49, reflects aggregate viewership across NBCU portfolio



Source: Share of minutes estimates based on NBCU internal trends & growth reporting;

Expand your brand's message and relevantly reach audiences by adopting a cross-platform approach.



02. Build Relevance Through Storytelling

Differentiate your brand from emerging competitors by aligning brand storytelling with purpose-led and culturally relevant content.

52%

of purpose-driven companies experience growth.¹

Sources: 1. Forbes



Purpose-Led Content

Communicate what your brand is doing internally to your shoppers through content alignment, custom integrations, influencer marketing, and commercial innovation.



Alignment with IP

Tap into your customers' interests by aligning with NBCU's premium, brand-safe, passion point content via sponsorship and integration opportunities.



Premier Live Events

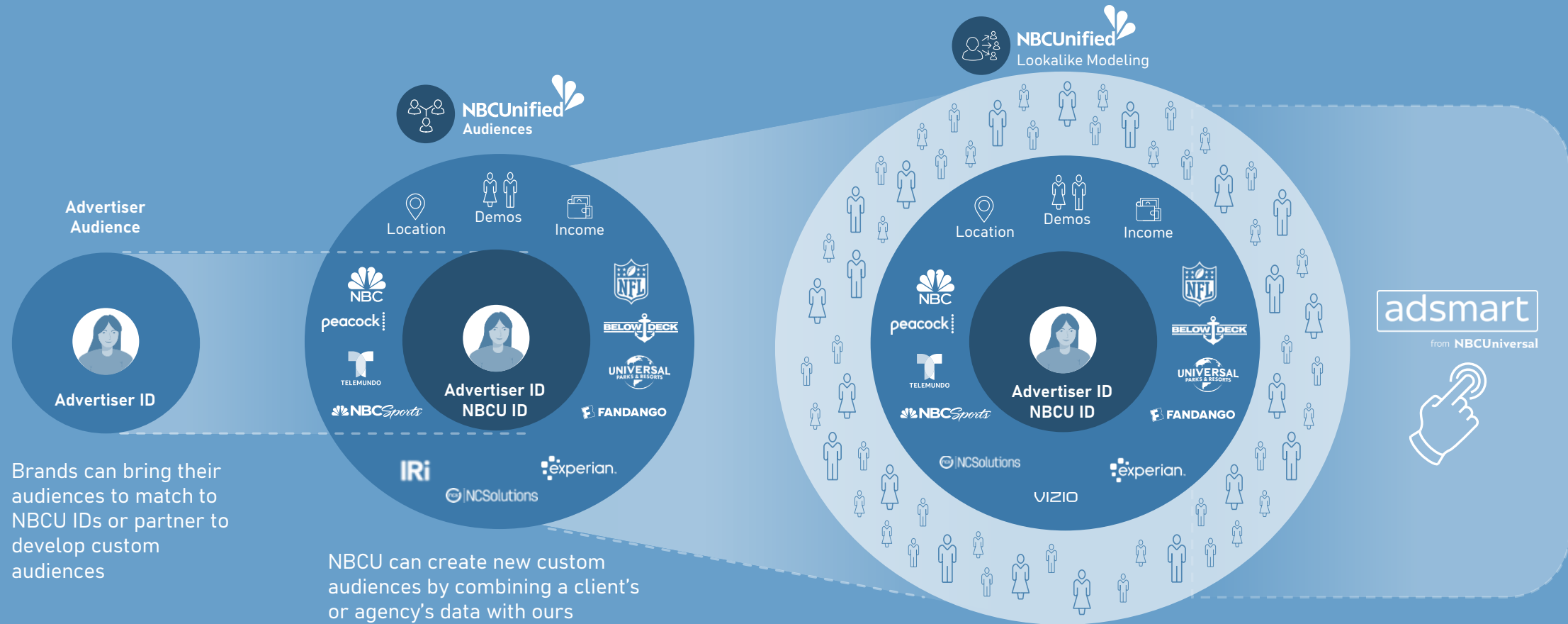
Give your most important sales holiday a boost with the help of breakthrough moments and events that shape today's cultural conversation.



Cultural Heritage Celebrations

Celebrate Multicultural audiences and drive impact by aligning with moments that matter year-round.

03. Leverage Data to Follow Consumers & Maximize ROI



Brands can bring their audiences to match to NBCU IDs or partner to develop custom audiences

NBCU can create new custom audiences by combining a client's or agency's data with ours

Audiences can be further expanded through looklike modeling

AdSmart provides seamless connection to NBCU inventory for audience targeting

04. Cultivate Relationships with Key Audiences

Leverage the combined power of incremental reach platforms and passion points.

Incremental Reach

Expand distribution by including platforms tailored toward more elusive and strategic audiences.

EXAMPLES:

Audience	Platform	Audience	Passion Point
Millennial & Gen Z	PAX	Fashion Lovers	BravoCon
Travelers	ReachTV	Hispanic	World Cup on Telemundo
Gamers	Anzu	Female Millennial / Gen Z	The Rundown on E!
Mobile Shoppers	Apple News	Small Business Shoppers	Open Doors Initiative (SMB support)

05.

Drive Action through Shoppable Experiences

Create immersive interactive experiences, content commerce, and social shopping opportunities to drive purchasing action.



Content Commerce

Across platforms and devices (linear TV, desktop, streaming, mobile), leverage content commerce to create frictionless shopping experiences within engaging content.

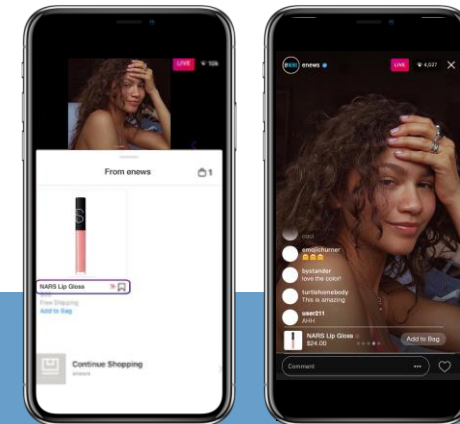
- Shoppable TV
- Checkout
- Universal Cart



Apple News

Tap into growing mobile shopping behavior, quality audience data, and premium ad experiences on Apple News.

- Carousel
- Swipe to Shop
- Click to download app
- Native Ads



Social

Embed your brand within immersive and native social shopping experiences that are connected to NBCU IP.

- In-feed shopping
- Stories Shopping
- Livestream Shopping
- Facebook + Instagram Native Checkout

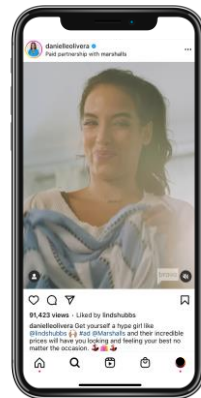
NBCU Relevant Materials

Example Retail Industry Partnerships



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Retail Partnership Examples

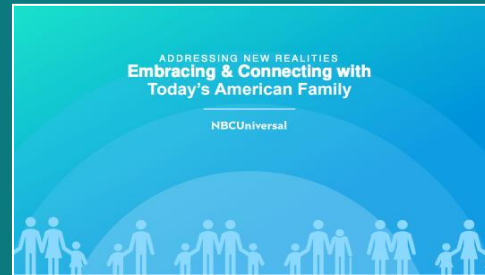


NBCU Retail Industry Content TOGETHER SITE

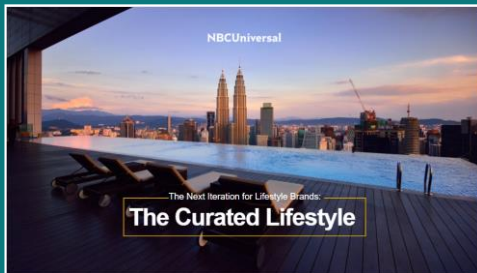
Category Content & Strategies



Sustainability and
Brand Response



Embracing & Connecting with
Today's American Family



The Curated Lifestyle

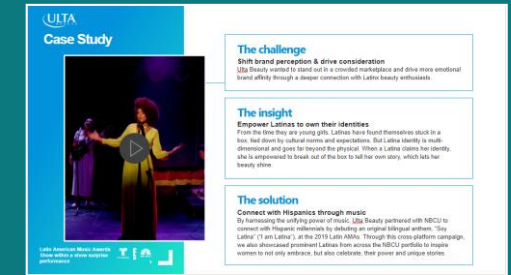


A Marketer's Guide
to the Metaverse

Retail Case Studies



NBCU Portfolio + Target



NBCU Portfolio + Ulta Beauty



AdSmart + Michaels



AdSmart Contextual +
DTC Luggage

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NBCUniversal

NBCU RETAIL CLIENT STRATEGY TEAM:
Adam Daniele, Cynthia Jung, Andrea Illan

