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
In 2022, NBCU worked with:

174 Retail Industry Advertisers

- Apparel & Accessories
- Pet Care
- DTC
- Grocery
- Big Box
- Toys
Contents

2022 Landscape

Retail Forward-Looking Trends

NBCU Retail Strategic Considerations

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.
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.

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.

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.

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.

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.

29%

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

30%

Apparel sales increase from 2020 to 2021.

50%

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

13%

Growth in Toy retail sales in 2021.

51%

Of pet owners purchase premium food.

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

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

OMNI-CHANNEL EXPERIENCES:
54% of consumers believe in-store shopping should also have a virtual component
Shoppers increasingly seek more channel-agnostic experiences 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 media

Sources: 1. McKinsey. 2. Mintel
Optimizing the Checkout Experience

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.

5 of the top 10 reasons for cart abandonment are related to the payment experience:
- Bad payment experiences prevent sales and cost customers...
- 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

<table>
<thead>
<tr>
<th>Example</th>
<th>Customer Benefits</th>
<th>Retailer Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Alternate forms of payment</strong></td>
<td>Accepting cash, credit, Paypal/Venmo, Crypto, etc.</td>
<td>Higher conversion, lower abandonment, higher cross-border (global) sales</td>
</tr>
<tr>
<td><strong>Contextual / Content Commerce</strong></td>
<td>Instagram checkout, NBCU Shoppable TV, etc.</td>
<td>Frictionless experience and seamless checkout</td>
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<tr>
<td><strong>New Fintech Services</strong></td>
<td>Buy Now Pay Later (BNPL)</td>
<td>Improves accessibility to higher cost items with flexible payment plans</td>
</tr>
<tr>
<td><strong>Owned &amp; Operated Payments</strong></td>
<td>Retailer Branded Credit Card</td>
<td>Rewards, exclusive offers, new lines of credit</td>
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</tbody>
</table>

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 sustainability
- 87% of multicultural consumers believe people have an obligation to be environmentally responsible

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 retailer

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

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

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 retailer

- Connect Sustainability to Value
  Almost 50% of shoppers consider product value (quality for price) the most important factor to consider when choosing a retailer

- Focus on Both Product & Logistics
  19% of consumers consider minimal packing for shipping extremely important when choosing a retailer

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
- **CNBC**
  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

Sources: 1. IBM 2. Mintel 3. WSJ, Prologis
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
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.
## NBCUNIVERSAL

### Retail Strategic Considerations

<table>
<thead>
<tr>
<th>01.</th>
<th>Align Media Strategy with the Consumer Journey</th>
<th>02.</th>
<th>Build Relevance through Storytelling</th>
<th>03.</th>
<th>Leverage Data to Follow Consumers &amp; Maximize ROI</th>
<th>04.</th>
<th>Cultivate Relationships with Key Audiences</th>
<th>05.</th>
<th>Drive Action through Shoppable Experiences</th>
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</thead>
<tbody>
<tr>
<td><strong>Why:</strong> Brands must modernize their approach to include all screens and activate on all platforms in order to maximize reach potential and meet consumer demands.</td>
<td><strong>Why:</strong> Purpose alignment and cultural relevance enables brands to differentiate themselves, capture attention, and build deeper consumer connections.</td>
<td><strong>Why:</strong> Data-driven approaches can help identify sources of growth and maximize ROI as the retail consumer journey continues to evolve.</td>
<td><strong>Why:</strong> New platforms, such as Anzu and Reach TV, can help reach elusive audiences while content &amp; contextual strategies build stronger relationships.</td>
<td><strong>Why:</strong> As the demand for innovative shopping experiences grows, brands must align with new interactive experiences to drive conversion.</td>
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<td><strong>Good For:</strong> Awareness</td>
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<td><strong>Good For:</strong> Brand Perception</td>
<td><strong>Good For:</strong> Consideration</td>
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<td><strong>Good For:</strong> Familiarity</td>
<td><strong>Good For:</strong> Familiarity</td>
<td><strong>Good For:</strong> Conversion</td>
<td><strong>Good For:</strong> Ad Recall</td>
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<tr>
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<td><strong>Good For:</strong> Purchase Intent</td>
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<td><strong>Good For:</strong> Discovery</td>
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01. **Align Media Strategy with the Consumer Journey**

Capitalizing on the 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.

- **25%**
- **33%**
- **37%**
- **40%**
- **44%**

- **75%**
- **67%**
- **63%**
- **60%**
- **56%**

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

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.

Sources: 1. Forbes
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 lookalike modeling.

AdSmart provides seamless connection to NBCU inventory for audience targeting.
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.

**Passion Points**
Understanding audience interests creates opportunity for your brand to build new connection points with your shoppers.

<table>
<thead>
<tr>
<th>Audience</th>
<th>Platform</th>
<th>Audience</th>
<th>Passion Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennial &amp; Gen Z</td>
<td>PAX</td>
<td>Fashion Lovers</td>
<td>BravoCon</td>
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<tr>
<td>Travelers</td>
<td>ReachTV</td>
<td>Hispanic</td>
<td>World Cup on Telemundo</td>
</tr>
<tr>
<td>Gamers</td>
<td>Anzu</td>
<td>Female Millennial / Gen Z</td>
<td>The Rundown on E!</td>
</tr>
<tr>
<td>Mobile Shoppers</td>
<td>Apple News</td>
<td>Small Business Shoppers</td>
<td>Open Doors Initiative (SMB support)</td>
</tr>
</tbody>
</table>
05. **Drive Action through Shoppable Experiences**

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

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**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

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**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

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**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

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*Note: Activation feasibility would require further discussion*
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
2022
Retail Industry Assessment

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