



NBCUniversal

2023

Retail Industry Insights & Media Considerations



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
-

Key Retail Subcategories



Big Box &
Department Stores



Apparel &
Accessories



Grocery



Home Furnishings
& Improvement



Resale



Ecommerce &
Direct to Consumer

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with NBCU

Looking Back

2023 IN REVIEW



Retailers faced
**Mixed
Cues from
Consumers**

as revenge spending
and spend on
experiences over
goods went head
to head with
rising inflation



Retail Brands Adjusted & Innovated Offerings in 2023

Price-Consciousness Influences Purchases



Consumers cut down spend, traded down, and prioritized certain purchases over others (less discretionary). In response, retailers adjusted promotional strategies, messaging, inventory mix, and more to adapt to this changing behavior.

Direct-to-Consumer Strategies Flourish



In an oversaturated market, both legacy and digitally-native brands have expanded their direct-to-consumer strategies to both gain market share and drive loyalty.

Discerning Consumers Result in De-Influencing



As brands continue to rely heavily on influencers, consumers have become more jaded & discerning in who they listen to and trust. Amidst this skepticism, consumers are looking to influencers who appear less driven by brand partnerships.

New Services and Stores Blossom



Lingering supply chain issues and consumer focus on price & sustainability have driven growth in resale, sustainable alternatives to shipping (i.e. BOPIS), and in-store services (i.e. tailor/alteration).

BRANDS ACROSS RETAIL SUB-CATEGORIES ARE

Navigating A Range of Consumer Behaviors

Big Box

Big Box retail giants are still the go-to for consumers to get all their essentials and non-essentials in a single visit. As shoppers have tightened wallets, we've seen big box stores shift attention to less price-sensitive shoppers in their marketing.

+1-3%

Increase in visits for Target and Costco, compared to 0.3% YoY decline in overall retail visits¹

Apparel & Accessories

Although consumers have been conscious of their discretionary spend, they're still finding opportunities to treat themselves, especially as retailers' supply chain woes diminish and they're able to present shoppers with new items.

+5.3%

estimated sales growth in 2023²

Multi-cultural consumers drove 7% of apparel growth in the last 3 years³

Grocery

With food costs being second only to housing costs in HH monthly budgets, grocery shopping has become a key destination where consumers spend and save money.

+7.5%

estimated sales growth in 2023²

To battle inflation, **79%** of consumers dined out less often⁴

Home Furnishings & Improvement

With a cooling of the housing market, weather impacts, and the decline of pandemic nesting, demand for home improvement and furnishings have slowed.

+2.0%

estimated sales growth of Furniture & Home Furnishings in 2023

-3.6% fall in Home Improvement²

Discount Retailers

Discount and dollar stores have captured a larger share of market as price-conscious consumer mindsets persist. However, these retailers might start to feel the pressure as macroeconomic factors shrink margins.

20.4%

share of visits in H1'2023 for discount & dollar stores, compared to 18.2% in H1'2019¹

Looking Ahead

KEY INDUSTRY TRENDS TO WATCH



LOOKING AHEAD

Key Retail Trends & Emerging Sub-Categories We Expect to Influence Marketing & Media Strategies



Lifestyle Brands

Evolve Again



Business Realities Go Head-to-Head

With Consumer Preferences



The Store Becomes

The Next Advertising Frontier



Retailers Face More Headwinds

As They Stand For Purpose



Emerging Sub-Categories & Brands

Resale, Grocery, Dollar & Off-Price

Lifestyle Brands Evolve Again

People & Brands Further Their Relationship Together

People look to brands for guidelines on what to buy, how to live, and even what causes to support. This expectation is set to only increase as consumer expectations of a brand's purpose increase and brands continue to personify themselves across their marketing.



The Past: A Product

Historically, brands used to only focus on their products to meet specific consumer needs, without prioritizing any other aspects of the brand-consumer relationship.



Today: A Lifestyle or Belief

Beyond core product offerings, brands today seek to promote a specific way of life or a shared set of beliefs, creating deeper connections with consumers and influencing culture.



Today: A Community

Brands today are also focusing on building communities to drive awareness and cultivate loyal consumer bases.



The Future: Friendship

Through brand personalization, direct interaction, and consumer support, brands will continue to evolve to form deep connections with consumers and become strong drivers of culture.

Business Realities Go Head-to-Head with Consumer Preferences

The consumer experience is set to change, not because of their preferences, but because of what retailers must do to maintain and grow margin

New experiences may be at odds with what consumers want (ie. no free returns, locked up items), putting retailers in a tough position of choosing between meeting their customers' needs & improving profitability.



Purchases Are Price & Promotion-Driven

80%

Of consumers are changing their shopping behavior by trading down¹

Private Label food sales jumped **8.2%** the first half of '23, totaling **\$108B**²



Returns on the Rise

~17%

Of online purchases end up as returned merchandise with 27% of consumers ordering extra items that they plan to return to reach free shipping³



Shrink Issues Intensify

\$94.5B

The cost of shrink, including shoplifting and organized retail crime, to retailers in 2021⁴



Resale Raises New Margin Challenges

\$19M

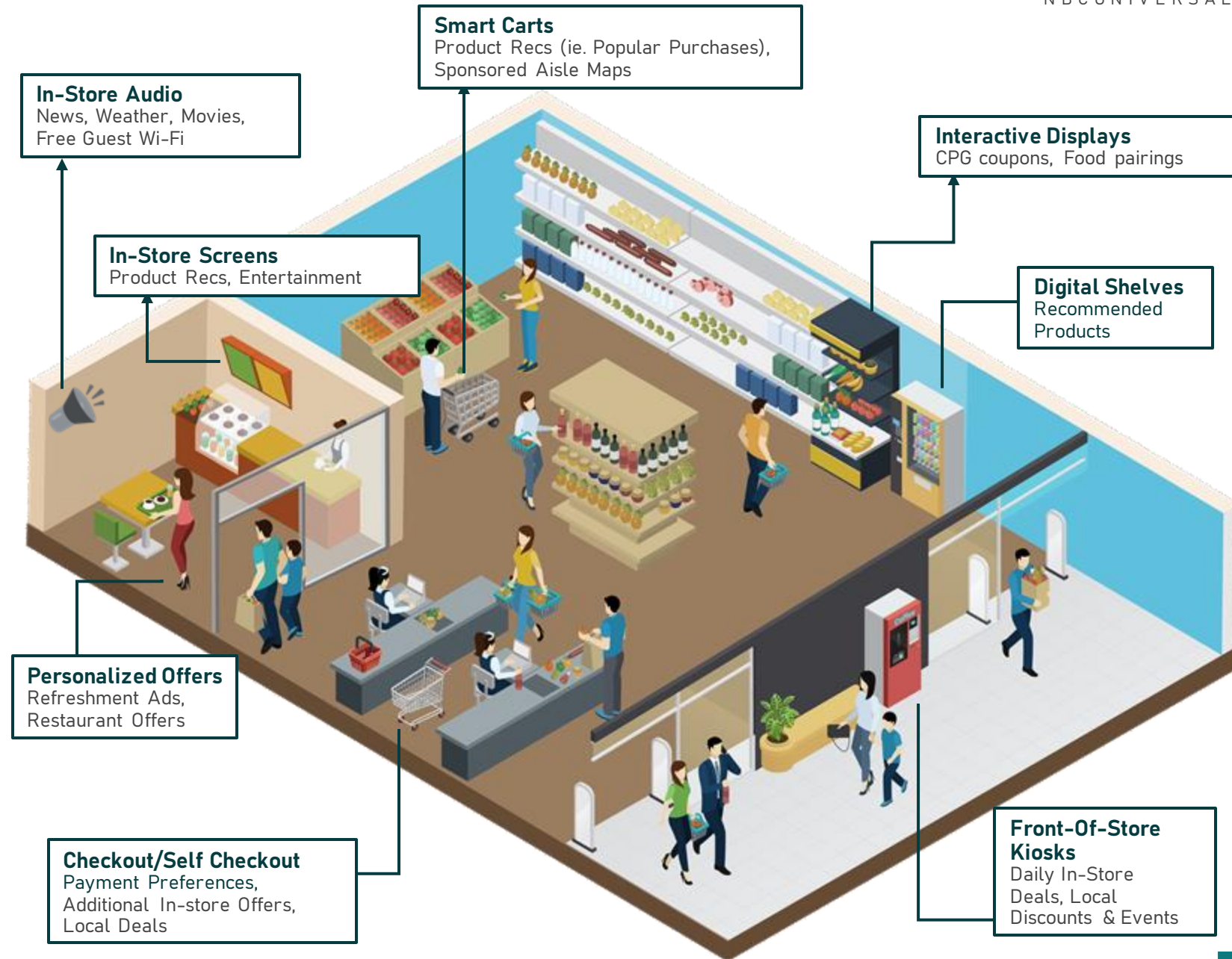
Leading Resellers Q1'23 losses⁵

The Store Becomes the Next Advertising Frontier

As retailers evaluate the role of the store and evolve their media networks, brick & mortar will have a new value proposition

Brick-and-mortars are no longer places simply to transact. Shoppers are seeking out product interaction, in-store experiences and services.

While retail media ad spend is expected to increase by 20% this year, retailers are assessing the fact that in-store audiences are still 70% larger on average than their digital audience.¹



Retailers Face More Headwinds As They Stand For Purpose

Brands will need to be resilient in holding their ground as they stand for change

In an increasingly polarized society, brands have become more sensitive to backlash, negative press, and controversy. This ongoing discourse is making them question the value of taking risks around standing for a purpose.

Despite this fear, the cost of not engaging could cost brands up to \$5.4 trillion⁵ in revenues if they do not use their influence to defend and engage in causes that are relevant to their consumers, employees, and shareholders.

The discourse between consumers and brands has been intensifying, with more brands facing controversy after running purpose-driven efforts

6/12/23

WSJ

Companies Quiet Diversity and Sustainability Talk Amid Culture War Boycotts

6/29/23



Boycotts rarely work — but anti-LGBTQ+ backlash is forcing companies into tough choices

More than ever, brands must hold their stance even as certain groups hurt them in the short-term, because:

Consumer expectations continue to increase

67%

of U.S. adults in 2023 think companies should play an active role in communicating their position or get involved in political/social issues, or take a stance on these issues when they are directly related to their business (vs. 61% in 2021)²

Employee retention boosts, and further benefits the bottom line

3x

US employees say they are 3x less likely to leave a purpose-led company³

Customers appreciate brands that have consistent values

2/3

Of businesses say brand consistency has contributed to revenue growths of at least 10%⁴

EMERGING SUBCATEGORIES

Resale, Grocery and Dollar & Off-Price retailers are driving significant category growth

Resale



The subcategory has seen steady growth driven by younger generations and a demand for sustainable, unique, and affordable fashion.

Why to Watch

The secondhand market expected to reach \$350B globally and \$70B domestically by 2027.¹ Hispanic consumers are 21% more likely to consider or buy into resale²

Ad Spend

\$389M subcategory spend in 2022 with a 54% and 45% digital/linear split.³

Grocery



The subcategory continues to grow as evolving consumer preferences and technology reshape shopping habits.

Why to Watch

47% of U.S. consumers cook more often now than they did last year.⁴ Online grocery sales expected to see a CAGR of 11.7% over next 5 years.⁵

Ad Spend

\$690M subcategory spend in 2022 with a 69% and 31% digital/linear split.³

Dollar & Off-Price



Dollar stores have seen steady growth as consumers continue to adjust spending, and off-price retailers are finding success by prioritizing both value and store experience.

Why to Watch

Visits to off-price apparel retailers increased 13.1% YoY in July 2023, compared to a 10.3% decline in visits to other apparel retailers.⁶

Ad Spend

\$1B subcategory spend in 2022 with a 63% and 37% digital/linear split.³

SUMMARY

Key Retail Trends We Expect to Influence Marketing & Media Strategies



Lifestyle Brands Evolve Again

Brands continue to evolve from selling a product, to upholding a belief, to creating a community, to building a relationship



Business Realities Go Head-to-Head With Consumer Preferences

Driven by shrink issues, increasing returns, and pressured margins, retailers may be forced to create experiences that are at odds with what consumers prefer



The Store Becomes The Next Advertising Frontier

Brick-and-mortar will find a new value proposition as an advertising platform to reach consumers



Retailers Face More Headwinds As They Stand For Purpose

Brands will need more resilience in holding their ground as they defend causes and consumers



Emerging Sub-Categories & Brands Resale, Grocery, Dollar & Off-Price

Tangible Strategies

FOR RETAILERS TO MARKET EFFECTIVELY



While valuations fell, brands who maintained ad spend through 2022



Ultimately saw less declines in market capitalization. For the average company, this translated to maintaining

\$707m

More in market capitalization compared with brands who cut ad spend

Increased Linear Promo Spend Across Buckets:
Facilitated The Highest Buy Rates During November and December

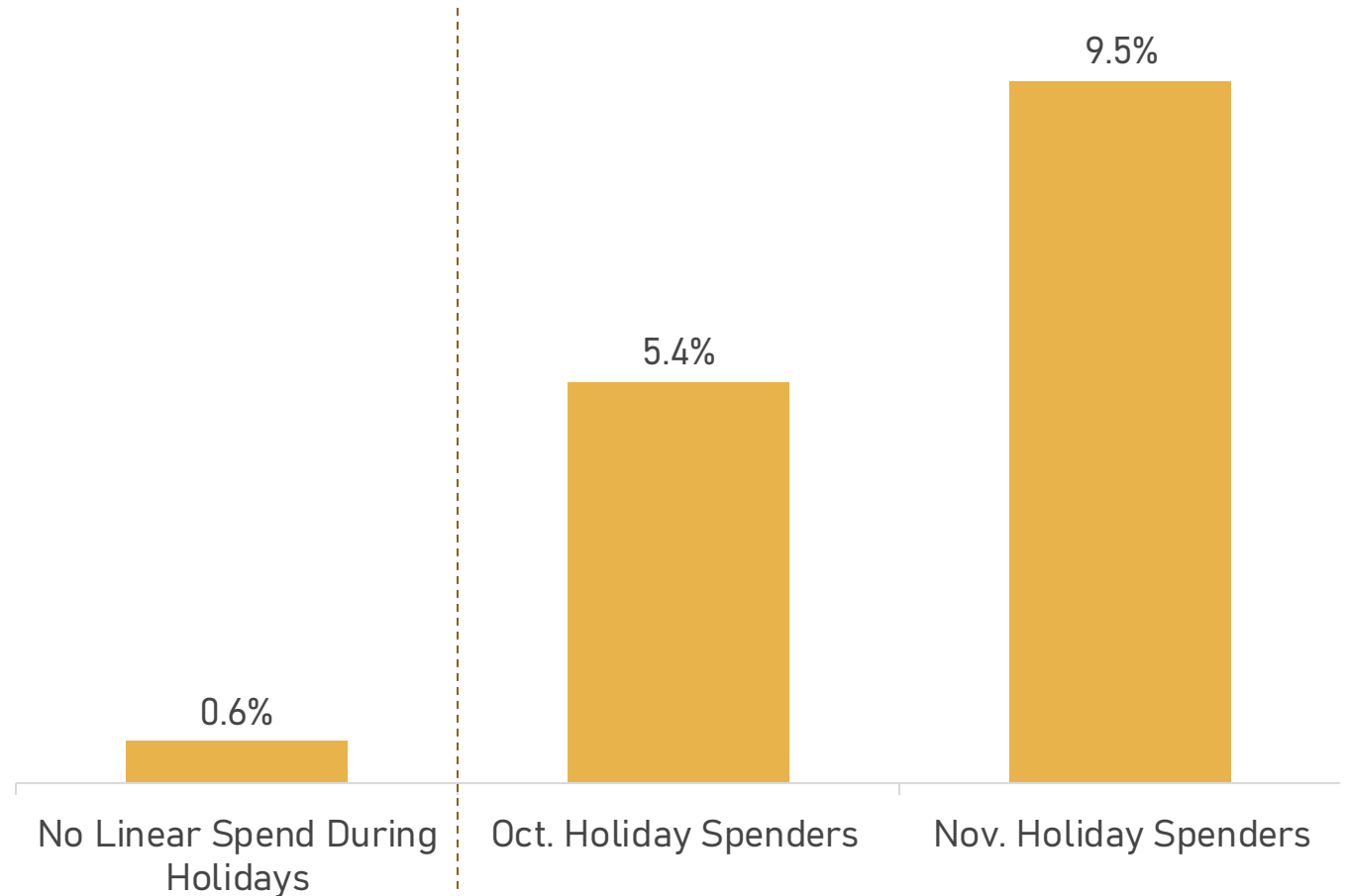
TV promos in Nov-Dec, prompted buy rates to be

13x-17x

higher than retailers without linear investment

*Buy Rate: Number of trips * average spend/basket*
Sources: Numerator, iSpot, Numerator

Total Buy Rate Per Bucket
Q4 2020 vs. Q4 2021 | Buy Rate YoY



Grocery: With Goods in Short Supply, Retailers Pivoted

4%

Incremental growth in sales for Grocers who continued to advertise vs. those who cut

Total Advertising Spend vs. Sales Growth Per Shopper (Q2-Q3 2020 vs. Q2-Q3 2019)

Increased
Ad Spend



\$136.97

Decreased
Ad Spend



\$95.28

Scale:  = \$20.00

Media Trends to Watch

Even as ROI becomes more important than ever, retail marketers will be gravitating towards investments that mimic their own experience-first businesses.

INVESTMENTS MIRROR “Phy-gital” Retail

Over the last few years, the platforms seeing the largest growth have been digital video and out-of-home

3-Year CAGR¹ for:

Digital	+14%
OOH	+13%

Marketing MAKES THE DIFFERENCE

65%

of people globally would like brands to wow them with spectacular advertising and marketing². Brands must connect top-of-mind awareness strategies with stories.

CONSUMERS Will Be Brought In

86%

of Gen Z are willing to commit an hour a week to be part of a working group for their favorite brand, such as joining a Gen Z Council for three months³.

Loyalty Programs WILL BE FEATURED

During times of economic uncertainty, consumers gravitate towards loyalty and subscription offerings.

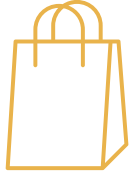
7/11/23

GLOSSY

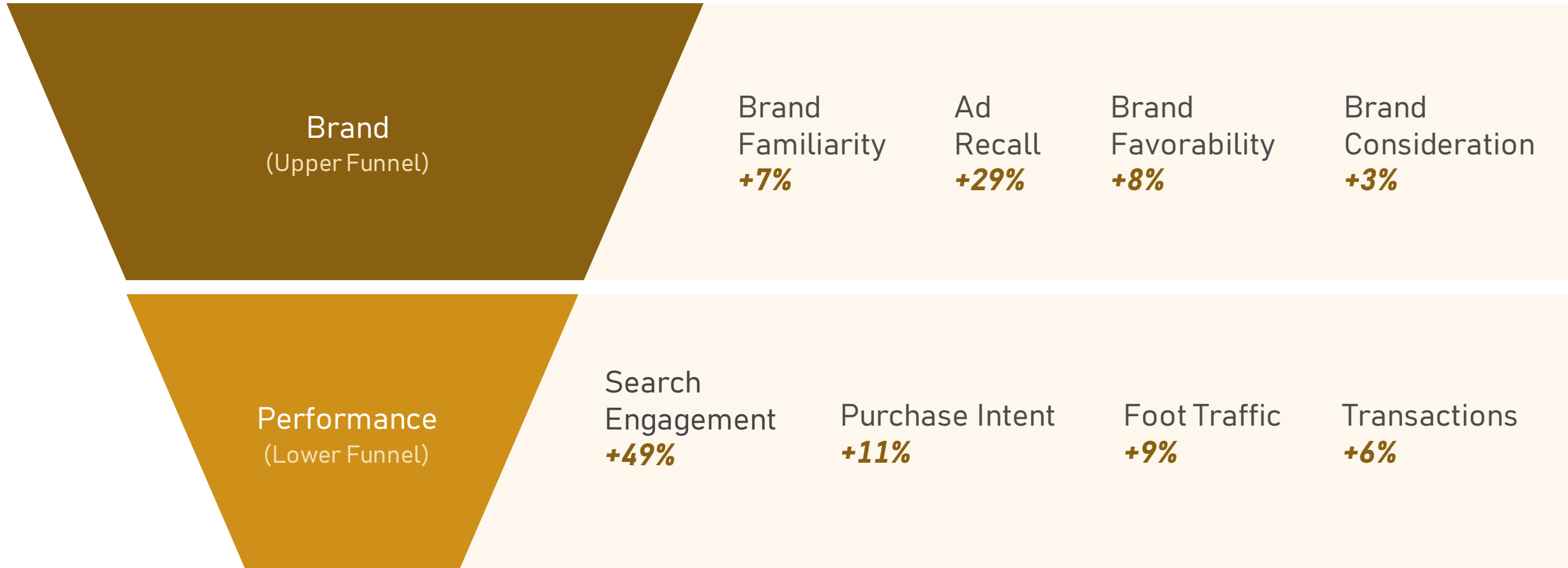
Fashion brands are refreshing loyalty programs to increase customer lifetime value

Retail at NBCU

Proven Impact: Across Brand KPIs



BUSINESS OUTCOME

NBCU RETAIL CAMPAIGNS – *Test vs. Control*

Source: NBCU Ad Impact Database 2017-2022, 49 Brand Impact, 6 Attribution NBCU measured Retail campaigns
 Custom research, vendors vary. Average of exposed vs. control cells for NBCU. Top 2 box;
 Search Engagement (SER Index): EDO, Volume in five minutes following ads airing on NBCU vs. same brand competitive averages expressed as an index (149).

Campaigns Across More Than One Platform Are More Effective

Retail Category
NBCU Campaigns: Multi-Platform vs. Single Platform
% Lift



+7%

Brand Familiarity



+4%

Brand Favorability



+18%

Purchase Intent

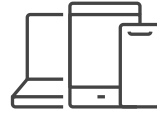


+26%

Brand Recommendation

Strategic
Consideration for
**Driving
Growth
for Retail
Brands**

Secure Brand & Top of Mind Awareness



Why

As both established and digitally native D2C brands continue to battle for customers, brands need to be top of mind during key shopping moments and seasons

How

Invest across platforms for mass reach to encourage top-of-mind awareness and multi-platform shopping that drives sales

Inspire Brand Love and Product/Service Consideration



Why

With more choices than ever before and an expectation for seamless, convenient shopping experiences (the “Amazon Effect”), consumers need inspiration for what to buy & the ability to do so in the moment

How

Capitalize on high impact storytelling and invest in Content Commerce capabilities across shows where audiences lean in

Engage Key Audiences & Build Community



Why

Consumers expect highly personalized recommendations and experiences to capture their loyalty

How

Leverage audience insights and targeting capabilities to create and distribute across content that connects with key customer segments

Leverage Data to Drive New & Repeat Visits



Why

As brands continue to capture more consumer data through rewards and loyalty programs, they can leverage this data to better understand their customers and meet their needs

How

Use 1P and 3P data in combination with lower funnel targeting capabilities to drive repeat visits and grow CLV

NBCU solutions for delivering **Brand & Business Impact for Retail Brands**

SCALE

Secure Brand & Top of Mind Awareness

227M

NBCU viewers with low duplication across platforms



Inspire Brand Love and Product/Service Consideration

Branded Content



Content & Commerce



Apple News



Engage Key Audiences & Build Community



Young Shoppers

Loyalty Members

Omni-Channel Shoppers

PRECISION

Leverage Data to Drive New & Repeat Visits



Audience Targeting & Automation Across One Platform

- ✓ NBCU Streaming
- ✓ Data-Driven Linear (DDL)
- ✓ Cross-Platform (XP)
- ✓ Commercial Innovation
- ✓ Managed Service
- ✓ Programmatic
- ✓ Fandango360
- ✓ Anzu

2023

Retail Industry Insights & Media Considerations

NBCUniversal

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