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
- Home Furnishings & Improvement
- Resale
- Grocery
- Ecommerce & Direct to Consumer
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

<table>
<thead>
<tr>
<th>Price-Consciousness Influences Purchases</th>
<th>Direct-to-Consumer Strategies Flourish</th>
<th>Discerning Consumers Result in De-Influencing</th>
<th>New Services and Stores Blossom</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>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.</td>
<td>As brands continue to rely heavily on influencers, consumers have become more jaded &amp; discerning in who they listen to and trust. Amidst this skepticism, consumers are looking to influencers who appear less driven by brand partnerships.</td>
<td>Lingering supply chain issues and consumer focus on price &amp; sustainability have driven growth in resale, sustainable alternatives to shipping (i.e. BOPIS), and in-store services (i.e. tailor/alteration).</td>
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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 visits ¹

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

Sources: 1. Placer.ai “Retail Giants in 2023” ². eMarketer ³. NBCU Inflation and the MC Shopper ARF Final & Morning Consult “The State of Food & Beverage H2’2023” ⁴. Morning Consult
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.
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 (i.e. no free returns, locked up items), putting retailers in a tough position of choosing between meeting their customers’ needs & improving profitability.

<table>
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<tr>
<th>Business Realities</th>
<th>Go Head-to-Head with Consumer Preferences</th>
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<tbody>
<tr>
<td>Purchases Are Price &amp; Promotion-Driven</td>
<td>80%</td>
</tr>
<tr>
<td>Of consumers are changing their shopping behavior by trading down 1</td>
<td></td>
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<tr>
<td>Private Label food sales jumped 8.2% the first half of ’23, totaling $108B 2</td>
<td></td>
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<tr>
<td>Shrink Issues Intensify</td>
<td>$94.5B</td>
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<tr>
<td>The cost of shrink, including shoplifting and organized retail crime, to retailers in 2021 4</td>
<td></td>
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<tr>
<td>Returns on the Rise</td>
<td>~17%</td>
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<tr>
<td>Of online purchases end up as returned merchandise with 27% of consumers ordering extra items that they plan to return to reach free shipping 3</td>
<td></td>
</tr>
<tr>
<td>Resale Raises New Margin Challenges</td>
<td>$19M</td>
</tr>
</tbody>
</table>
| Leading Resellers Q1’23 losses 5 |}

Sources:
1. McKinsey
2. Winsight Grocery Insights
3. Mintel
4. CNBC
5. Glossy Co.
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

Sources: 1. *Capgemini*, Aug 2022; *PwC*, Feb 2023; *eMarketer* *In-Store Retail Media 2023*

Image: *macrovector* / *Freepik*
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 trillion in revenues if they do not use their influence to defend and engage in causes that are relevant to their consumers, employees, and shareholders.

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

- Consumer expectations continue to increase
- Employee retention boosts, and further benefits the bottom line
- Customers appreciate brands that have consistent values

<table>
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<th>6/12/23</th>
<th>6/29/23</th>
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<td>WSJ</td>
<td>CNBC</td>
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<tr>
<td>Companies Quiet Diversity and Sustainability Talk Amid Culture War Boycotts</td>
<td>Boycotts rarely work — but anti-LGBTQ+ backlash is forcing companies into tough choices</td>
</tr>
</tbody>
</table>

Sources:

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

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

2/3 Of businesses say brand consistency has contributed to revenue growths of at least 10%⁴
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. Hispanic consumers are 21% more likely to consider or buy into resale.

**Ad Spend**
$389M subcategory spend in 2022 with a 54% and 45% digital/linear split.

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**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. Online grocery sales expected to see a CAGR of 11.7% over next 5 years.

**Ad Spend**
$690M subcategory spend in 2022 with a 69% and 31% digital/linear split.

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**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.

**Ad Spend**
$1B subcategory spend in 2022 with a 63% and 37% digital/linear split.

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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 *On Average

Sources: S&P CIQ, MediaRadar, NBCU Proprietary Analysis

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.

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

- 0.6% No Linear Spend During Holidays
- 5.4% Oct. Holiday Spenders
- 9.5% Nov. Holiday Spenders

Buy Rate: Number of trips * average spend basket
SOURCES: Numerator, iSpot, Numerator
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: 4 shopping carts = $20.00

Sources: Numerator, iSpot, Mediaradar Internal Analysis
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 CAGR\(^1\) for:
- Digital +14%
- OOH +13%

Marketing Makes the Difference

65% of people globally would like brands to wow them with spectacular advertising and marketing\(^2\). 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 months\(^3\).

Loyalty Programs Will Be Featured

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

Fashion brands are refreshing loyalty programs to increase customer lifetime value.

Retail at NBCU
Proven Impact: Across Brand KPIs

**BUSINESS OUTCOME**

- **Brand (Upper Funnel)**
  - Brand Familiarity: +7%
  - Ad Recall: +29%
  - Brand Favorability: +8%
  - Brand Consideration: +3%

- **Performance (Lower Funnel)**
  - Search Engagement: +49%
  - Purchase Intent: +11%
  - Foot Traffic: +9%
  - Transactions: +6%

**NBCU RETAIL CAMPAIGNS – Test vs. Control**

Source: NBCU Ad Impact Database 2017-2022, Attribution NBCU measured Retail campaigns. Custom research, vendors vary. Average of exposed vs. control cells for NBCU Top 2 box. Search Engagement (SER Index - EDI), Volume in five minutes following ad 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

- **Brand Familiarity**: +7%
- **Brand Favorability**: +4%
- **Purchase Intent**: +18%
- **Brand Recommendation**: +26%

Source: NBCU Ad Impact Database 2017-2022, 49 Retail Brand Impact Studies
Custom research, vendors vary. Average of test cells for 2+ platforms vs. single platform campaigns
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

Secure Brand & Top of Mind Awareness

227M
NBCU viewers with low duplication across platforms

Inspire Brand Love and Product/Service Consideration

Engage Key Audiences & Build Community

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

Branded Content

Content & Commerce

Apple News

NBCUniversal
Checkout

bravo

peacock

Fandango360

Anzu

Young Shoppers
Loyalty Members
Omni-Channel Shoppers
2023 Retail Industry Insights & Media Considerations

NBCUniversal

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