



HOME IMPROVEMENT REPORT

Finding Opportunity in an Inflationary Environment

July 2022



About this Report

This Home Improvement inflation report leverages Numerator's New Realities custom survey & segmentation analysis of over 10,000 consumers, which identifies five core consumer segments based on their financial health and overall concern for their financial future.

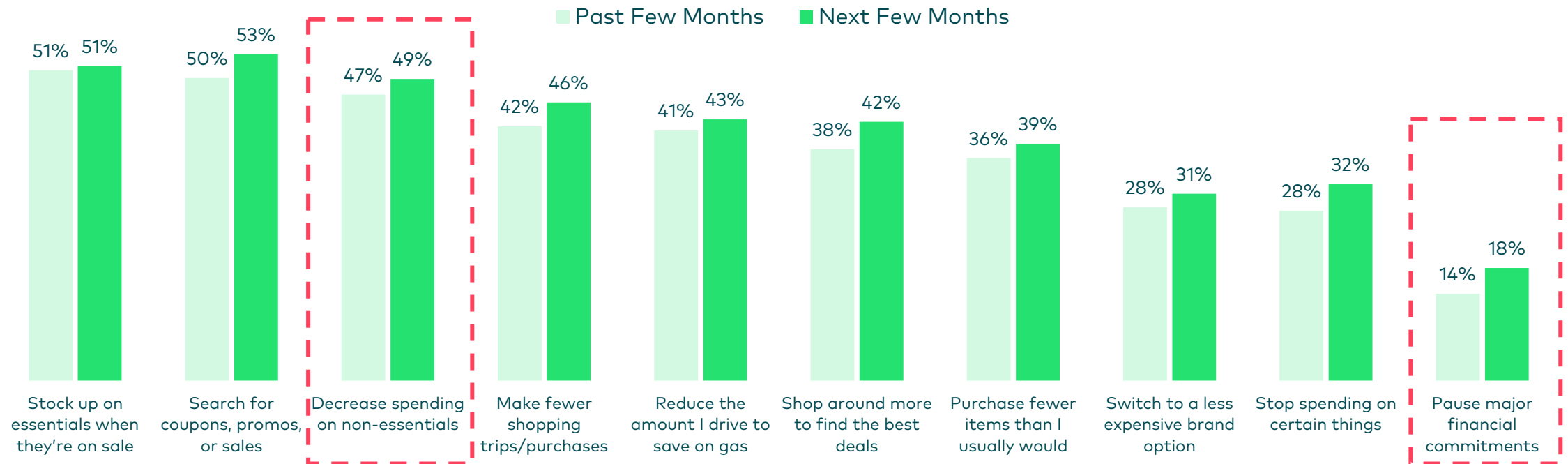
The verified shopping behaviors of these 'New Realities' segments were analyzed using Numerator Insights, and an instant survey was fielded on 6/27/22 which asked how inflation has impacted their home improvement plans in 2022 and what future projects they may take on before the year ends.

Consumers are nervous about their financial futures, and their shopping habits are shifting accordingly.

Nearly all households are taking some steps to combat rising prices.

Only 5% of consumers overall say rising prices have not changed their shopping behaviors. Approximately half (49%) are planning to decrease spending on non-essential items in the next few months, and a smaller number (18%) will also pause major financial commitments— like home renovations.

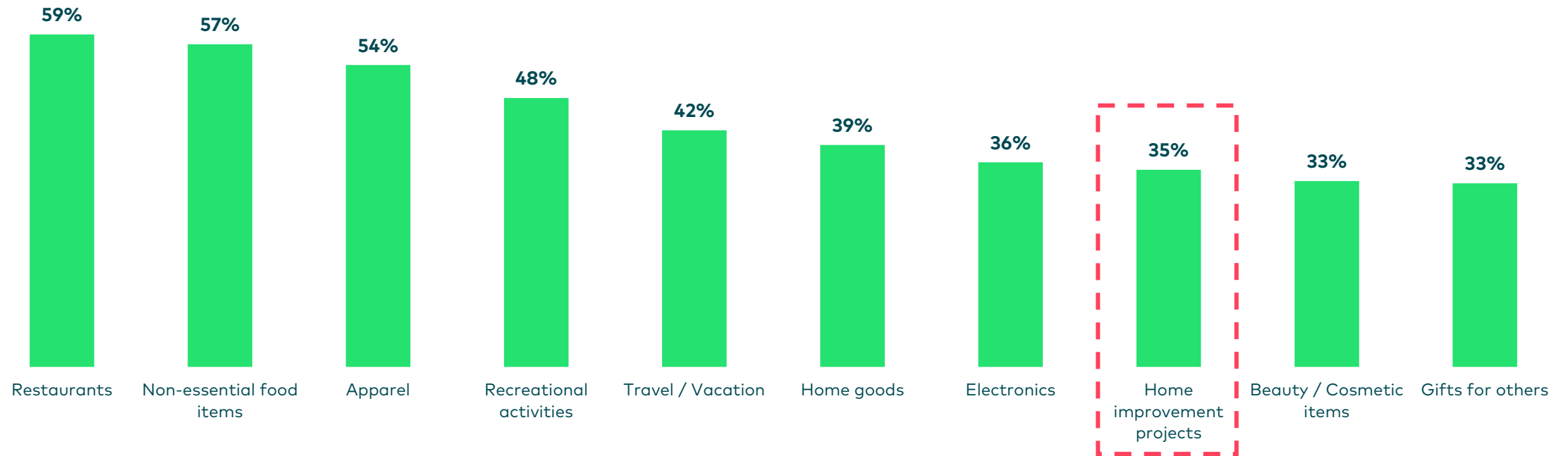
INFLATION RESPONSES



But there is a silver lining: consumers who intend to cut back are more likely to do so on dining expenses and recreational activities than home improvement projects.

Of the 54% who said they'll decrease or stop spending on non-essential items, restaurant and non-essential food items topped the list for expected cuts, followed by apparel and recreational activities like movies & concerts.

EXPECTED NON-ESSENTIAL SPENDING CUTS



The Home Improvement channel has seen **topline declines** in both sales and trips relative to the start of 2021.

Year-to-date, the Home Improvement channel stands alone for its decrease in both trips and spend vs the same period last year.

Shifts to the Club and Dollar channels and away from Home Improvement reveals that consumer behavior is aligned with sentiment— non-essential spend is diminishing, and bargain-hunting is underway.

CHANGE IN SALES & TRIPS BY CHANNEL

Jan-May 2022 vs YA

| CHANNEL | SALES | TRIPS |
|--------------------|-------|-------|
| CLUB | 10.0% | 6.7% |
| DOLLAR | 9.0% | 5.4% |
| DRUG | 8.1% | 5.9% |
| FOOD | 8.5% | 6.9% |
| GAS & CONVENIENCE* | -- | 9.5% |
| HOME IMPROVEMENT | -3.7% | -7.4% |
| MASS | 4.4% | 1.1% |
| ONLINE | 8.2% | 6.1% |



Metrics for key Home Improvement categories reveal even deeper declines.

In key Home Improvement categories trips and sales are down far more, with cumulative projected sales down 18.8% vs YA— an unsurprising trend when comparing to the unprecedented boom the home improvement industry saw in 2020 and 2021.

CHANGE IN SALES & TRIPS BY DEPARTMENT

Jan-May 2022 vs YA

| CHANNEL | SALES | TRIPS |
|-------------------------|--------|--------|
| HAND TOOLS | -9.3% | -13.1% |
| KITCHEN & BATHROOM | -20.1% | -22.0% |
| MAJOR APPLIANCES | -14.7% | -24.8% |
| OUTDOOR POWER EQUIPMENT | -29.3% | -24.4% |
| PAINT & SUPPLIES | -9.7% | -21.2% |
| PATIO | -22.9% | -18.7% |
| POWER TOOLS | -24.1% | -25.8% |



To successfully navigate through the downturn, brands and retailers who compete in these categories will need to identify areas of opportunity underneath the topline trends.

Despite declines, opportunities still exist for savvy Home Improvement brands & retailers among **specific demographic groups and project types.**

We surveyed five core financial segments previously identified in our New Realities custom segmentation study to understand their Home Improvement plans for the remainder of 2022.



STRUGGLING + LOW PURCHASE POWER (19%)

This group's finances are extremely tight and inflation has impacted them heavily, leading to declining financial situations. Individuals in this group have lower incomes and are highly concerned about the future & making ends meet— half of the group members are not currently employed.



STRUGGLING + HIGH PURCHASE POWER (13%)

Finances are also tight for this group, though they have slightly higher incomes to work with than struggling low purchase power consumers. They've experienced heavy inflation impacts & declining finances over the past two years, and they are very concerned about the future.



PUSHING ON (29%)

Neutral or comfortable with finances, this group skews a bit younger and has only experienced slight inflationary impacts. These individuals are less worried about inflation or making ends meet, and their finances have generally improved or held steady in the past two years.



PROSPERING (30%)

This group feels comfortable with their current finances and has experienced little-to-no inflationary impact to-date. Their financial situation has generally improved over the past two years and they're more concerned with work, family and world events than they are making ends meet.



COMFORTABLY RETIRED (9%)

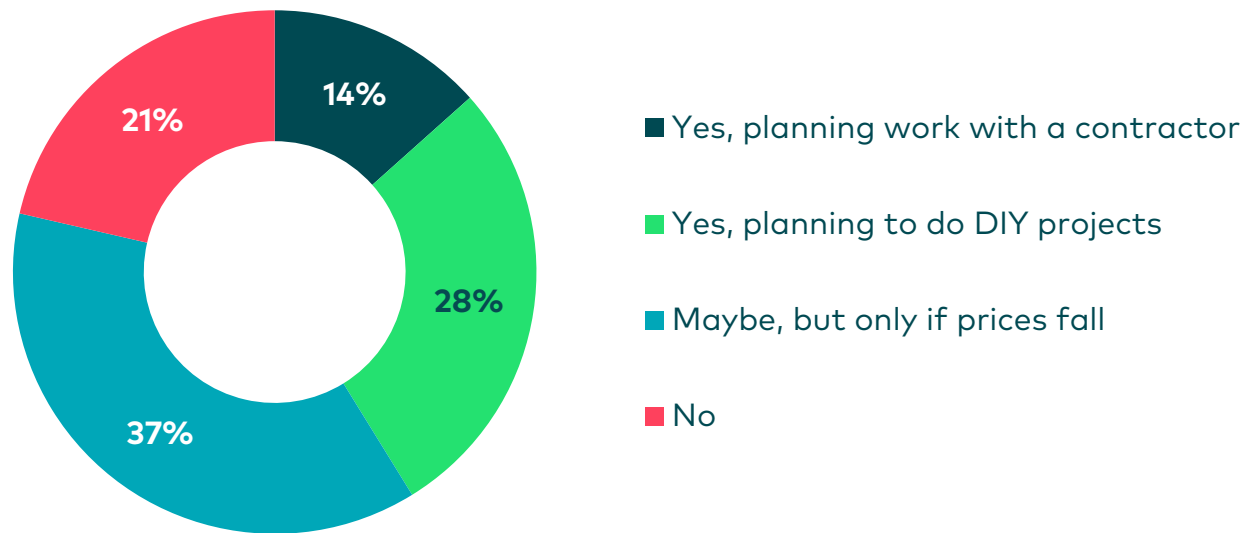
Comfortable with finances, individuals in this group have an average age of 66 and none are currently employed. The vast majority say inflation has not impacted their finances, and they're not worried about it in the future. Their financial situation has stayed the same in the past two years.

PURCHASE POWER DEFINED: the most accurate picture of a consumer's buying power which takes annual income and controls for household size and regional cost of living.

Roughly 42% of households still plan to pursue HI projects in 2H22, and an additional 38% plan to complete projects if prices fall.

INTENTIONS FOR HOME IMPROVEMENT PROJECTS IN 2022

All 'New Realities' Consumer Segments

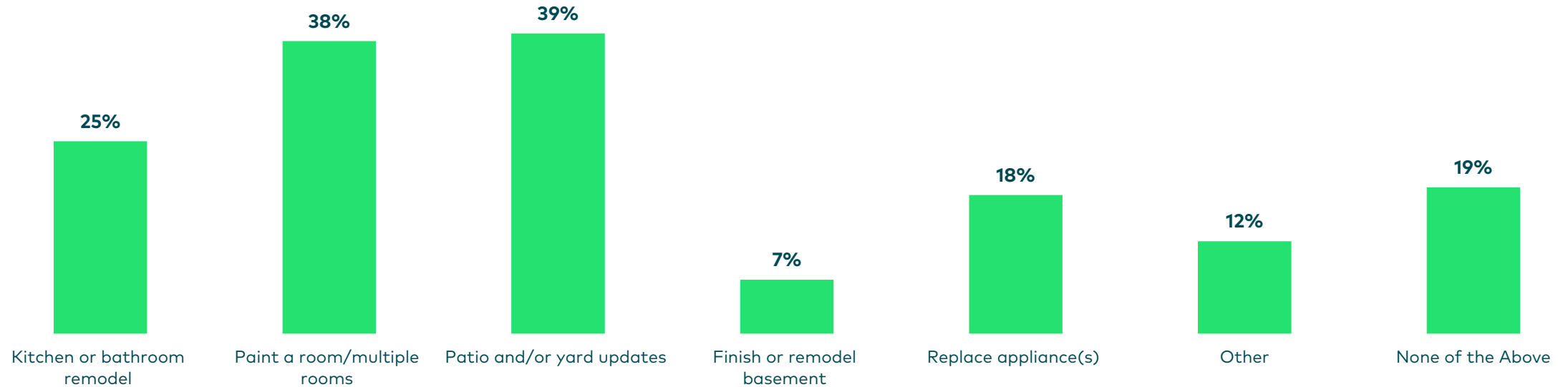


Identifying consumers who plan to pursue projects is paramount for Home Improvement brands & retailers hoping to capture share now that the boom is slowing.

Paint and Patio/Yard projects are top-of-mind for many households across all consumer segments...

INTENTIONS FOR HOME IMPROVEMENT PROJECTS BY PROJECT TYPE

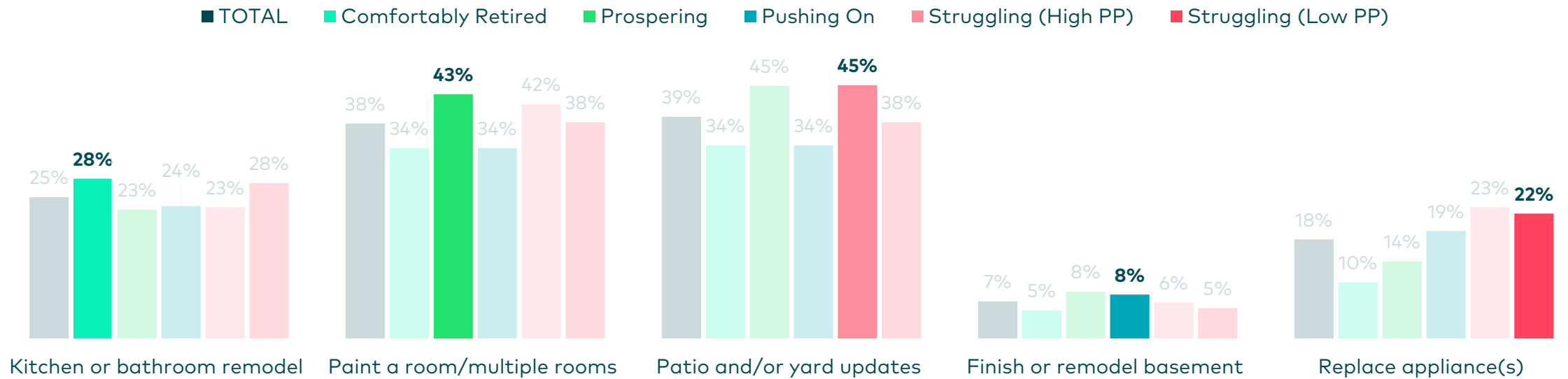
All 'New Realities' Consumer Segments



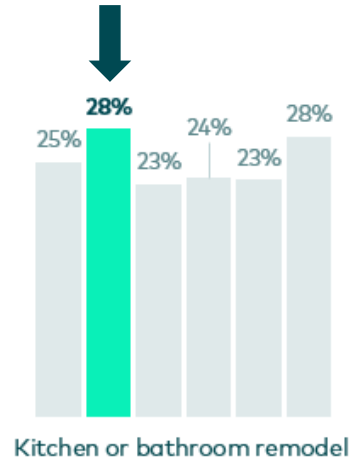
...but opportunities can be found across all project types when intention is broken out by consumer segments.

Each consumer segment is over-represented in at least one project type.

INTENTIONS FOR HOME IMPROVEMENT PROJECTS BY PROJECT TYPE



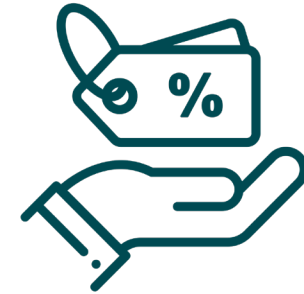
Identifying the optimal consumer profile for specific projects based on intention and behavior is the way to win in 2H22.



Utilize custom segmentation + survey to identify groups who express an above-average intention to pursue a specific project type.



Confirm that the target group's behavior is beating the topline trends in focus categories.



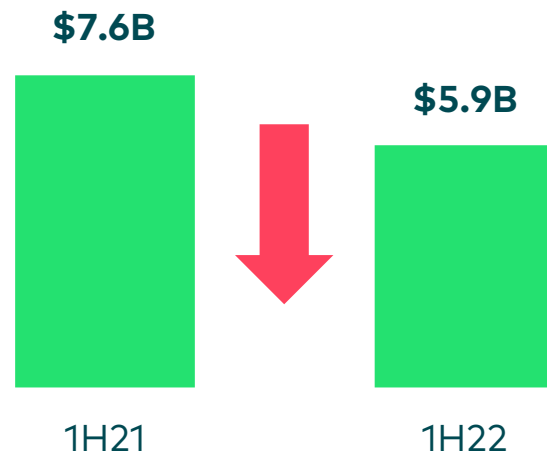
Use panel data to understand how and where to effectively reach your target shopper group and motivate them to purchase.

Patio Case Study: Uncovering (and Winning) a \$64M Opportunity

Patio Case Study: How can retailers & brands win in Patio despite topline declines?

- The Landscape:**
- Patio **Projected Sales are down 23%** in the first half of 2022 (1H22) vs last year.
 - **Trips are down 19%** during the same period.
 - **39%** of all survey respondents indicate that they will consider pursuing Patio/Yard projects in 2022.

TOTAL PROJECTED SALES, PATIO



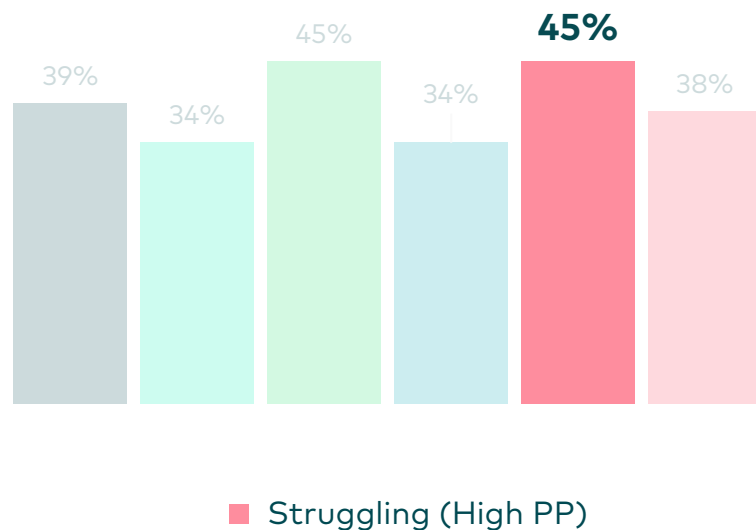
TOTAL PROJECTED TRIPS, PATIO



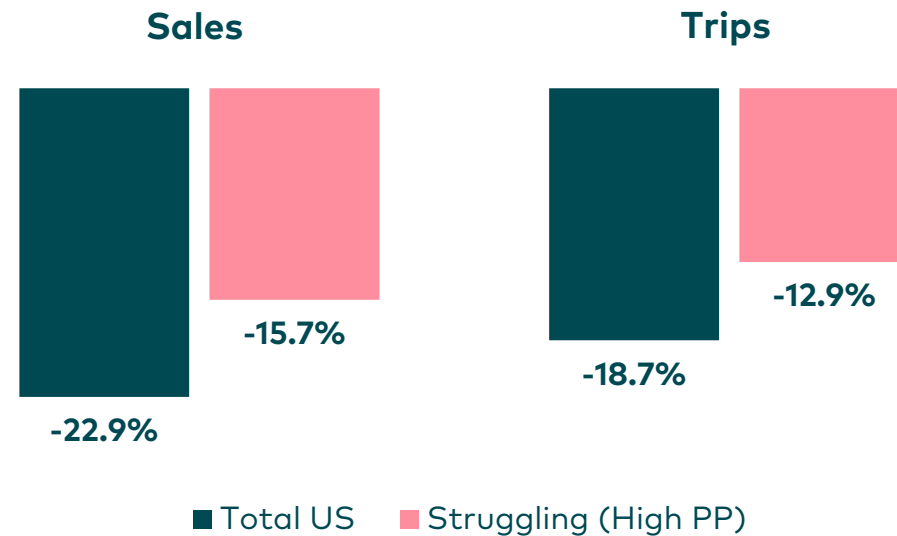
Patio Case Study: Uncovering the opportunity.

- The "Struggling (High PP)" consumer segment is **14%** more likely than the total population to say that they will consider undertaking a Patio/Yard project in the remaining half of 2022.
- Among the Struggling (High PP) cohort, the decline in both sales and trips was not as severe in 1H22 vs. YA when compared to the total population.
- The Patio/Yard market among Struggling (High PP) is forecasted to be a **\$64.2M** market* in 2H22.

INTENTIONS FOR PATIO PROJECTS IN 2022



CHANGE IN PATIO SALES & TRIPS (1H22 vs 1H21) Struggling (High PP) Consumer Segment



Patio Case Study: How to win the opportunity

WHO ARE THEY?

Struggling (High PP) are:

- **14%** more likely to be Black/African American.
- **31%** more likely to have a graduate degree.
- **30%** more likely to live in the West South Central states.

WHERE DO THEY SHOP?

Struggling (High PP) spends **23% more of their Patio/Yard dollars at Lowe's** than the average US shopper (*put another way*: Struggling (High PP) are much more inclined to shop Patio/Yard at Lowe's than the average US shopper).

WHAT DRIVES THEM TO BUY?

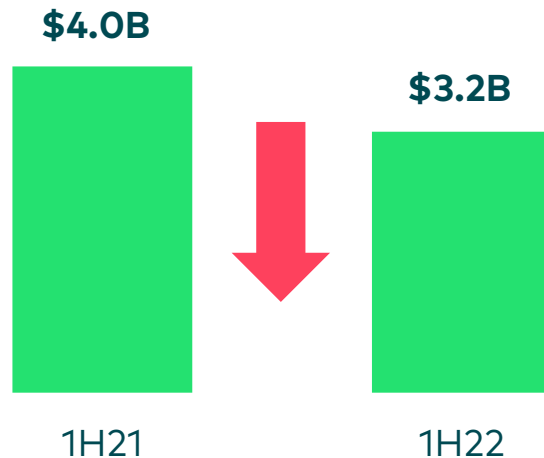
- **37%** more likely to name Print Media as their most influential advertising touchpoint; **11%** more likely to list online web (vs. Total US).
- Struggling (High PP) HHs are **heavy PC users**: 22% use the PC more than 8 hours/day, vs 19% of the Total US (Index: 115).
- **62%** of Struggling (High PP) respondents say **lower prices** would encourage them to pursue a HI project in 2H22— a higher proportion than any other segment.

Kitchen & Bath Case Study: Identifying and Capturing a \$28M Market

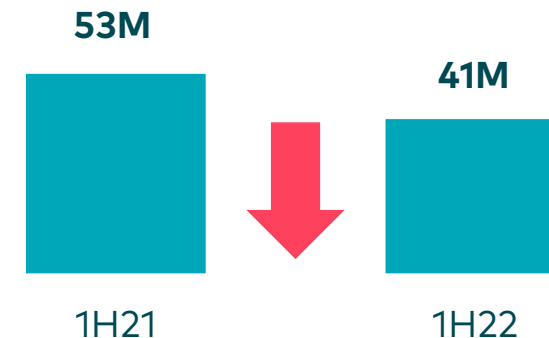
Kitchen & Bath Case Study: How can retailers and brands win in Kitchen/Bath, despite supply chain constraints, price increases, and declining demand?

- The Landscape:**
- Kitchen & Bath Projected Sales are down **20%** in 1H22.
 - Trips are down **22%** during the same period.
 - Only 25% of all survey respondents indicate that they will consider pursuing Kitchen/Bath projects in 2022.

TOTAL PROJECTED SALES, KITCHEN & BATH



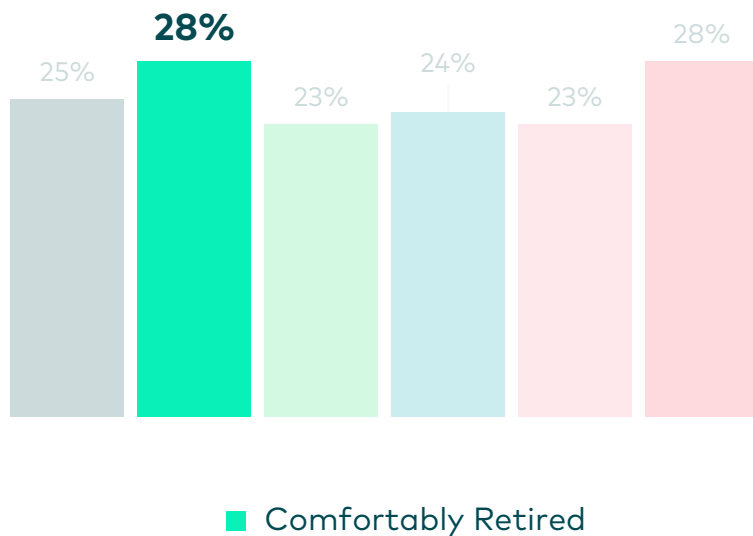
TOTAL PROJECTED TRIPS, KITCHEN & BATH



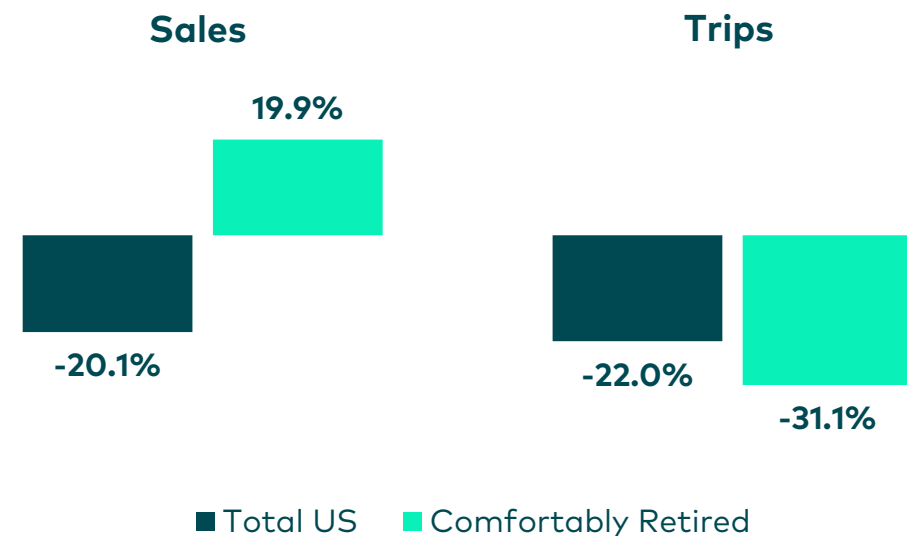
Kitchen & Bath Case Study: Identifying the opportunity

- The "Comfortably Retired" segment is **13%** more likely to say that they may start a Kitchen/Bath project in 2022.
- While the 1H22 decline in Kitchen/Bath trips for Comfortably Retired was deeper than the total market, sales rose **19.9%**
- The decline in trips reflects consumer shifts away from non-essential spending, but the rise in sales reflects Comfortably Retired buyers' price– they were the least likely to report that lower prices would encourage them to begin a home project
- The Kitchen/Bath market among Comfortably Retired is forecasted to be **\$28.1M** in 2H22.

INTENTIONS FOR KITCHEN & BATH PROJECTS IN 2022



CHANGE IN KITCHEN & BATH SALES & TRIPS (1H22 vs 1H21)
Struggling (High PP) Consumer Segment



Kitchen & Bath Case Study: Capturing the opportunity

WHO ARE THEY?

Comfortably Retired are:

- **19%** more likely to be white and **22%** more likely to be Black / African American vs. Total US.
- **18%** more likely to be Rural/Suburban.

WHERE & HOW THEY SHOP

- The Comfortably Retired cohort **spent 53% more of their Kitchen/Bath dollars at Lowe's** than the Total US Population.
- **Home Depot, Lowe's, and Menards all out-perform among Comfortably Retired** in % of HH trips in Kitchen/Bath.

WHAT DRIVES THEM TO BUY?

- **95%** more likely to identify print as their most influential media touchpoint.
- Travel, Home & Garden, Southern Living, AARP - Comfortably Retired shoppers have on-brand magazine preferences.
- **55%** watch TV 3-8 hrs/day, vs 36.6% for Total US (Index 150).
- **44.3%** say that **special promotions/discounts** would encourage them to pursue a home project.

Takeaways

Despite topline difficulties in Home Improvement, underlying category health varies by shopper segment.

Understanding the project priorities, intentions, and behaviors of different shopper segments will unlock market opportunities for brands and retailers.

Customers are motivated differently in a high-inflation environment.

Understanding what motivates your particular customers to pursue Home Improvement projects during macro uncertainty is imperative to capturing available spend.

Income level or past spending behavior isn't always indicative of financial health or inclination to pursue home projects in the future.

Maintaining a pulse on your customers' project plans and Home Improvement spend will grow in importance in the coming months.



There's **More** to Know.

Reach out today for custom insights.

hello@numerator.com

