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Inflation's Impact on Home Improvement Shoppers

OCTOBER UPDATE

Consumers continue to feel the pinch from inflation, as they are forced to spend more on essential items…

Grocery

114

Household

114

Health & Beauty

112

Source: Numerator Insights | L6ME 8/31/22 vs YA | Grocery, Household, and Health & Beauty Sectors

...and home improvement shoppers are feeling the pain as it impacts their home improvement category spend and project plans.

106

Home Improvement

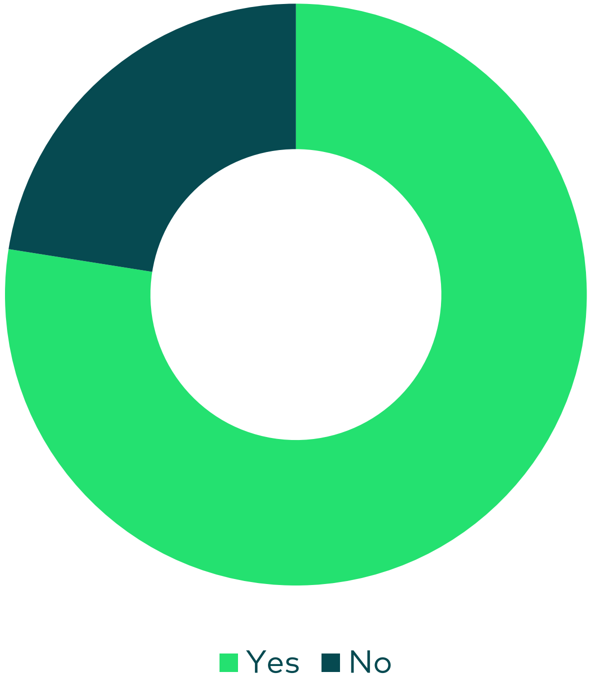
Spend per Unit, indexed to YAGO

97

Home Improvement

% HH Penetration, indexed to YAGO

Have rising prices impacted your plans for home projects in 2022??



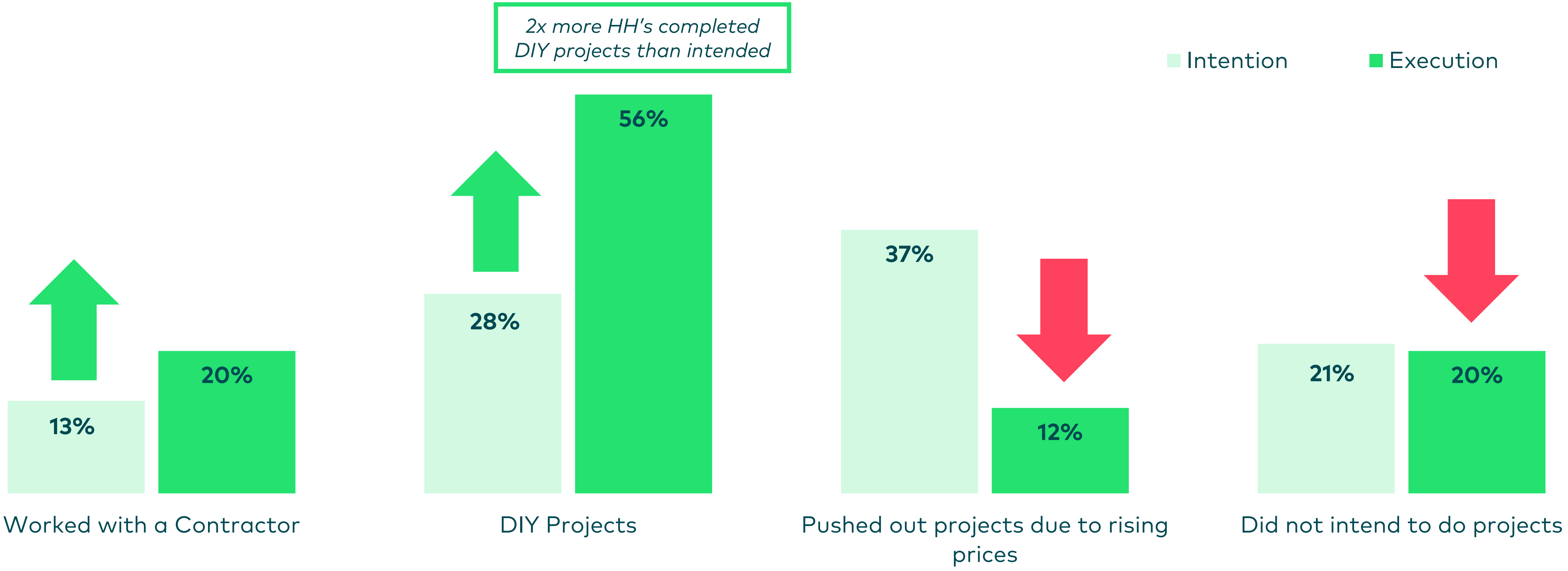
Source: Numerator Insights | L6ME 8/31/22 vs YA | Tools & Home Improvement Sectors
Numerator Survey: Have rising prices impacted your plans for home projects in 2022? N= 912

But consumers' intentions don't always match their actions…

Many consumers *planned* to push out projects due to rising prices, but significantly more completed DIY and contractor-led projects than intended.

HOME PROJECT COMPLETION IN 2022

% of Surveyed HH's, Intentions vs. Execution



Source: Numerator Survey:
Have you completed any home projects in 2022? N= 912
Do you intend to take on any home improvement projects in 2022? N=1015

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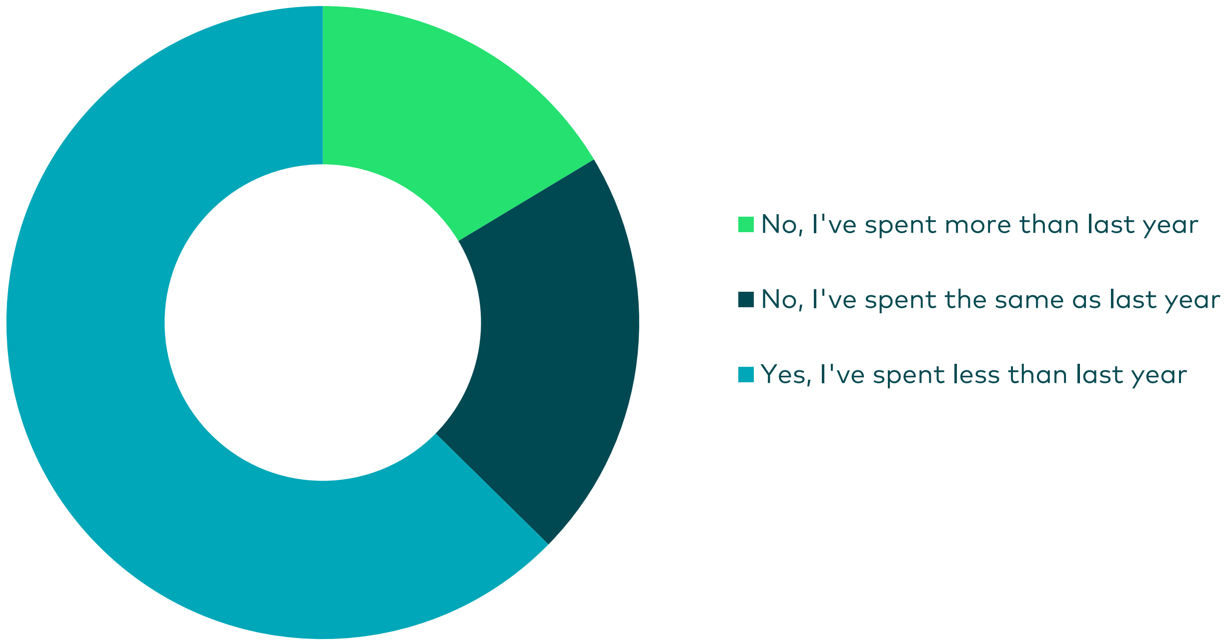
Despite more households completing projects than originally intended, spend continues to contract, likely due to project selection.

HAVE RISING PRICES IMPACTED YOUR HOME IMPROVEMENT PURCHASES?

% of Surveyed HH's



86

Home Improvement

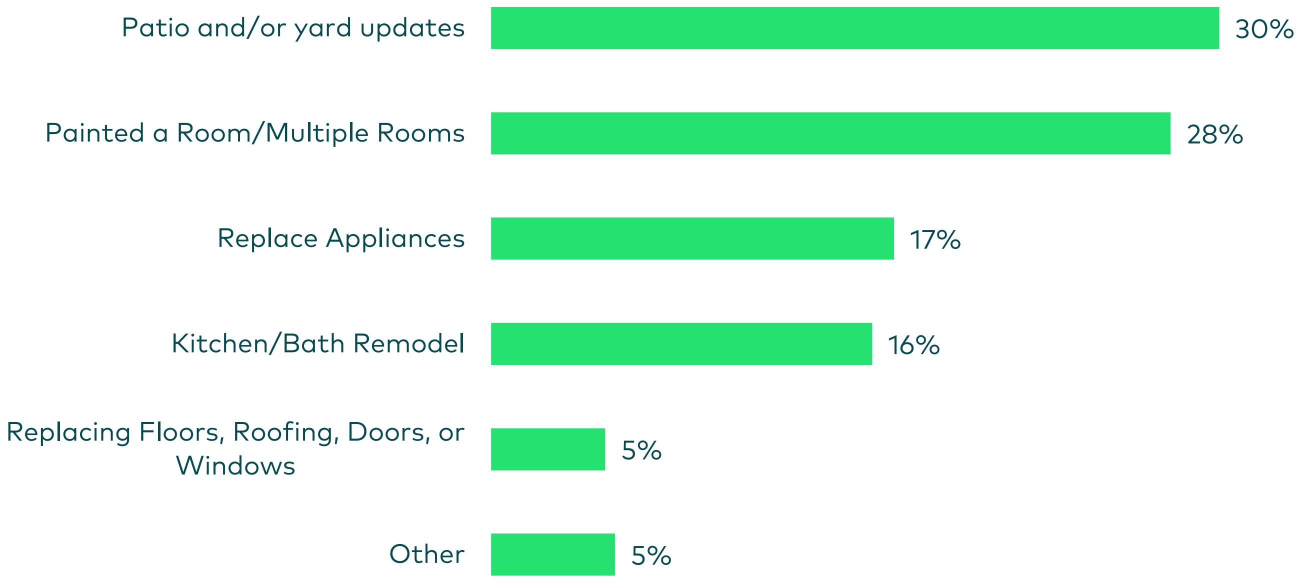
Avg HH Spend, indexed to YAGO

Source: Numerator Insights | L6M ending 8/31/22 vs. YAGO | Sector Home Improvement
Numerator Survey: Have rising prices impacted your home improvement purchases? N=911

Rather than larger scale remodels, consumers prioritized lower-investment projects, such as painting or yard updates.

TYPES OF HOME IMPROVEMENT PROJECTS COMPLETED IN 2022

% of Surveyed HH's



Source: Numerator Survey
What types of Home Improvement projects have you completed so far in 2022? N=1051

As consumers shift projects and spend due to inflation, retailers & brands must be aware of the shopper cohorts and categories that are driving home improvement sales in order to find opportunity.

All consumer segments are pulling back on home improvement spend…

…but some cohorts are slightly outpacing the total category, such as millennials and high-income shoppers

AVG SPEND ON HOME IMPROVEMENT CATEGORIES

P6M Index to YAGO

Home Improvement	86
Hobbies – DIY Projects around my home	87
High Income Shoppers	88
Homeowners	87
Millennials	89

Source: Numerator Insights | P6M ending 8/31/22 vs. YAGO | Home Improvement Categories

Some categories are proving to be more inflation-proof and are faring better than others…

AVERAGE HOUSEHOLD SPEND INDEXED TO YAGO

102

Building Materials

An essential needs category: *trip frequency was consistent YoY*

100

Paint & Supplies

Low price sensitivity: *spend per unit rose dramatically and paint shoppers didn't shy away*

92

Hardware

Low investment category: *low spend per unit allows shoppers to complete low investment projects*

92

Gardening & Lawn Care

Low investment category: *low spend per unit allows shoppers to complete low investment projects*

While other categories are declining significantly year over year, possibly due to higher price sensitivity…

…which is making it difficult to retain shoppers and trips among those shoppers

AVERAGE HOUSEHOLD SPEND INDEXED TO YAGO

Patio	Tools	Outdoor Power Equipment
89	89	87

Lack of Shopper Retention: *Less HH's are making less trips YoY, possibly due to higher price points or because demand was pulled forward during the COVID-19 pandemic.*

Source: Numerator Insights | P6M ending 8/31/22 vs. YAGO | Home Improvement Categories

A robust promotional strategy is the way for brands & retailers to win during inflationary periods for struggling categories.

CASE STUDY

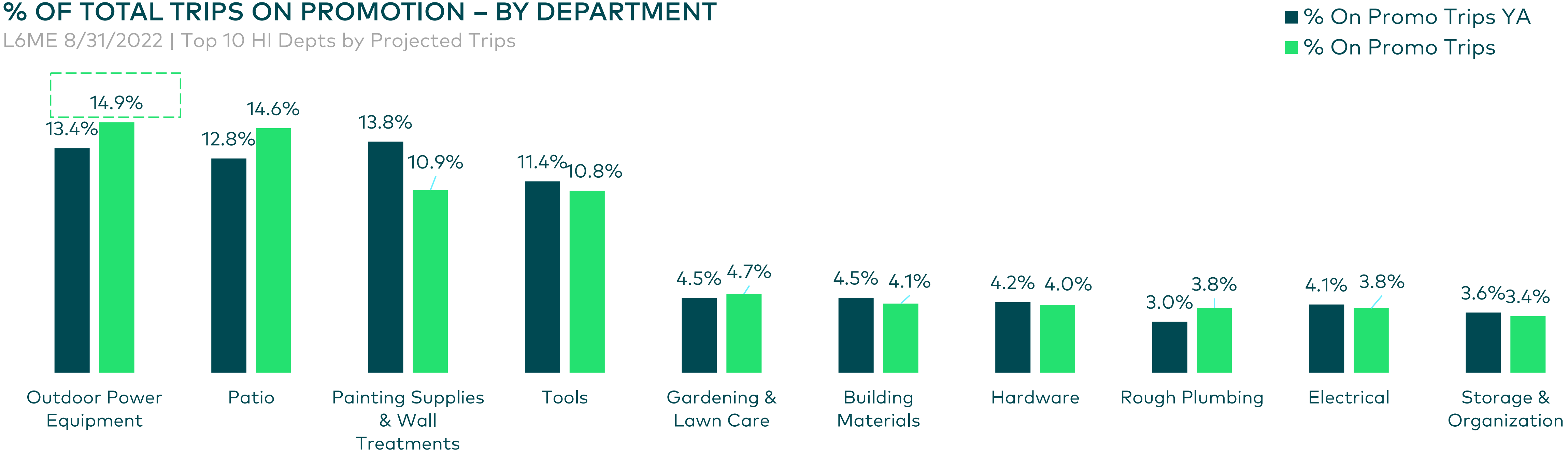
Promotional Strategy within Outdoor Power Equipment & How To Win

High dollar products like Grills and Outdoor Power Equipment are promoting more this year to make up for a lack of shopper retention.

Projects like Gardening or replacing Hardware are less expensive and more essential to everyday life at home, and therefore do not require as many promotions to maintain category health.

% OF TOTAL TRIPS ON PROMOTION – BY DEPARTMENT

L6ME 8/31/2022 | Top 10 HI Depts by Projected Trips



% ON PROMOTION TRIPS INCREASE - YOY

Outdoor Power Equipment	Patio	Painting Supplies & Wall Treatments	Tools	Gardening & Lawn Care	Building Materials	Hardware	Rough Plumbing	Electrical	Storage & Organization
+1.5%	+1.8%	-2.9%	-0.6%	+0.2%	-0.4%	-0.2%	+0.8%	-0.2%	-0.2%

Outdoor Power Equipment sales are down in 2022.

Many shoppers purchased the category while spending more time at home during the pandemic, and retailers must entice those shoppers back into the category.

OUTDOOR POWER EQUIPMENT SHOPPER METRICS

L6ME 8/31/22 | Total Market

METRIC	2022	INDEX VS YA
% HH Penetration	23.8%	85
Spend per Unit	$60.86	99
Projected Trips	51 MM	77

Source: Numerator Insights | L6ME 8/31/22 vs YA | Department Outdoor Power Equipment

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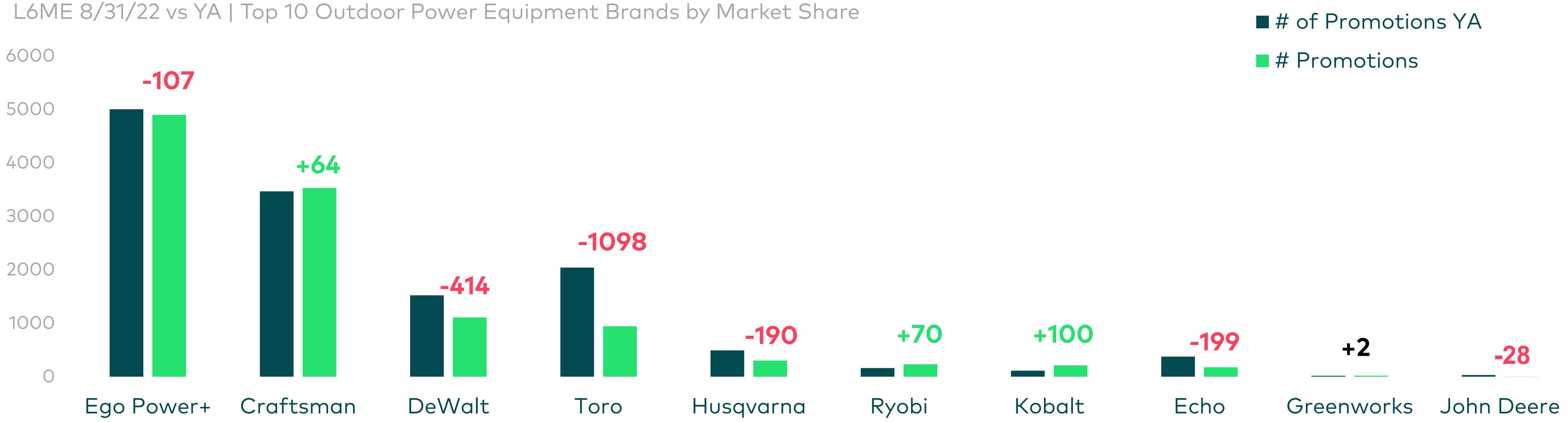
Brands' promotion strategies aren't tied to the market share they have now, but the market share they're aiming for in the future.

EGO Power+ owns only 6.4% share of the Outdoor Power market, but it promotes *39% more* than the next closest brand. Low promoters can expect their market share to fall if they don't increase promotions to gain shoppers.

NUMBER OF OUTDOOR POWER EQUIPMENT PROMOTIONS BY PARENT BRAND

L6ME 8/31/22 vs YA | Top 10 Outdoor Power Equipment Brands by Market Share



BRAND DOLLAR SHARE OF OUTDOOR POWER EQUIPMENT

Ego Power+	Craftsman	DeWalt	Toro	Husqvarna	Ryobi	Kobalt	Echo	Greenworks	John Deere
6.4%	12.0%	4.3%	4.2%	5.3%	24.1%	3.5%	3.5%	2.1%	3.9%

Source: Numerator Promotions Intel Promotion Drivers | Numerator Insights Share Explorer L6ME 8/31/22, Top 10 Outdoor Power Equipment Brands by Market Share

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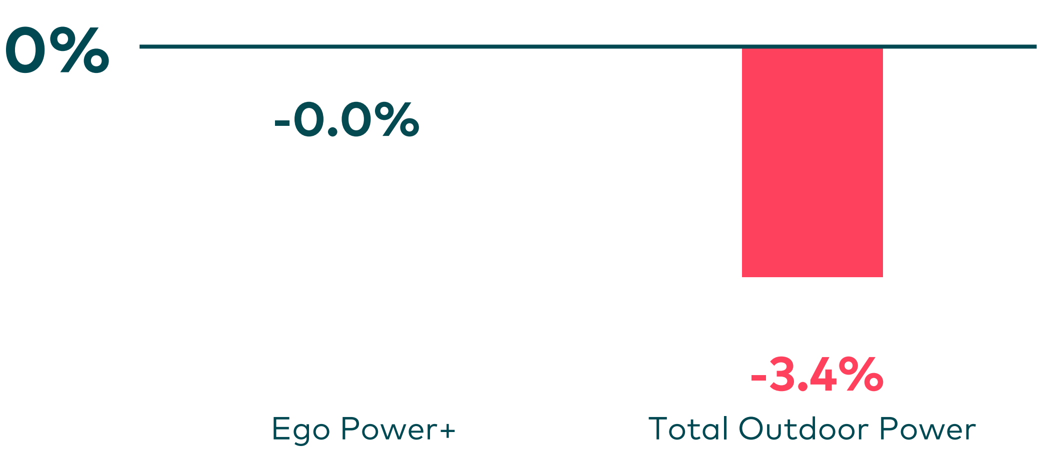
While the whole category lost households…

% HH PENETRATION CHANGE YOY

L6ME 8/31/22 vs YA | Ego Power Plus vs Total Outdoor Power



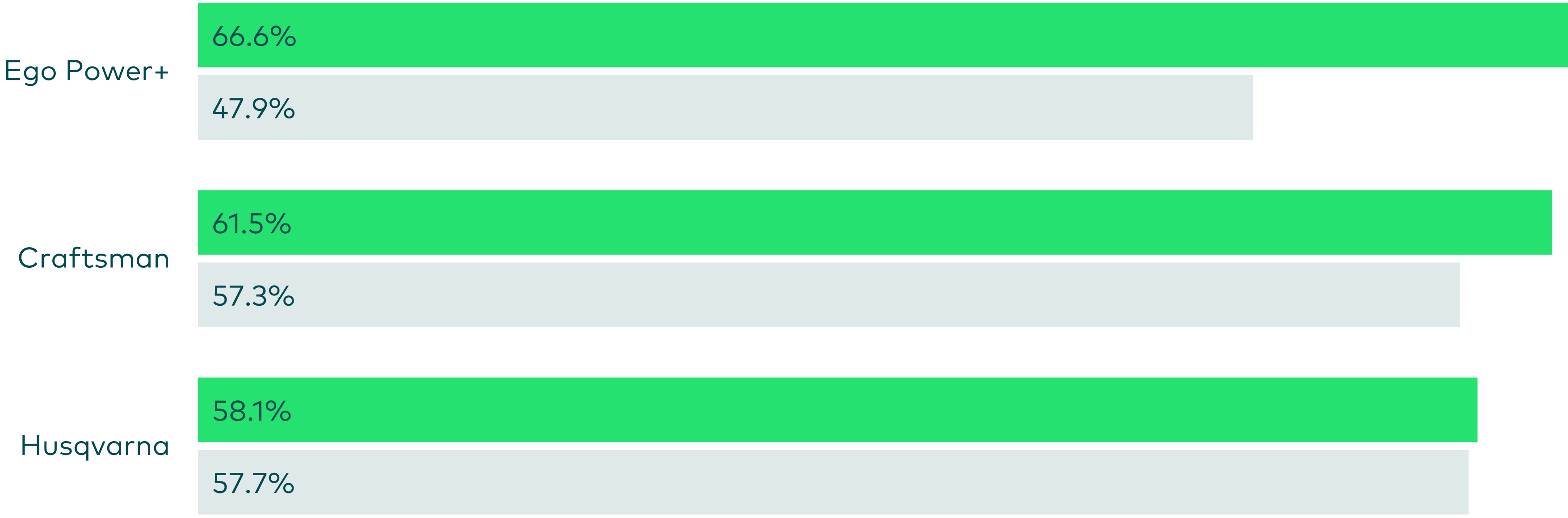
Ego Power+ mitigated their losses by being the heaviest promoter in the OPE universe, which allowed the brand to maintain households YoY & outpace total OPE.

Source: Numerator Insights | L6ME 8/31/22 vs YA | Department Outdoor Power Equipment, Brand Ego Power Plus

Ego Power+'s promos bring in more spend from new to category shoppers – unclaimed HHs who could become loyal brand shoppers.

% OF PROMOTION SPEND FROM NEW CATEGORY BUYERS

Promo Periods in L6ME 8/31/22 vs Off-Promo Periods in Same Time Frame



New Category Buyers are defined as shoppers who have not previously purchased within Outdoor Power Equipment Department anywhere in the 52 weeks preceding 3/1/2022.

Source: Numerator Promo Insights Promo Optimization | Promotion Periods in L6ME 8/31/22 vs Off Promotion Period in Same Time Frame

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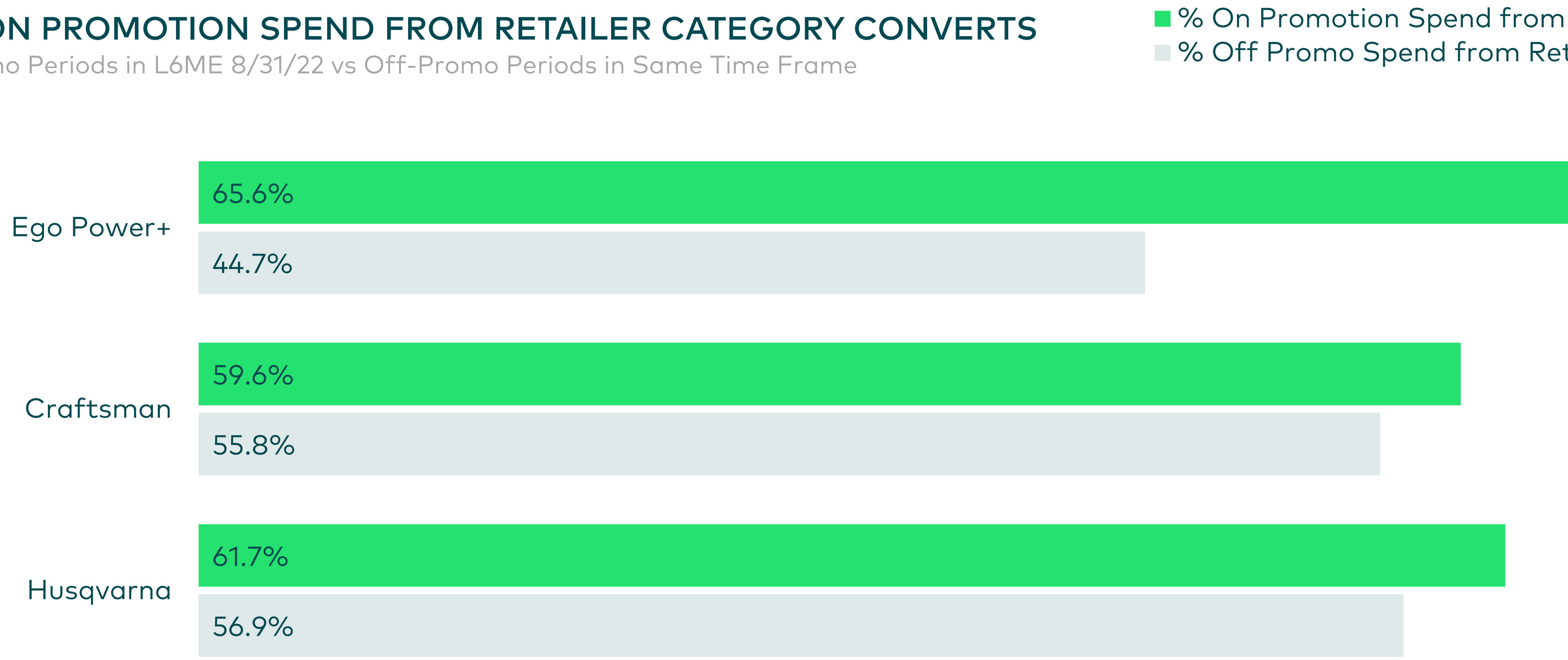
And their promotions help increase category closure, making their brands valuable for retailers that run their promotions.

% ON PROMOTION SPEND FROM RETAILER CATEGORY CONVERTS

Promo Periods in L6ME 8/31/22 vs Off-Promo Periods in Same Time Frame



Retailer Category Converts are defined as shoppers who bought at the retailer hosting the promotion in the 52 weeks before 3/1/2022 but did not purchase in Patio Department at the retailer until the promotion.

When brands promote, they're bringing in wealthy shoppers who are looking for top-quality products.

On-Promotion Outdoor Power Equipment Buyers are…

All Indexes against All Outdoor Power Equipment Buyers

28%

55-64 Years Old

Index = 109

20%

Hobbies: Home Decorating & Furnishing

Index = 118

49%

70th-100th Purchase Power Percentile

Index = 110

29%

Shopping Attitudes: Quality Driven

Index = 110

Source: Numerator Insights | L6ME 8/31/22 | On-Promotion Outdoor Power Equipment Buyers n=4,676, All Outdoor Power Equipment Buyers n=49,968

And on-promo OPE buyers are more valuable to the brands they choose to buy and the retailers where they buy them.

Compared to average OPE shoppers, On-Promo buyers…

Take more trips

1.6

On-Promo Shoppers' Trips for Outdoor Power

vs. 1.4 for All Outdoor Power Shoppers
Index = 111

Spend more on the Category

$143

On-Promo Shoppers' Avg Spend/Trip on Outdoor Power

vs. $92 for All Outdoor Power Shoppers
Index = 156

And build bigger baskets

$195

On-Promo Shoppers' Avg Outdoor Power Basket Size

vs. $140 for All Outdoor Power Shoppers
Index = 139

Source: Numerator Insights | L6ME 8/31/22 | On-Promotion Outdoor Power Buyers n= 4,676, All Outdoor Power Buyers n= 49,968

Key Takeaways

Inflation continues to impact home improvement, causing consumer actions to deviate from their intentions.

Consumers are completing more projects than originally expected but are tending to favor low investment projects.

Numerator can help:
Maintain a pulse on consumers' shifting behavior with category analyses.

Certain categories are proving to be inflation-proof, while others are struggling to maintain shoppers YoY.

Essential-need and low-price categories are winning, while shoppers are proving to be price-sensitive in high-investment categories.

Numerator can help:
Survey lapsers within your category to understand barriers to purchase.

A robust promotional strategy is key for maintaining brand and retailer health.

Brands that are promoting more than others or more YoY are more successfully bringing new shoppers to the brand and category.

Numerator can help:
Complete a promotional analysis for your brand to understand how it stacks up to other brands in your category.

There's More to Know

For a custom category or promotional analysis, or to survey your own brand buyers, reach out today!

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