



# Numerator

NEW FRONTIERS

## Who's Feeling the Squeeze?

Looking Beyond Income for Shoppers on a Tight Budget

# Wondering about the uptick in panic headlines lately?

Student delinquencies up as U.S. household debt hits another record

The cost of raising a child in America has soared — it's a price tag fit for a prince

In U.S., wage growth is being wiped out entirely by inflation

39 million households are paying more for housing than they can afford

*SALT Limit Is Hitting 11 Million Tax Returns, Audit Finds*

A variety of topics in personal finance are becoming hot-button issues, some reaching Netflix-level fame

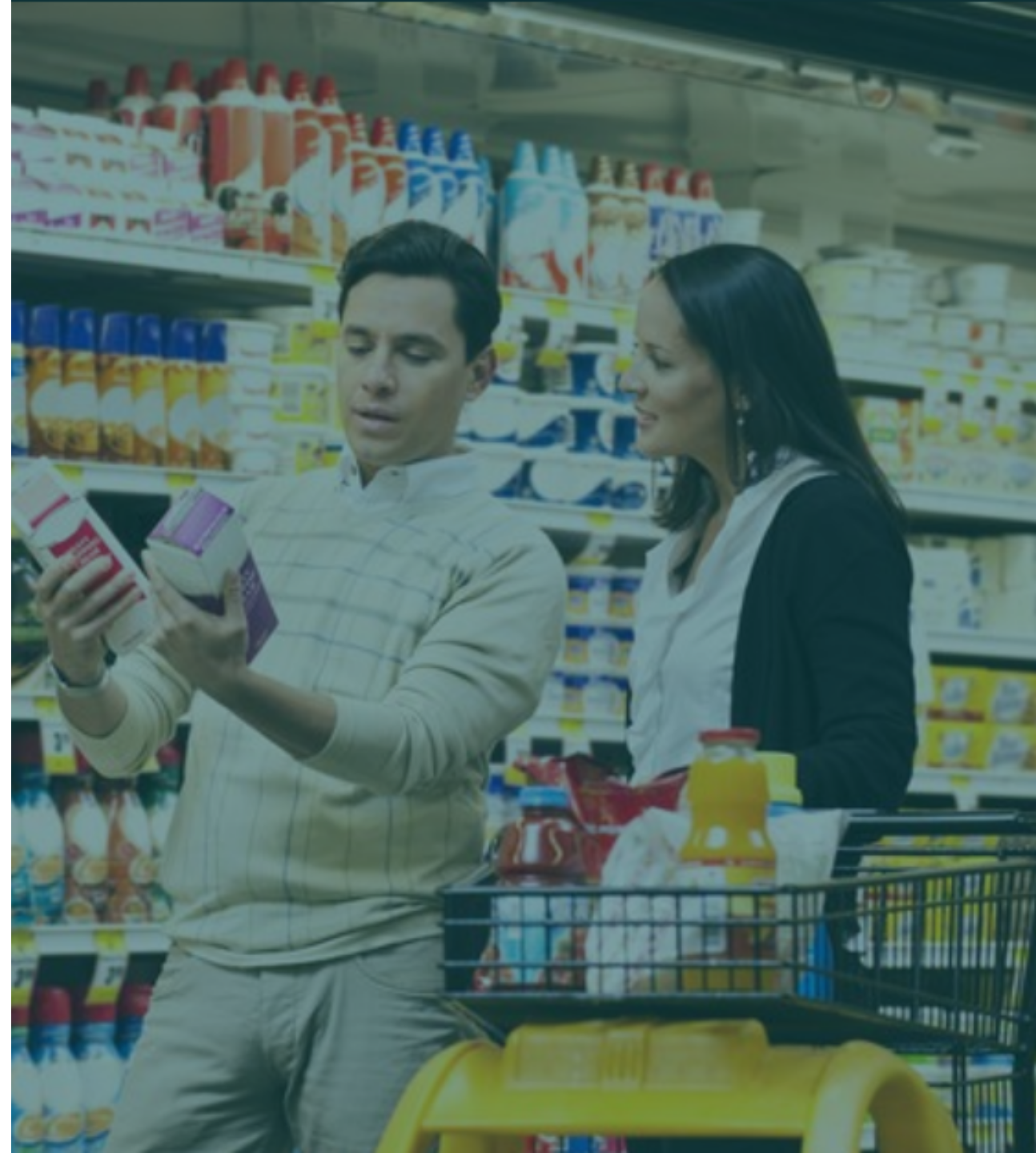


Consumers are increasingly stressed about finances... and it's not just related to their income

**But how will it impact how they shop?**

# Agenda

- Mythbusting time!
  - Low Income = Feels Financially Insecure?
- What's next if the alarm bells go off for real?
- How can we insulate our brands and stores from the economic climate?





## Mythbusting Time!

"We've already done work on low income consumers, so that means we already understand the cash-strapped household, right?"

**WRONG.**

While low income HHs are important to watch... there are 50M, and not all of them act cash-strapped...

**-18%**

difference in annual spending between  
low income shopper vs. the national  
avg.

**41%**

of low income shoppers live alone.  
Income is not the only driver of low  
spend!

**No  
difference**

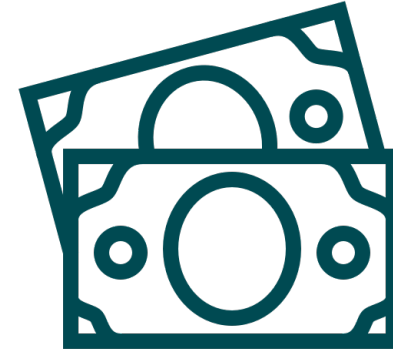
in low income shoppers' propensity  
to budget or feel uncomfortable with  
debt

... And not everyone feeling squeezed is low income!



~20 million

US households (15%) identify as  
**"overwhelmed with burdens financially"**



27%

of financially burdened households  
are **high income** (\$80k+),  
and 18% make \$100k or more



# Once you account for demographic elements, feeling burdened noticeably decreases spending

## Compared to Total US Households in the same income, urbanicity, and HH size bracket...

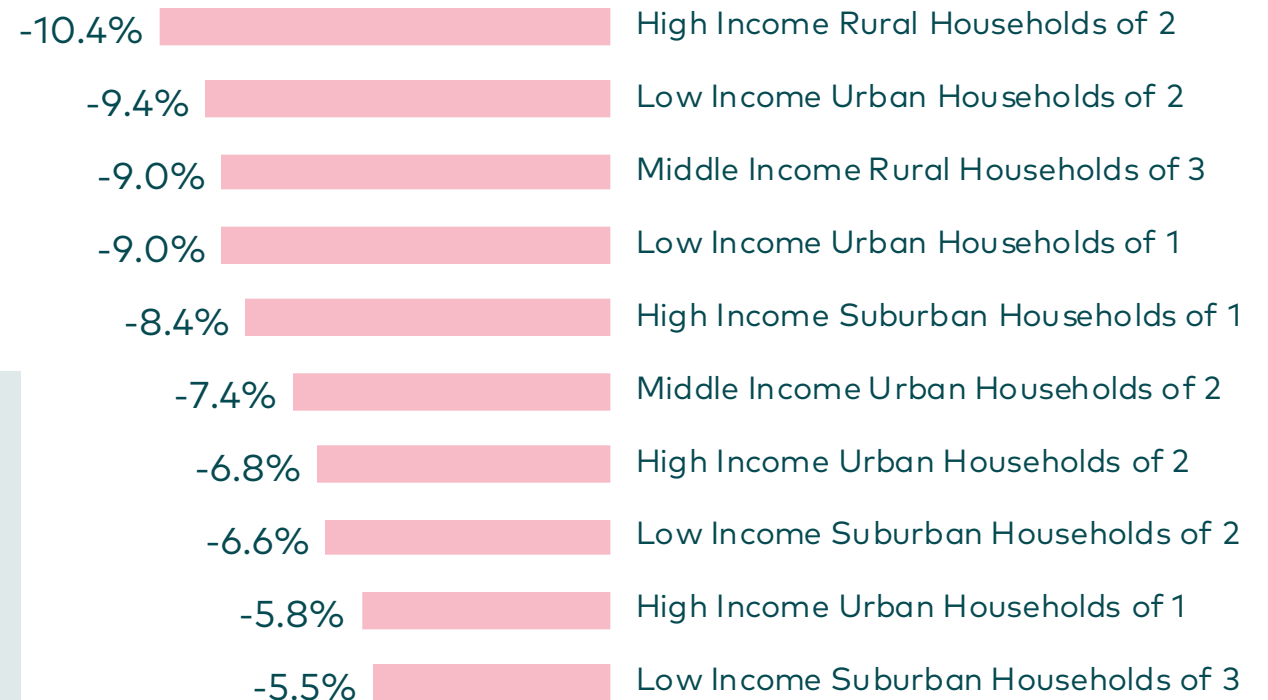
Difference in Annual Spend on Household Staples\*, Financially Burdened Shoppers vs. Total US (w/ matching Demographics)

### How to Read:

When a High Income Rural Family of 2 is financially burdened, they spend 10% less than the avg. High Income Rural Family of 2

### So what?

HHs whose Necessity Spending is getting "the most squeezed" (has dipped the most vs. the average HH) range across incomes and urbanities, but tend to be small HHs (1-3 ppl)

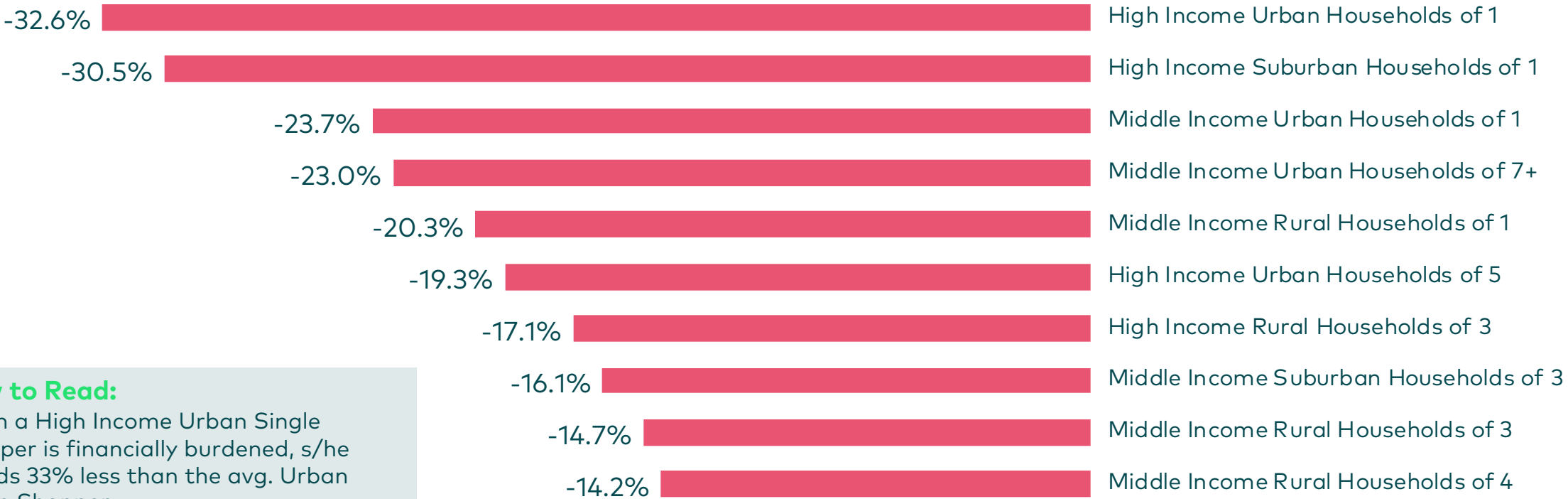


# The difference is even more stark in discretionary items, especially among **higher income** households

## Like-to-Like Difference in Spend on Electronics and Toys

Financially Burdened Shoppers by Demographic/Geography vs. Total US (Matching Demographics)

*Compared to total US households in the same income, urbanicity, and household size brackets...*



**How to Read:**  
When a High Income Urban Single Shopper is financially burdened, s/he spends 33% less than the avg. Urban Single Shopper

**So – what if the economy does get worse?**

Shoppers who already feel their finances decline  
can help predict how other shoppers might react!



# 19 million

US households said that their finances last year were worse than the year before, with

# 7 million

reporting their **2<sup>nd</sup> consecutive year of worsening finances**

**How did these increasingly squeezed shoppers change their behavior over time?**

# They trimmed their shopping lists, particularly in beauty

*...and continued cutting more discretionary categories from there over time*

*Which core CPG categories\* lose the most buyers when a household's finances worsen?*

## Y1 OF WORSE FINANCES



- Fragrance (-2.4 pts vs. prior year)
- Beauty Tools (-2.3 pts)
- Makeup (-1.7 pts)
- Bath & Body (-1.4 pts)
- Weight Mgmt (-1.2 pts)

*Beauty products are the first out the door when household finances worsen*

## Y2 OF WORSE FINANCES



- Fragrance (-3.9 pts vs. prior year)
- Foot Care (-3.8 pts)
- Massage/Relax (-3.3 pts)
- Hand Care (-3.1 pts)
- Sexual Wellness (-2.6 pts)

*In Year 2, more necessary (but potentially still optional) categories decline*

## OVERALL BIGGEST LOSERS



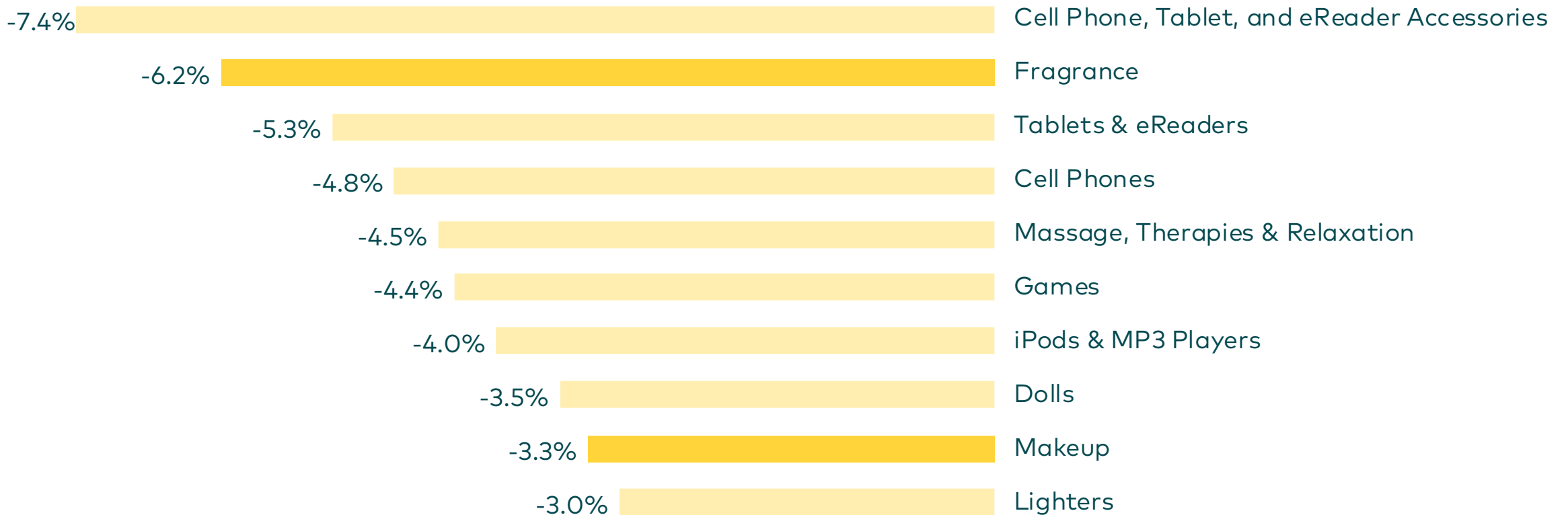
- Fragrance (-6.6 pts vs. prior year)
- Massage/Relax (-4.5 pts)
- Makeup (-3.3 pts)
- Lighters (-3.0 pts)
- Alcoholic Bev (-2.7 pts)

*In aggregate across 2 years, beauty and discretionary consumption see the biggest losses in penetration*

# Beauty remains among the biggest losers, even when electronics and toys are accounted for!

## Change in Penetration Pts.

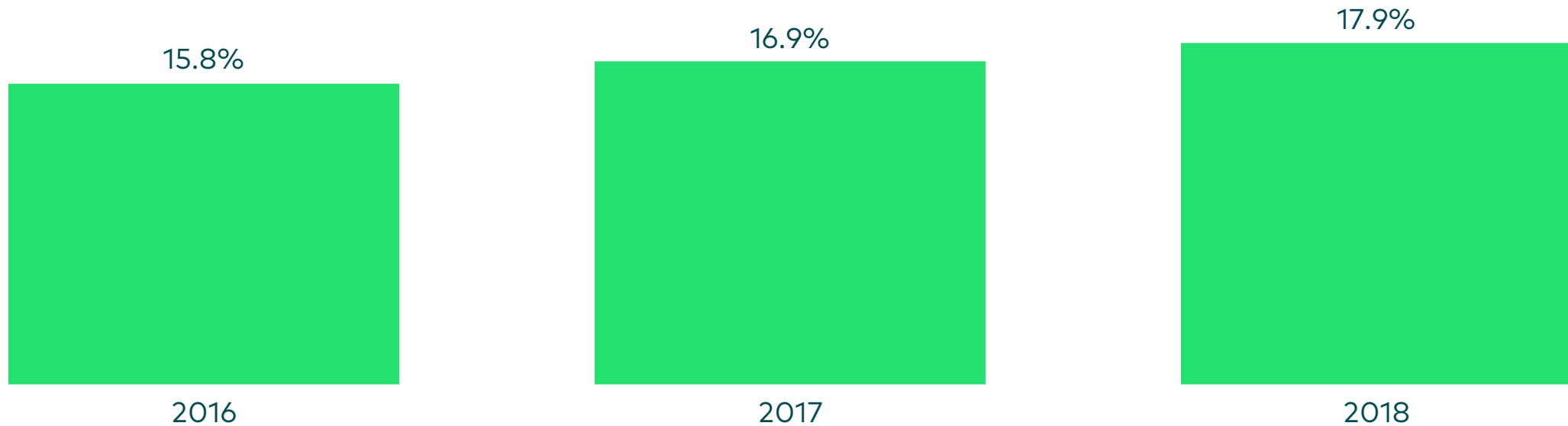
2018 vs. 2016 Among Shoppers w/ Two Consecutive Years of Worsening Finances



# They also started to rely more on Private Label...

## Share of Core CPG Category\* Spend on Private Label

Shoppers w/ Two Consecutive Years of Worsening Finances



Source: Numerator Trended Metrics Scorecard

\* Core categories = Grocery, Health & Beauty, Household



# ... And their trips shifted to Mass and Value channels

*Everyday low prices are key to staying in mind for shoppers at risk!*

## Share of Core Category\* Trips by Channel

Shoppers w/ Two Consecutive Years of Worsening Finances



Source: Numerator Trended Metrics Scorecard

\* Core categories = Grocery, Health & Beauty, Household

If shoppers' spending starts to decline,  
how do our brands / stores make the cut?

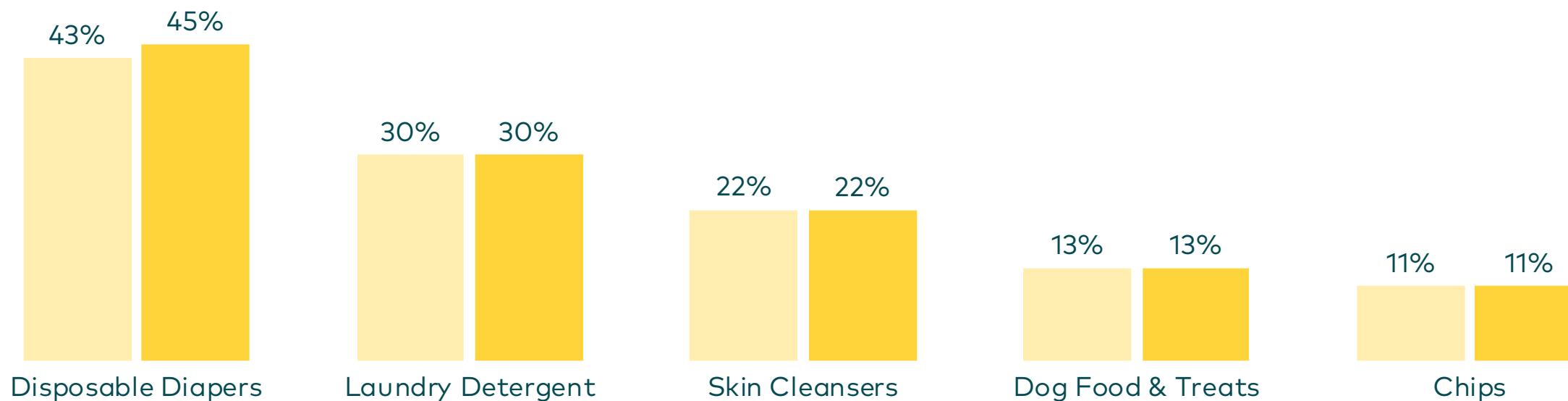
# Focus on loyalty! Financially burdened $\neq$ brand disloyal

*Brands can drive loyalty despite financial difficulties, but beware of heavy discounting*

## Share of Category Requirements (Spend)

Financially Burdened Shoppers vs. Total US | Excluding Private Label

Financially Burdened Shoppers Total US



# Financially burdened shoppers lean younger and to large HHs

*Pro-tip: they skew younger, but be careful not to alienate the majority that are 35+ and small HHs*

## Shopper Demographics

Financially Burdened Shoppers vs. Total US



**AGE**  
**Skews 21-34**

HHs: 26%, Index: 122



**INCOME**  
**Less than \$40k**

HHs: 45%, Index: 118



**ETHNICITY**  
**Cauc., Skews AA**

HHs: 68/16%, Index: 100/121



**GENDER ON TRIP**  
**Female Only**

HHs: 63%, Index: 104



**MARITAL STATUS**  
**Unmarried**

HHs: 52%, Index: 115



**HOUSEHOLD SIZE**  
**Skews 3+**

HHs: 43%, Index: 113



**HAS CHILDREN**  
**Yes**

HHs: 36%, Index: 111



**EMPLOYMENT**  
**Full-Time**

HHs: 53%, Index: 108



**URBANICITY**  
**No Skews**

HHs: 22% Rur/40% Sub/39% Urb

# They can continue to be a target for premium brands

*Financially Burdened Shoppers still shop premium, despite their fiscal outlook*



**26%**

Seek natural and  
organic foods  
(122 index)



**16%**

Are values-driven  
when shopping  
(137 index)

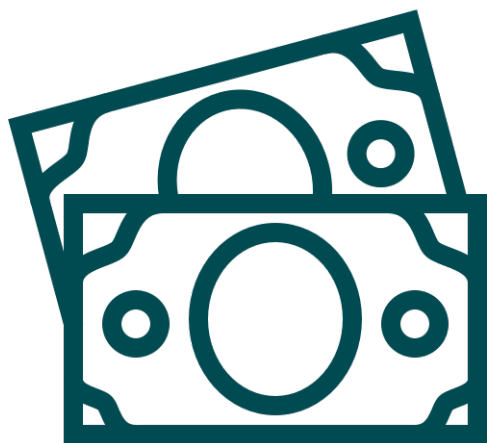


**12%**

Of burdened  
shoppers under 35  
shop Sephora  
(180 index)

# Explore lower "entry-level" prices to drive brand trial

*Price is still a heavy consideration among Financially Burdened Shoppers*



**47%**

Would buy organic if  
it was at price parity  
(111 index)

**61%**

Would buy green if it  
was at price parity  
(110 index)

# They are busy, cynical about ads, and afraid of debt

Careful targeting and relevant content will be highly important to avoid killing brand perceptions

**28%**

"Advertising is manipulative"  
(137 Index vs. Total US)

**69%**

"Uncomfortable with debt"  
(201 Index vs. Total US)

**28%**

"Price trumps brand names"  
(130 Index vs. Total US)

**42%**

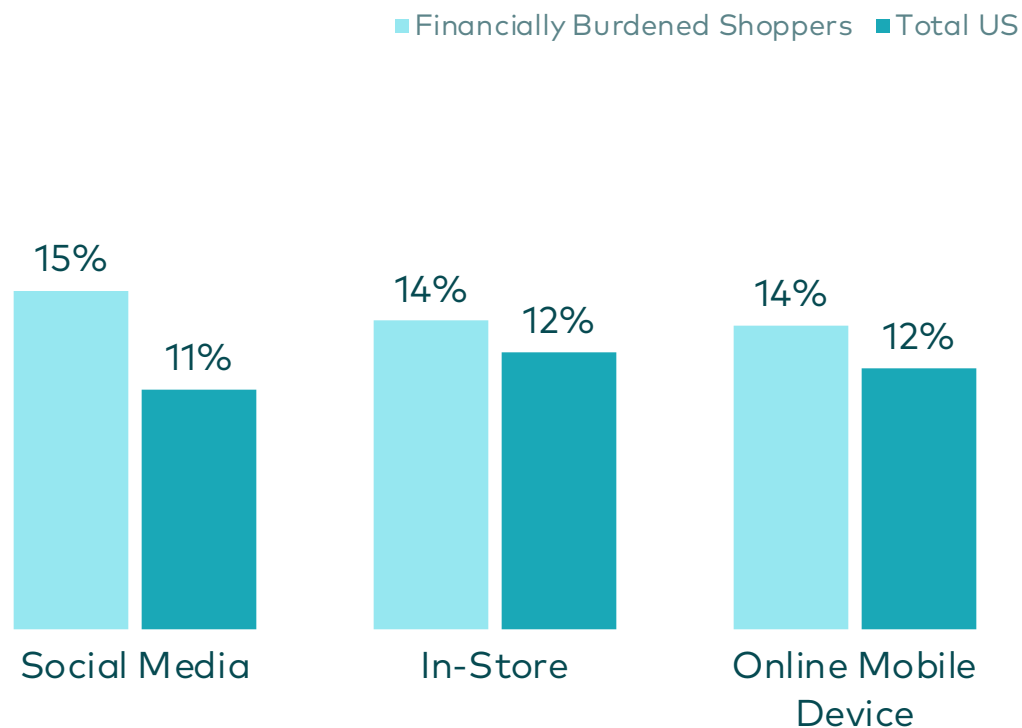
"No time to take care of myself"  
(167 Index vs. Total US)



# Reach these shoppers on mobile and in store with offers and content, not just ads

## Most Influential Touchpoints

Financially Burdened Shoppers vs. Total US



## Financially burdened shoppers use social media for:

Exclusive offers (25% | 160 index)

Products / services (28% | 151 index)

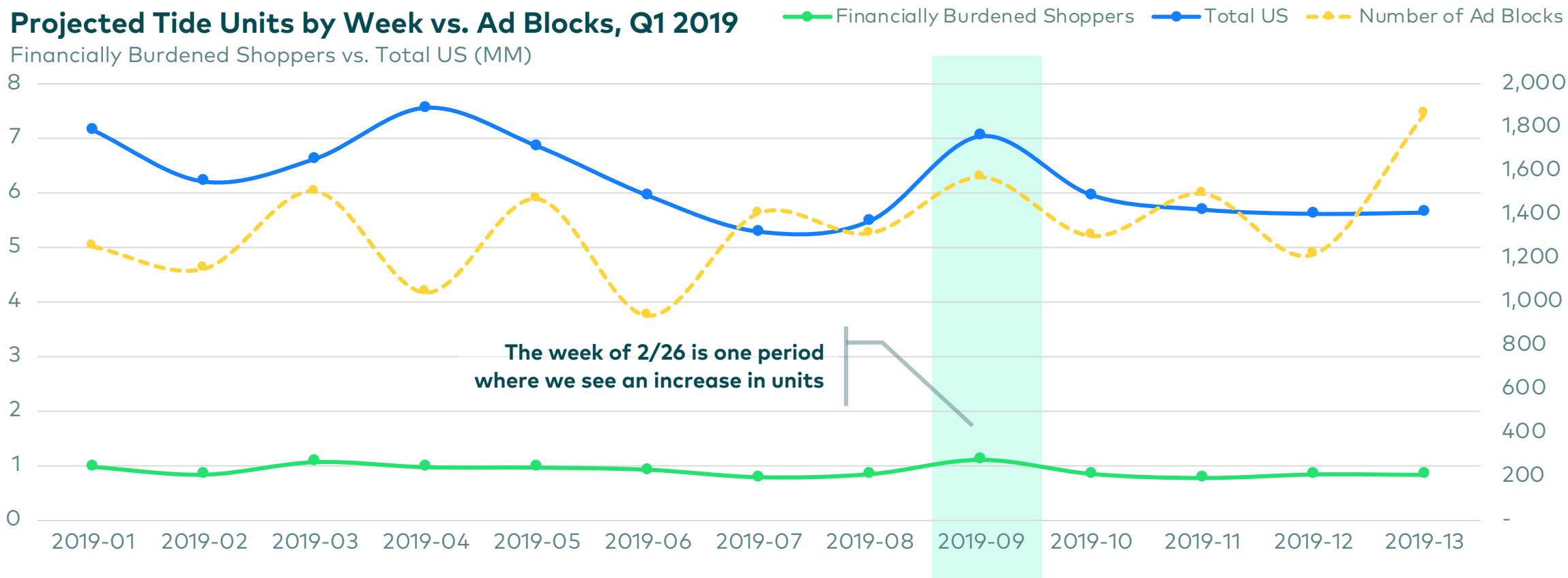
Product reviews (15% | 155 index)

# 67%

use social media several times a day  
(114 index)

# The link between overall increased features and purchase is weak...

Using Tide laundry detergent as a case study:



... But the right offer can attract financially burdened shoppers

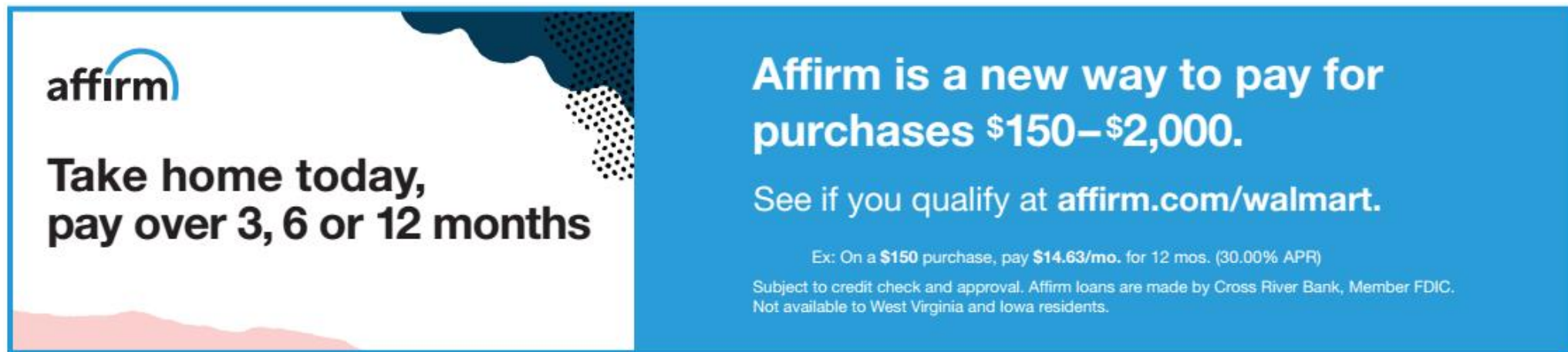
- Kroger share among Financially Burdened shoppers in the week of 2/26 increased to **9.3% of Tide units sold** from 5.8%
- The weeks of 2/19 and 2/26 was the first of two periods in Q1 where Kroger ran a **"save \$5 w/ purchase of 5 or more participating items"** promotion



# Retailers can win with financially burdened shoppers in multiple ways

Walmart has partnered with Affirm to allow customers to pay for purchases over time

- Affirm offers microloans for purchases in the \$150-\$2,000 range at Walmart in-store and online
- Walmart began promoting the service in circulars in March this year
- Certain categories such as grocery, pharmacy, personal care, alcohol, tobacco and others are not eligible

A promotional banner for Affirm at Walmart. The banner is split into two main sections. The left section has a white background with a blue border and features the Affirm logo (a blue arc over the word 'affirm') and the text 'Take home today, pay over 3, 6 or 12 months'. The right section has a solid blue background and features the text 'Affirm is a new way to pay for purchases \$150-\$2,000.' and 'See if you qualify at [affirm.com/walmart](\"http://affirm.com/walmart\")'. At the bottom of the right section, there is small text providing an example: 'Ex: On a \$150 purchase, pay \$14.63/mo. for 12 mos. (30.00% APR)' and a disclaimer: 'Subject to credit check and approval. Affirm loans are made by Cross River Bank, Member FDIC. Not available to West Virginia and Iowa residents.'

**affirm**

**Take home today,  
pay over 3, 6 or 12 months**

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# What next for **brands**?

- **Revisit your low income target:** what are additional dimensions that are overlooked when analyzing low income shoppers as a monolithic group?
- **Carefully** consider brand communications:
  - Messaging needs to feel natural and unobtrusive
  - Explore expanded role of content and social media in your media mix
- For value brands (& Private Label): help **ease their busy lives** by taking the difficulty out of choosing a brand and **messaging quality at an affordable price**
- For premium brands: drive stickiness and trade-up by clearly communicating your value prop and dialing up messaging on naturals/organics, time savings, affordable luxuries, etc.

# What next for **retailers**?

- Focus on **in-store activation**: how can we make the shopping experience easier and more frictionless for busy shoppers on-the-go?
- Partner with manufacturer to **determine which types of promotions work best** to keep you in the consideration set among financially stretched shoppers of different demo- & psycho- graphics.
- Consider **financial programs to help ease the burden** on shoppers (such as Affirm).
- For Mass and Value retailers: Ensure **every day low prices** to be the retailer of choice. Use Private Label to keep shoppers at risk of lapsing from a category or your stores due to worsening finances.
- For other retailers: Appeal to shoppers also looking for a premium experience. Offer a **superior environment and selection**, while leveraging promotions to continue to attract price-sensitive shoppers.



# Numerator

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Learn how your shopper's behavior is shifting  
[hello@numerator.com](mailto:hello@numerator.com)