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Winning When the Rules Change: How Retailers Need to Shift Strategy During the Pandemic

Shopping behavior may never be the same

Numerator Survey; Sept 2020; Total Shoppers (n=1,943)
After COVID-19 is over, will you return to the shopping behaviors you had prior to COVID-19 for your general household shopping (i.e., groceries, health & beauty products, pet care, and/or baby care)?

The pandemic will continue to impact lives

"The infection is not going to disappear…without science leading us to vaccines, we will get second and third waves of this" – Jeremy Farrar, Director of the Wellcom Trust

The economy will compound this

"… our economy is facing one of its greatest challenges since the Great Depression" – Nancy Pelosi, Speaker of the House

Retailers have been stretched on all fronts

"We are just constantly reevaluating, evaluating, how to dynamically make sure that we are staying ahead of what the customer needs from us" – John Furner, CEO, Walmart US

And shoppers' needs continue to evolve

"Consumer behaviors always shift in times of disaster. People are learning new skills and how to shop online as a result of what we're experiencing today" – Doug Baker, Vice President of Industry Relations, FMI

There are four distinct periods in 1H20

Pre Pandemic (January-February)	Stock-Up (March)	Lock Down (April-May)	Re-Opening (June-July)

influencing both Brick & Mortar and Online performance across Food, Consumables, and OTC.

Shoppers continue to make fewer trips to stores in recent months by eliminating retailers from their weekly routines and buying more categories in one place.

Amazon and Target are winning the battle for trips. Success is driven by increasing loyalty, attracting new shoppers, and converting shoppers to your eCommerce site.

Retailers need to **focus on growth of core shoppers through conversion to online channels**.

Shoppers are visiting fewer retailers each week

1 in 3 shoppers left a retailer off their weekly trip circuit during lock down; and it remains down at 1 in 5 during re-opening.

Stock-Up	Lock Down	Re-Opening
+8M	**-32M**	**-20M**
HHs added retailers to their weekly trip circuit each week	HHs eliminated a retailer from their weekly trip circuit each week	HHs eliminated a retailer from their weekly trip circuit each week

Numerator Insights, Data Explorer Report, 1/1-7/31/20

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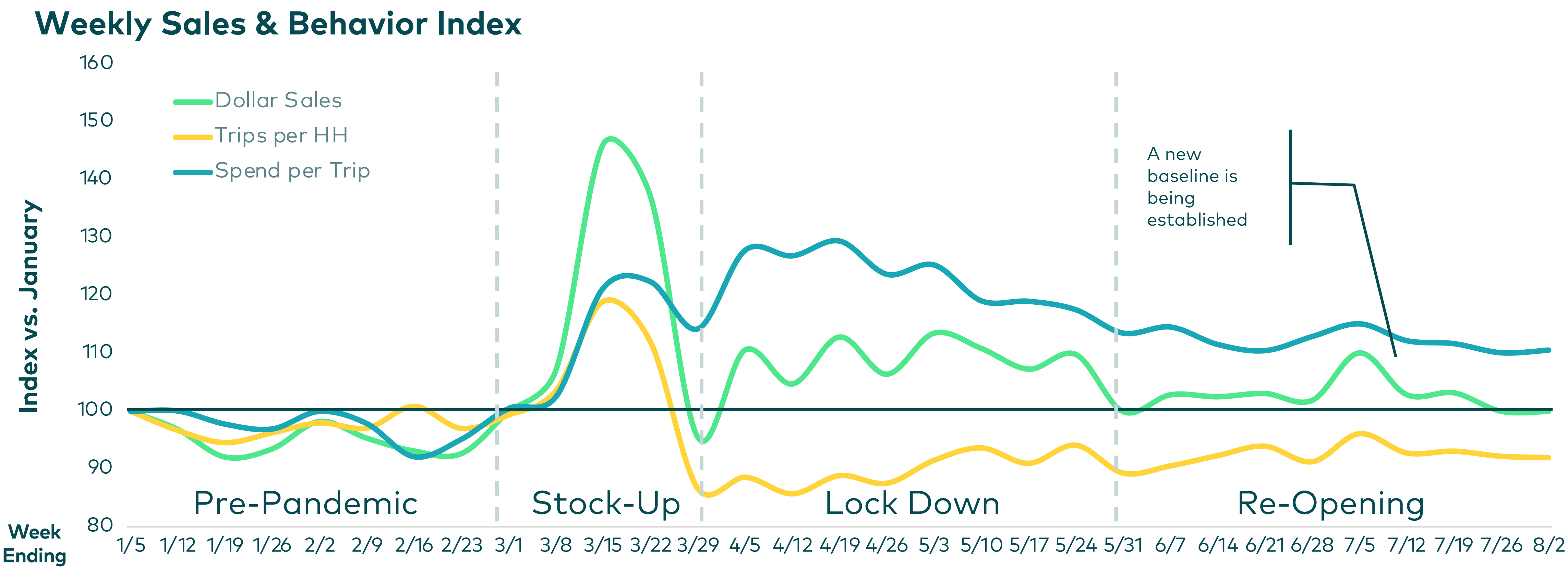
It's more important than ever for retailers to win trips

Shoppers are settling into a routine of fewer but bigger trips. Retailers must continue to focus on becoming a shopper's preferred retailer.



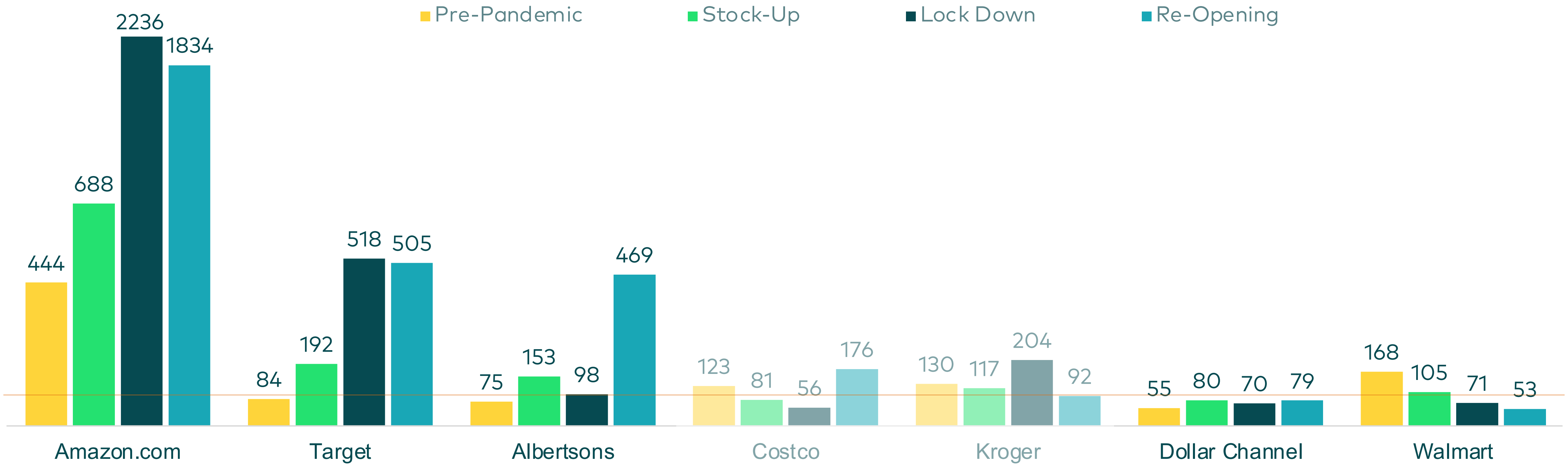
Numerator Insights, Data Explorer Report, 12/30/2019-8/2/2020 vs YAG

Amazon wins the battle for trips and continues to experience extraordinary trip growth in the latest months

Amazon, **Target**, and **Albertsons** are growing trips faster than total market, while **Walmart** and Dollar are lagging in the most recent periods.

YOY Trip Growth Indexed to Total Market YOY Trip Growth

Food/Consumables/OTC Trips at Retailer



Numerator Insights, Data Explorer Report, 1/1-7/31/2020

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Walmart, Drug + Beauty lost HHs in Lock Down + Re-Opening

Target and **Amazon** continue to see elevated HHs and trips.

Change in Households Shopping – Pre-COVID to Re-Open Periods

		WALMART	TARGET	KROGER	OTHER FOOD	COSTCO	OTHER CLUB	AMAZON	DOLLAR	DRUG	BEAUTY
Pre-Pandemic	January	100	100	100	100	100	100	100	100	100	100
	February	101	104	102	100	102	105	97	102	97	97
Stock-Up	March	101	110	106	103	100	111	103	106	105	70
Lock Down	April	91	101	95	97	85	95	109	90	87	24
	May	95	110	100	99	94	104	110	99	90	39
Re-open	June	96	109	97	99	98	102	105	101	89	67
	July	97	109	98	98	98	103	106	100	90	81

Numerator Insights, Trended Metrics Scorecard Report, 1/1-7/31/20

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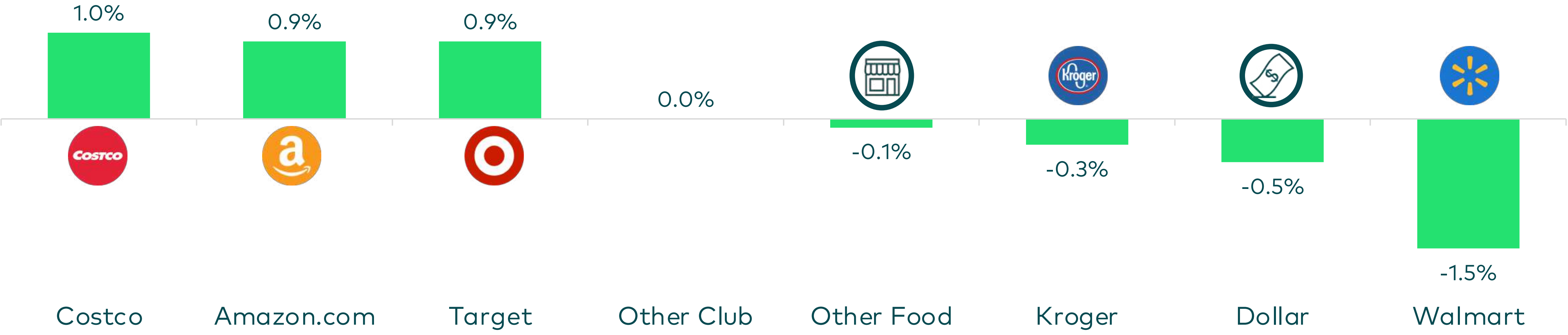
Growth with core shoppers is vital for retailers – they make up over 2/3 of most retailers' shoppers

Costco, **Amazon**, and **Target** are growing loyalty with their repeat shoppers, while value retailers see declines in loyalty among this important group.

Repeat Retailer Shoppers Share of Wallet Changes During Lock Down & Re-opening

Difference in share of spend during Lock Down & Re-opening compared to Pre-pandemic & Stock-up



% of retailer shoppers who repeat

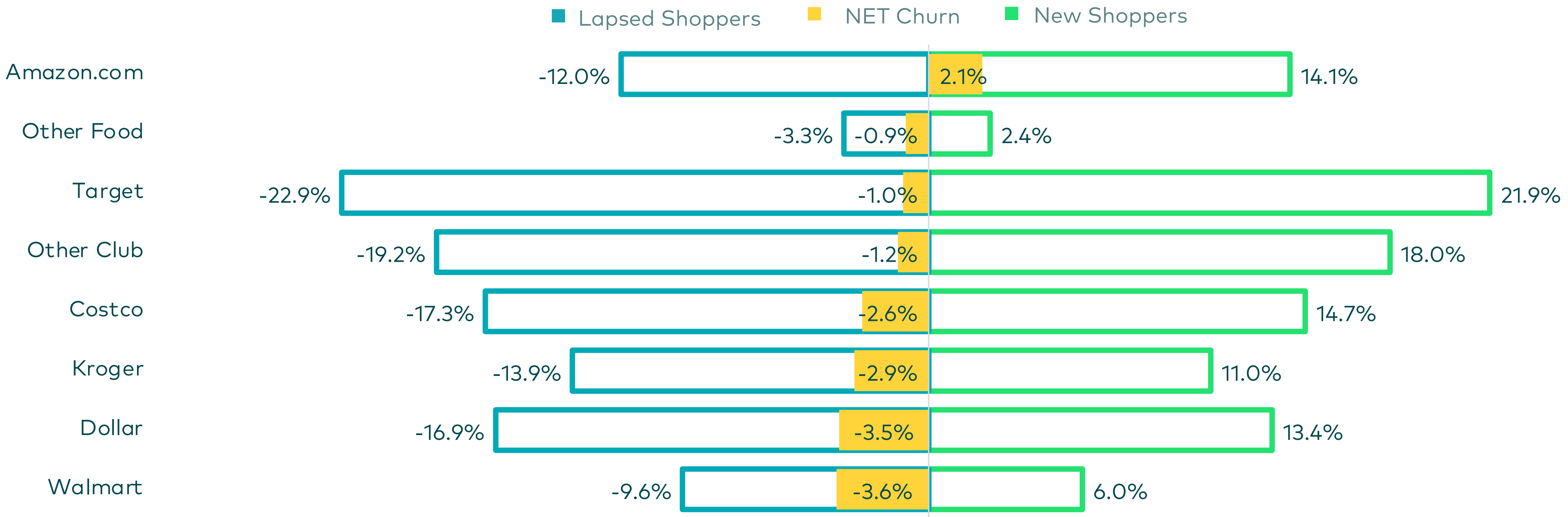
68%	74%	55%	63%	94%	75%	70%	84%

Online wins new HHs during the pandemic while value retailers lose

Amazon gains more HHs than it loses while **Walmart** and Dollar has a net loss of HHs.

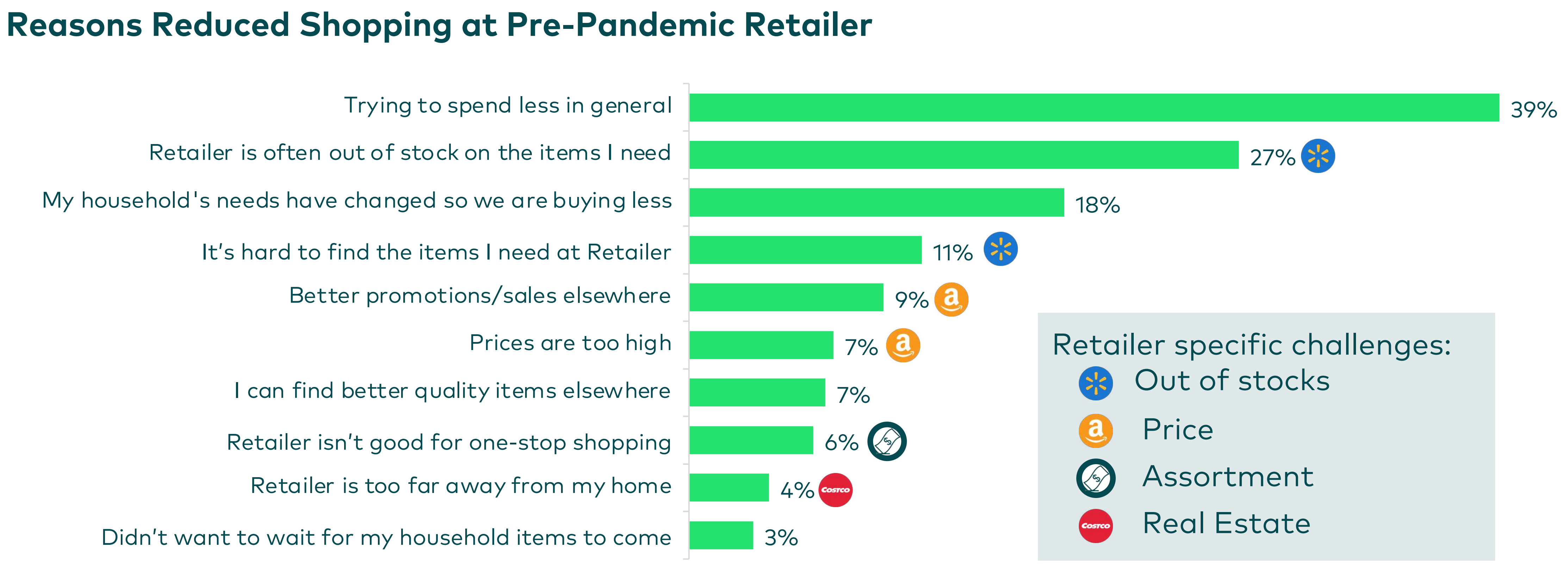
HH Composition During Lock Down & Re-Opening

Lapsed & New Shoppers by Retailer | Lock Down & Re-opening Relative to Pre-Pandemic & Stock-up



Shoppers move away from retailers for different reasons

Price is driving shoppers away from **Amazon**, while B&M retailers are impacted by inventory, assortment and location.



Numerator Survey; Sept 2020; Total Shoppers who reduced spending at primary banner (n=1,026)
Our records indicate you have recently reduced your frequency of shopping at [Banner]. Why is that?

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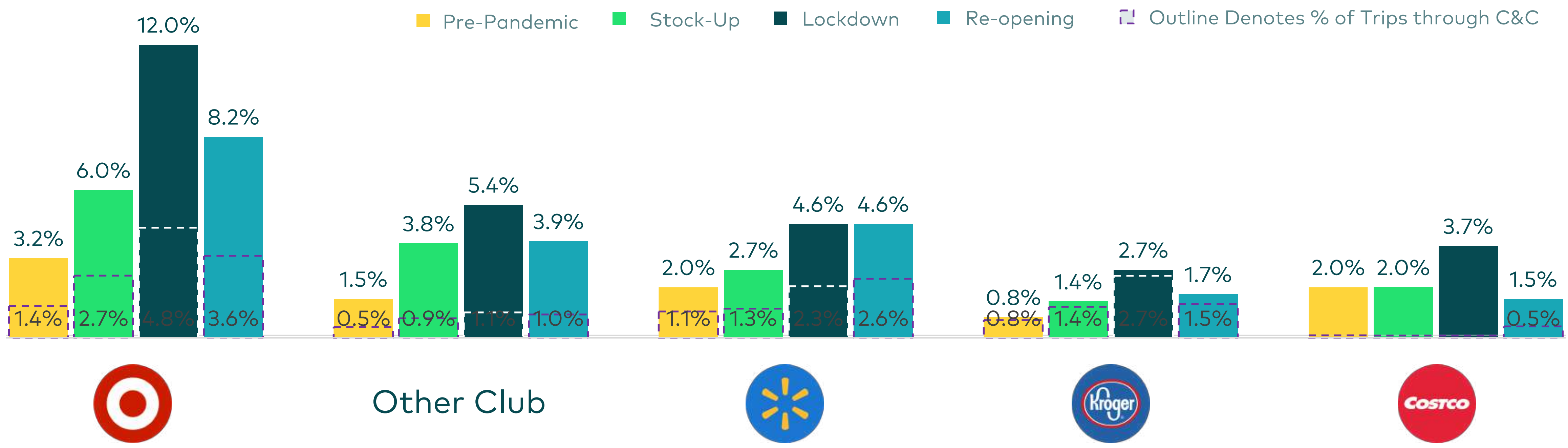
Winning retailers successfully convert HH to online offerings

Target and Club stores (excluding **Costco**) are most successful with online, but **Walmart** sustains online trips into the most recent months. Click and Collect is stickier than ship-to-home ordering.

% of Retailer Trips Made Online



Numerator Insights; Trended Metrics Scorecard Report, 1/1-7/31/2020

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Shoppers are rapidly changing how they choose a retailer.

Price and Convenience are no longer enough; Cleanliness & Safety are the top concerns and are driving where shoppers go. Secondarily, shoppers prioritize Fresh Grocery and HH Supplies when choosing a retailer, and then expand their basket at their chosen retailer.

Retailers must shift strategies for attracting customers – reassure and show them **protocols are being taken to minimize risk** when in their store.

Cleanliness and Trust are most important when choosing a retailer during COVID – Target, Grocery, and Club are winning on these

Price and convenience have traditionally set the standards by which most retailers operate. Retailers should re-prioritize to focus on what matters to shoppers now.

	Drivers of Retail Selection How important are the following when choosing where to shop now?	Satisfaction With Key Drivers at Retailer How satisfied or unsatisfied were you with [Store 1] on each of the following attributes?					
	Total	WALMART	TARGET	KROGER	COSTCO	AMAZON	DOLLAR
The store has a clean environment	74%	63%	81%	84%	92%		60%
I trust this store	68%	57%	80%	82%	92%	72%	63%
Has high-quality fresh produce	68%	58%	52%	77%	88%		23%
Has the best everyday prices/promotions	67%	70%	58%	68%	80%	72%	71%
Offers convenient hours of operation	64%	81%	81%	84%	71%		75%
The store is sanitized often	63%	53%	71%	80%	80%		48%
I can quickly get in and out	62%	60%	75%	75%	73%		71%
Has high-quality meats	60%	51%	47%	75%	90%		20%
Has the household products I need	60%	76%	72%	66%	78%	71%	74%
The employees care for their customers	59%	50%	65%	64%	84%	43%	54%
One-stop shop	57%	77%	71%	68%	76%	62%	44%
Proximity to my home	64%	64%	70%	70%	78%		76%
Strictly enforced mask mandates	51%	56%	67%	57%	82%		56%
Sanitation stations	48%	55%	58%	55%	73%		20%

Numerator Survey; Sept 2020; Total Shoppers (n=1,943)
How satisfied or unsatisfied were you with [Store 1] on each of the following attributes? Extremely satisfied + Somewhat satisfied
How important are the following when choosing where to shop now? Very important

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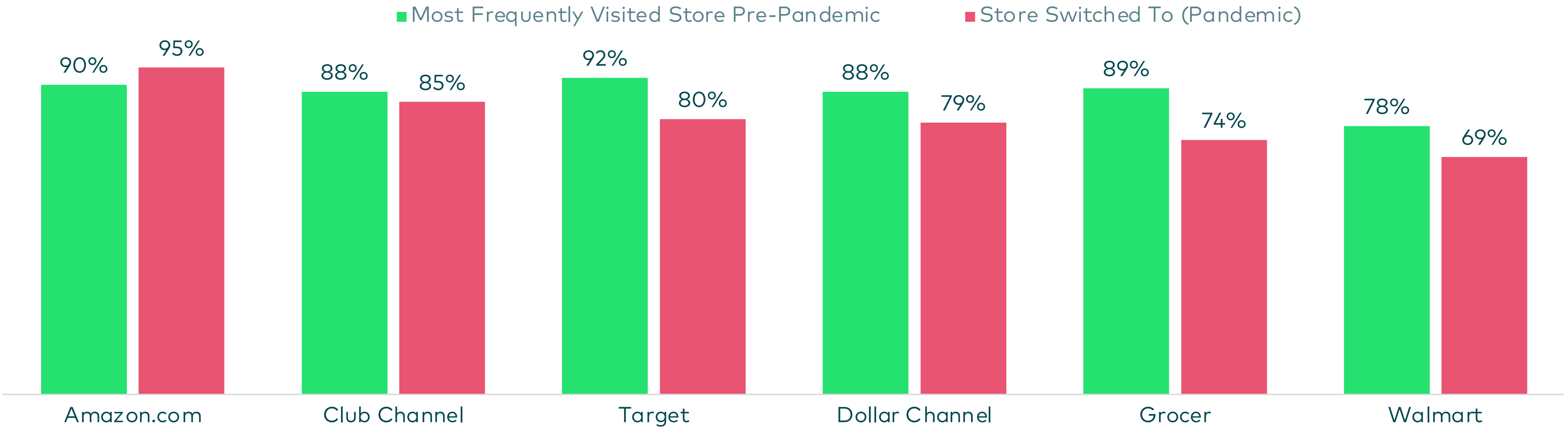
Club + Amazon delighted shoppers who switched a significant portion of their spend during COVID

Walmart has the lowest satisfaction levels for both primary shoppers and shoppers who switched during the pandemic. Shoppers switching to Grocers and **Walmart** are the least satisfied with their shopping experience.

Satisfaction with Shopping Experience



Numerator Survey; Sept 2020; Total Shoppers (n=1,943)
How satisfied or unsatisfied were you with [Store 1] on each of the following attributes?
Extremely satisfied + Somewhat satisfied.

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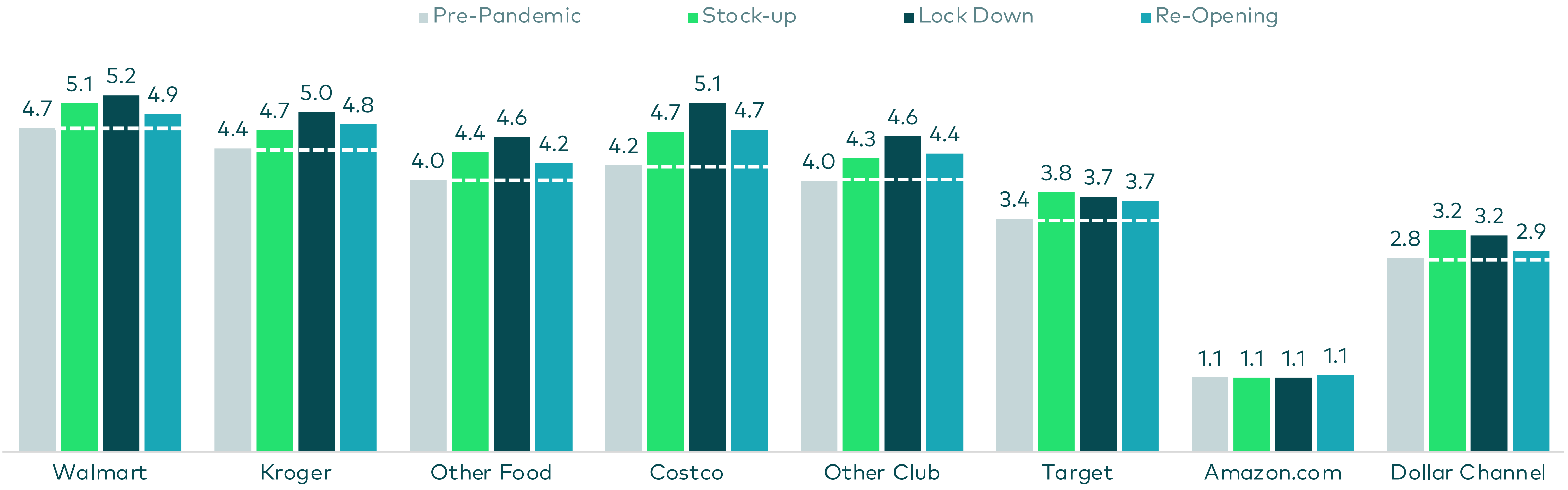
Most retailers continue to see shoppers exploring more of their stores

Emphasize products and categories that are trip drivers to get shoppers in your store – they bring their whole basket with them.

Departments Shopped per Trip during COVID-19

Avg. # departments per trip by time period



Numerator Insights, Data Explorer Report, 1/1-7/31/2020

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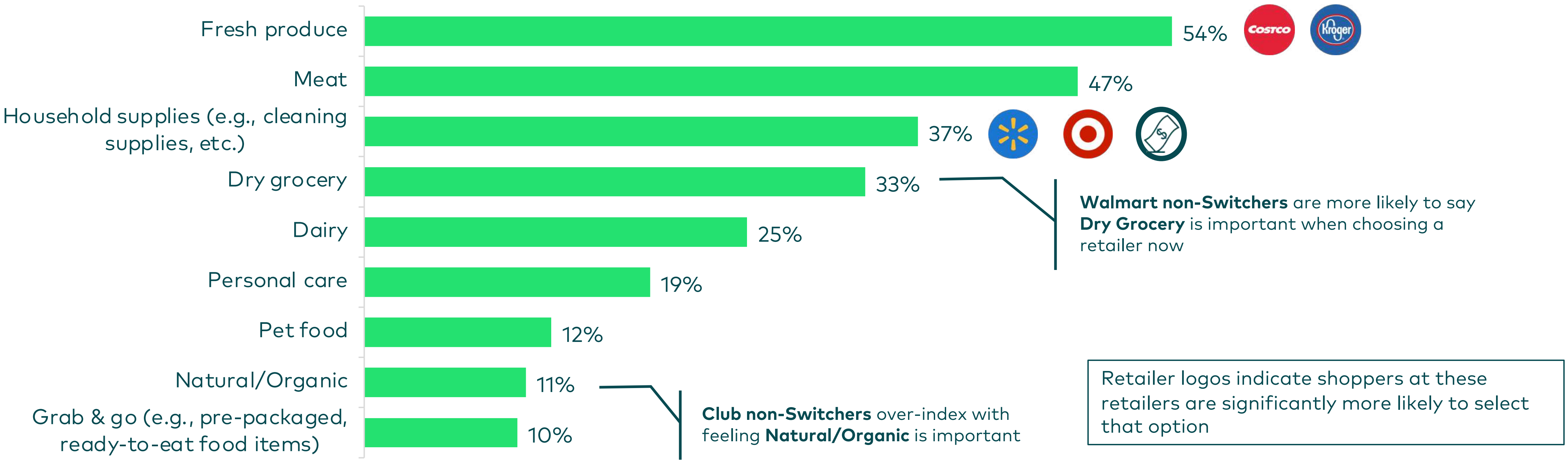
Fresh Grocery, Household Supplies, & Dry Grocery are the primary departments driving retailer choice

Club & Food shoppers are more likely to be driven by fresh produce. Mass & Dollar shoppers over-index on feeling household supplies are most important.

Departments Driving Retailer Selection



Numerator Survey; Sept 2020; Total Shoppers (n=1,943)
Which departments/sections are the most important to you when selecting a retailer to shop at now?

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Grocers are positioned to win – prior to the pandemic they were leading the departments influencing retailer choice now

Dollar, **Target**, and **Amazon** benefitted from their strength in HH supplies. **Walmart** lagged other retailers on all important categories.

Important Departments – Pre-Pandemic Sales Performance (Indexed to Total Share of Spend)

Read as: Walmart's Share of Produce spend was 32% lower than Walmart's share of total spend

	WALMART	TARGET	KROGER	OTHER FOOD	COSTCO
Produce	68	34	117	168	107
Meat	74	30	139	155	104
Seafood & Fish	29	6	121	175	230
Household Supplies	121	208	50	40	115
Dry Grocery	105	79	112	111	100
Dairy	101	60	137	131	88

Shopper satisfaction generally align with sales: Grocers and Club stores also have the highest satisfaction level on Fresh Produce and Meat, while shoppers are generally satisfied with H&B and Household products at all retailers. Differentiating your fresh grocery offering is key to winning the COVID trip as shoppers prioritize these items over saving money on center store grocery, H&B and HH items.

Numerator Insights; Data Explorer Report, 6/1-7/31/2020 vs 1/1-2/29/2020

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Use promotions on the key categories of Fresh Grocery to drive perceptions and traffic.

Prioritize fresh grocery page positioning to help drive shopper awareness and perception of retailer offerings.

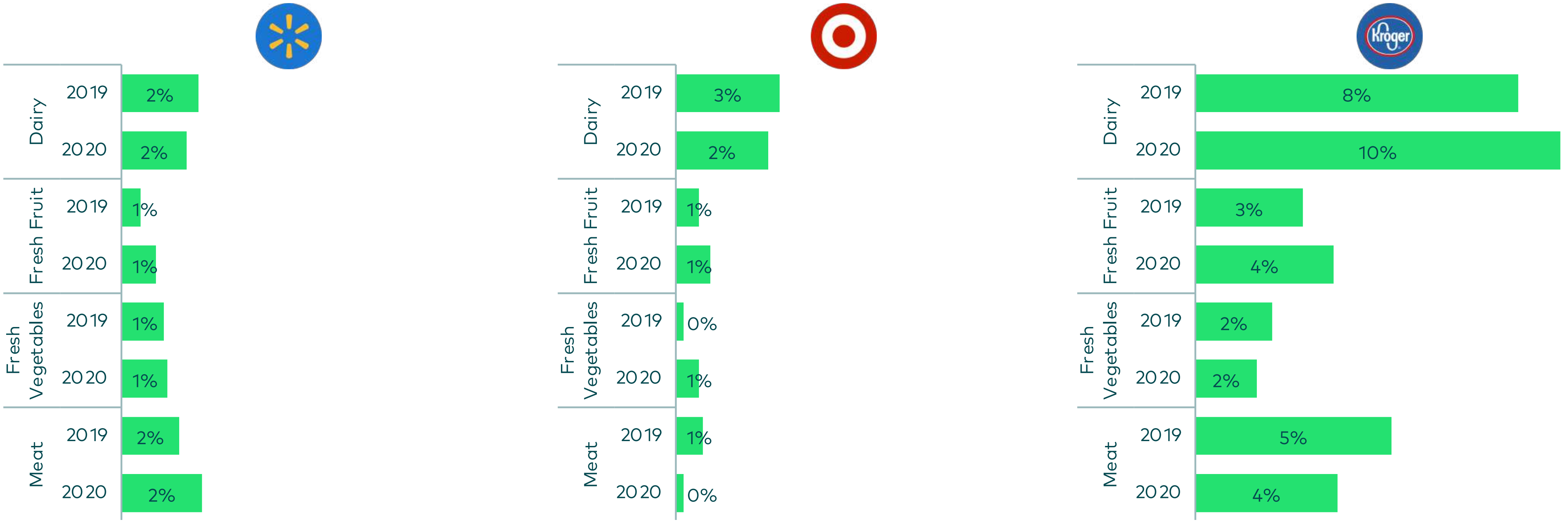
Since price is no longer the top driver, use **promotional strategies to influence shopper perception of quality** and focus less on price savings.

Promotional strategies of grocers may have contributed to high performance in fresh

Kroger has a higher share of promotions for fresh (notably dairy and meat) and has continued to grow this year.

Share of All Promotions for Specific Category

Top Departments Driving Retailer Choice



Source: Numerator Promotions, 5/1-7/31/20 vs prior year

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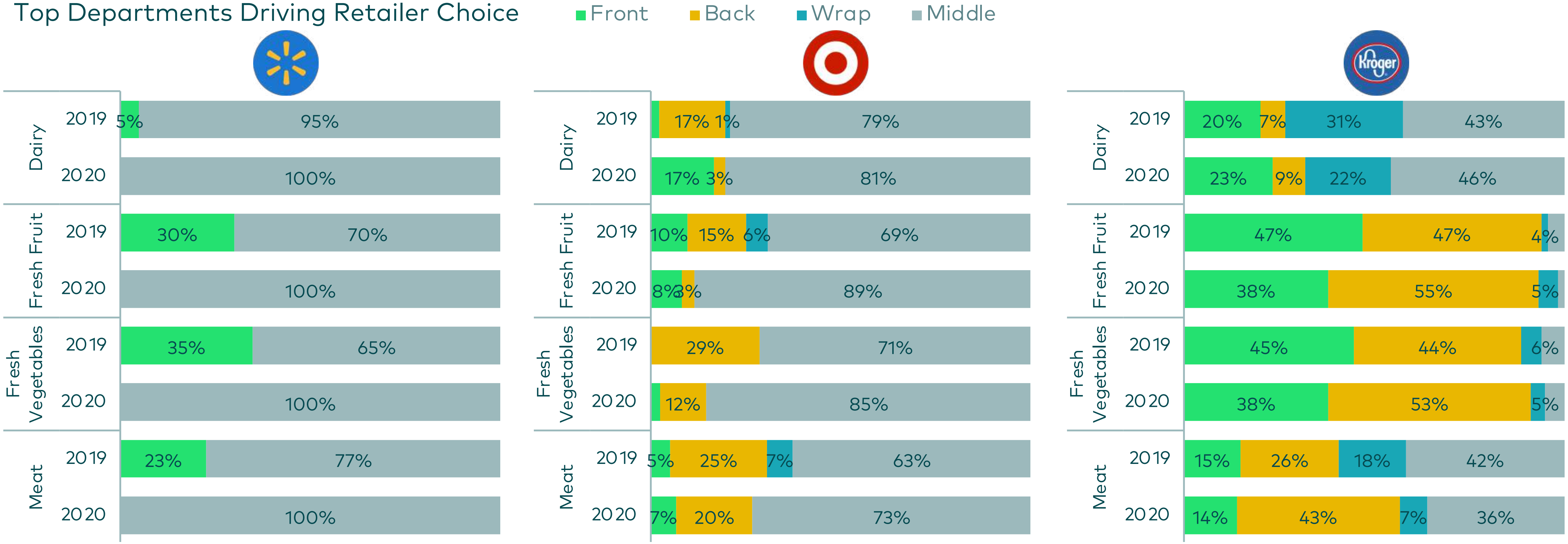
Page positioning contributes to different results

When promoting influential categories, **Kroger** is more likely to place them on premium pages while **Walmart** has stopped putting key grocery categories on the front page.

Target is also more likely than **Walmar**t to include fresh grocery on premium pages, notably increasing placement on front-page during re-opening compared to YAG.

Promotion Page Position Distribution

Top Departments Driving Retailer Choice



Source: Numerator Promotions, 5/1-7/31/20 vs prior year

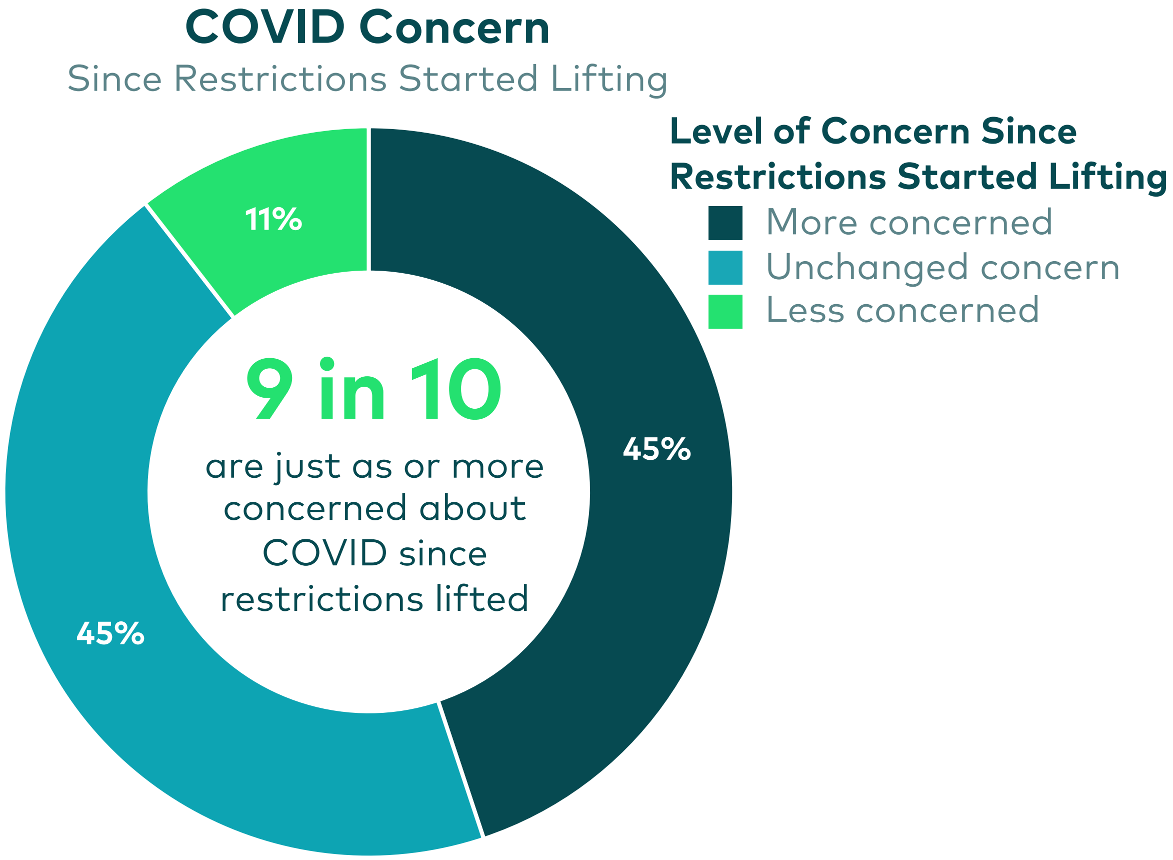
Retailers must continue to focus on COVID-related concerns going forward.

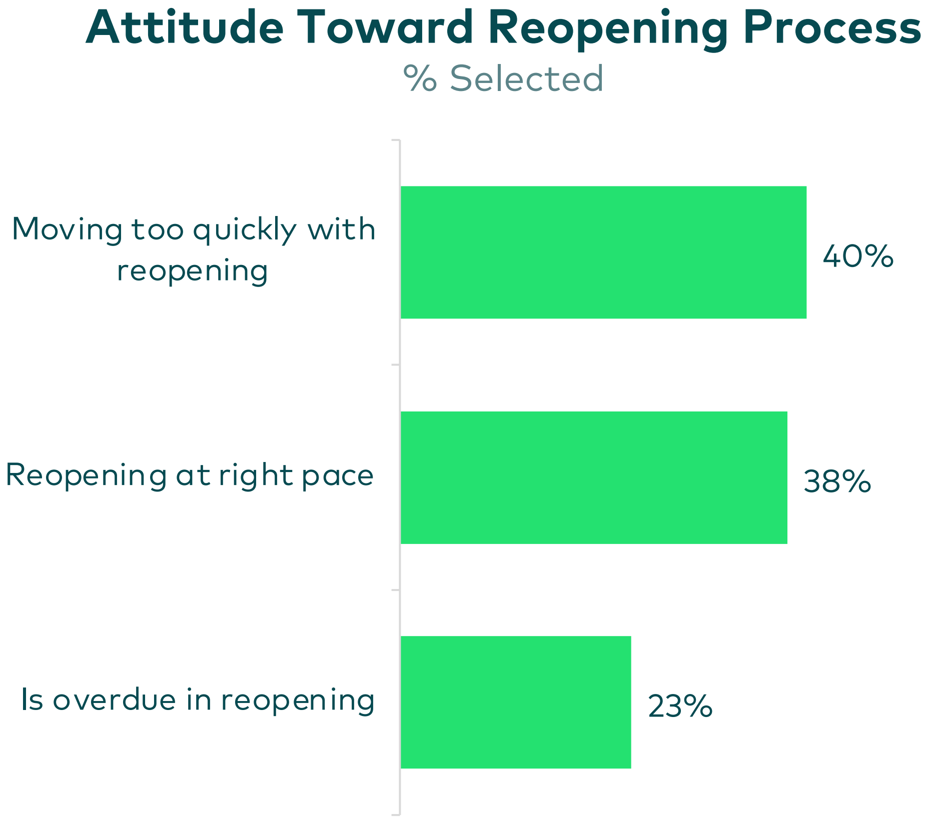
During different phases of re-opening, shoppers' concerns are higher than ever. Retailers must move with caution as they lift COVID-related protocols to account for these elevated concerns.

Nearly half of shoppers do not anticipate moving back to normal behaviors, so **retailers must win now to secure their position in the future.**

Retailers need to maintain focus on COVID related concerns

Retailers should move slowly when lifting virus related protocols, as many shoppers express heightened concern about COVID and apprehension about the reopening process.





Numerator Survey; Aug 2020; Total Shoppers who are aware of their region's current re-opening process (n=949)
Are you more/less concerned about COVID-19 now than when restrictions were in place? Which of the following best describes your attitude toward your region's reopening process?

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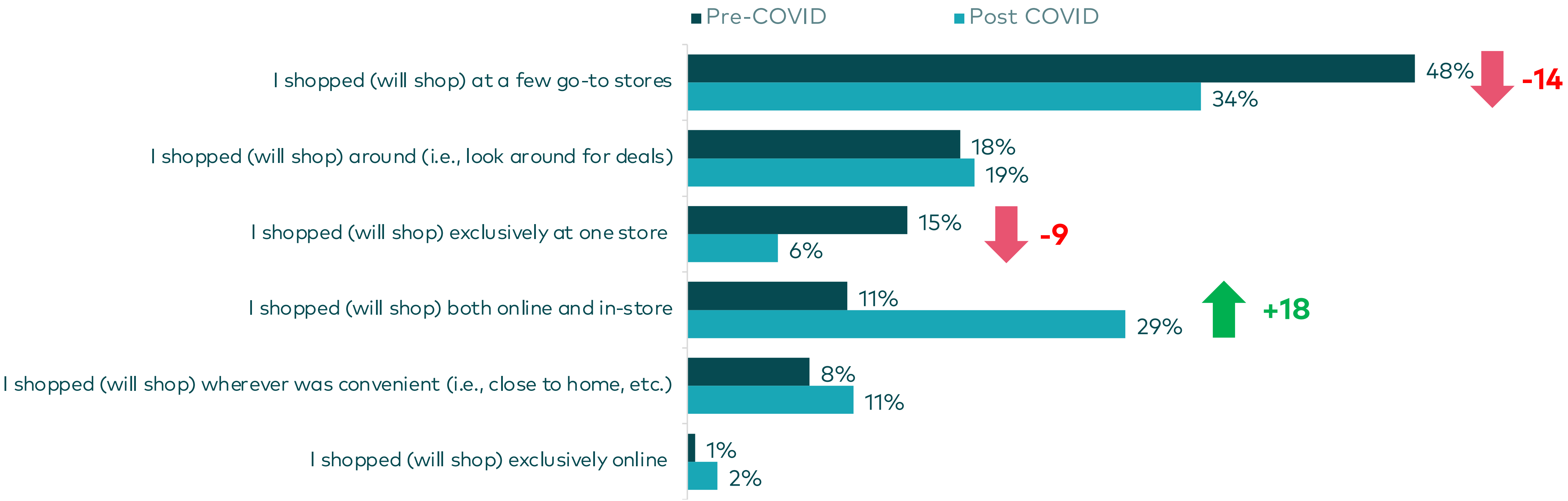
Prior to COVID, shoppers went to a few go-to stores for HH essentials but after COVID shoppers will shop more online

1 in 10 shoppers said shopped both online and in store for general household needs prior to COVID which will change to 1 in 3 after COVID.

Pre-COVID vs Anticipated Post-COVID Shopping Behavior

How do you shop/anticipate you will shop for your general household needs...



Numerator Survey; Sept 2020; Total Shoppers (n=1,943)
Prior to COVID-19, how did you shop for your general household needs (i.e., groceries, health & beauty products, pet care, and/or baby care)?

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What we're seeing

Altered behavior and heightened concern

Health and safety concerns = high performing retailers

Due to consolidated trips, must have trust in fresh departments and broad assortment

Why it matters to you

Move cautiously and be conscientious of shopper concerns

Price secondary to cleanliness, safety, and trust; use ads/promotions to reinforce this.

Win on cleanliness or fresh grocery – align to one or both of these to increase traffic

How you can take action

How are my shoppers using other retailers? Are they shopping my store in different ways than they used to?

How can I best partner with my key retail accounts to ensure mutual benefit on product launches, advertising, and promotional messaging?

How are demographics of retailer shoppers changing? For top retail accounts, which shoppers are seeking online solutions, and how can we grow their baskets online?

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Learn how your shopper's behavior is shifting

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