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CONSUMER ELECTRONICS REPORT

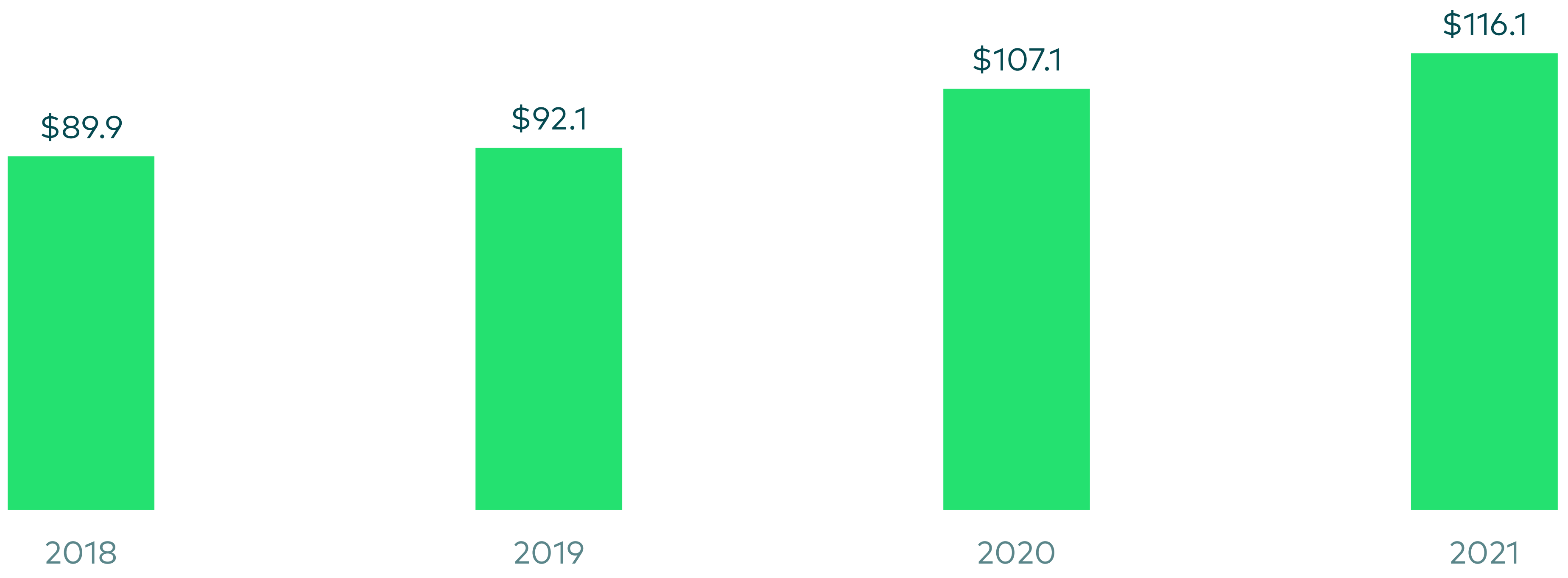
Inflation's Impact and Holiday Shopping Expectations

October 2022

2020 and 2021 were record-setting years for consumer electronics sales.

PROJECTED SALES FOR CONSUMER ELECTRONICS (IN BILLIONS)

Displayed by Calendar Years



Numerator Insights, Total Consumer Electronics.
Time periods are annual timeframes spanning 1/1-12/31.

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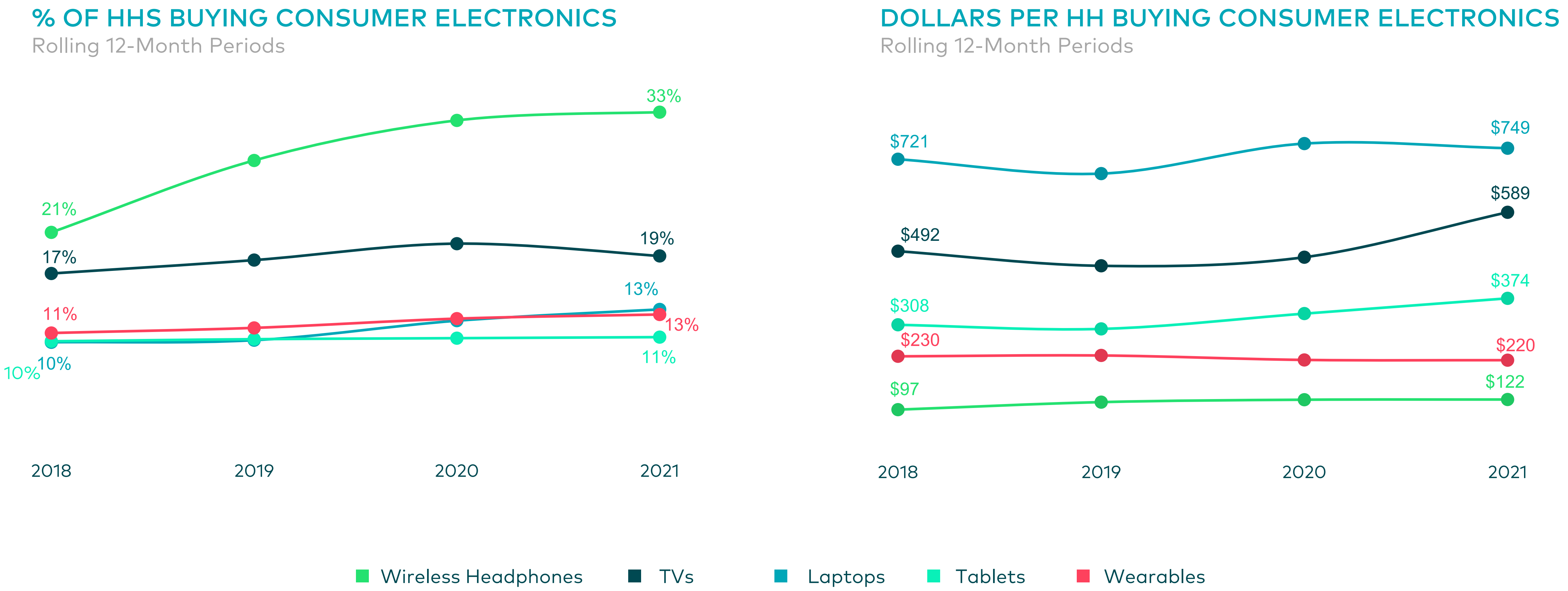
Pandemic lockdowns pulled demand forward for products that would enhance consumers' new work-from-home setups and socially-distanced lives.



Inflation has been the headline of 2022.

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US Inflation Quickens to 9.1%, Amping Up Fed Pressure to Go Big

- Consumer price index climbed 1.3% from May, most since 2005
- Increase reflected higher gasoline, shelter and food costs

yahoo!finance

Apple consumers are cutting back on spending: Analyst

THE WALL STREET JOURNAL.

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SHARE

U.S. Inflation Remained High in August

Consumer prices excluding food, energy rose sharply, showing broad price pressures strengthened

RETAIL

Best Buy cuts its outlook, joining other retailers as inflation pressures shoppers

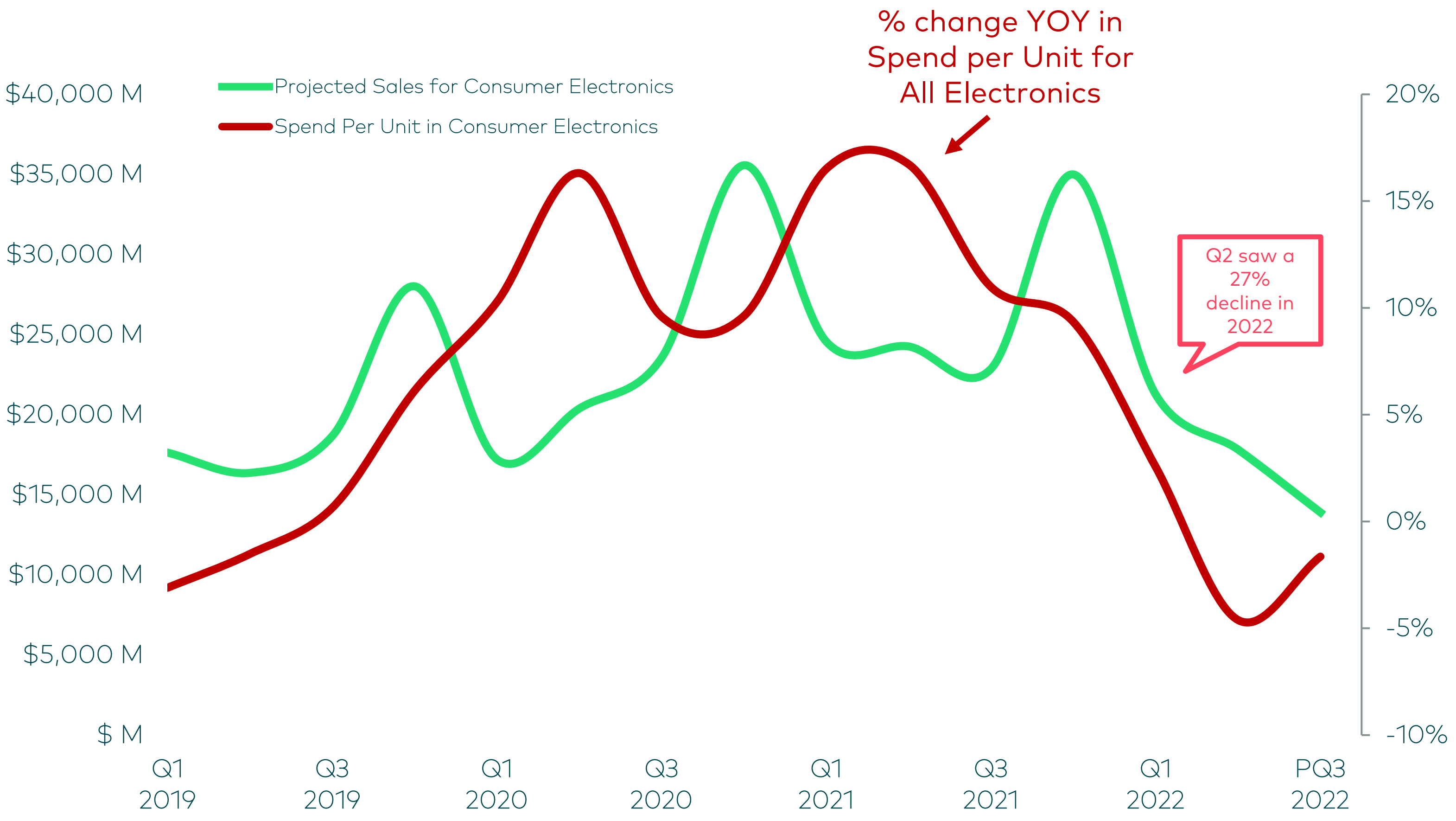
Walmart, Target begin holiday early to ease inflation sting

Source: Bloomberg, Yahoo Finance, Wall Street Journal, CNBC, ABC News

Demand acceleration and persistent inflation have caught up with the industry– sales have declined over the last four consecutive quarters.

PROJECTED SALES VS. SPEND PER UNIT IN TOTAL ELECTRONICS

Rolling Quarters, Since Jan 2019



YTD sales have declined significantly following a strong 2021.

YOY $ GROWTH	YTD 2021	YTD 2022
TOTAL	+15ppts	-20ppts
WIRELESS HEADPHONES	+5ppts	-32ppts
TVs	+15ppts	-9ppts
LAPTOPS	+16ppts	-36ppts
TABLETS	+33ppts	-20ppts
WEARABLES	+4ppts	-25ppts

Numerator Insights, Total Consumer Electronics by Department.

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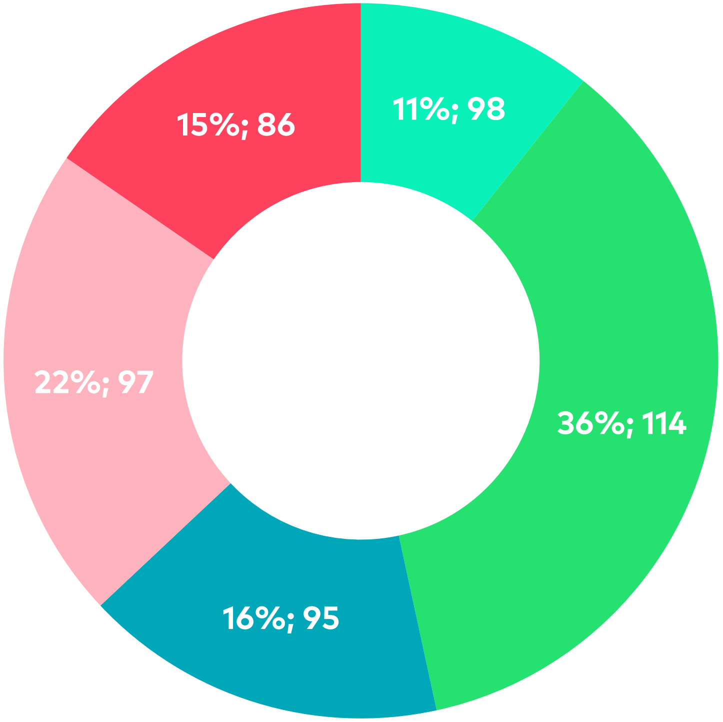
Inflation doesn't hit every household equally and the industry is typically reliant on households that haven't felt the pain thus far.

% OF CONSUMER ELECTRONICS SPEND & FAIR SHARE INDEX



% of Consumer Electronics Spend; Electronics Fair Share Index to Total Retail Sales

STRUGGLING + LOW PURCHASE POWER	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	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	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	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	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.

Numerator New Realities & Routines Survey. Consumer Electronics Spend Analyzed over Calendar Year 2022

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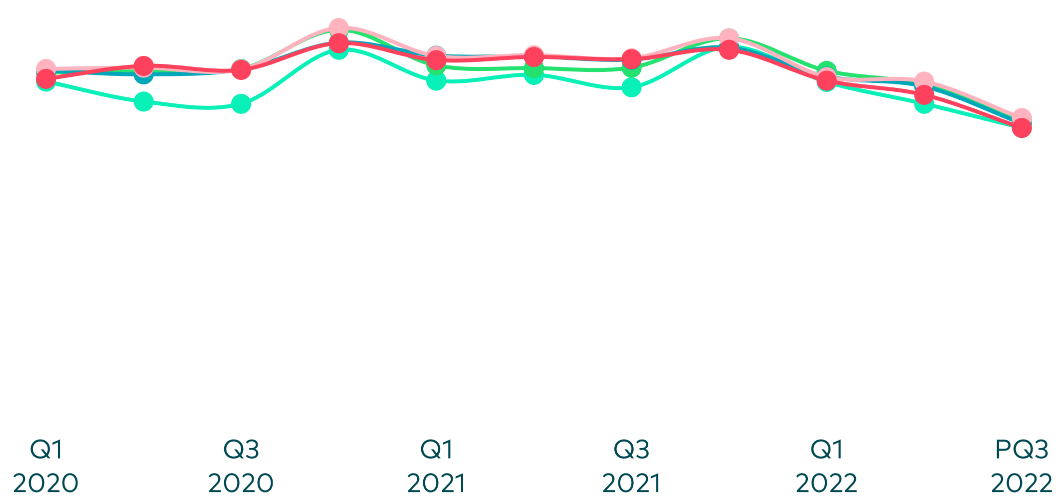
However, even well-off households' purchasing has slowed in discretionary categories, and purchase patterns mirror those of struggling households.

% OF SHOPPERS BUYING CONSUMER ELECTRONICS

Rolling Quarters



DOLLARS PER HH BUYING CONSUMER ELECTRONICS

Rolling Quarters

Comfortably Retired · Prospering · Pushing On · Struggling (High PP) · Struggling (Low PP)

Numerator Insights, Trended Metrics Scorecard, Total Consumer Electronics Sector.
Q3 time periods are partial quarters and span 7/1-9/18 each year.

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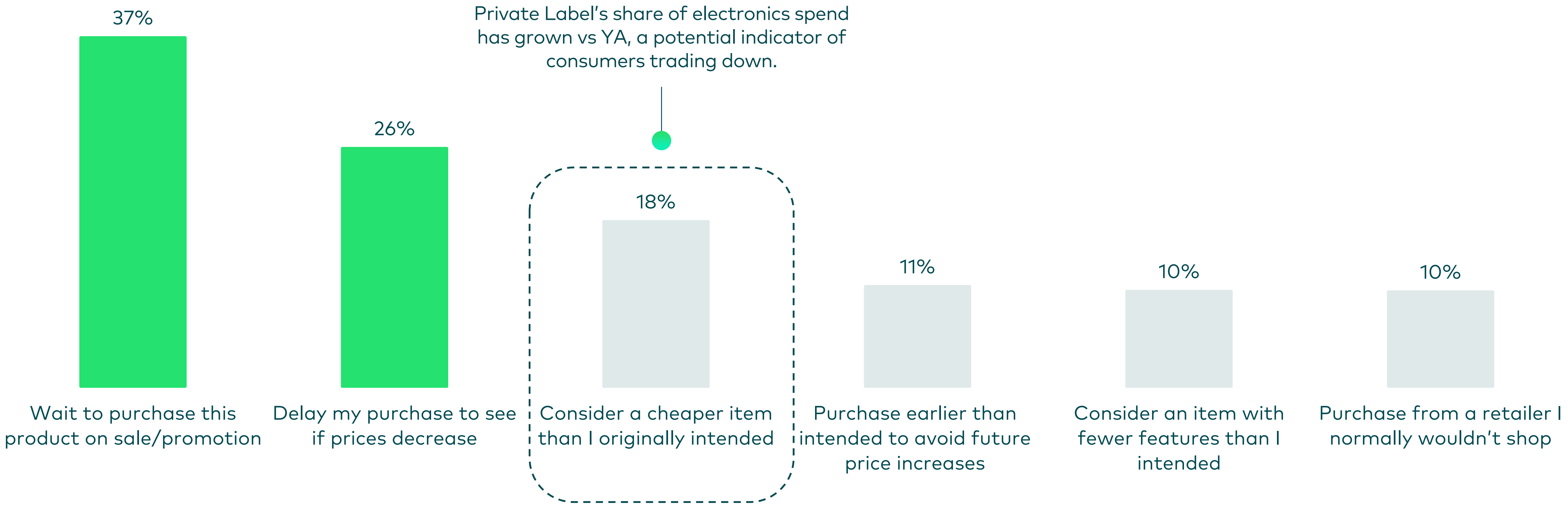
Inflation is causing shoppers to delay purchases and wait for prices to drop.

Trade-down is another inflation impact, as 1 in 5 considered trading down due to cheaper items!

PAST 6 MONTH IMPACT FROM INFLATION

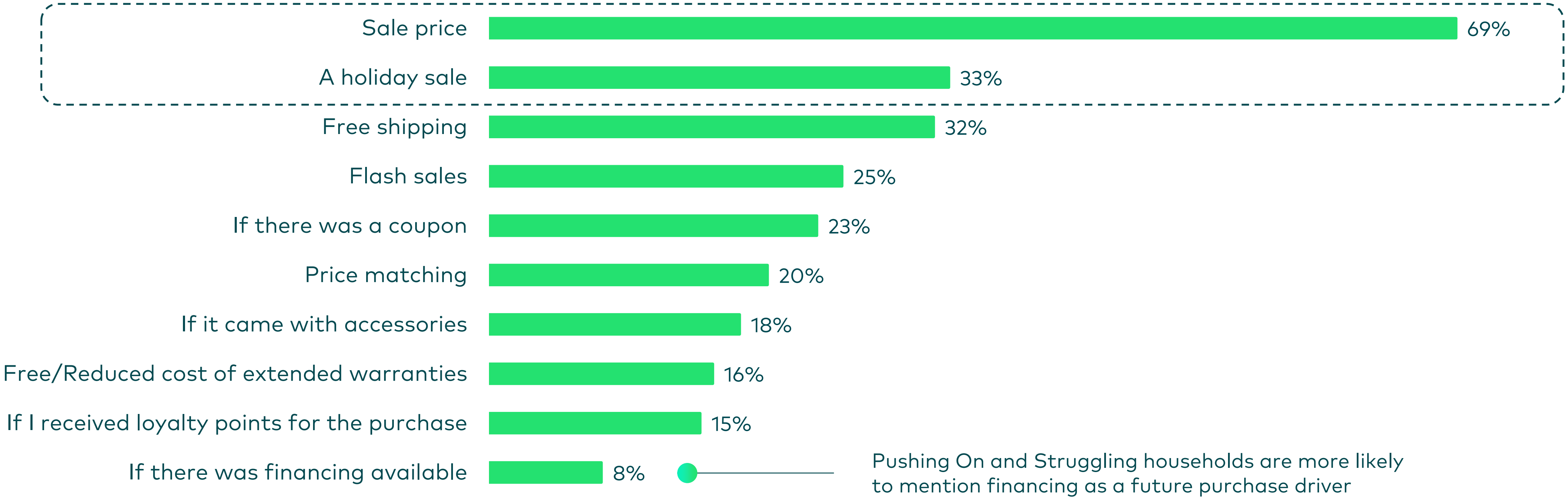
Across All Inflation Segments



Upcoming holiday promotions could *potentially* be enough to get shoppers off the sidelines.

FUTURE PURCHASE INFLUENCERS

Across All Inflation Segments

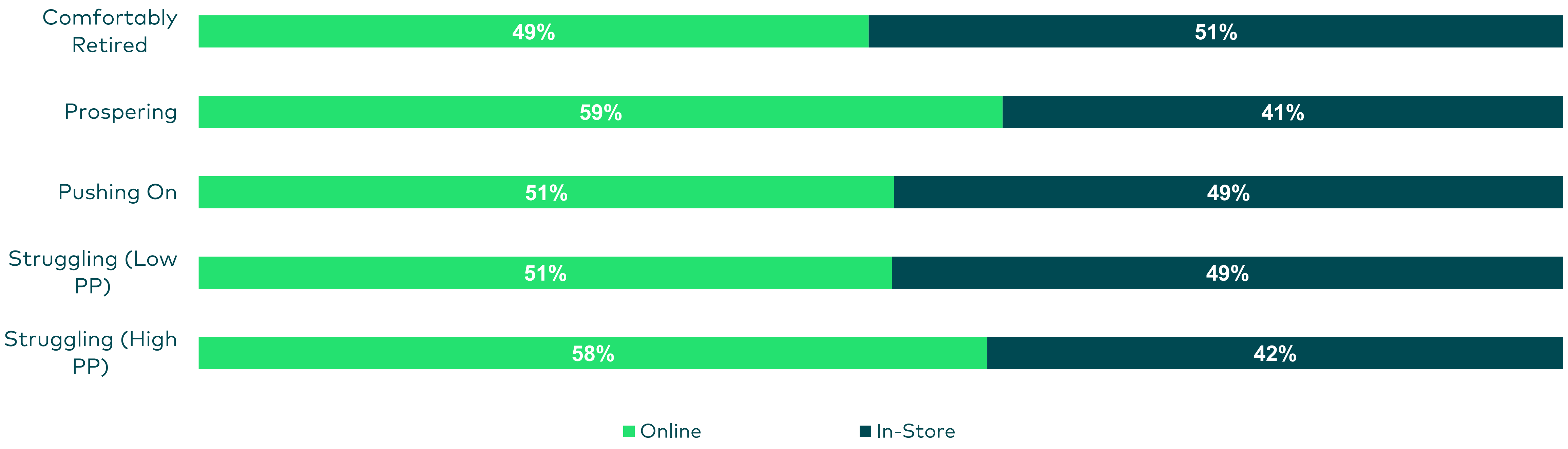


Pushing On and Struggling households are more likely to mention financing as a future purchase driver

Effectively targeting Prospering and Comfortably Retired households– the ones with disposable income– may be the key to winning the holiday season.

Prospering HHs prefer to shop online, while Comfortably Retired HHs are equally likely to shop in-store and online.

% CONSUMER ELECTRONICS SPEND BY CHANNEL



Numerator Insights, Total Consumer Electronics Sector, YTD 2022.

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A tale of two households: Prospering and Struggling HHs have reacted to inflation differently in 2022 in terms of retailer selection.

Amazon's capture of high-income households' dollars has accelerated this year, while Struggling HHs have increasingly opted for their local Best Buy.

CONSUMER ELECTRONICS SHARE AMONG PROSPERING HOUSEHOLDS

amazon	BEST BUY
+4	**-6**
Share Points YTD	Share Points YTD

CONSUMER ELECTRONICS SHARE AMONG STRUGGLING (LOW PP) HOUSEHOLDS

amazon	BEST BUY
Flat	**+3**
Share Point YTD	Share Points YTD

Numerator Insights, Total Consumer Electronics Sector, YTD 2022.

Brands and retailers should aim to engage shoppers along a lengthier purchase journey this holiday season.

To combat inflation, shoppers plan to compare prices, features, and visit stores to make sure they're scoring the best deal available.

69%

of shoppers plan to conduct more research than prior years before purchasing electronics

Pushing On and Struggling households plan to conduct more research than other households

61%

of shoppers claim it's important to see the item in person prior to purchasing electronics

Pushing On households are more likely to plan in-store visits prior to purchasing electronics

Shoppers in different financial situations have varying expectations for the holidays but, in general, they may be planning to buy cheaper gifts this year.

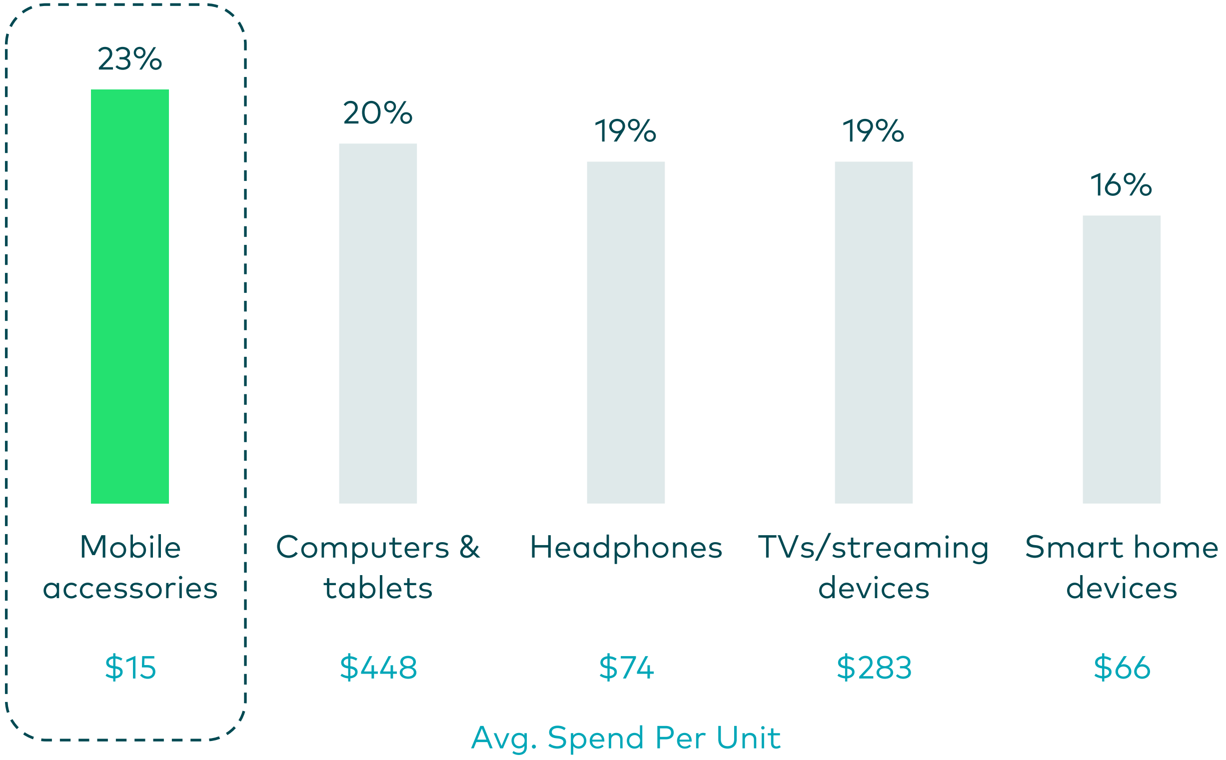
HOLIDAY SHOPPING EXPECTATIONS

69% of *Comfortably Retired* households expect to spend **about the same** this holiday season

59% of *Prospering* households expect to spend **about the same** this holiday season

54% of *Struggling* households expect to spend **less or significantly less** this holiday season

PURCHASE INTENT OVER NEXT 3 MONTHS



Numerator Custom Survey
Numerator Insights, Avg. Spend Per Unit from 1/1/2022-9/18/2022.

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Takeaways

After several years of industry growth, the consumer electronics industry has slowed due to pandemic demand acceleration and persistent inflation.

Understanding unique buyer segments, purchase motivations, and brand & channel preferences will be critical to winning shoppers' dollars looking to reign-in spend on discretionary items.

Consumers are delaying planned purchases and considering trading down when making purchases.

Promotional timing and messaging is more important than ever – a well-crafted and personalized message at the right time could be the difference between now and later. Heading into the holidays, retailers should also be messaging price match and financing plans to capture spend among Struggling households.

Shoppers plan to conduct more research, including visiting stores, in order to find the best price this holiday season.

Brick and mortar retailers have a great opportunity to engage with shoppers and convert sales through feature and usage education. Online, comparison tools and price matching language should be prominently featured to make customers' purchasing decisions more simple and efficient.

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Learn more with Numerator's new inflation segments.

Contact us at hello@numerator.com to find out how you can leverage these segments to learn more about your own buyers, or conducting your own custom segmentation study to bring your shopper insights to life.