SEEING & DECODING CRISIS SHOPPING AND CONSUMPTION BEHAVIOR WEEK 4

This report has been prepared by NAILBITER in collaboration with RB Shopper Insights

- IN-STORE & ONLINE PURCHASE DECISIONS
- AT-HOME DELIVERY, STORAGE & CONSUMPTION
- MOST MAJOR CPG CATEGORIES
- US FOOD, DRUG, MASS, DOLLAR AND CLUB

NAILBITER

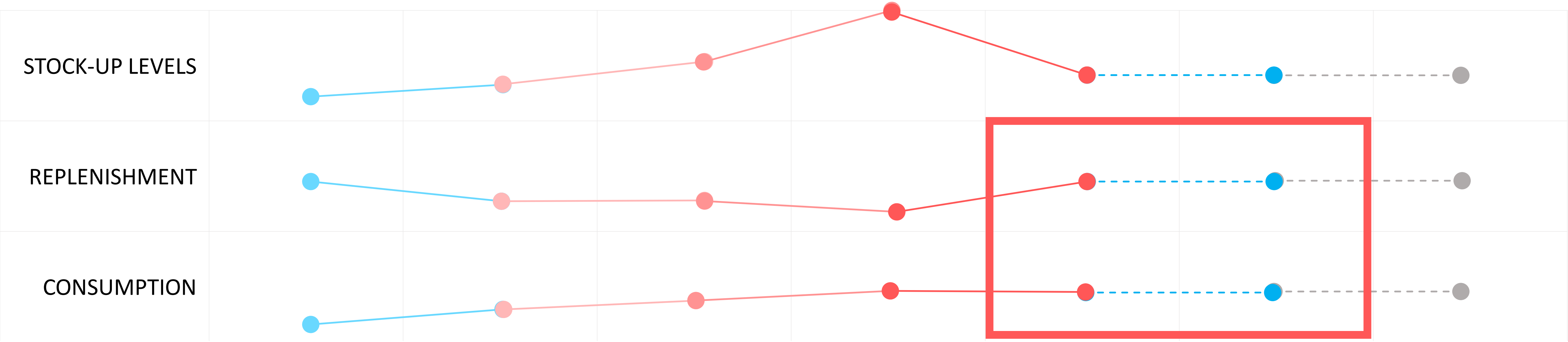
WEEK 1: March 15th to March 21st

WEEK 2: March 22nd to March 29th

WEEK 3: March 30th to April 6th

WEEK 4: April 7th to April 13th

Shoppers are beginning to enter a "New Normal" where Consumption remains high but Grocery trips are mainly for Replenishment and not Stock-Ups

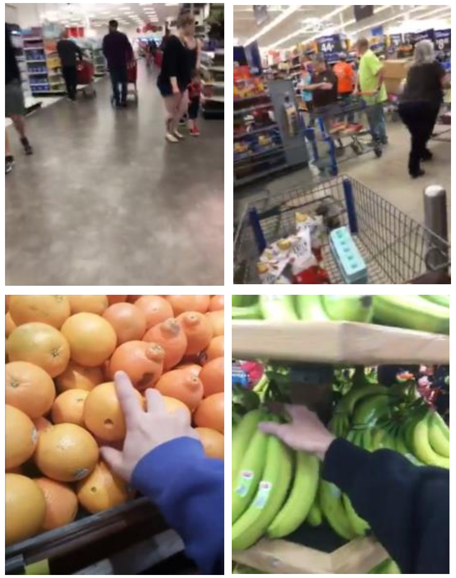


STAGE	PRE-CRISIS	FIRST NEWS	NEWS SINKS-IN	FULL EFFECT	COPING	NEW NORMAL	POST CRISIS
DEFINITIONS	*Normal steady state for shopping and consumption*	*When consumers are made aware of a crisis, but it is "over there" and may not be affecting them*	*When the crisis comes closer to home and major media outlets and government agencies advise precautions*	*When the crisis hits the consumer personally leading to significant purchase consumption pattern changes*	*Crisis period is not yet over but consumers are living with it*	*A sustained period of time where normal activities (work, school) have commenced but shopper behavior remains altered*	*Shopper behavior returns to pre-crisis patterns*

CATEGORY SHOPPERS "STOCK-UP STATE OF MIND"

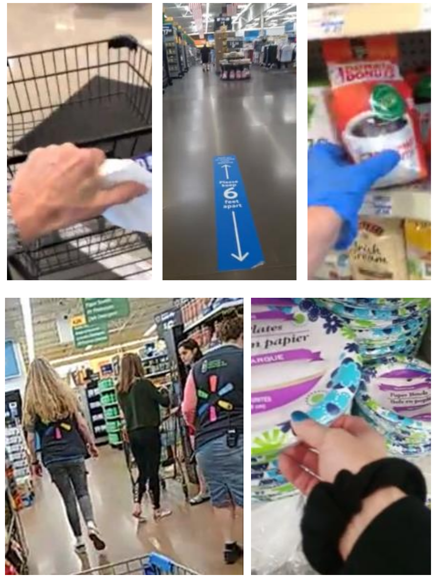
In-store, shoppers are finally practicing good safety protocol

WEEK 1



*"My shopping process really hasn't changed… I am buying a few extra maybe because of the availability but **I am not that concerned as of yet**."*

WEEK 2-3

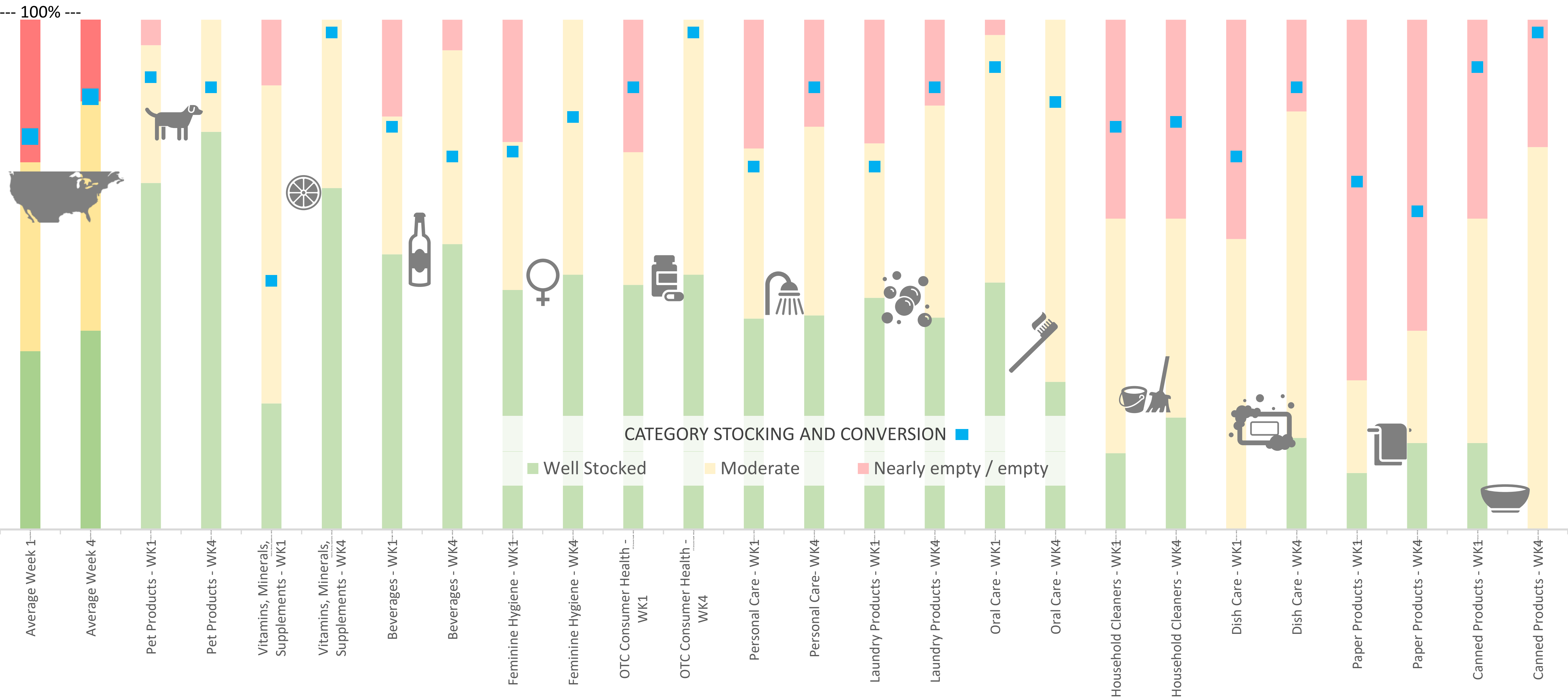


*"I **don't have a face mask or anything or gloves,** so I am not really doing anything to keep myself healthy or to avoid germs except for like **wiping the cart.**"*

WEEK 4

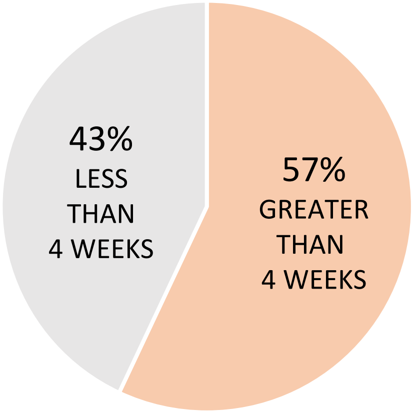
*"I have not been to the store for over a week because I am trying to stay out of the stores… It is definitely different because I look like this (wearing a mask) compared to **last time I was not wearing a mask or anything like that**."*

Out of stocks are steadily declining in-store, driving higher Notice to Cart Conversion rates. Shoppers are increasingly able to make normal shopping decisions without forced substitutions.

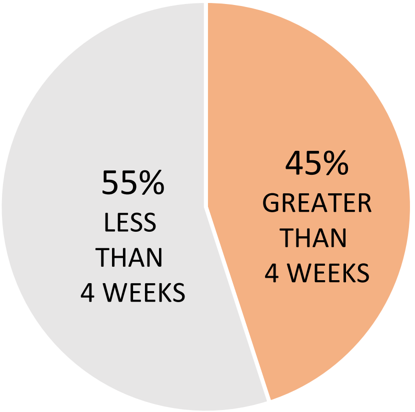


Conversion = % of Shoppers who Notice a Category and then Cart something from the Category

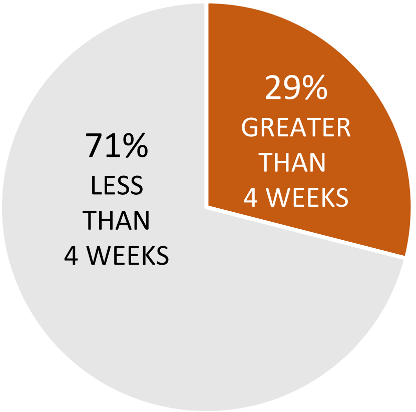
As the crisis has progressed, consumers are decreasing the amount of time they are stocking up for and settling into a more regular cadence. This validates their replenishment behavior and may also indicate a desire to reduce their spending levels.



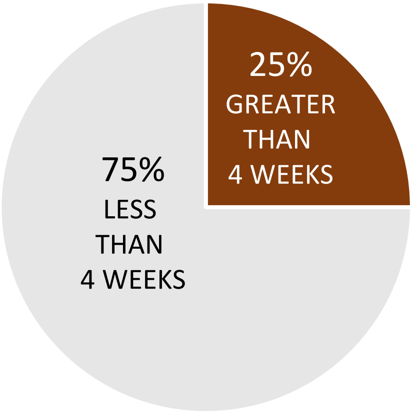
WEEK 1



WEEK 2



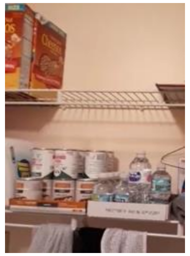
WEEK 3



WEEK 4

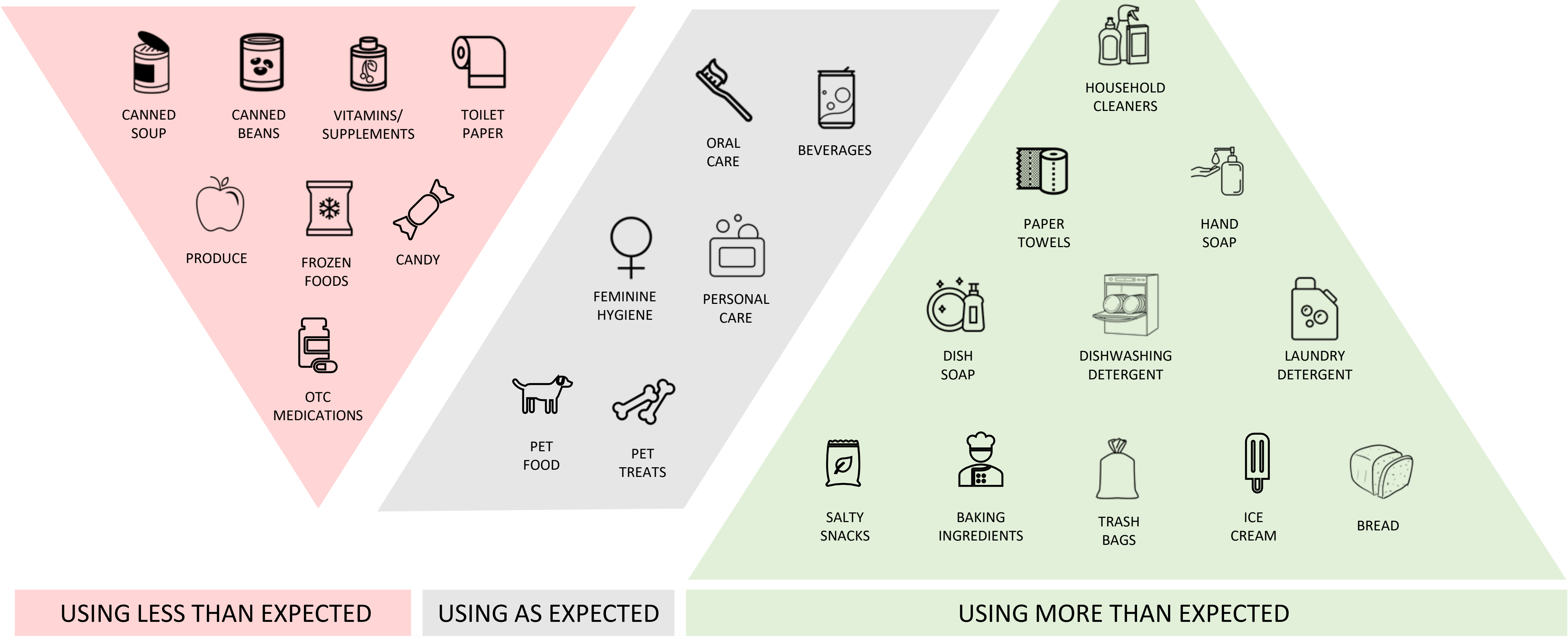
STOCK-UP DURATION

CLICK TO PLAY VIDEO



Consumption of most categories is different than what consumers expected when stocking up

*"The **frozen meats and vegetables, are not going as we thought**, possibly because everyone is so sad and no one seems hungry. When they are hungry, unfortunately they go to junk food."*

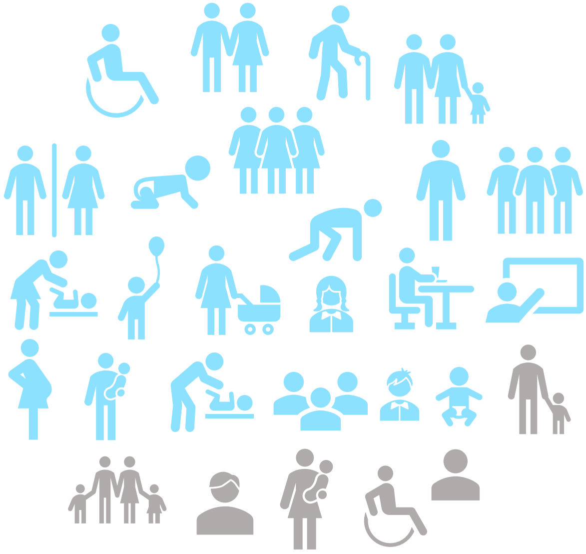


*"The disinfectant is definitely what I use the most, that is why it is so low right now. I have **used more of the disinfecting items than I had expected**, just because I am cleaning everything super good to avoid getting this virus."*

Consumers are being more mindful about category usage to ensure that they minimize waste. They are trying maximize value from the products they have already purchased.

8 in 10

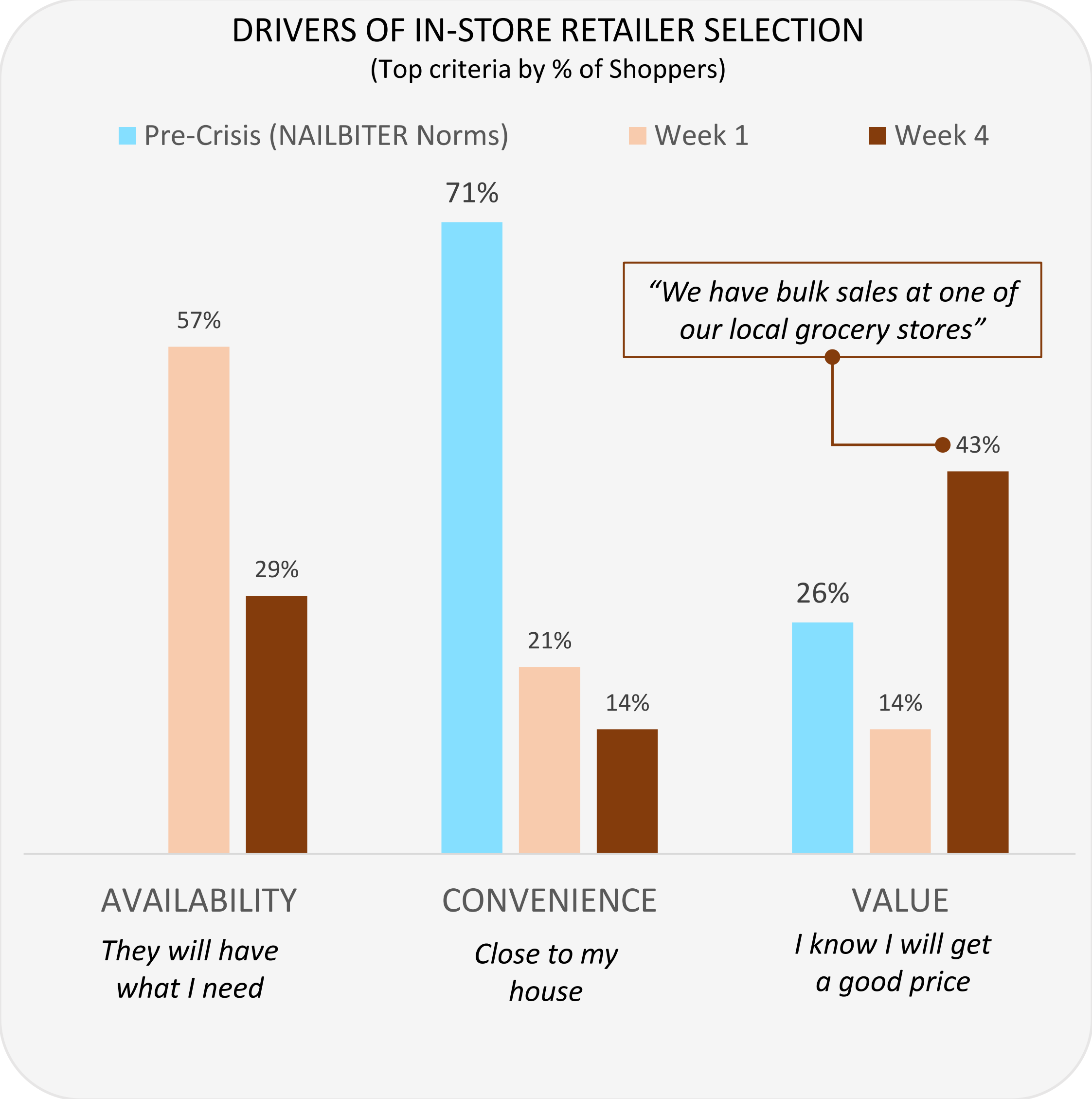
consumers are <u>more mindful</u> of waste and intend to use all of the stock they purchased



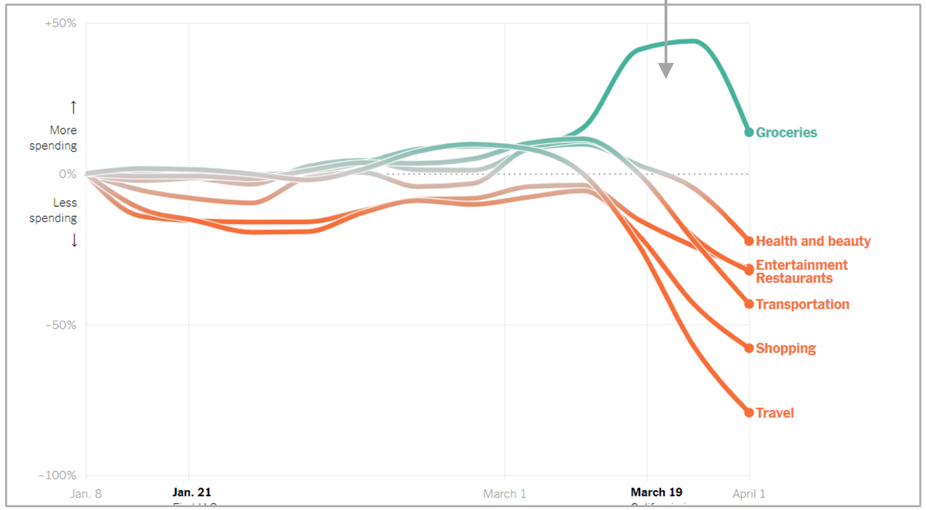
CLICK TO PLAY VIDEO

*"We have been a little **more strict with the kids** as far as **what they're choosing** to snack on, **how frequently**, and **what's getting wasted**."*

In-store shoppers are increasingly looking for value when making retailer selections. This further indicates the psychological state of the "new normal" for the CPG shopper.



The spike in the growth in grocery shopping has reversed

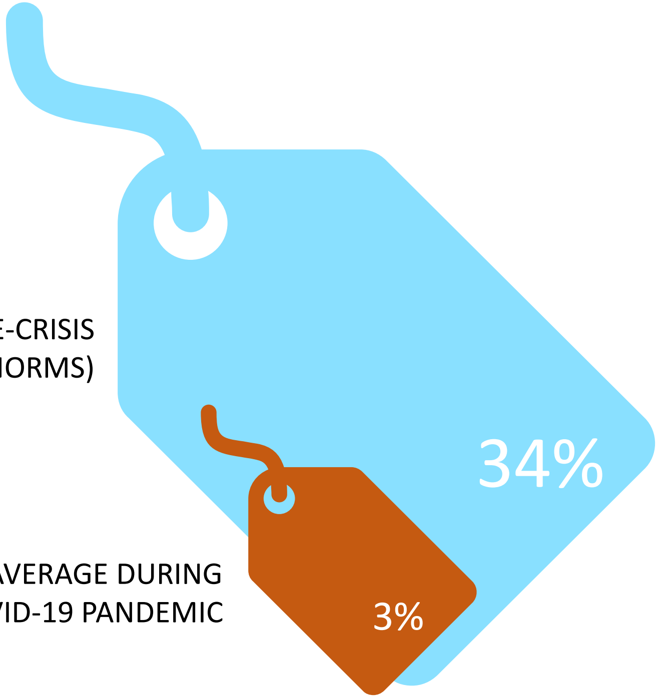


[SOURCE: NYTIMES CHANGE IN SPENDING]

While Value is a top driver for retailer choice, shoppers are struggling to find the value they want when they get to the store. As stock-up issues are resolved, brands will need to consider resuming normal marketing activity to retain market share.

PRE-CRISIS
(NAILBITER NORMS)

4 WEEK AVERAGE DURING
COVID-19 PANDEMIC



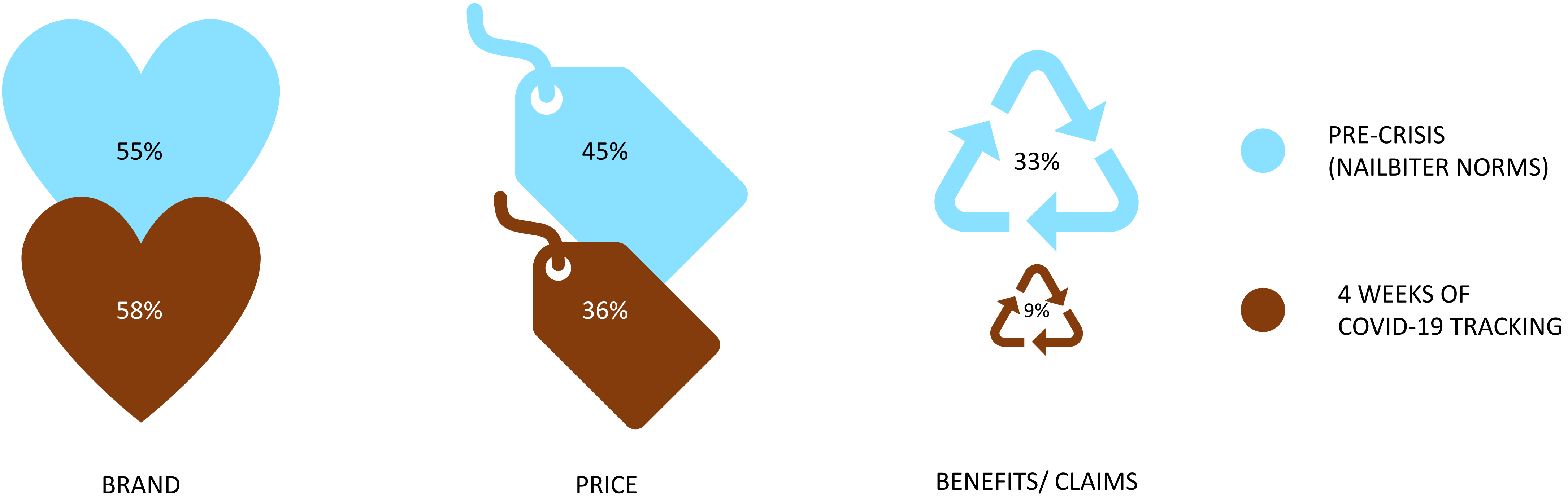
% SHOPPERS WHO CALL OUT A TPR IN A
CATEGORY SHOPPING TRIP IN-STORE

CLICK TO PLAY
VIDEO

Brand is as important a reason for purchase as ever.

Price remains important but a lack of TPR activity may be preventing shoppers from making Price-driven decisions.

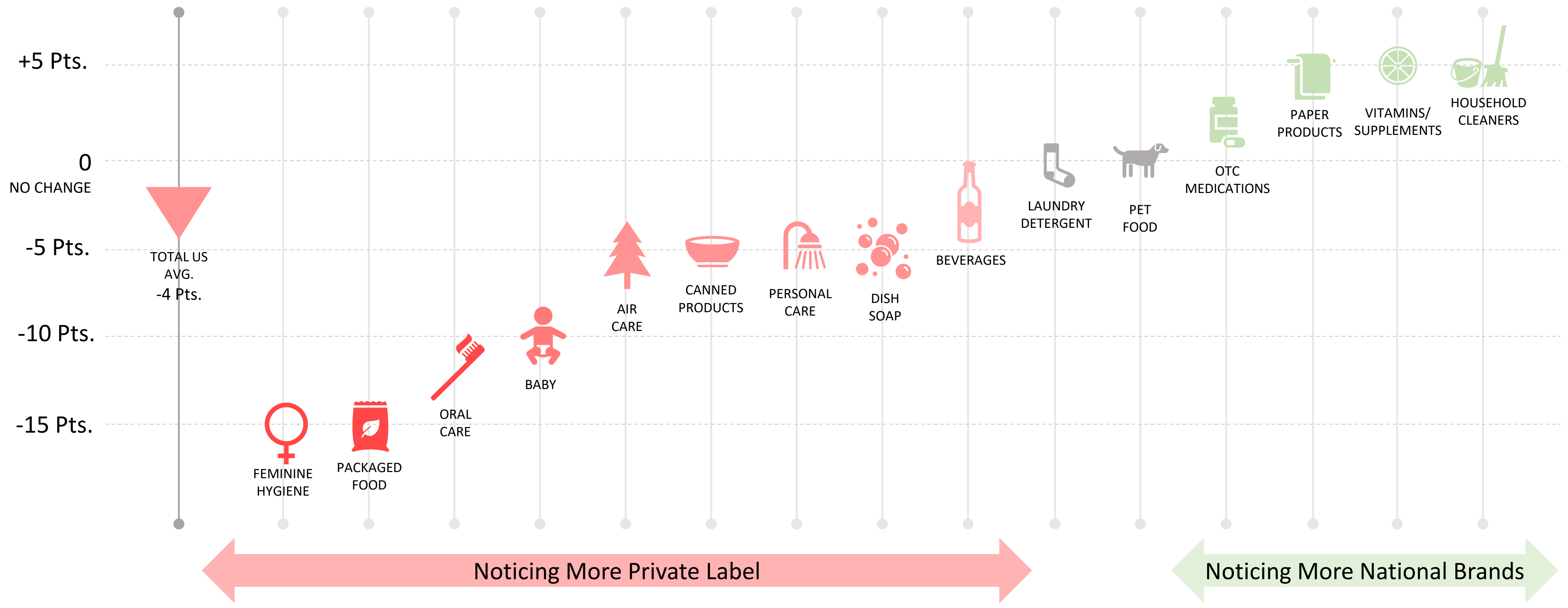
Benefits/ Claims have dropped as decision drivers. A big reduction in Benefits/ Claims as a Reason for Purchase implies that the various health, wellness, and environmental claims that were important to shoppers pre-crisis are less important today.



REASONS FOR PURCHASE

% Shoppers that use Brand, Price or Benefits/ Claims when making a brand decision in-store

In most categories, shoppers are starting to Notice more Private Label products in Weeks 3 and 4 compared to Weeks 1 and 2. In the absence of TPR and promotional activity, Shoppers are starting to look for Value elsewhere.



NET CHANGE* IN NOTICE RATE FOR NATIONAL BRANDS V. PRIVATE LABEL
Week 1&2 v. Week 3& 4

*Pt Change in % shoppers to Notice National Brands minus Pt. Change in % shoppers who Notice Private Label brands

The Stock-Up Frenzy was real & seen widely across categories & retailers

- No retailer or manufacturer was prepared to handle the demand
- Brick & Mortar stores and supply chains performed far better than eCommerce ones

Shoppers are starting to seek Value

- Shoppers are taking a sharp turn away from stock-ups towards replenishments
- Consumers are being more mindful about category usage and waste to ensure that they minimize spoilage

Shoppers are not finding the deals and Prices they are seeking

- Brand continues to be important but Private Label is getting increased Notice
- Better stock-up levels will allow shoppers to compare between acceptable brands (and Private Label)

Consumption patterns have changed across most stocked-up categories

- People are consuming more of everything and are running out of categories faster than they expected
- Consumption is driven by usage frequency and is likely to stay high for most categories

eCommerce has finally taken hold in CPG, driven by shoppers seeking Safety

- Shoppers have permanently changed their attitudes towards eCommerce
- Brick & Mortar will make a come back and will be driven by the Value shopper

Consumers LOVE their CPG brands (not so much their Retailers)

- Consumers appear to get real comfort from their CPG brands and can't wait to switch back
- Their loyalty to retail brands, especially eCommerce ones is low and utilitarian

WEEKS 1-4
RECAP OF LEARNINGS

SEEING & DECODING CRISIS SHOPPING AND CONSUMPTION BEHAVIOR

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ABOUT NAILBITER

REAL SHOPPERS AND CONSUMERS

ANY GEOGRAPHY LOCATION, RETAILER, PREMISE

IN STORE

E-COMMERCE

HOME/ PREMISE

LIGHT INSTRUCTIONS SHORT VIDEOS OF ACTUAL PURCHASE AND USAGE BEHAVIOR