

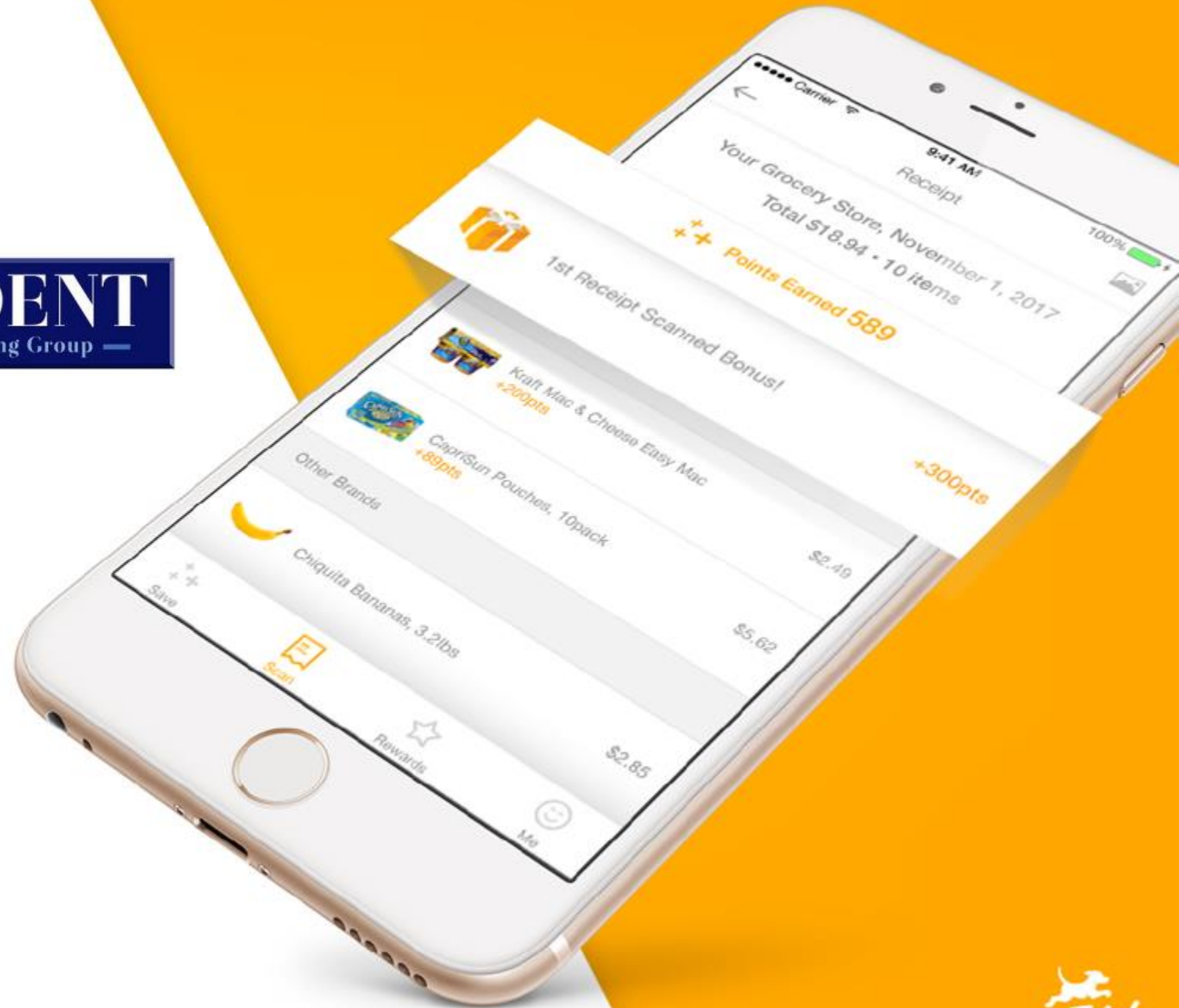
Fetch Rewards® 

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CADENT
— Consulting Group —

CPG Clarity Study – Part I Scavenger Shopping & Clarity Growth Model™

May 29, 2020



About this study

OVERVIEW

This ongoing study has been developed by Fetch Rewards and Cadent Consulting Group to understand the current and expected shopping and consumer usage behavior influenced by the COVID-19 pandemic.

The survey will be conducted monthly, with a series of reports that will be produced in each wave.

DETAILS

1,072 Fetch Rewards members were surveyed during the initial wave through an online survey that was fielded between April 20th and April 24th, 2020.

This data was combined with Fetch Rewards Panel data of 3.5 million monthly active users.

Cadent Consulting Group constructed its behavior + survey forecasting method, the Clarity Growth Model™, by marrying the survey information with the Fetch Panel data and accounting for in-home usage in its projections. The model will continue to be refined over time as data is collected and more inputs are included. Key findings include case study examples of what consumers say they purchase more or less of versus what they actually buy.

Why Cadent?

Cadent Consulting Group has extensive expertise in identifying and capitalizing on profitable growth opportunities with manufacturers and retailers. The company integrates multiple data sources to develop proprietary research and advanced analytics. With a track record of success in the consumer products area, Cadent's managing partners have over 25 years of experience working across outlets and industries.

Why Fetch?

Fetch Rewards is the fastest-growing consumer loyalty app in its category. With nearly 8 million downloads since launching in 2017, Fetch Rewards has processed more than 340 million receipts and delivered nearly \$54 million in savings to its shoppers. In Q1 2020, the company tracked 3.1 million active monthly users and weekly downloads of the app increasing 74 percent.

Introduction – The Quest for Clarity

A number of organizations have been tracking and studying the evolving COVID-19 situation.

Fetch Rewards and Cadent Consulting Group have taken a different approach to build on the foundation of these studies. We challenged ourselves to go one-step further to build a forecast of where things are heading in the Consumer-Packaged Goods/Retail industry using behavior-based + survey-based modeling. The delta between what consumers say and what they do we call the “say/do gap.” Understanding this gap partially informs the projections in the post-COVID-19 model.

We combined the leading-edge Fetch behavior data and the analytics/modeling expertise of Cadent to field a custom survey that created a proprietary Clarity Projection Model that will be continually updated and refined to forecast post-COVID category and brand performance.

The first study covers topics that will be shared in three installments

1. *Scavenger shopping and the Fetch/Cadent Post-COVID Clarity Growth Model™*
2. *Shopper Trips and the Future of Consumer Behavior and Sentiment*
3. *Demographic Drivers of Change*

Summary

3 Key Findings

1. Consumers are making fewer trips and stocking up more, and this will continue for the foreseeable future.
2. Syndicated behavior data and qualitative canvassing of perceptions independently are not enough to understand the potential outcomes of Post COVID-19 purchasing. The combination of the two is key.
3. While each category must be understood individually, most food and beverage categories will return to former velocities Post COVID-19. Two notable exceptions are Beer/Wine/Liquor and Beauty. Beauty will surprise most people, as the perception that far fewer purchases will be made is contrary to the Cadent-Fetch Clarity Growth Model™ projections.

Shopper Challenges

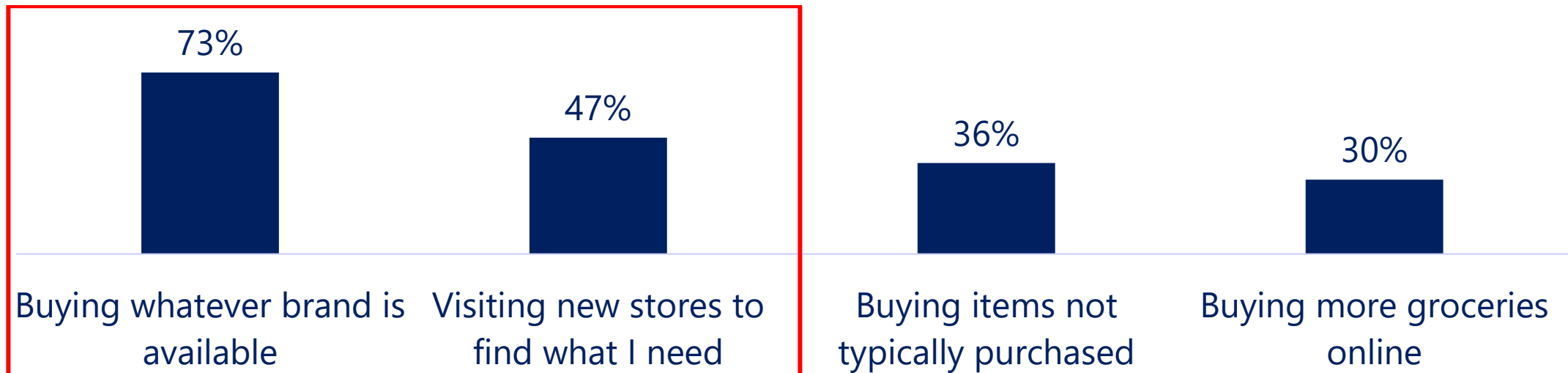
Grocery shoppers have experienced significant challenges shopping in-store and online.



Shopper Behaviors

To overcome challenges (previous page), shoppers have transitioned to scavenger shopping practices.

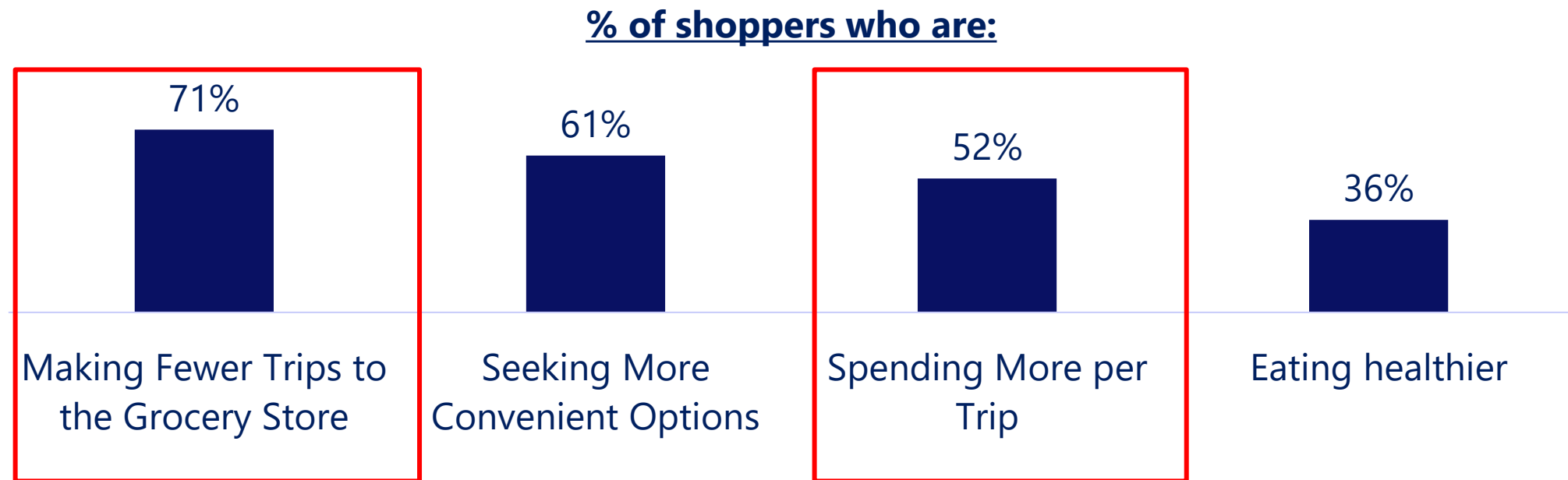
% of shoppers who are:



More than 70% of shoppers are buying whatever brand is available, and about half have visited a new store to find what they need.

Shopping Trip Evolution

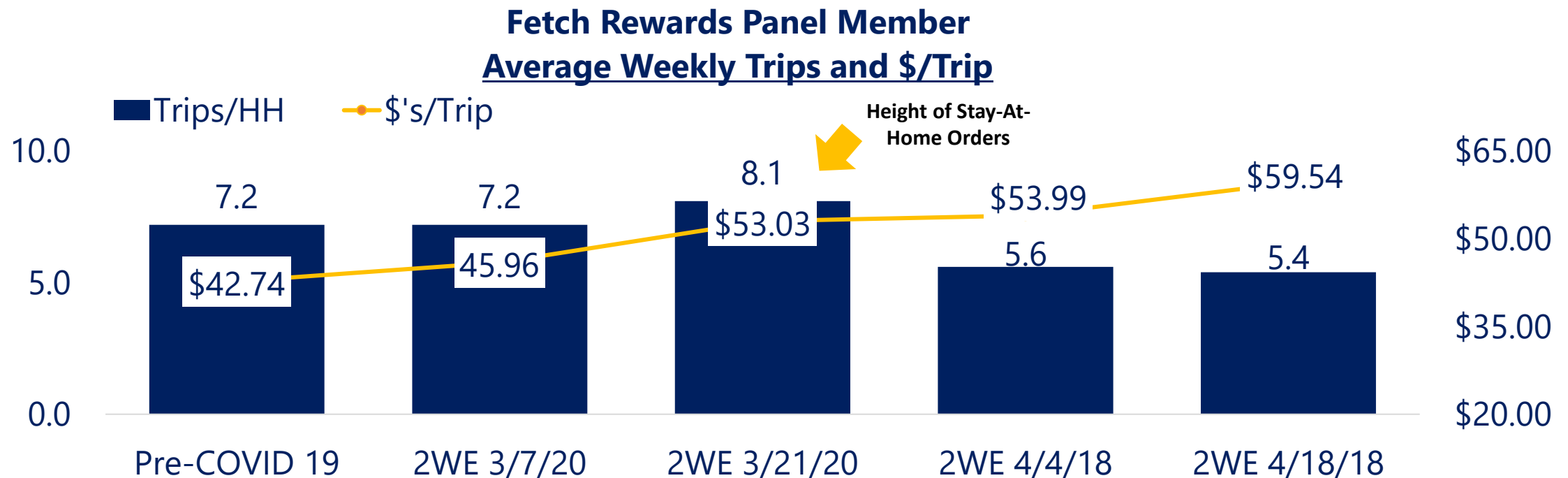
The way in which shoppers are executing trips to the grocery store has changed, including fewer trips to the store and more stock-up purchases.



More than 70% of shoppers are making fewer trips, and half are buying more per trip to the grocery store

COVID-19 effect on shopping trips

Trip dynamics escalated as COVID-19 lockdowns were implemented and then relaxed.

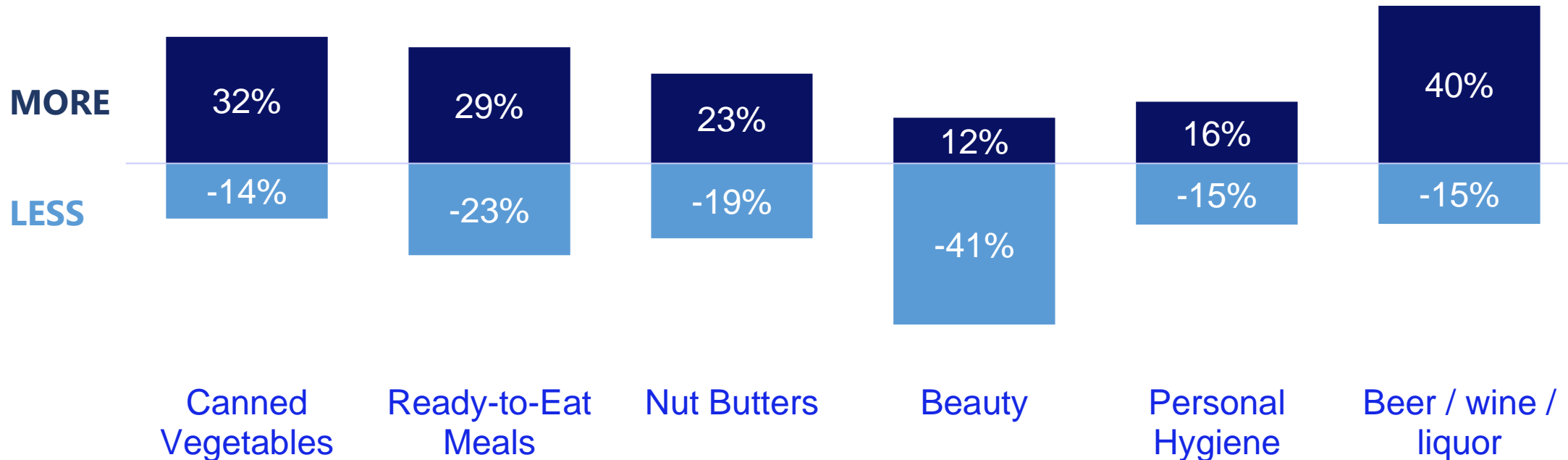


Initial Stock-up occurred in mid-March as early 'stay at home' orders were announced; trips have since dipped, but Basket size has continued to rise

Shift in purchase categories (what shoppers say)

Consumers say they increased food/beverage purchases, while reducing beauty.

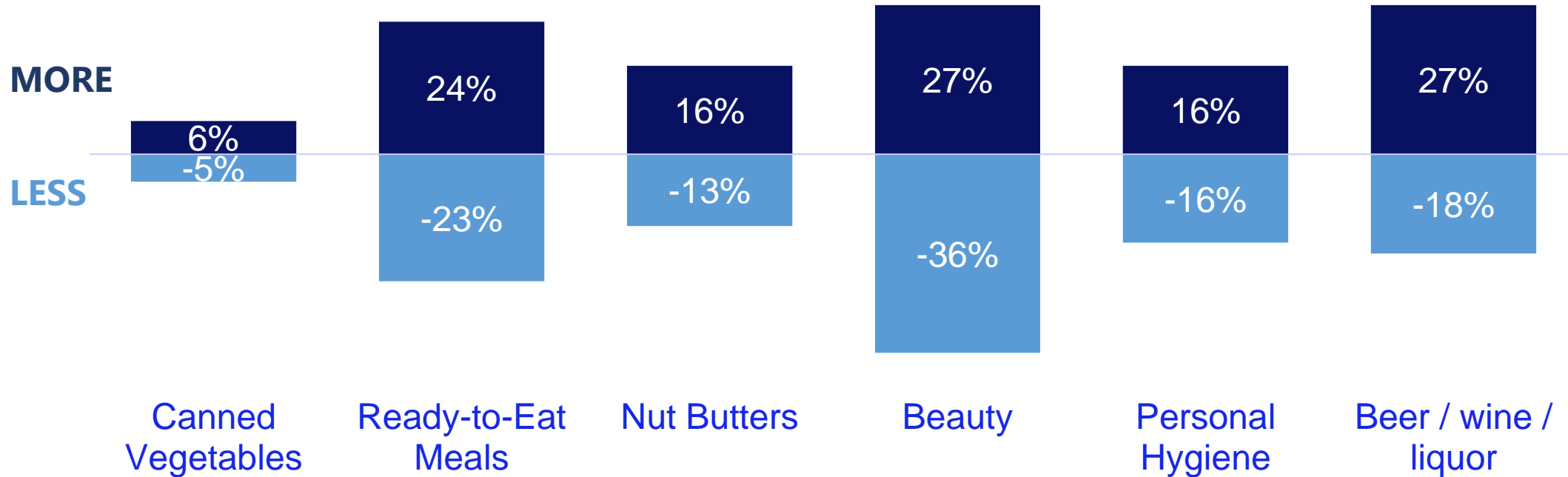
% of Shoppers Purchasing More or Less of a Category (Stated)



Shift in purchase categories (what shoppers do)

Here's how they really shopped.

% of Shoppers Purchasing More or Less of a Category (Actual)



The Say/Do Gap

The Say/Do purchase gap tells a revealing story. What shoppers say they're doing and what they're actually doing is different.

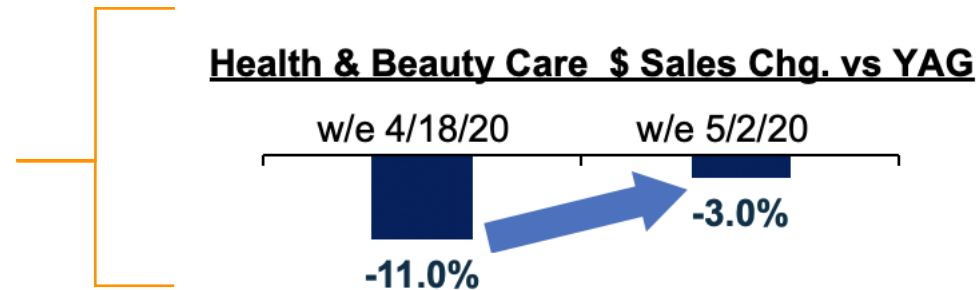
Examining the differences between shopper sentiment and actual behavior gives unique insight into which categories might grow and which might experience pressure.

	What People Say	What People Do	Why?
Canned Vegetables	+18	+1	<i>"Seems logical to stock up on canned goods, but maybe we didn't need what we thought"</i>
Ready to Eat Meals	+6	+1	<i>"I don't have time to cook, but can't get out of the house"</i>
Nut Butters	+4	+3	<i>"It's fast, easy and what I used to eat for lunch. Good for kids"</i>
Beauty	-29	-9	<i>"We're stuck at home with nobody to impress. These items make us happy!" Beauty is a ritual</i>
Personal Hygiene	+1	0	<i>"It's a small thing I can do. I care about feeling good"</i>
Beer / Wine / Liquor	+25	+9	<i>"We're socializing at home now, and we have extra time on our hands. But maybe not every night"</i>

A case study for beauty

"I am not using nearly as many beauty products today as I was, and I don't think I will ever go back..."
- Consumers, everywhere

Well, maybe. The beauty purchase numbers from mid-April are improving into May.



Source: Nielsen Brick & Mortar \$ sales May 2, 2020 vs. year ago; Industry Reports

Shelter in place has meant "no need to make face" for many consumers. Expert predictions suggest dire consequences as we come out of COVID-19 and into a sustained recession. Some experts weighed in on beauty growth saying

"...we anticipate as much as an 8-10% drop in the cosmetics purchases in 2020."

"The luxe market will be hit harder, possibly double digit declines."

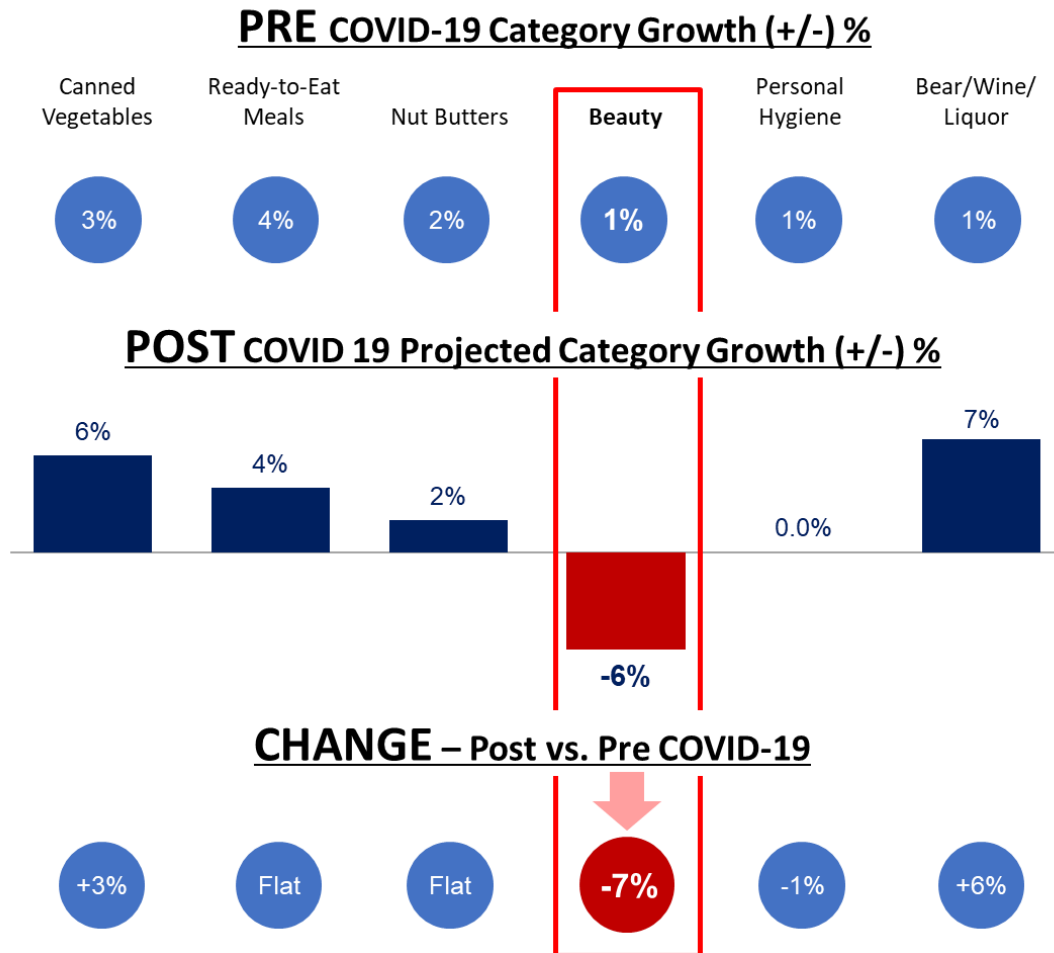
Products will swing to essentials and basics."

- Industry Analysts

But when you look at the Fetch-Cadent Say/Do Gap numbers, a very different story unfolds. Not only are many consumers purchasing more than they say now, the future projections for beauty with the Say/Do calculation suggest that beauty will be far less impaired than the isolated qualitative or quantitative numbers would suggest.

Category growth evolution

The Cadent/Fetch Post-COVID-19 Clarity Growth Model™ shows that categories will re-emerge unequally.



Clarity Growth Model™

Alcohol and Canned goods expected to continue COVID-19 driven increase while other staples will return to prior COVID-19 norms.

Beauty expected to decline vs. prior trend, but not as much as many predict. Work-From-Home and social distancing will drive less usage in the short term.

Action steps

With the kind of intelligence provided in the survey and the potential for more detailed analysis, companies need to switch from *sustain mode* to *growth mode*. This means thoughtfully analyzing category performance and understanding the impact in a post COVID-19 world.

This includes the following **4 Key Actions**:

1. Assess the status of category performance and your brands
2. Re-examine your item assortment and determine the must-have items versus extension items
3. Re-evaluate pricing in light of recessionary economic conditions and actions that should be taken to recapture business
4. Establish customer merchandising plans and timing to accelerate business with retailer partners

For more insights from Cadent Consulting Group and Fetch Rewards on COVID-19 and to discuss how these insights can help brands get back to growth mode, email Ken Harris (Ken.Harris@cadentcg.com) or Tim Miller (T.Miller@fetchrewards.com)