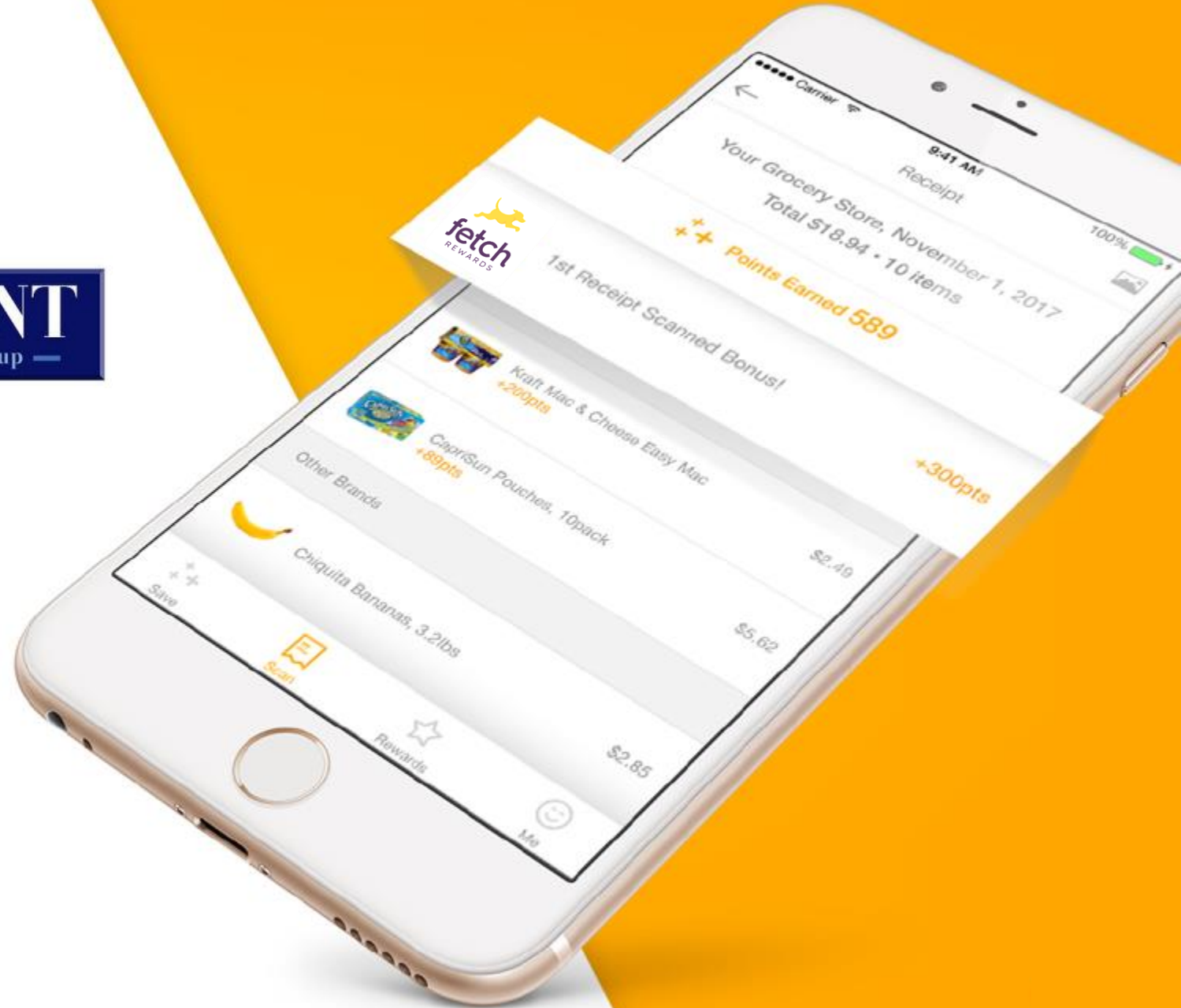**CPG Clarity Study – Part 3**
September 30, 2020

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.

This release is the third of three installments focusing on trips and the future of consumer behavior.
1. *Scavenger Shopping and the Fetch/Cadent Post-COVID Clarity Growth Model™*
2. *Future of Consumer Behavior and Sentiment*
3. ***Pricing Action led by Demographic Drivers of Change***

METHODOLOGY

1,048 Fetch Rewards members were surveyed during the third wave through an online survey that was fielded between Aug 3rd and Aug 6th, 2020. Previous studies were fielded between April 20th and April 24th, 2020 (released in May), and between May 31st and June 4th, 2020 (released in July) using the same process.

This data was combined with Fetch Rewards Panel data of 3.1 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.

PAST FINDINGS

MAY 2020

1. Consumers are making *fewer trips* and *stocking up more*; trend will continue.
2. *Combination of syndicated behavior data and qualitative canvassing* created the Say/Do gap.
3. *Most food and beverage categories will return to former velocities Post COVID-19.* Two notable exceptions are Beer/Wine and Liquor.

JULY 2020

1. Shoppers are beginning to return to the store more frequently and more often finding their preferred brands.
2. Consumers are optimistic about family life, but anxious about the economy.
3. Consumers' shopping/usage behaviors indicate an uptick in sales for Salty Snacks and Refrigerated Meats.

Summary of New Findings

3 KEY FINDINGS

1. **New Normal at Retail**: Shoppers are returning to stores and seeking their preferred brands. Retailers must ensure preferred brands are in-stock and devote effort to retain shoppers.

2. **Broad Based Economic Challenges Drive Potential Price War**: Shoppers across all income levels have high degrees of economic anxiety and generally plan to spend less. Lower and middle income shoppers are acutely affected and are becoming increasingly price sensitive. Retailers will have to offer strong deals to shoppers who are commonly shopping multiple stores.

3. **Price War will focus on Key Staple Categories**: With many still working at home, meat, cheese, and alcohol consumption remains at elevated levels. Shoppers will be paying close attention to prices on these fast-turning staple categories. Winning on price in these key categories will be critical to retailers' success in the near future.

COVID-19 has significantly affected shopping trips

Trip dynamics escalated as COVID-19 lockdowns were implemented and extended, but there are signs of movement towards a new normalcy as these orders are beginning to be relaxed (though headwinds remain a concern).

**Fetch Rewards Panel Member
Average Weekly Trips and $/Trip**
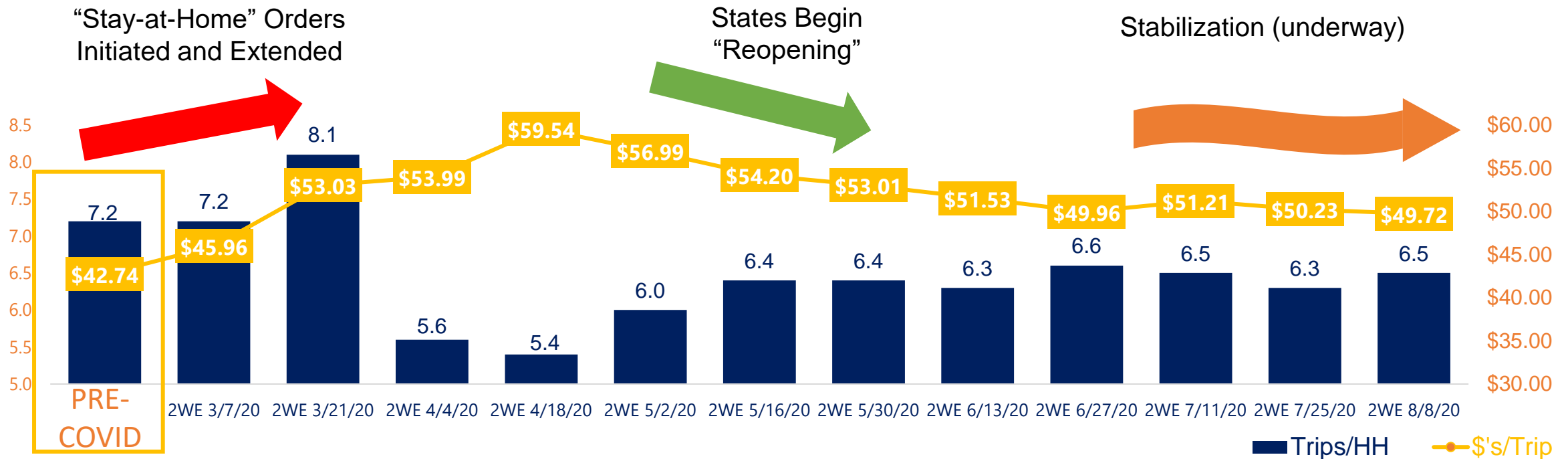
Basket sizes are declining as shoppers have begun returning to the store more frequently

Source: Fetch Rewards / Cadent Consulting Group CPG Clarity Study™, September 2020

Today, pricing is the biggest issue facing consumers

% of Shoppers Experiencing Higher Prices when Shopping for Groceries

IN-STORE

- April: 48%
- June: 60%
- August: 59%

60% In-store

ONLINE

- April: 35%
- June: 36%
- August: 35%
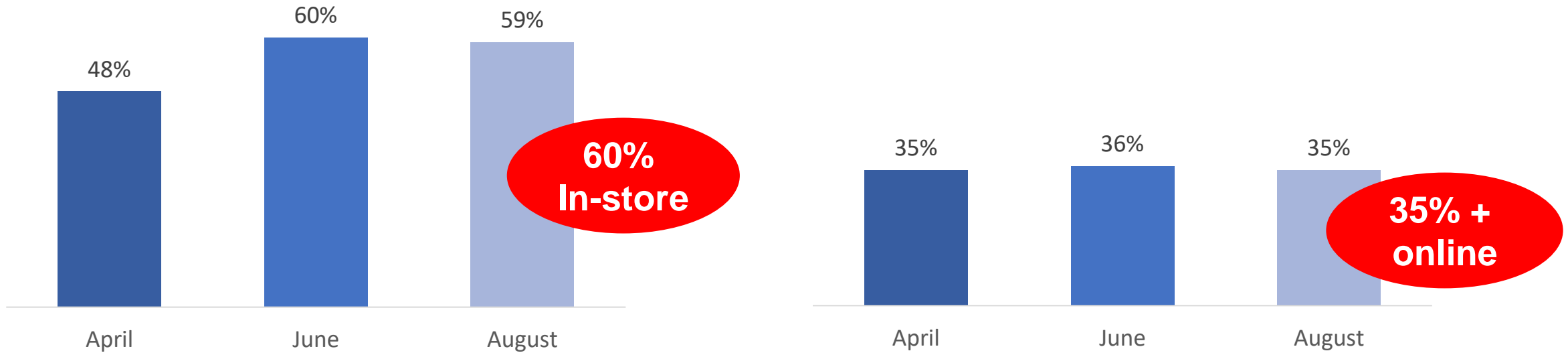
35% + online

Nearly 60% of in-store shoppers and 35% of online grocery shoppers are experiencing higher prices

Source: Fetch Rewards / Cadent Consulting Group CPG Clarity Study™, September 2020

Family life factors remain positive but pessimism on the economy has increased since prior studies

Net Optimistic (+) / Pessimistic (–)

FAMILY LIFE

ECONOMY & JOBS

Legend:
- April
- June
- August

Overall Family Situation
- 33%
- 34%
- 28%

Providing for Your Family
- 37%
- 32%
- 27%

Your Job
- 33%
- 22%
- 25%
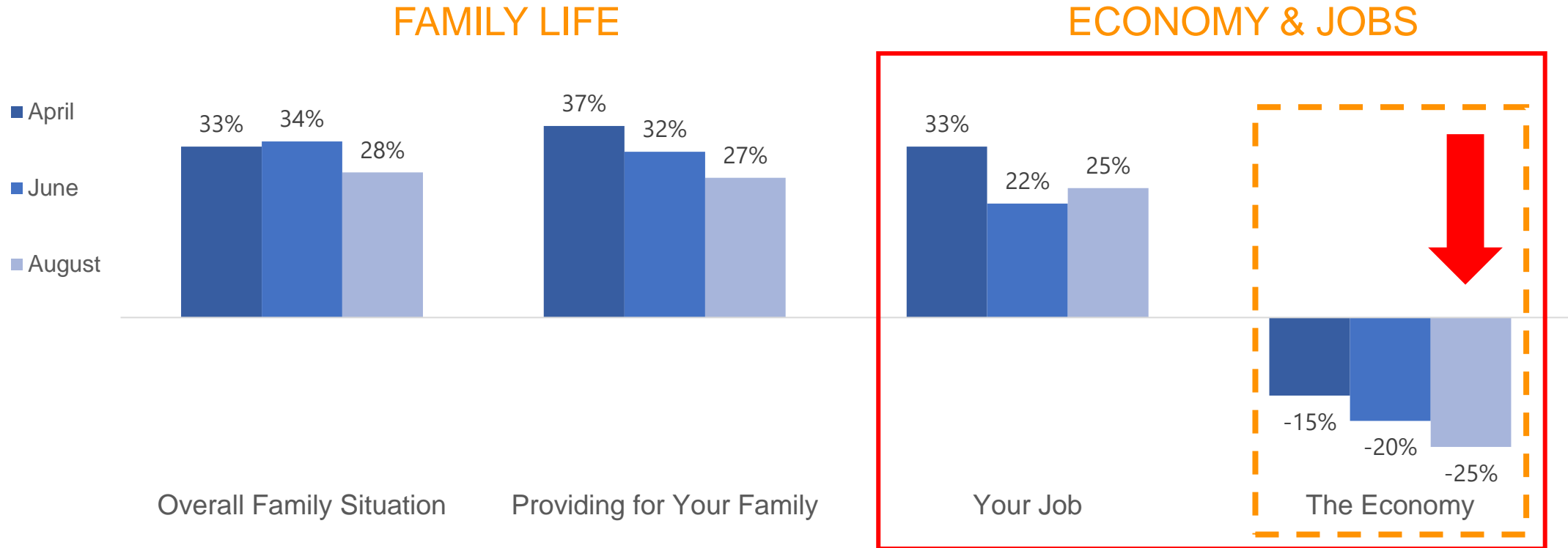
The Economy
- -15%
- -20%
- -25%

Despite up-tick in jobs, survey findings show that pessimism about the economy continues to widen

Source: Fetch Rewards / Cadent Consulting Group CPG Clarity Study™, September 2020

Upper income shoppers are more optimistic about family life and their job

Net Optimistic (+) / Pessimistic (−)

FAMILY LIFE

- >$100K
- $50-$100K
- <$50K

Overall Family Situation
- 43%
- 26%
- 18%

Providing for your family
- 32%
- 26%
- 21%

ECONOMY & JOBS

Your Job
- 42%
- 23%
- 16%

The Economy
- -26%
- -25%
- -22%

Avg. = -25% Net pessimistic
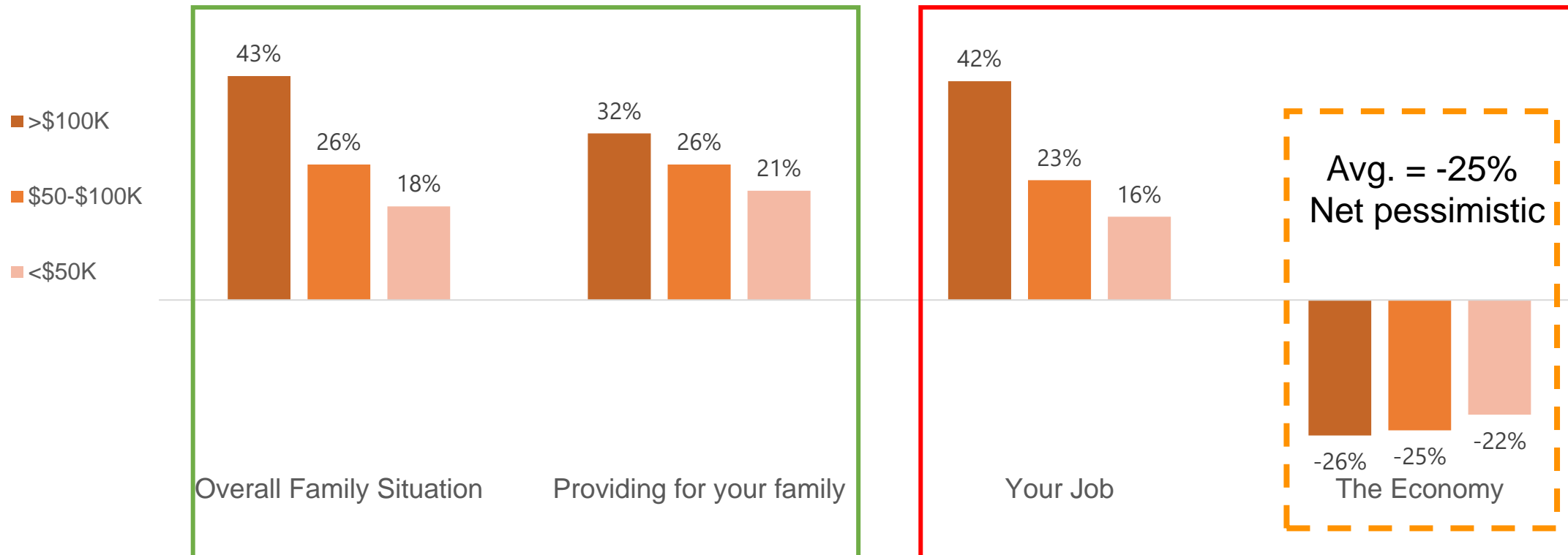
All shopper groups are net pessimistic about the state of the economy indicating broad concern

Source: Fetch Rewards / Cadent Consulting Group CPG Clarity Study™, September 2020

Consumers expect to cut overall spending

Respondents have found benefits from more time at home with family and intend to eat healthier.

% of Consumers Expecting to do More/Less of the Following

FAMILY LIFE   ECONOMY & JOBS

- More
- Less

	Time with Family	Eat Healthier Foods	Working From Home	Number of Trips to the Grocery Store	General Spending	Travel for Fun
More	48%	41%	19%	8%	17%	18%
Less	-8%	-5%	-9%	-25%	-24%	-43%
% Uncertain	3%	3%	31%	2%	5%	13%
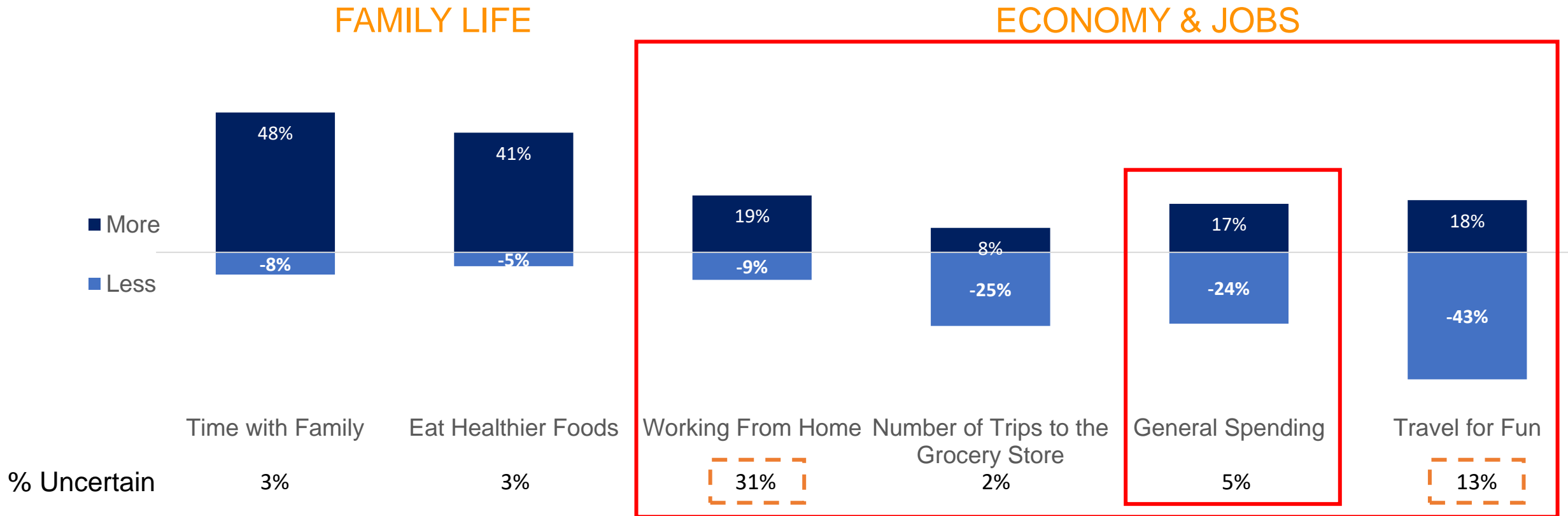
Expected cuts in overall spending indicates price will be a focus for shoppers

Source: Fetch Rewards / Cadent Consulting Group CPG Clarity Study™, September 2020

Lower income shoppers are visiting multiple stores to meet their needs

% of Shoppers

About the Same

- ■ >$100K
- ■ $50-$100K
- ■ <$50K

59% | 59% | 53%

Buy Whatever Brand Avail.

Skewed to Lower Income

38% | 40% | 47%

Lower Income

Visiting Multiple Stores

Skewed to Higher Income

Higher Income

40% | 26% | 21%

Buy More Grocery Online
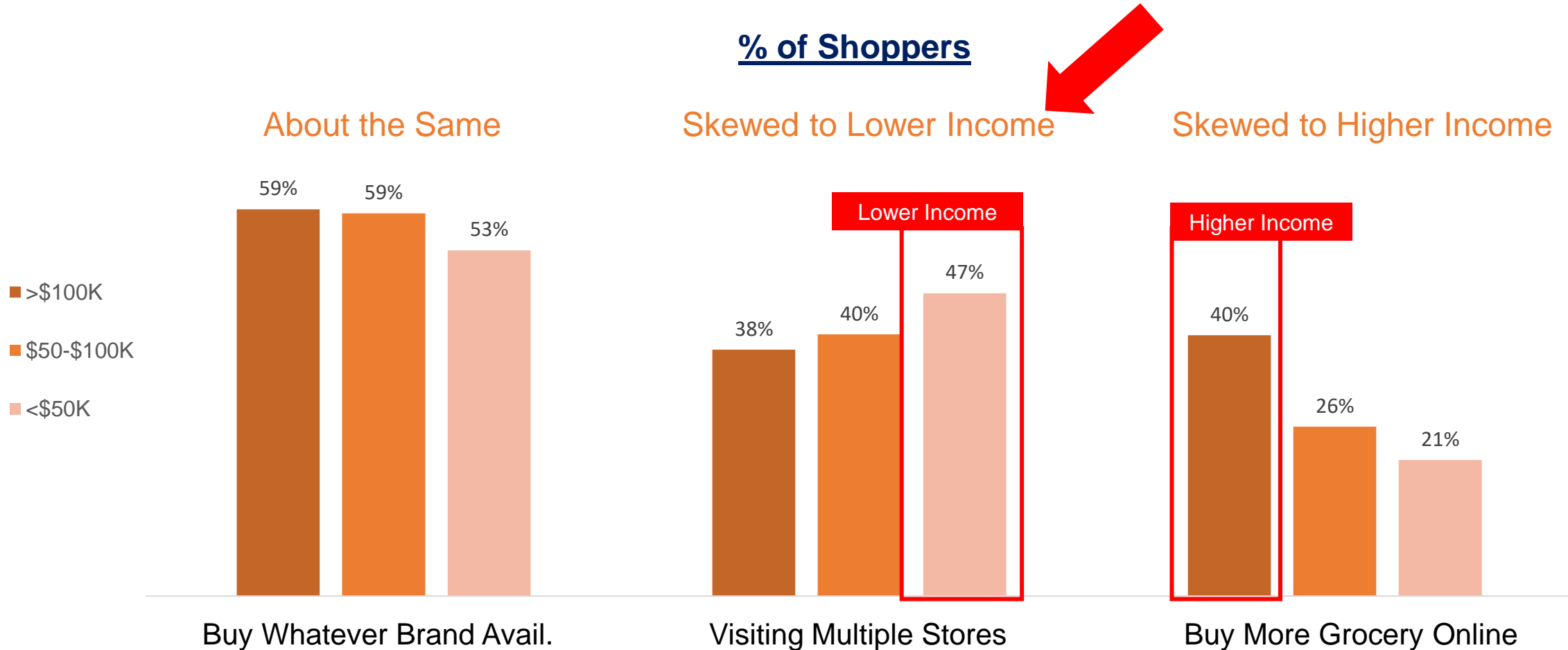
The pursuit of in-store deals and best price is important for those challenged economically

Source: Fetch Rewards / Cadent Consulting Group CPG Clarity Study™, September 2020

RFG meat, cheese, and alcohol categories have accelerated consumption, while some are flat or below pre-Covid buying rates

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

+/- indicates % of shoppers buying more or less than before COVID-19

How to Read: 7% more shoppers state they are buying less ready to eat meals than more, while receipt level data indicates that 45% more shoppers are actually buying less than before COVID-19

The Say/Do Gap

	Canned Veggies	Refrigerated Meats	Ready to Eat Meals	OTC Products	Frozen Meals/ Pizza	Deli Meats	Nut Butters	Cheese	Beauty	Personal Hygiene	Salty Snacks	Beer/ Wine, Liquor
What People Say	+4	+11	-7	-8	+8	0	-6	+9	-32	-4	+8	+14
What People Do	-26	+1	-45	-27	-17	-5	-21	+8	-23	-22	-9	+19

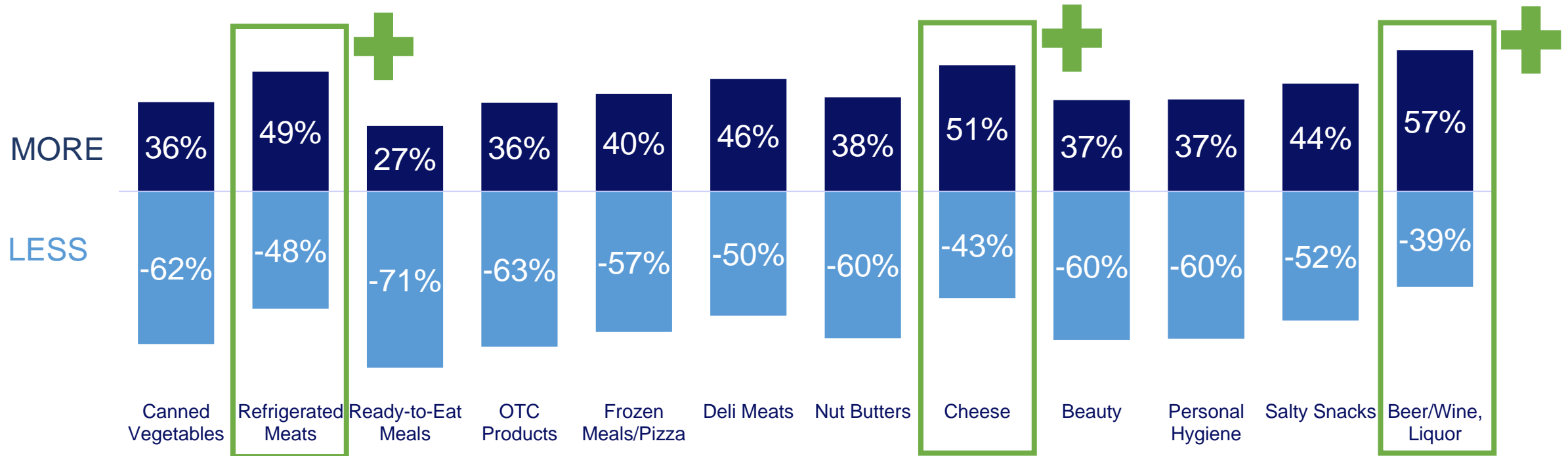"We're eating more at home, but Protein is still a must, even with higher prices"

"Cheese makes for an easy snack, dinner ingredient, or part of a sandwich – all at-home"

"Given everything, we don't really go out for drinks, but I still enjoy a beer or glass of wine at night"
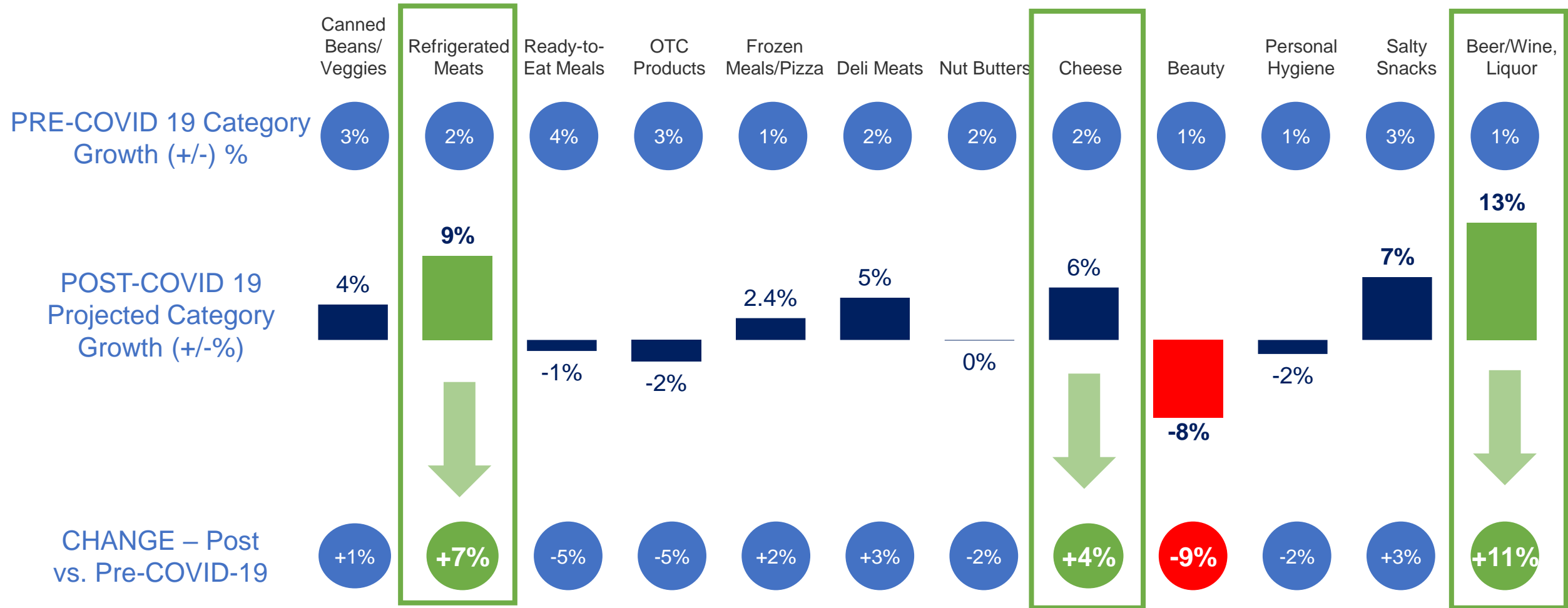
Source: Fetch Rewards / Cadent Consulting Group Covid-19 Shopper Behavior Study, May 2020

Consumers are purchasing more meat, cheese and alcohol while purchasing less of other categories

Here's how they really shopped.

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

Category	MORE	LESS
Canned Vegetables	36%	-62%
Refrigerated Meats	49%	-48%
Ready-to-Eat Meals	27%	-71%
OTC Products	36%	-63%
Frozen Meals/Pizza	40%	-57%
Deli Meats	46%	-50%
Nut Butters	38%	-60%
Cheese	51%	-43%
Beauty	37%	-60%
Personal Hygiene	37%	-60%
Salty Snacks	44%	-52%
Beer/Wine, Liquor	57%	-39%

Three-month trend analysis indicates meat, cheese and alcohol will be hotly contested – price will be a key lever

	Canned Beans/ Veggies	Refrigerated Meats	Ready-to-Eat Meals	OTC Products	Frozen Meals/Pizza	Deli Meats	Nut Butters	Cheese	Beauty	Personal Hygiene	Salty Snacks	Beer/Wine, Liquor
PRE-COVID 19 Category Growth (+/-) %	3%	2%	4%	3%	1%	2%	2%	2%	1%	1%	3%	1%
POST-COVID 19 Projected Category Growth (+/-%)	4%	9%	-1%	-2%	2.4%	5%	0%	6%	-8%	-2%	7%	13%
CHANGE – Post vs. Pre-COVID-19	+1%	+7%	-5%	-5%	+2%	+3%	-2%	+4%	-9%	-2%	+3%	+11%

Recent meat price increases indicate potential future price wars at retail

Stockpiling is over, so why have grocery prices gone up again?

"If food price increases remain over the course of the next year, the average household will spend about $400 more on groceries," said one economist.

"While some individual items are less expensive than in May, they're still up from January, particularly meat.

A pound of bacon costs 50 cents more; ground beef, 40 cents; and chicken breast, 30 cents."

Shoppers are facing higher prices on a core at-home cooking category in a challenging economy

Source: NBC News, *Stockpiling is over, so why have grocery prices gone up again?*, Sept. 10, 2020, Nielsen, 2020

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)
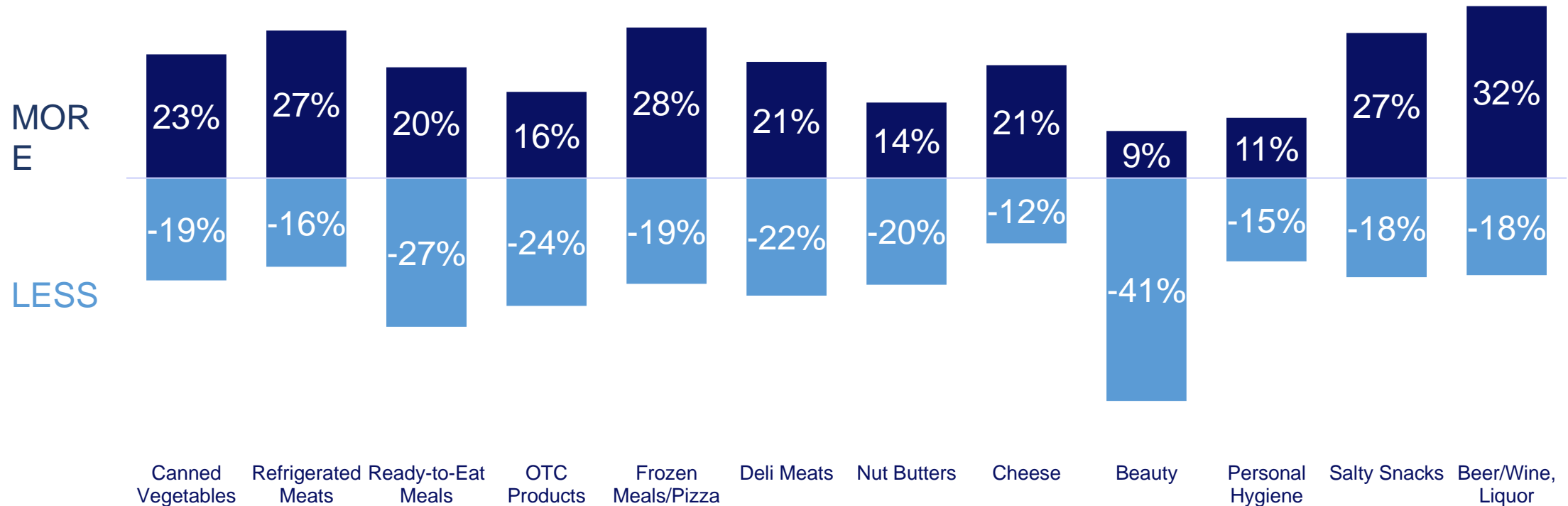
Appendix
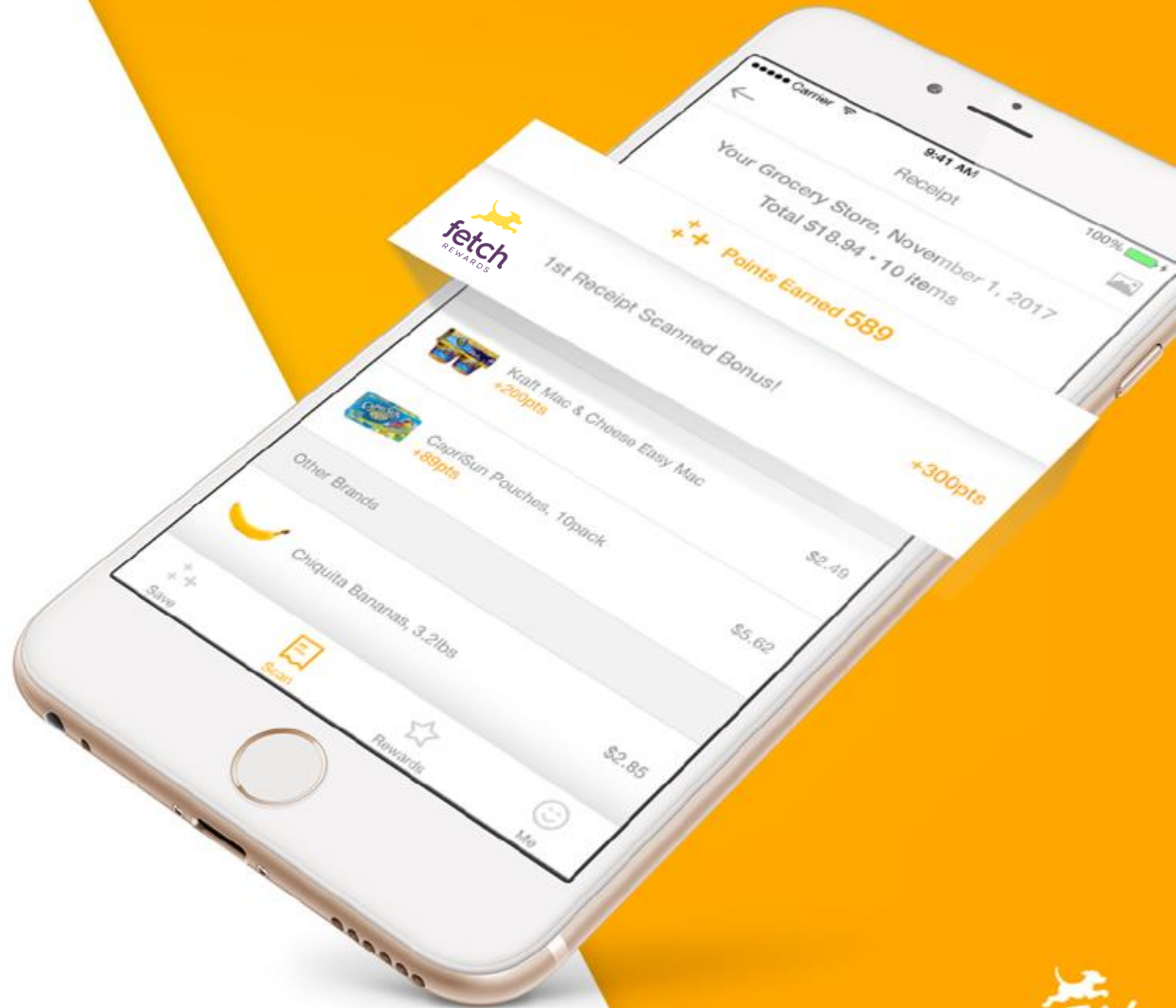
Shift in purchase categories (what shoppers say)

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

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

MORE

LESS

Category	More	Less
Canned Vegetables	23%	-19%
Refrigerated Meats	27%	-16%
Ready-to-Eat Meals	20%	-27%
OTC Products	16%	-24%
Frozen Meals/Pizza	28%	-19%
Deli Meats	21%	-22%
Nut Butters	14%	-20%
Cheese	21%	-12%
Beauty	9%	-41%
Personal Hygiene	11%	-15%
Salty Snacks	27%	-18%
Beer/Wine, Liquor	32%	-18%

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.