

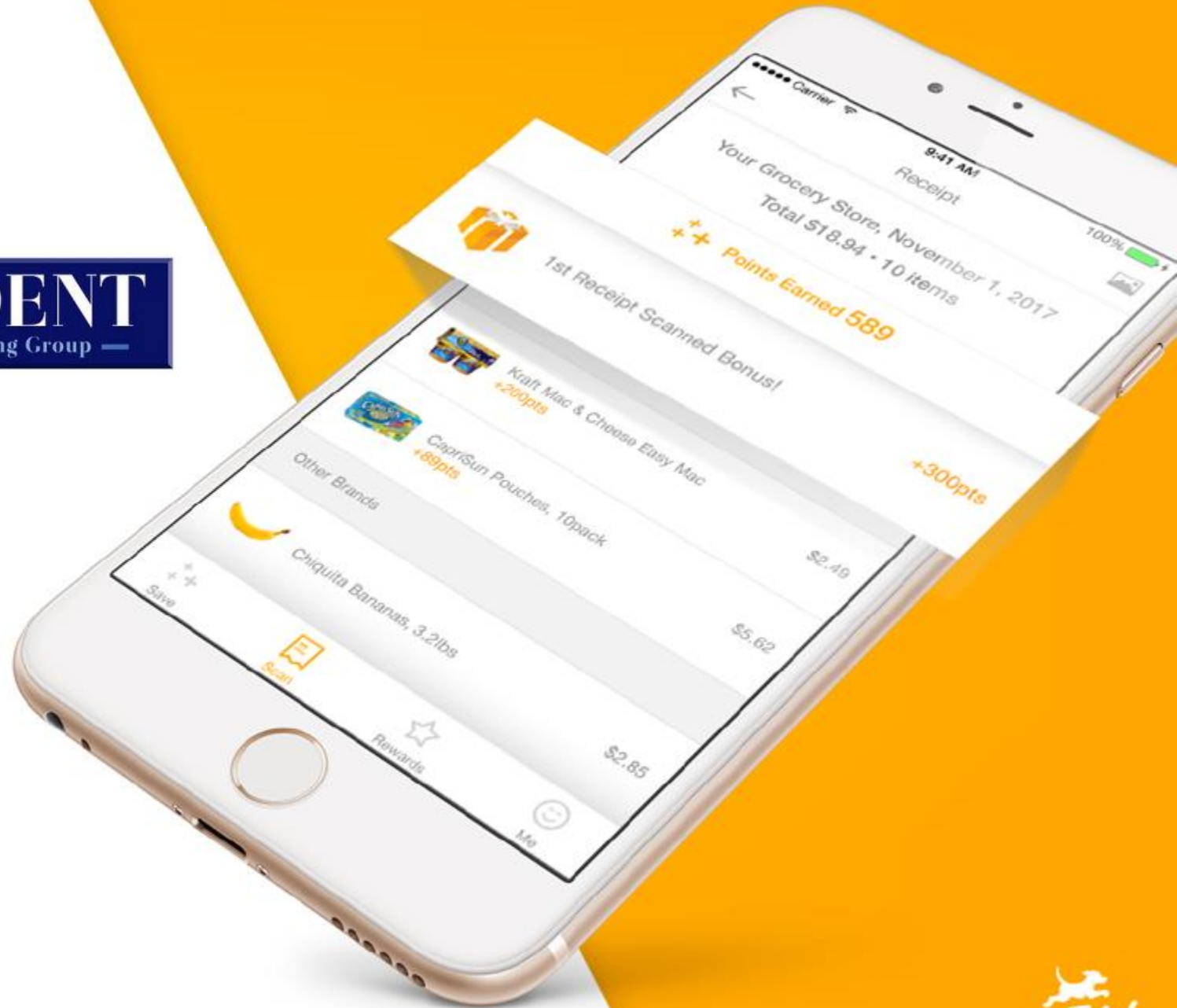
Fetch Rewards® 

+

CADENT
— Consulting Group —

CPG Clarity Study – Part 2 Future Consumer Behavior and Sentiment

July 15, 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 second 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. *Demographic Drivers of Change*

Recap of 1st CPG Clarity Study Part 1

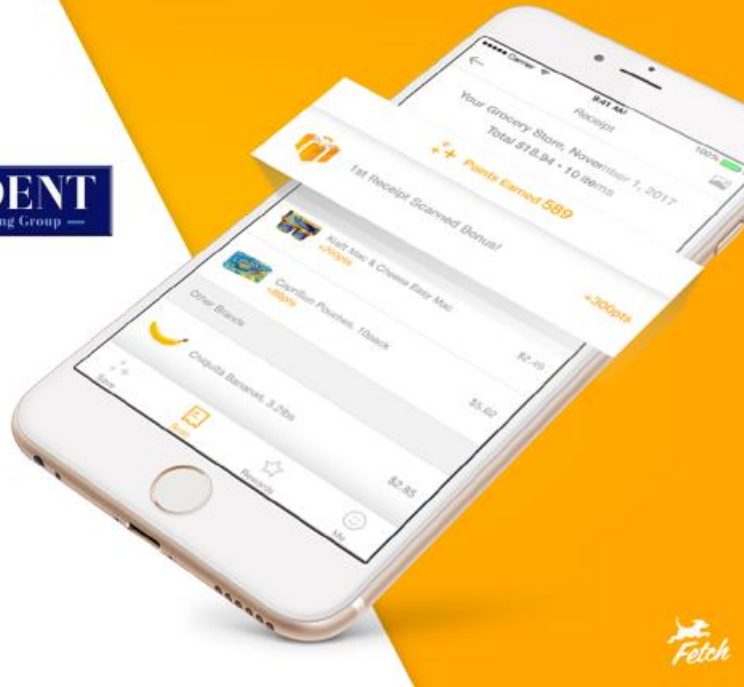
3 Key Findings Were Shared in May

1. Consumers are making ***fewer trips*** and ***stocking up more***; trend will continue.
2. ***Combination of syndicated behavior data and qualitative canvassing*** of perceptions is key to understanding potential outcomes of Post COVID-19 purchasing. Individual assessments are insufficient.
3. ***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.



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

May 29, 2020



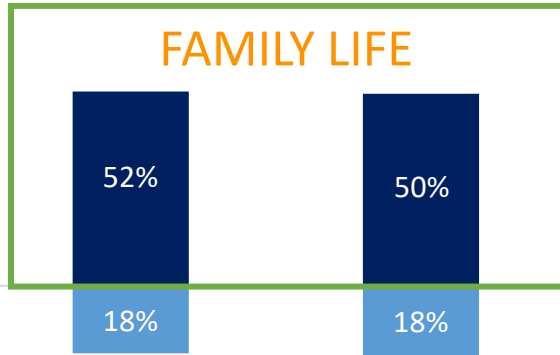
New consumer learning reveals a contrasting dynamic between feelings of family life and the economy



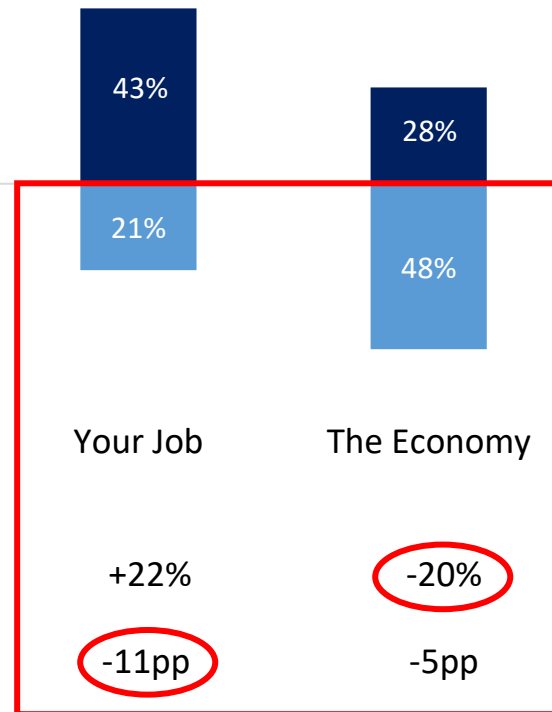
% of Shoppers Optimistic / Pessimistic About...

Optimistic

Pessimistic



ECONOMY & JOBS



The **POSITIVE** outlook on family life and the **NEGATIVE** outlook on the economy and jobs is driving the feedback on the shopping experience and consumer purchase behavior results

Overall Family Situation

Providing For Your Family

Your Job

The Economy

+34%

+32%

+22%

-20%

Net Optimistic (+) / Pessimistic (-)

+1pp

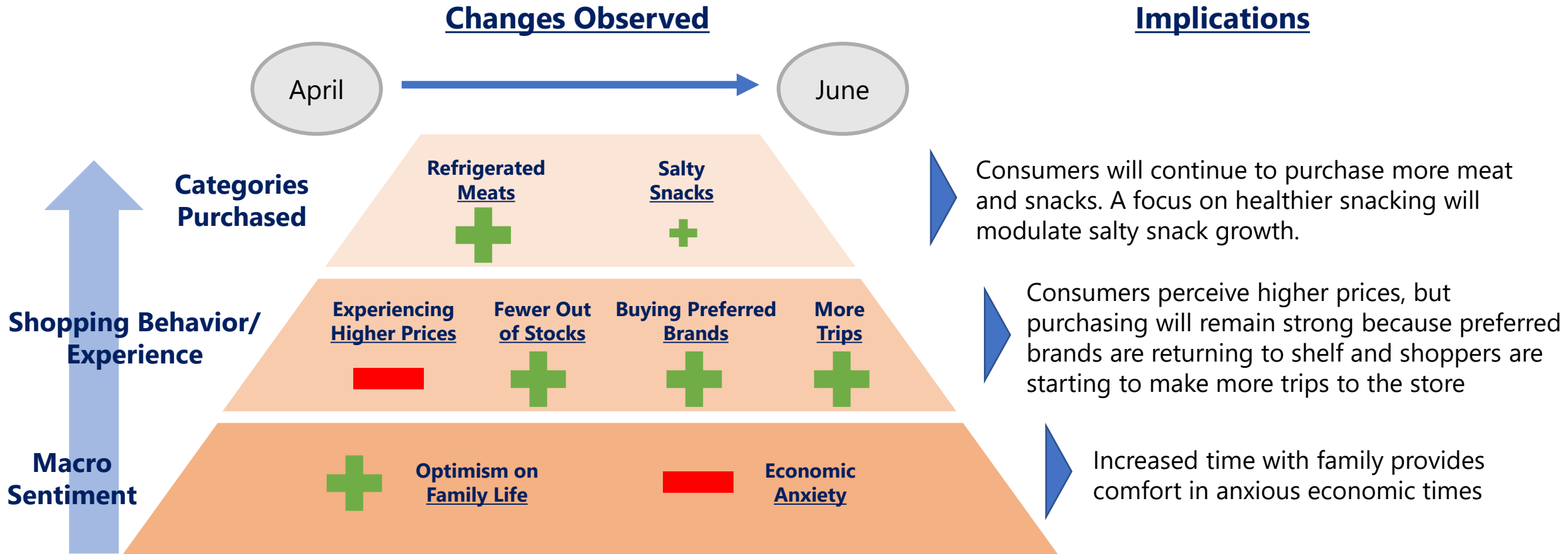
-5pp

-11pp

-5pp



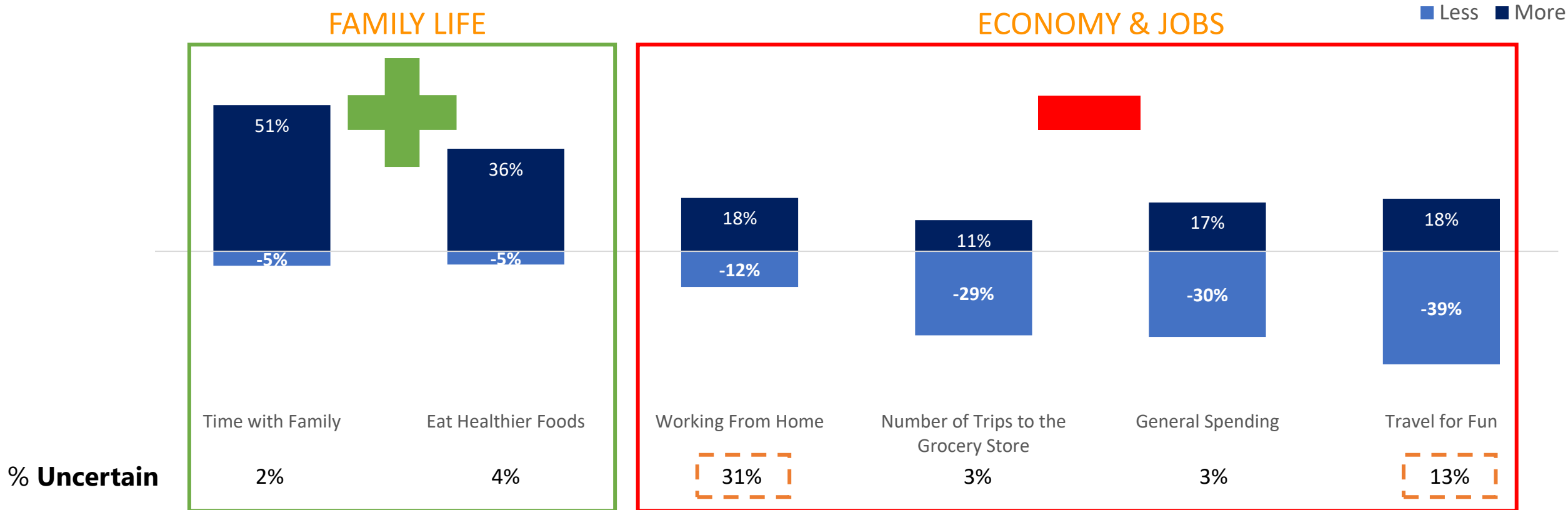
Macro family and economic sentiment forms base dynamic as consumers return to preferred brands



Positive consumer outlook on family is contrasted by negative view on the economy

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



However, they intend to cut on spending and take fewer trips to the store. There is also uncertainty regarding work and travel plans, as the pandemic and recession continue.

Shoppers continue to face challenges when shopping for groceries in store

Consumers perceive higher prices, but purchasing will remain strong because preferred brands are returning to shelf and shoppers are starting to make more trips to the store.

% of Shoppers

Experiencing Out of Stocks



Making Fewer Trips to Store



Buying Whatever Brand Available



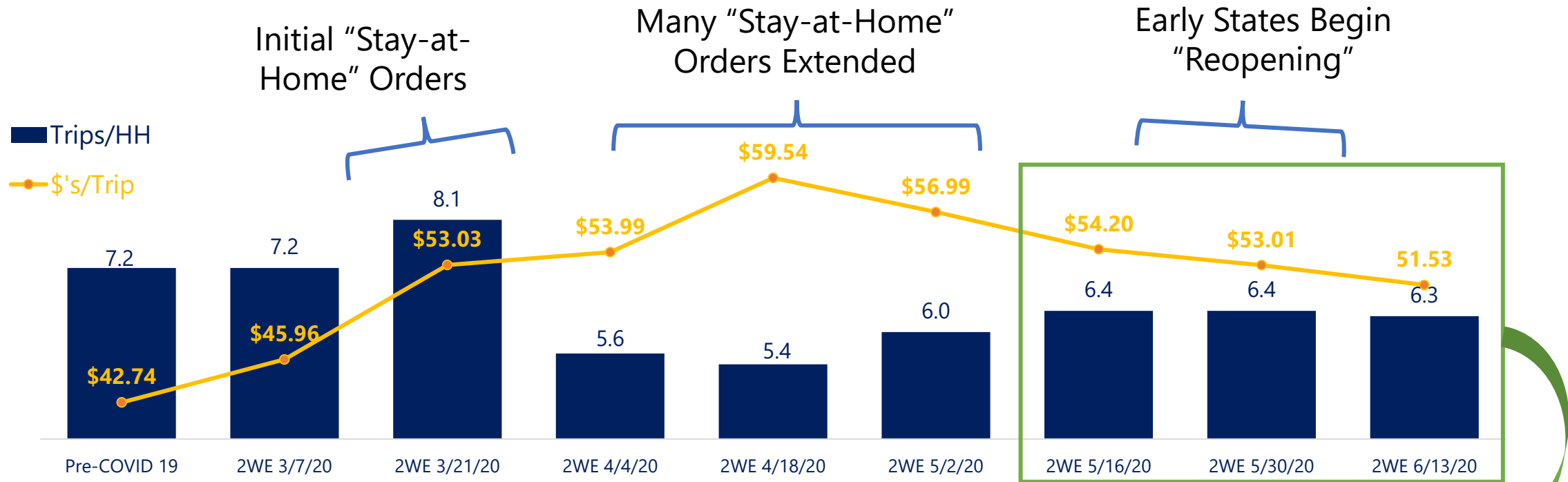
Experiencing Higher Prices



COVID-19 has Created an Accordion Effect on Grocery 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 have begun to be relaxed (though future lockdowns remain a concern).

Fetch Rewards Panel Member Average Weekly Trips and \$/Trip



Basket sizes are declining as shoppers are returning to the store more frequently

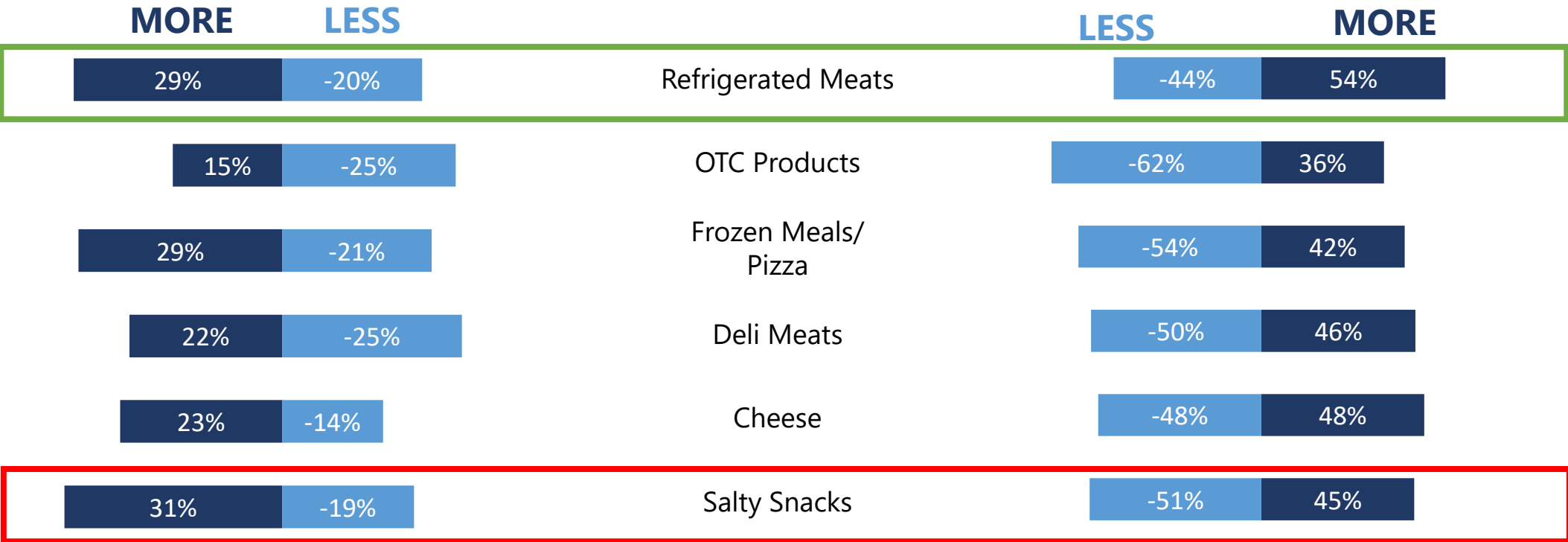
Category shopping behaviors vary by category (what shoppers say vs. what they do)

Consumers *say* they are purchasing More Refrigerated Meats and More Salty Snacks.

Consumers *actually* purchased More Refrigerated Meats, but Less Salty Snacks.

% of Shoppers SAYING they are purchasing More or Less of a Category

% of Shoppers ACTUALLY purchasing More or Less of a Category



The Say/Do Gap

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

+/- indicates more or less stated/ actual purchases

	What People Say	What People Do	"Say / Do" Gap	Why?
Refrigerated Meats	+10	+11	+1	"We are eating more at home and protein is a must."
OTC Products	-9	-26	-17	"We need less OTC meds after stocking up at the start of COVID."
Frozen Meals/ Pizza	+8	-12	-19	"We eat more frozen pizza at home, but no longer take single-serve meals to work."
Deli Meats	-4	-5	-1	"I am still nervous about purchasing in the deli."
Cheese	+9	-	-9	"Important to have cheese on hand for sandwiches."
Salty Snacks	+12	-6	-18	"It is easier to moderate the amount of snacks we eat at home."

A focus on healthier snacking will modulate salty snack growth

Salty Snack Growth, March 2020 vs. Year Ago

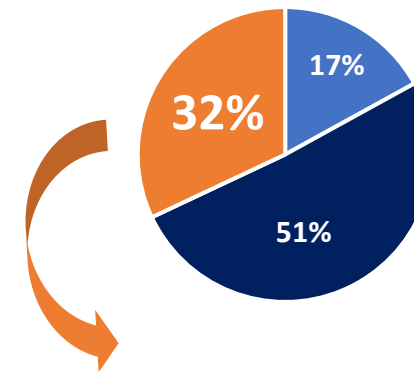


*"Consumers are stocking up on shelf stable foods in general and seeking affordable, familiar comfort foods, such as their favorite salty snacks."*²

EATINGS/USAGE of Salty Snacks vs. Pre-COVID³

(% of shoppers)

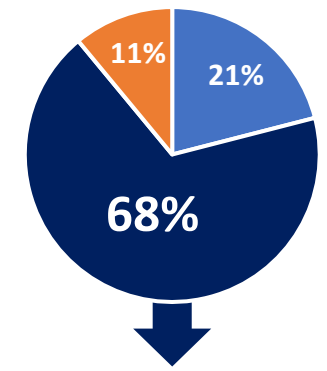
Currently Eating More/Less/Same



1/3 Currently eating Salty Snacks more than Pre-COVID

Expecting to Eat More/Less/Same in the Future

- Less
- Same
- More



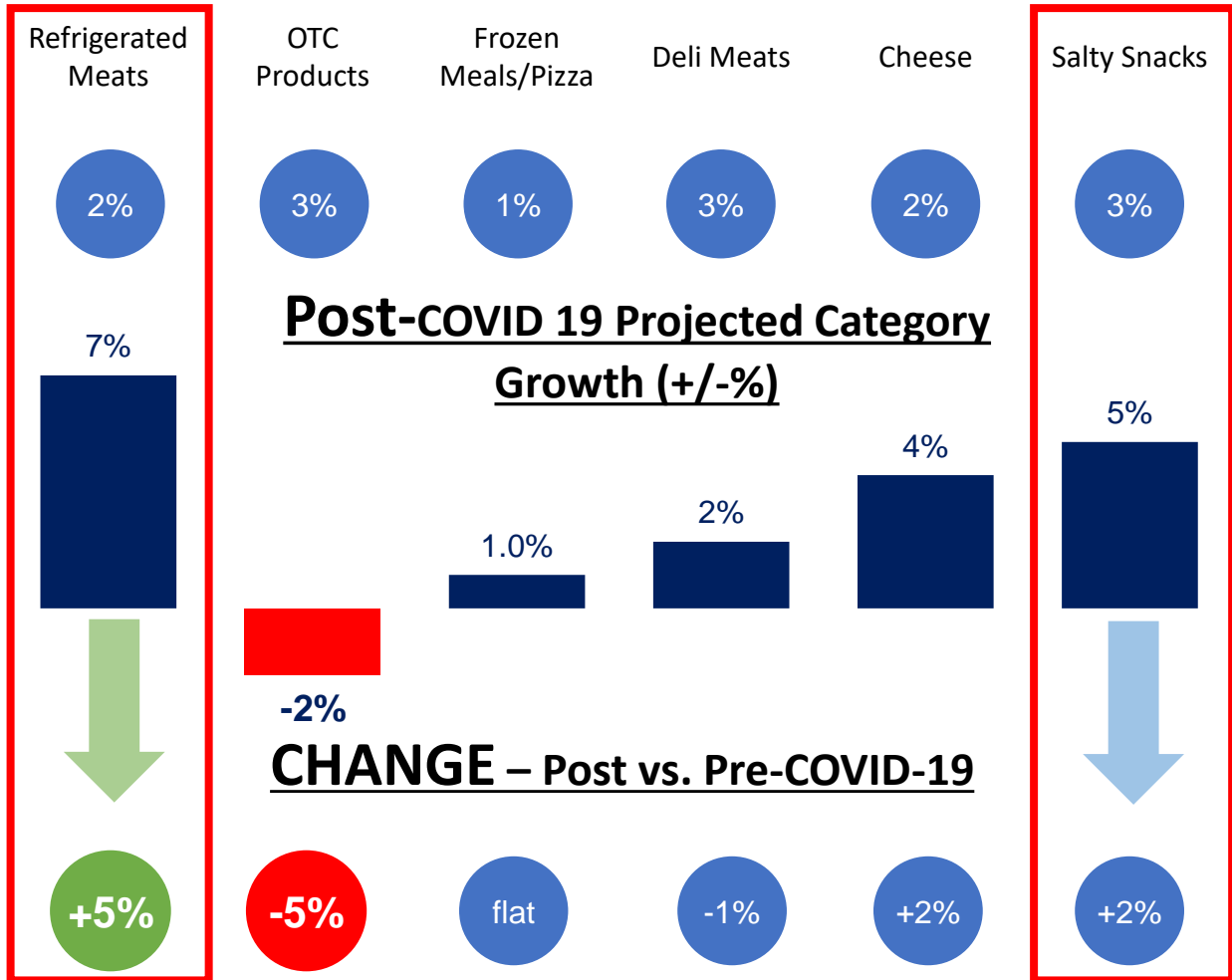
2/3 Expect to return to Pre-COVID Salty Snacks usage when 'normalcy' returns

*"Over the coming months consumers are expected to return to a wider variety of snack options [in addition to salty snacks], including those that are more health focused."*²

Category Growth Evolution

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

PRE-COVID 19 Category Growth (+/-) %



Clarity Growth Model

Refrigerated Meats will continue to grow post-COVID-19, while OTC will soften significantly from Pre-COVID trends.

Salty Snacks will also grow but at lower rates due to a focus on healthier snacking.

3 Key Findings

1. Shoppers are beginning to find their footing and are starting to return to the store more frequently and more often finding their brands in stock; challenges remain
2. Consumers are optimistic about family life, but anxious about the economy as uncertainty about their jobs and work-life remains
3. Consumers will seek to moderate consumption of less healthy categories in the future, but many shopping/usage behaviors will stick including an uptick in sales for Salty Snacks and Refrigerated Meats

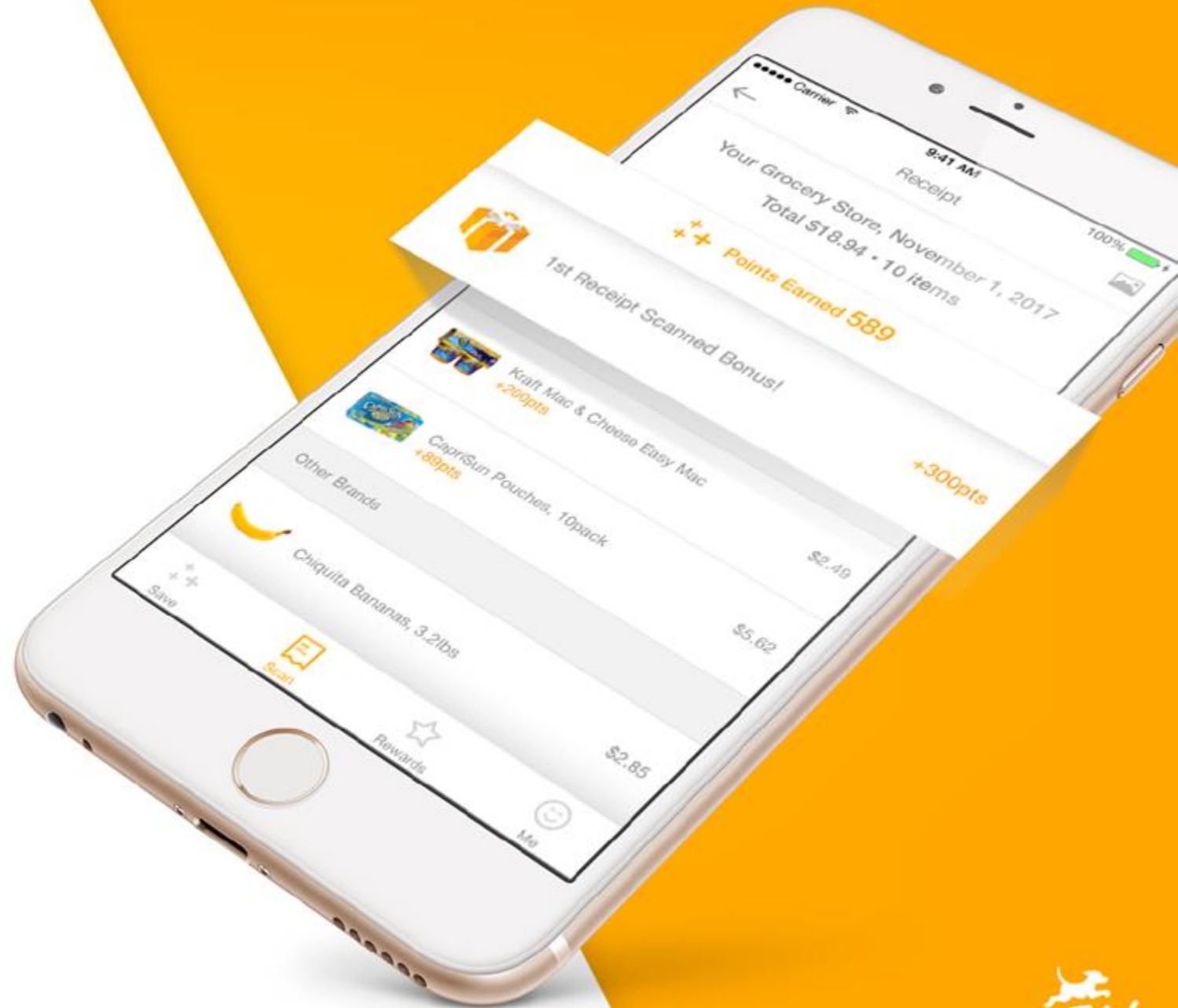
With the kind of intelligence provided in the survey and the potential for more detailed analysis, companies need to switch from *sustain mode to growth mode*. This means thoughtfully analyzing category performance and understanding the impact in a post COVID-19 world.

This includes the following **4 Key Actions**, which we have built upon with the 2nd installment:

1. Assess the status of category performance and your brands *to meeting new family/home dynamics*
2. Re-examine your item assortment and determine the must-have items versus extension items *to continue to reduce out of stocks*
3. Re-evaluate pricing in light of recessionary economic conditions and actions that should be taken to recapture business *as consumers shift back to preferred brands*
4. Establish customer merchandising plans and timing to accelerate business with retailer partners *as shoppers make more trips to the store*

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



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

1,033 Fetch Rewards members were surveyed during the second wave through an online survey that was fielded between May 31st and June 4th, 2020. The first wave was fielded using the same process between April 20th and April 24th, 2020.

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.

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.