

**NBCUniversal**

**2023**

# **Retail Industry Assessment**



# Welcome!



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## Introduction

Explore NBCUniversal's latest perspectives and insights into the Retail industry. This report provides an overview of recent marketplace dynamics, our prediction of key future trends impacting the industry, and strategic recommendations for Retail brands and marketers as they navigate what's next.

## Our Approach

At NBCUniversal, we have a legacy of working with a diverse range of Retail partners to build their brands. This report has been created based on NBCU's:

- Ongoing Industry Evaluation
  - Conversations with Retail Advertisers and Agencies
  - Continual Marketplace Analysis
  - Examination of Consumer Attitudes towards the Retail Industry
- 



# NBCUniversal Has a Unique Perspective

In 2023, NBCU worked with:

**87+ Retail Industry Advertisers**



Big Box &  
Department Stores



Apparel &  
Accessories



Grocery



Home Furnishings  
& Improvement



Resale



Ecommerce &  
Direct to Consumer

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# Looking Back

2023 IN REVIEW



Retailers faced  
**Mixed  
Cues from  
Consumers**

as revenge spending  
and spend on  
experiences over  
goods went head  
to head with  
rising inflation



# Retail Brands Adjusted & Innovated Offerings in 2023

## Price-Consciousness Influences Purchases



Consumers cut down spend, traded down, and prioritized certain purchases over others (less discretionary). In response, retailers adjusted promotional strategies, messaging, inventory mix, and more to adapt to this changing behavior.

## Direct-to-Consumer Strategies Flourish



In an oversaturated market, both legacy and digitally-native brands have expanded their direct-to-consumer strategies to both gain market share and drive loyalty.

## Discerning Consumers Result in De-Influencing



As brands continue to rely heavily on influencers, consumers have become more jaded & discerning in who they listen to and trust. Amidst this skepticism, consumers are looking to influencers who appear less driven by brand partnerships.

## New Services and Stores Blossom



Lingering supply chain issues and consumer focus on price & sustainability have driven growth in resale, sustainable alternatives to shipping (i.e. BOPIS), and in-store services (i.e. tailor/alteration).

## BRANDS ACROSS RETAIL SUB-CATEGORIES ARE

# Navigating A Range of Consumer Behaviors

### Big Box

Big Box retail giants are still the go-to for consumers to get all their essentials and non-essentials in a single visit. As shoppers have tightened wallets, we've seen big box stores shift attention to higher-income and less price-sensitive shoppers in their marketing.

## +1-3%

Increase in visits for Target and Costco, compared to 0.3% YoY decline in overall retail visits<sup>1</sup>

### Apparel & Accessories

Although consumers have been conscious of their discretionary spend, they're still finding opportunities to treat themselves, especially as retailers' supply chain woes diminish and they're able to present shoppers with new items.

## +5.3%

estimated sales growth in 2023<sup>2</sup>

Multi-cultural consumers drove 7% of apparel growth in the last 3 years<sup>3</sup>

### Grocery

With food costs being second only to housing costs in HH monthly budgets, grocery shopping has become a key destination where consumers spend and save money.

## +7.5%

estimated sales growth in 2023<sup>2</sup>

To battle inflation, **79%** of consumers dined out less often<sup>4</sup>

### Home Furnishings & Improvement

With a cooling of the housing market, weather impacts, and the decline of pandemic nesting, demand for home improvement and furnishings have slowed.

## +2.0%

estimated sales growth of Furniture & Home Furnishings in 2023

**-3.6%** fall in Home Improvement<sup>2</sup>

### Discount Retailers

Discount and dollar stores have captured a larger share of market as price-conscious consumers mindsets persist. However, these retailers might start to feel the pressure as macroeconomic factors shrink margins.

## 20.4%

share of visits in H1'2023 for discount & dollar stores, compared to 18.2% in H1'2019<sup>1</sup>

## MARKETPLACE PARTNERSHIP EXAMPLES

# How Our Partners Are Evolving Their Media Strategy & Storytelling



## Brand Collaborations

Months after Nike and Dick's Sporting Goods combined their loyalty programs, the two retailers collaborated on a campaign named "Sports Change Lives". The campaign sought to uplift communities through the power of sports.



## Commerce Partnerships

Victoria's Secret partnered with Prime Video to stream its new fashion show documentary which includes a shoppable offering, allowing viewers to directly purchase items showcased during the event.



## Social Commerce

Amazon partnered with TikTok to launch a shoppable livestream experience called "Duel for Deals" and leveraged popular content creators on the app in order to create hype for this year's Prime Day sales event.



## Experiential & Loyalty

Lacoste leveraged its online offering and AR capabilities to introduce a virtual store concept with offers and collections exclusive to its loyalty members.

# Looking Ahead

KEY INDUSTRY TRENDS TO WATCH



LOOKING AHEAD

# Key Retail Trends & Emerging Sub-Categories We Expect to Influence Marketing & Media Strategies



**Lifestyle Brands**  
Evolve Again



**Business Realities Go Head-to-Head**  
With Consumer Preferences



The Store Becomes  
**The Next Advertising Frontier**



**Retailers Face More Headwinds**  
As They Stand For Purpose



Emerging Sub-Categories & Brands  
**Resale, Grocery, Dollar & Off-Price**

# Lifestyle Brands Evolve Again

## People & Brands Further Their Relationship Together

People look to brands for guidelines on what to buy, how to live, and even what causes to support. This expectation is set to only increase as consumer expectations of a brand's purpose increase and brands continue to personify themselves across their marketing.



### The Past: A Product

Historically, brands used to only focus on their products to meet specific consumer needs, without prioritizing any other aspects of the brand-consumer relationship.



### Today: A Lifestyle or Belief

Beyond core product offerings, brands today seek to promote a specific way of life or a shared set of beliefs, creating deeper connections with consumers and influencing culture.



EVERLANE



### Today: A Community

Brands today are also focusing on building communities to drive awareness and cultivate loyal consumer bases.

TRADER JOE'S



alo



### The Future: Friendship

Through brand personalization, direct interaction, and consumer support, brands will continue to evolve to form deep connections with consumers and become strong drivers of culture.

# Business Realities Go Head-to-Head with Consumer Preferences

The consumer experience is set to change, not because of their preferences, but because of what retailers must do to maintain and grow margin

New experiences may be at odds with what consumers want (ie. no free returns, locked up items), putting retailers in a tough position of choosing between meeting their customers' needs & improving profitability.



*Purchases Are Price & Promotion-Driven*

## 80%

Of consumers are changing their shopping behavior by trading down<sup>1</sup>

Private Label food sales jumped **8.2%** the first half of '23, totaling **\$108B**<sup>2</sup>



*Returns on the Rise*

## ~17%

Of online purchases end up as returned merchandise with 27% of consumers ordering extra items that they plan to return to reach free shipping<sup>3</sup>



*Shrink Issues Intensify*

## \$94.5B

The cost of shrink, including shoplifting and organized retail crime, to retailers in 2021<sup>4</sup>



*Resale Raises New Margin Challenges*

## \$19M

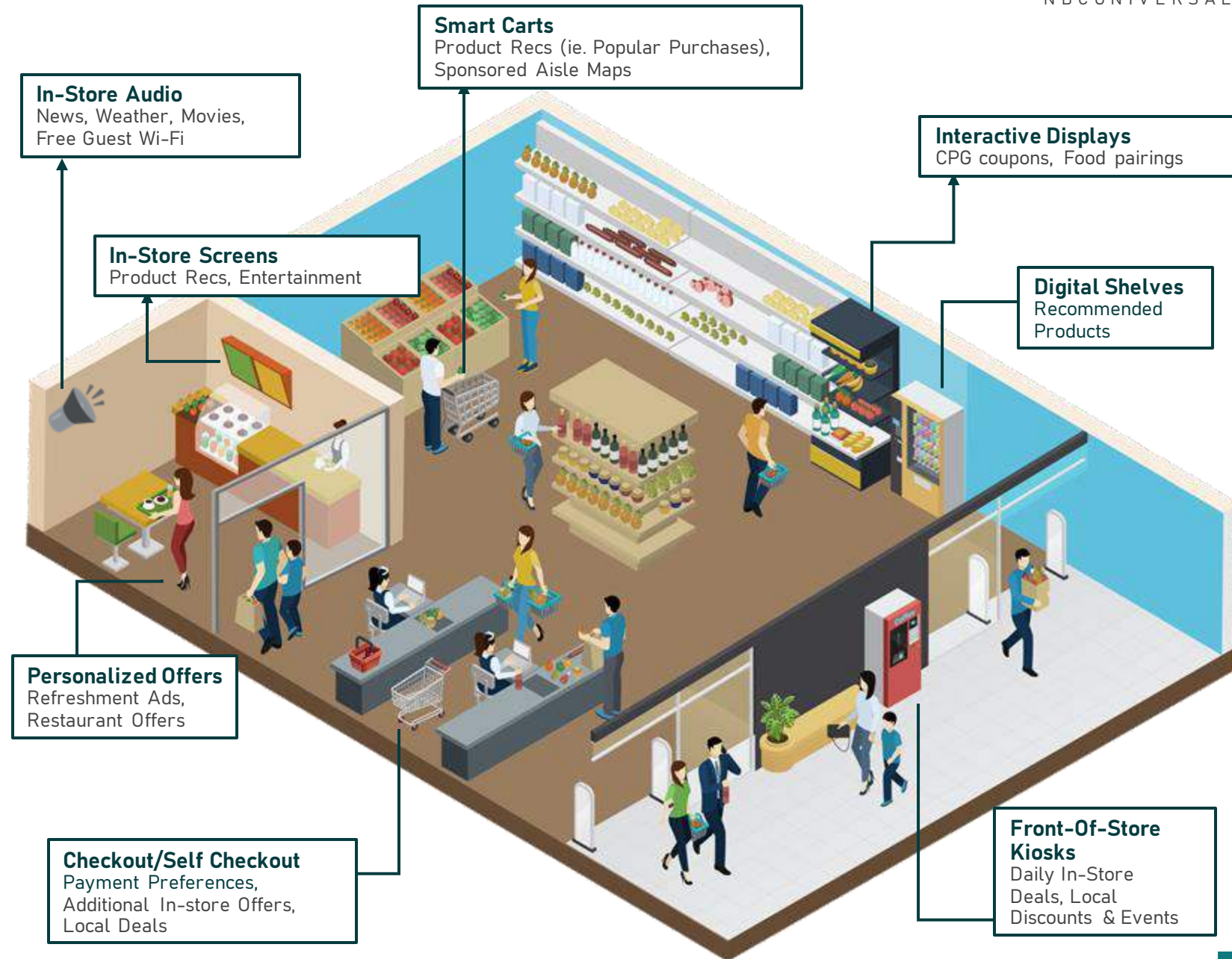
ThredUp's Q1'23 losses<sup>5</sup>

# The Store Becomes the Next Advertising Frontier

As retailers evaluate the role of the store and evolve their media networks, brick & mortar will have a new value proposition

Brick-and-mortars are no longer places simply to transact. Shoppers are seeking out product interaction, in-store experiences and services.

At the same time, retailers are assessing the fact that their **in-store audiences are 70% larger** on average to their digital audience.<sup>1</sup>



# Retailers Face More Headwinds As They Stand For Purpose

**Brands will need to be resilient in holding their ground as they stand for change**

In an increasingly polarized society, brands have become more sensitive to backlash, negative press, and controversy. This ongoing discourse is making them question the value of taking risks around standing for a purpose.

Despite this fear, brands cannot turn a blind eye to these issues. The cost of not engaging could cost brands up to \$5.4 trillion<sup>5</sup> in revenues if they do not use their influence to defend and engage in causes that are relevant to their consumers, employees, and shareholders.

**The discourse between consumers and brands has been intensifying, with more brands facing controversy after running purpose-driven efforts**

6 / 12 / 23

WSJ

Companies Quiet Diversity and Sustainability Talk Amid Culture War Boycotts

6 / 29 / 23

CNBC

Boycotts rarely work — but anti-LGBTQ+ backlash is forcing companies into tough choices

**More than ever, brands must hold their stance even as certain groups hurt them in the short-term, because:**

Consumer expectations continue to increase

## 67%

of U.S. adults in 2023 think companies should play an active role in communicating their position or get involved in political/social issues, or take a stance on these issues when they are directly related to their business (vs. 61% in 2021)<sup>2</sup>

Employee retention boosts, and further benefits the bottom line

## 3x

US employees say they are 3x less likely to leave a purpose-led company<sup>3</sup>

Customers appreciate brands that have consistent values

## 2/3

Of businesses say brand consistency has contributed to revenue growths of at least 10%<sup>4</sup>

## EMERGING SUBCATEGORIES

# Resale, Grocery and Dollar & Off-Price retailers are driving significant category growth

## Resale



The subcategory has seen steady growth driven by younger generations and a demand for sustainable, unique, and affordable fashion.

### Why to Watch

The secondhand market expected to reach \$350B globally and \$70B domestically by 2027.<sup>1</sup> Hispanic consumers are 21% more likely to consider or buy into resale<sup>2</sup>

### Brands to Watch

**THREDUP**    The Real Real    **OfferUp**

### Ad Spend

\$389M subcategory spend in 2022 with a 54% and 45% digital/linear split.<sup>3</sup>

## Grocery



The subcategory continues to grow as evolving consumer preferences and technology reshape shopping habits.

### Why to Watch

47% of U.S. consumers cook more often now than they did last year.<sup>4</sup> Online grocery sales expected to see a CAGR of 11.7% over next 5 years.<sup>5</sup>

### Brands to Watch

**Kroger**    **Albertsons**    **Ahold Delhaize**    **instacart**

### Ad Spend

\$690M subcategory spend in 2022 with a 69% and 31% digital/linear split.<sup>3</sup>

## Dollar & Off-Price



Dollar stores have seen steady growth as consumers continue to adjust spending, and off-price retailers are finding success by prioritizing both value and store experience.

### Why to Watch

Visits to off-price apparel retailers increased 13.1% YoY in July 2023, compared to a 10.3% decline in visits to other apparel retailers.<sup>6</sup>

### Brands to Watch

**five BELOW**    **DOLLAR TREE**    **TJX**    **ROSS DRESS FOR LESS**

### Ad Spend

\$1B subcategory spend in 2022 with a 63% and 37% digital/linear split.<sup>3</sup>

## SUMMARY

# Key Retail Trends We Expect to Influence Marketing & Media Strategies

**Lifestyle Brands Evolve Again**

Brands continue to evolve from selling a product, to upholding a belief, to creating a community, to building a relationship

**Business Realities Go Head-to-Head With Consumer Preferences**

Driven by shrink issues, increasing returns, and pressured margins, retailers may be forced to create experiences that are at odds with what consumers prefer

**The Store Becomes The Next Advertising Frontier**

Brick-and-mortar will find a new value proposition as an advertising platform to reach consumers

**Retailers Face More Headwinds As They Stand For Purpose**

Brands will need more resilience in holding their ground as they defend causes and consumers

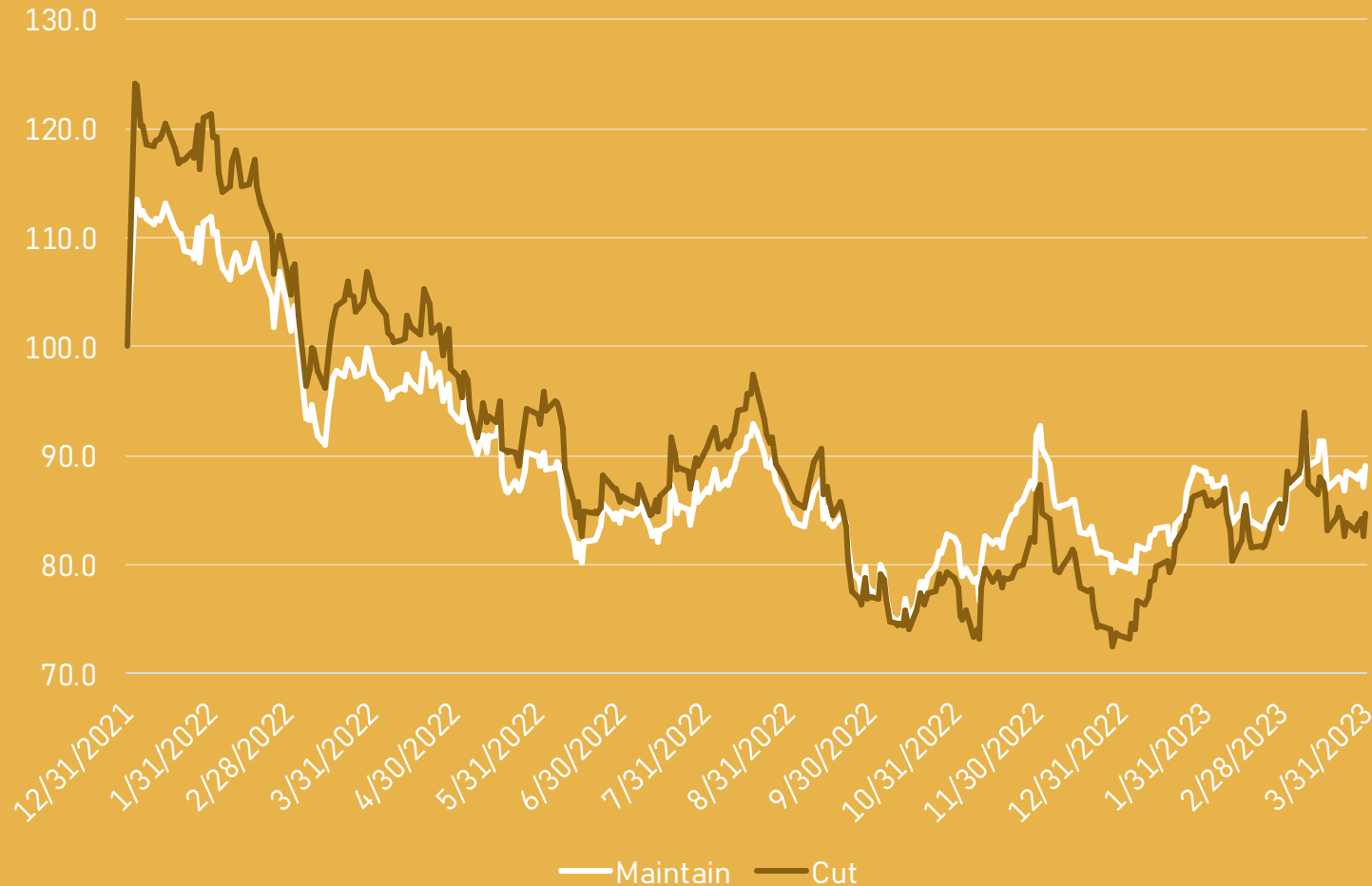
**Emerging Sub-Categories & Brands  
Resale, Grocery, Dollar & Off-Price**

# The Power of Advertising

& MEDIA TRENDS TO WATCH



## While valuations fell, brands who maintained ad spend through 2022



Ultimately saw less declines in market capitalization. For the average company, this translated to maintaining

**\$707m**

More in market capitalization compared with brands who cut ad spend

Increased Linear Promo  
Spend Across Buckets:  
**Facilitated The  
Highest Buy Rates  
During November  
and December**

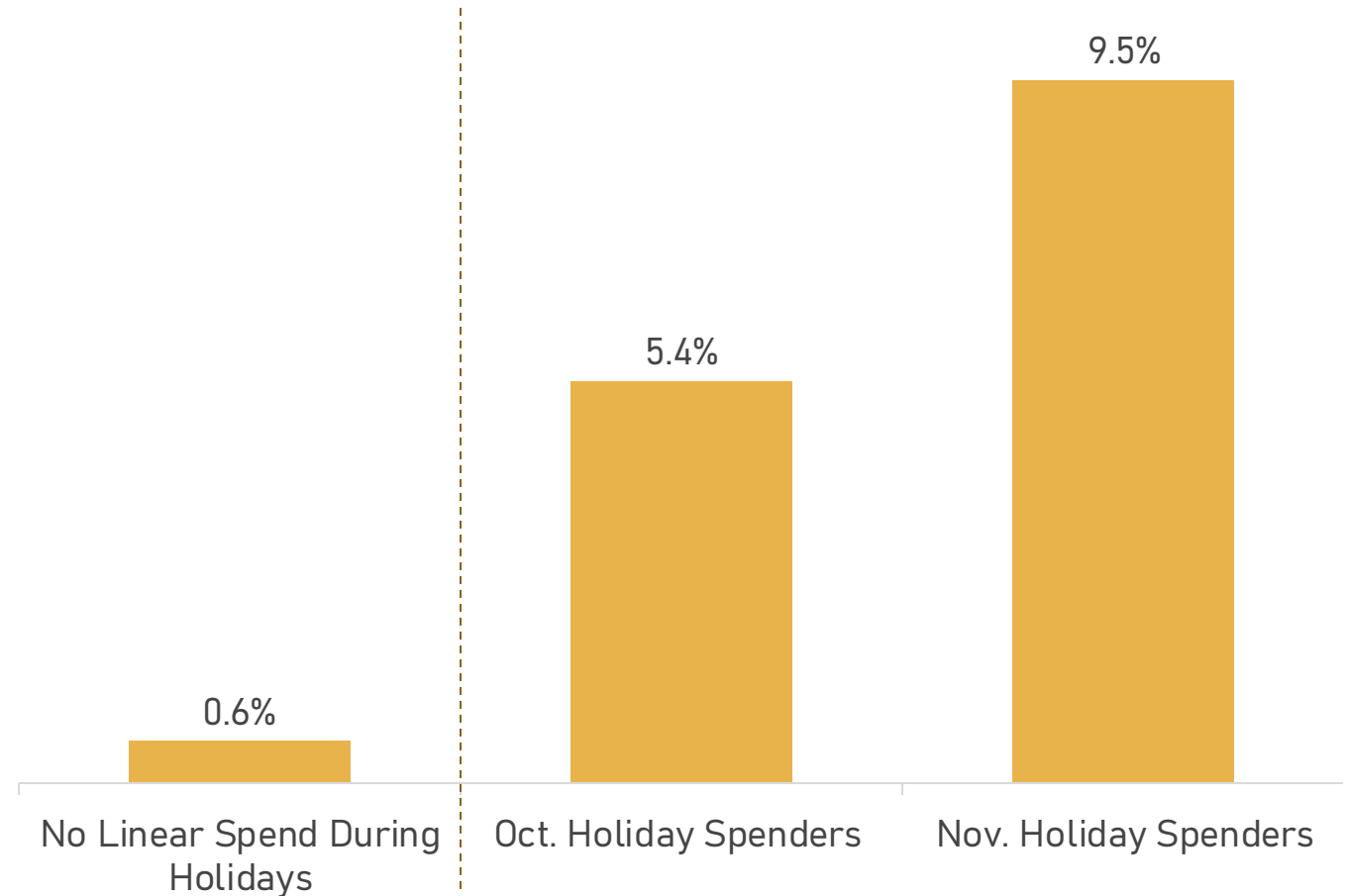
TV promos in Nov-Dec,  
prompted buy rates to be

**13x-17x**

higher than retailers  
without linear investment

Buy Rate: Number of trips \* average spend basket  
Sources: Numerator, iSpot, Numerator

**Total Buy Rate Per Bucket**  
*Q4 2020 vs. Q4 2021 | Buy Rate YoY*



## Grocery: With Goods in Short Supply, Retailers Pivoted

# 4%

Incremental growth in sales for  
Grocers who continued to  
advertise vs. those who cut

### Total Advertising Spend vs. Sales Growth Per Shopper (Q2-Q3 2020 vs. Q2-Q3 2019)

Increased  
Ad Spend



**\$136.97**

Decreased  
Ad Spend



**\$95.28**

Scale:  = \$20.00

# Media Trends to Watch

Even as ROI becomes more important than ever, retail marketers will be gravitating towards investments that mimic their own experience-first businesses.

## INVESTMENTS MIRROR “Phy-gital” Retail

Over the last few years, the platforms seeing the largest growth have been digital video and out-of-home

3-Year CAGR<sup>1</sup> for:

Digital	+14%
OOH	+13%

## Marketing MAKES THE DIFFERENCE

# 65%

of people globally would like brands to wow them with spectacular advertising and marketing<sup>2</sup>. Brands must connect top-of-mind awareness strategies with stories.

## CONSUMERS Will Be Brought In

# 86%

of Gen Z are willing to commit an hour a week to be part of a working group for their favorite brand, such as joining a Gen Z Council for three months<sup>3</sup>.

## Loyalty Programs WILL BE FEATURED

During times of economic uncertainty, consumers gravitate towards loyalty and subscription offerings.

7/11/23

GLOSSY

Fashion brands are refreshing loyalty programs to increase customer lifetime value

# Partnering with NBCU

CATEGORY PERFORMANCE, STRATEGIC CONSIDERATIONS  
& PARTNERSHIP EXAMPLES



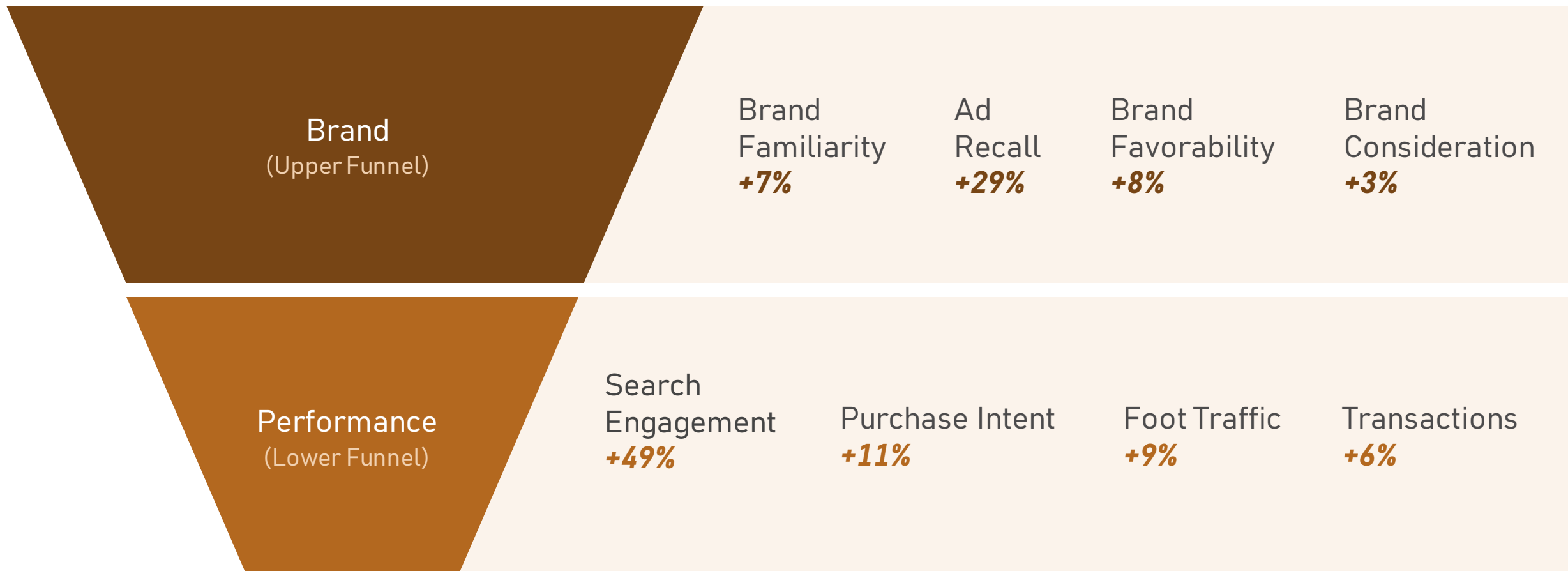
# Retail

## Proven Impact: Across Brand KPIs



### BUSINESS OUTCOME

### NBCU RETAIL CAMPAIGNS – *Test vs. Control*



# Campaigns Across More Than One Platform Are More Effective

Retail Category  
NBCU Campaigns: Multi-Platform vs. Single Platform  
% Lift



**+7%**

Brand Familiarity



**+4%**

Brand  
Favorability



**+18%**

Purchase  
Intent



**+26%**

Brand  
Recommendation

# Strategic Consideration for Driving Growth for Retail Brands

## Secure Brand & Top of Mind Awareness



### Why

As both established and digitally native D2C brands continue to battle for customers, brands need to be top of mind during key shopping moments and seasons

### How

Invest across platforms for mass reach to encourage top-of-mind awareness and multi-platform shopping that drives sales

## Inspire Brand Love and Product/Service Consideration



### Why

With more choices than ever before and an expectation for seamless, convenient shopping experiences (the “Amazon Effect”), consumers need inspiration for what to buy & the ability to do so in the moment

### How

Capitalize on high impact storytelling and invest in Content Commerce capabilities across shows where audiences lean in

## Engage Key Audiences & Build Community



### Why

Consumers expect highly personalized recommendations and experiences to capture their loyalty

### How

Leverage audience insights and targeting capabilities to create and distribute across content that connects with key customer segments

## Leverage Data to Drive New & Repeat Visits



### Why

As brands continue to capture more consumer data through rewards and loyalty programs, they can leverage this data to better understand their customers and meet their needs

### How

Use 1P and 3P data in combination with lower funnel targeting capabilities to drive repeat visits and grow CLV

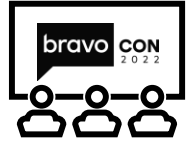
NBCU solutions  
for delivering  
**Brand &  
Business  
Impact  
for Retail  
Brands**

SCALE

### Secure Brand & Top of Mind Awareness

# 227M

NBCU viewers with  
low duplication  
across platforms



### Inspire Brand Love and Product/Service Consideration

#### Branded Content



#### Content & Commerce



#### Apple News



### Engage Key Audiences & Build Community



#### Young Shoppers

Total Audience: 85M

Overlap with  
NBCU IDs: 63M

# 74%

#### Loyalty Members

Total Audience: 208M

Overlap with  
NBCU IDs: 153M

# 73%

#### Omni-Channel Shoppers

Total Audience: 194M

Overlap with  
NBCU IDs: 146M

# 75%

PRECISION

### Leverage Data to Drive New & Repeat Visits



from NBCUniversal

#### Audience Targeting & Automation Across One Platform

- ✓ NBCU Streaming
- ✓ Data-Driven Linear (DDL)
- ✓ Cross-Platform (XP)
- ✓ Commercial Innovation
- ✓ Managed Service
- ✓ Programmatic
- ✓ Fandango360
- ✓ Anzu

## NBCUNIVERSAL PARTNERSHIP EXAMPLES

# How Our Partners Are Evolving Their Media Strategy & Storytelling



## Tapping into Talent

Marshalls tapped into Bravolebrities Carl Radke and Lindsay Hubbard for a spot promoting the discount retailer's gift offering during the holidays.

- 4M Impressions<sup>1</sup>
- 129 Attention Index<sup>1</sup>



## Product Integrations

Amazon partnered with the Pete Davidson-led Peacock Original Comedy, Bupkis, for a seamless integration that highlighted the benefits of Amazon Prime.



## Commerce Partnerships

Walmart and NBCU launched a first to market commerce enabled livestream where viewers were able to learn about products, ask questions, and directly shop on the livestream.

- 11.1K Total Live Viewers<sup>2</sup>
- 49.5% Live Engagement Rate<sup>2</sup>
- 36% Live Product Click Rate<sup>2</sup>



## Leaning into Cultural Moments

Intimissimi partnered with NBCU for a robust linear, digital, and social campaign surrounding the 2023 Met Gala, along with a creative featuring Jennifer Lopez.

- +63% Brand Familiarity<sup>2</sup>
- +300% Like/Follow Intimissimi Social Pages<sup>2</sup>
- 60% Sponsorship Favorability<sup>2</sup>

# 2023 Retail Industry Assessment

**NBCUniversal**

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