ALVAREZ & MARSAL

CONSUMER & RETAIL GROUP

Consumer Sentiment Survey

Spring 2022

CONSUMER AND RETAIL GROUP

ALVAREZ & MARSAL SURVEY OF 1,500 US CONSUMERS POINTS TO CONTINUED CHALLENGES FOR RETAILERS

A&M CONSUMER AND RETAIL GROUP

Consumer Sentiment Survey Spring 2022

- In February and March 2022, A&M conducted a survey of a representative sample of 1,500+ US consumers to understand how their sense of optimism, their desire to shop, what they were looking to buy, how they planned to use different shopping channels, has changed since the Fall, especially as they have begun to return to a new form of normalcy.
- This Spring survey was in the field just as the Omicron variant faded across the USA, but before the Ukrainian crisis began. Our survey shows that consumers are not much more confident than they were in the Fall. They continue to be focused on basic needs with less frequent shopping trips, and their biggest concern is inflation. While they may not feel optimistic, consumers are beginning to open their wallets, go on vacation, and eat in restaurants.

2022 IS STILL CHALLENGING WITH INFLATION A GROWING CONCERN; MOST PANDEMIC DRIVEN CHANGES IN SHOPPING BEHAVIOR REMAIN

Consumers slightly more optimistic than in Fall 2021, but overall sentiment remains weak; Spending reticence driven by concerns over inflationary pressures and price increases

Consumers are increasingly focusing their spending on basic needs and experiences, with spending on indulgence and gifts continuing to lose priority

The vast majority of consumers are sticking with changes in shopping behavior made during the pandemic, including regarding shopping as a largely functional rather than leisure pursuit

In the restaurant and vacation space, there is some evidence that consumers have emerged from pandemic hibernation – most markedly in their out-of-home dining

SLIGHT UPTICK IN OPTIMISM RELATIVE TO FALL, BUT OVERALL SENTIMENT REMAINS WEAK, AND DROP IN SAVINGS GIVES OFF MIXED SIGNALS

	FALL '21	SPRING '22
Expect things to get better for their family in the next 6 months	46%	51%
Plan to save more in the next 6 months	71%	46%
Expect to have more money for self in the next 6 months	43%	49%
Plan to spend the same or more money on Basic Needs in the next 6 months	90%	90%
Expect things to get worse for their country in the next 6 months	34%	38%

OPTIMISM CONTINUES TO HAVE AN ETHNIC AND AGE-BASED SKEW IN FAVOR OF NON-WHITES AND YOUNGER AGE GROUPS

49%
Spring 2022

Expect to have more money for themselves

43%
Fall 2021

67%
Of Blacks and Hispanics expect to have more money for themselves vs 49% overall

Hispanics
Showed largest jump in optimism relative to Fall 2021

23 to 35
Age group exhibiting the largest jump in optimism relative to Fall 2021

56-80
Only age group that showed declines in optimism relative to Fall 2021

OVERALL, DESIRE IS STILL TO SPEND LESS, BUT 7 OF 18 CATEGORIES SEE INCREASES IN SHARE OF RESPONDENTS LOOKING TO SPEND MORE

Current Category Spend

Category	% NET MORE	Category	% NET MORE
Fresh Food	25%	Apparel	-11%
Personal Care	8%	Sports, Outdoor	-12%
Wellness & Fitness	6%	Consumer Electronics	-13%
Airline, Travel	1%	Beverages	-13%
Home Decor	0%	Fragrance, Cosmetics	-15%
Entertainment, Books	-8%	Prepared Food	-16%
Pet Supplies	-8%	Accessories	-18%
Footwear	-9%	Jewelry	-19%
Packaged Grocery	-10%	Alcohol	-23%

% NET MORE: more-less ● Positive net more ● Negative net more (i.e spend less)

Categories that saw improvements from Fall '21	Percentage Points Improvement relative to Fall 21
Home Decor[1]	+10
Personal Care	+9
Fresh Food	+7
Packaged Grocery	+2
Accessories	+2
Wellness & Fitness	+1
Airline, Travel	+1

[1]The Fall 2021 survey listed Home Décor as Home Decor & Furnishings; In Spring 2022, this was amended to Home Improvement, Home Decor & Furnishings

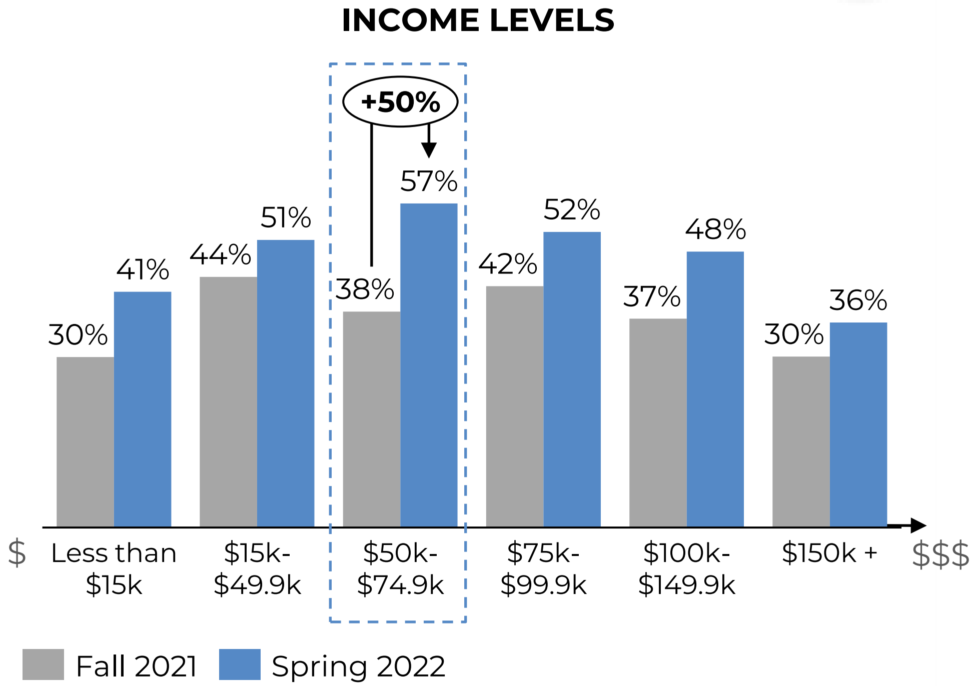
SPENDING RETICENCE NOW MORE CLEARLY DRIVEN BY INFLATIONARY/ PRICE INCREASE CONCERNS

Price concerns have increased across all income levels and are flat across ages and ethnicities, pointing to signs of inflation; Nonetheless, experience of shopping seems to have clearly improved

Barriers to Spending

FALL 21		SPRING 22
39%	The products/services I want have become too expensive	49%
28%	The products/services I want are not easily available	30%
36%	I am worried about my health and/or the health of my family	30%
45%	The experience of shopping is not pleasant/the service is poor	20%

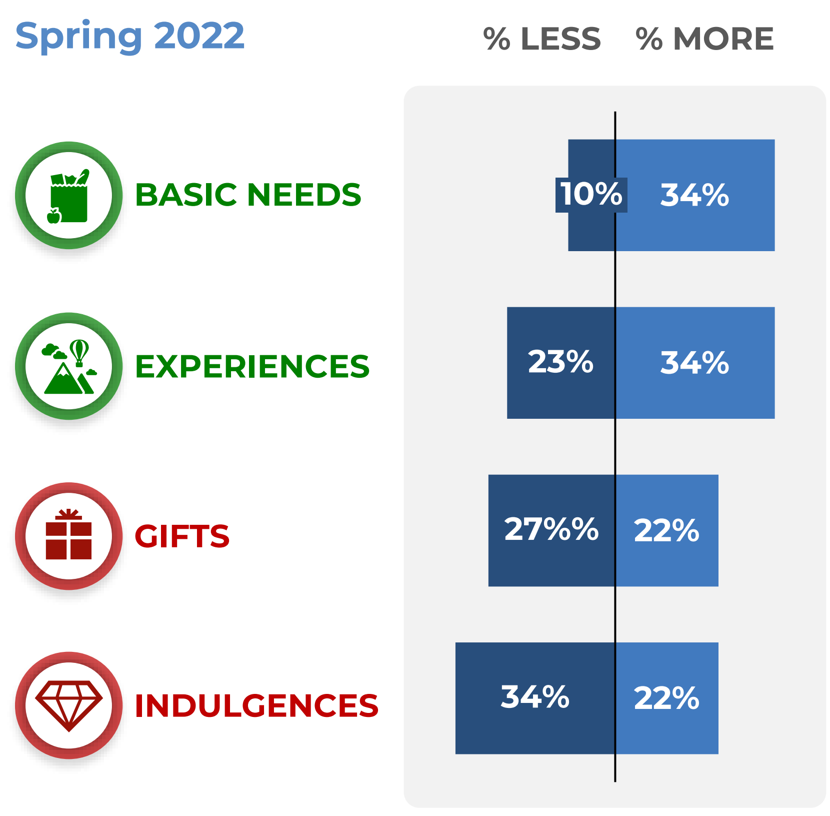
The products/services I want have become too expensive



The income level $50k-75k saw the largest increase in price concerns with a 50% jump from Fall

CONSUMERS CONTINUE TO DOUBLE DOWN ON THE SPEND CATEGORIES, MOVING MORE CLEARLY TO BASICS NEEDS FOLLOWED BY EXPERIENCES

General Category Spend



FALL 2021	% NET MORE	SPRING 2022	
18%	Basic Needs	24%	Increase in basic needs spend seen across all income groups
4%	Experiences	11%	Only those 56yo + are looking to spend net less on this category
-1%	Gifts	-5%	Those below 35 yo and above $100k register a net more for gifts
-9%	Indulgences	-12%	Oldest age group at -36%, 3x the -12% overall

% NET MORE: more-less ● Positive net more ● Negative net more

A&M CONSUMER AND RETAIL GROUP

CONSUMERS SEE SHOPPING AS FUNCTIONAL & HAVE VERY LITTLE INTEREST IN LINGERING, LEISURE SHOPPING DAYS OUT

Older age groups and lower income levels are more likely to shop for basic needs than other demographics

59%

Mostly or only shopping when there is some-thing they really need

56-80

Age group most likely to shop only if there is something they really need

<$25k

Income level most likely to shop only if there is something they really need

Younger and wealthier respondents are more likely to shop primarily for leisure or fun

23-35

Age group most likely to shop primarily for leisure or fun

$150k+

Income level most likely to shop primarily for leisure or fun

IN-STORE SEES SOME REVERION TO MEAN RELATIVE TO FALL, MOST PROMINENTLY IN AFTER SALES PORTION OF CUSTOMER JOURNEY

Overall Preference

	FALL 21	SPRING 22
Prior to Purchasing	In-Store: **47%** Online: **53%** Difference: **-6%**	In-Store: **53%** Online: **47%** Difference: **+6%**
When Purchasing	In-Store: **60%** Online: **40%** Difference: **+20%**	In-Store: **65%** Online: **35%** Difference: **+30%**
After Sales	In-Store: **53%** Online: **47%** Difference: **+6%**	In-Store: **63%** Online: **37%** Difference: **+26%**

Non-white and younger respondents saw largest increase in use of in-store relative to Fall 2021

Saw increased In-Store usage amongst Blacks vs Fall 21

Increased In-Store usage amongst Hispanics vs Fall 21

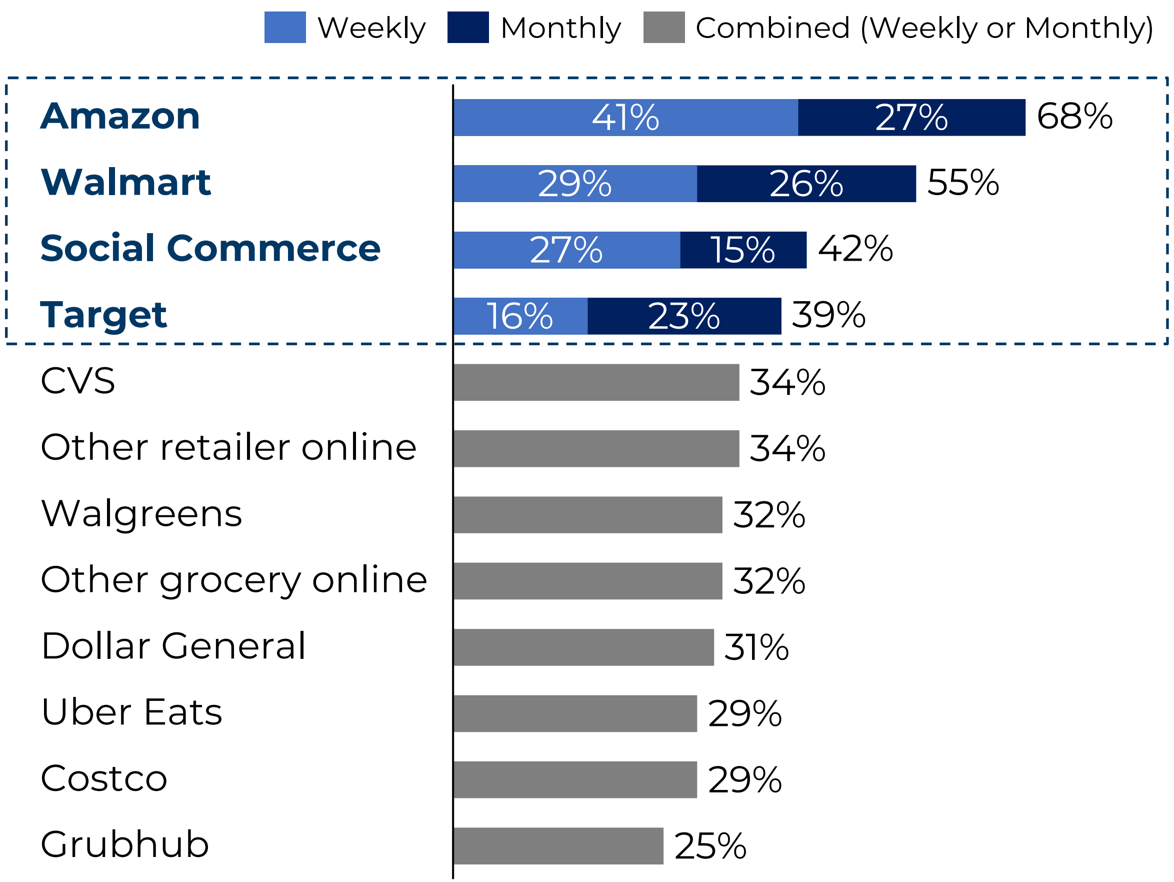
Stage with largest increase in In-Store preference; 23 to 35 yo saw a notable jump

Asians and wealthier income groups continue to be the online champions across the customer journey

Note: Fall 2021 and Spring 2022 figures computed as an average of category shares and made to exclude those who responded "N/A"

AMAZON REMAINS LEADER IN ONLINE RETAILER RANKINGS; WALMART & SOCIAL COMMERCE SHOW IMPRESSIVE GAINS

Monthly & Weekly App Usage by Retailer



% of Consumers Using the App at Least Monthly

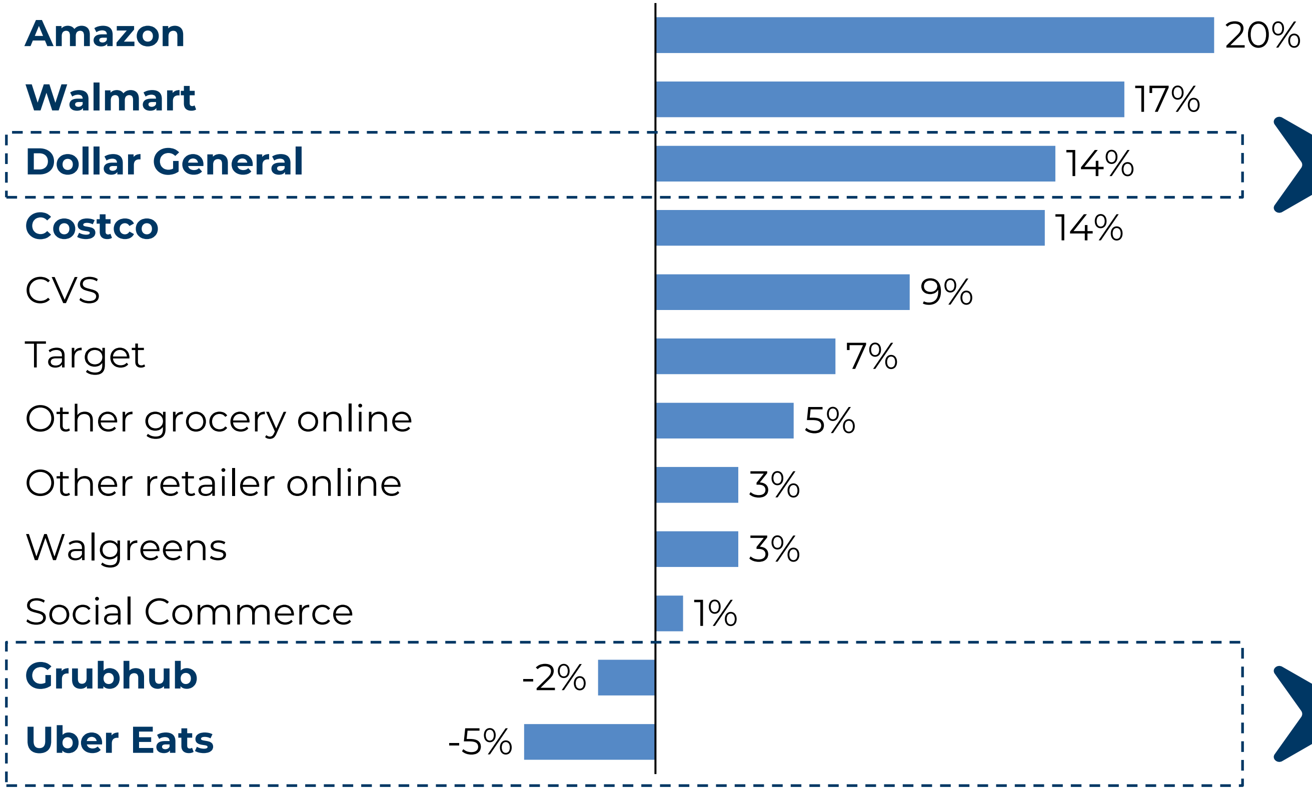
FALL '21		SPRING '22
63%	Amazon	68%
41%	Walmart	55%
29%	Social Commerce	42%
34%	Target	39%

Walmart and Social Commerce saw the largest increase from Fall 2021

A&M CONSUMER AND RETAIL GROUP

AMAZON & WALMART TO MAINTAIN LEAD; DOLLAR GENERAL & COSTCO TO SEE BIG PICK UP IN NEXT 6 MOS, WHILE DELIVERY APPS DECLINE

Net More Usage of App (next 6 months)



$150k-$199k+

Income group with largest '% Net More' for Dollar General in the next 6 months

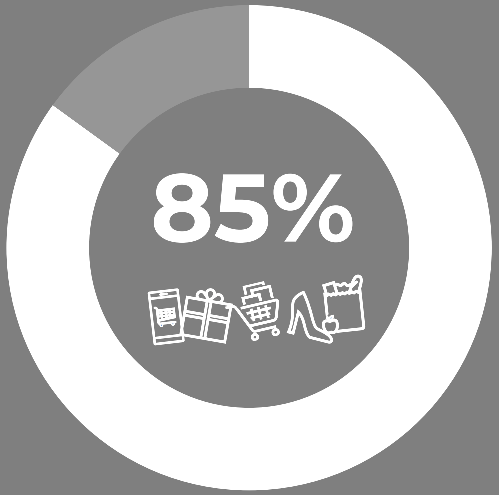
Most income levels

Shows declines in delivery apps, except for those making $25k and below

A & M | CONSUMER AND RETAIL GROUP

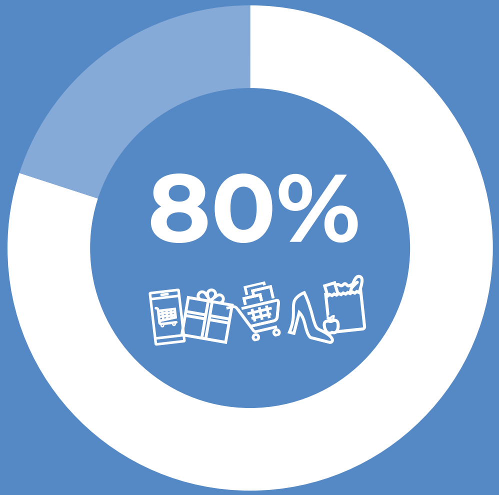
CONSUMERS ARE MOSTLY STICKING TO THEIR FALL PLANS – ONLY 5% MORE HAVE REVERTED TO PRE-PANDEMIC BEHAVIOR

FALL



Will stick with changed shopping behaviors they made during the pandemic

SPRING

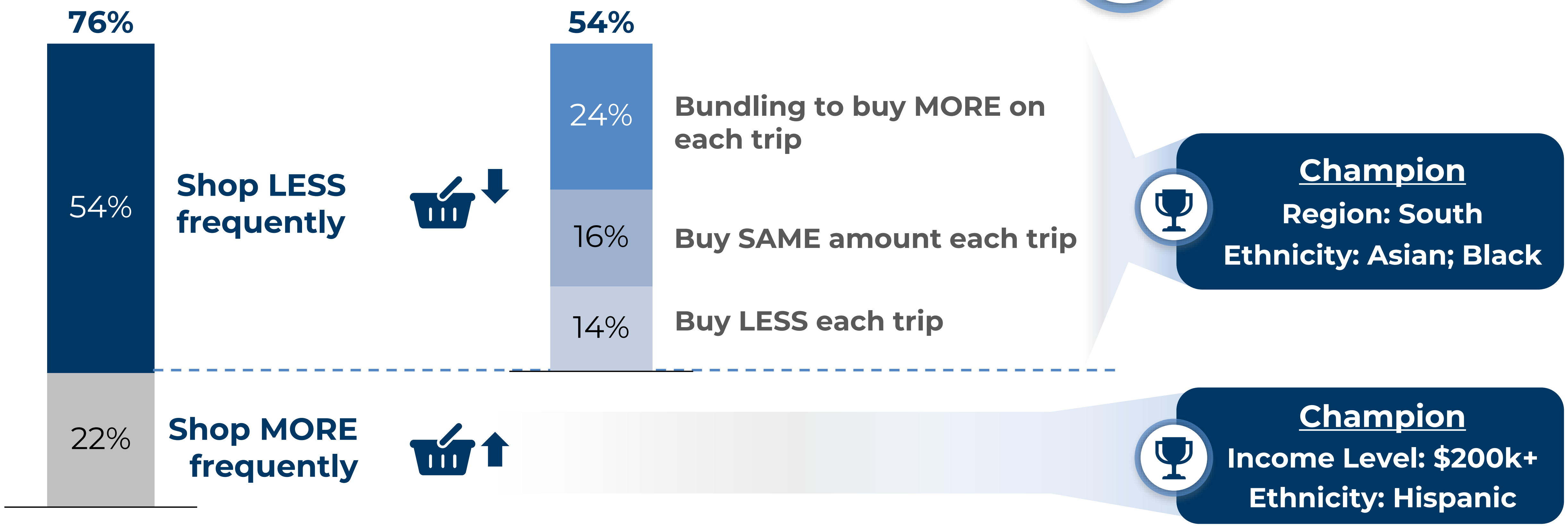


Have stuck with the changes they made during the pandemic

SHOPPERS ARE CONSOLIDATING THEIR SHOPPING, BUYING MORE IN FEWER TRIPS

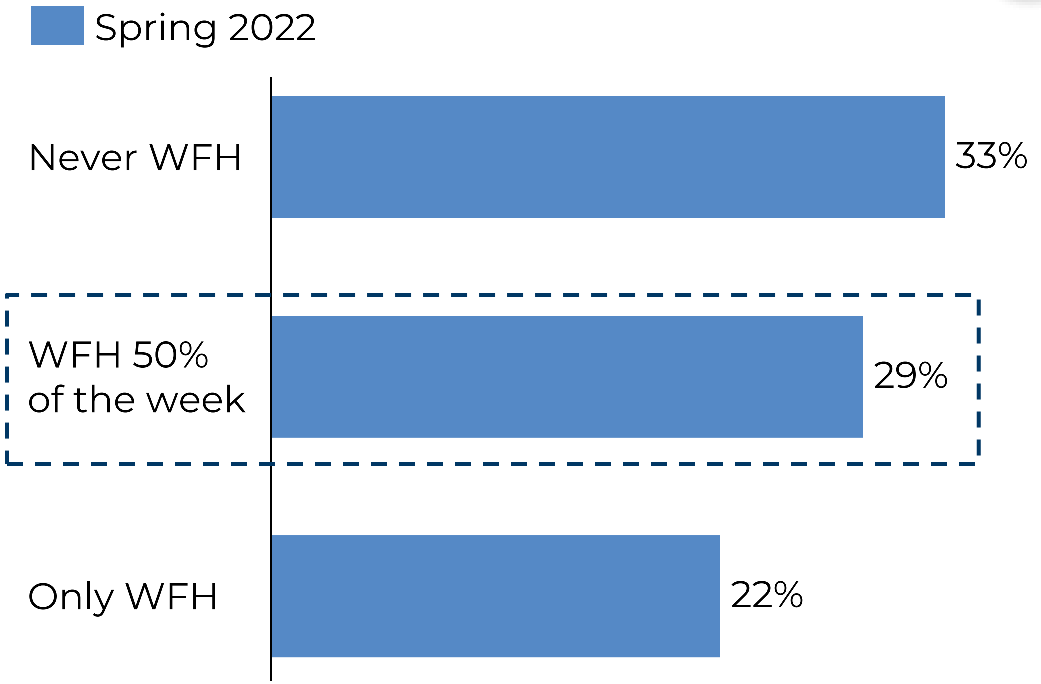
Shopping frequency

76% of consumers HAVE changed their shopping habits



CHANGING CONSUMER WORK PATTERNS – CONSUMERS HAVE SHIFTED FROM ALL OR NOTHING TO A HYBRID WORKING MODEL

Percent of time spent working from home[1]



Champion

- Never WFH: Middle income levels; Hispanics
- WFH 50% of the week: Consumers ages 35 and under
- Only WFH: Asians; Women

Companies are moving towards hybrid working models – almost 1 in 3 employees now work from home half the time.

WHY CONSUMERS ARE WORKING FROM HOME

#1
Reason respondents are not working outside the home: **it's easier to work from home**

26%
Of those who work from home at least one day a week **have installed a home workspace**

1 in 4
Respondents said their employer has **enforced a work from home policy**

[1]Does not include the 16% of consumers who work 20% or 80% of the workweek from home

MORE THAN HALF OF CONSUMERS HAVE REVERTED TO PRE-PANDEMIC DINING FREQUENCY

Dining habits compared to before the pandemic

18%
are dining out **more**

44%
are dining out **the same**

38%
are dining out **less**

Of those dining out more, there is evidence of experimentation – more than half of this group is dining out at different restaurants than usual

- **Women are dining out less than men**
- **Older age groups are still dining out less compared to before the pandemic**

ALMOST HALF OF THOSE SURVEYED PLAN TO TRAVEL THIS SPRING, WITH VACATION PLANS SKEWING HEAVILY DOMESTIC

Total pop. 100%

- 37% **Took** a vacation last Spring
  - 13% **Will not** take a vacation this Spring
  - 24% **Will** take a vacation **again** this Spring
- 63% **Did not** take a vacation last Spring
  - 21% **Will** take a vacation this Spring
  - 42% **Will still not** take a vacation this Spring

Will take a vacation this Spring

19% Plan to travel **internationally**

81% Plan to travel **within the U.S.**

While most who plan to travel will do so within the U.S., international travel will be slightly younger this Spring
(i.e., 41% of 18-22 year-olds plan to travel outside the U.S.)

2 in 5 consumers **did not take a vacation last year** and again have **no plans to travel** this Spring