

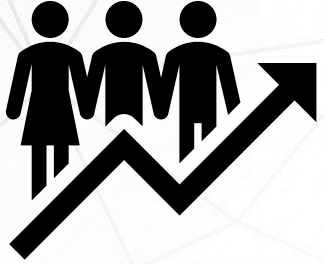


# Success or Stumble: Winning Key Consumers & Categories in a Unique Holiday

July 2024

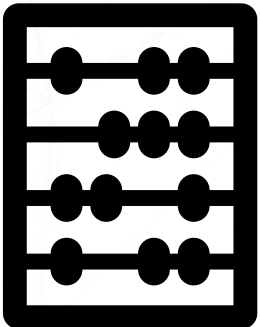
# Creo recently fielded a comprehensive consumer survey to understand the uniquely complex environment we are seeing in 2024

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In late June, Creo fielded a survey to ~3,000 consumers covering key topics relevant to retailers including sentiment, buying behavior, and preferences

Our survey was designed to provide insight into the current consumer, their outlook, and their shopping behaviors for the rest of 2024, highlighting takeaways for retailers across business and consumer segments



Through detailed analysis and 'connecting the dots', we have uncovered the answer to the top question on retailers' and consumer-oriented business minds:

**How can I increase my odds of success and outperform this Holiday?**

# In the second half of 2024, we will see distinctly different behavior and spending across customer segments and product categories



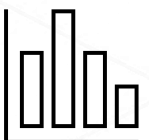
## Consumer optimism is at the highest level we have surveyed in the past 18-months, but spending is not responding

- Today's optimism is driven by consumers **focusing on themselves** and what they can control (**personal connections, achievements**)
- Since the onset of the Covid-19 pandemic, the historically strong correlation between sentiment and spending has **weakened**
- Despite improvement in consumer sentiment over the last 2 years, it continues to be **significantly below** historic norms



## There is significant variation in YoY spending by consumer segment, with Unconstrained-Optimists being the key to growth

- Our analysis indicates that growth will be driven by consumers that are both **optimistic** and **financially unconstrained** (able to spend and save freely)
- **Unconstrained-Optimists (+9% YoY)** tend to be men ages 25 to 54 with HHI >\$100k and women with HHI >\$150k on the West Coast, TX and NY
- **Constrained-Pessimists (-20% YoY)** are disproportionately focused on **price-point** and avoid instore shopping due to **time constraints**



## Product categories will also see significant variation as spend on experiences will outpace discretionary goods this Holiday season

- Respondents indicated expectation to spend less on discretionary goods, with spending on **jewelry** down (-2.8%) and **grocery** up (+9.7%)
- **Value** is a top priority across **all segments**, with **7 of the top 10** favorite retailers being **value-oriented**
- Retailers should identify the **consumer** and **value** access where they are best positioned to leverage to drive holiday growth

**Winning Holiday strategies will differ by retailer as the bifurcated consumer, election cycle, and shorter holiday period create a uniquely challenging holiday environment**

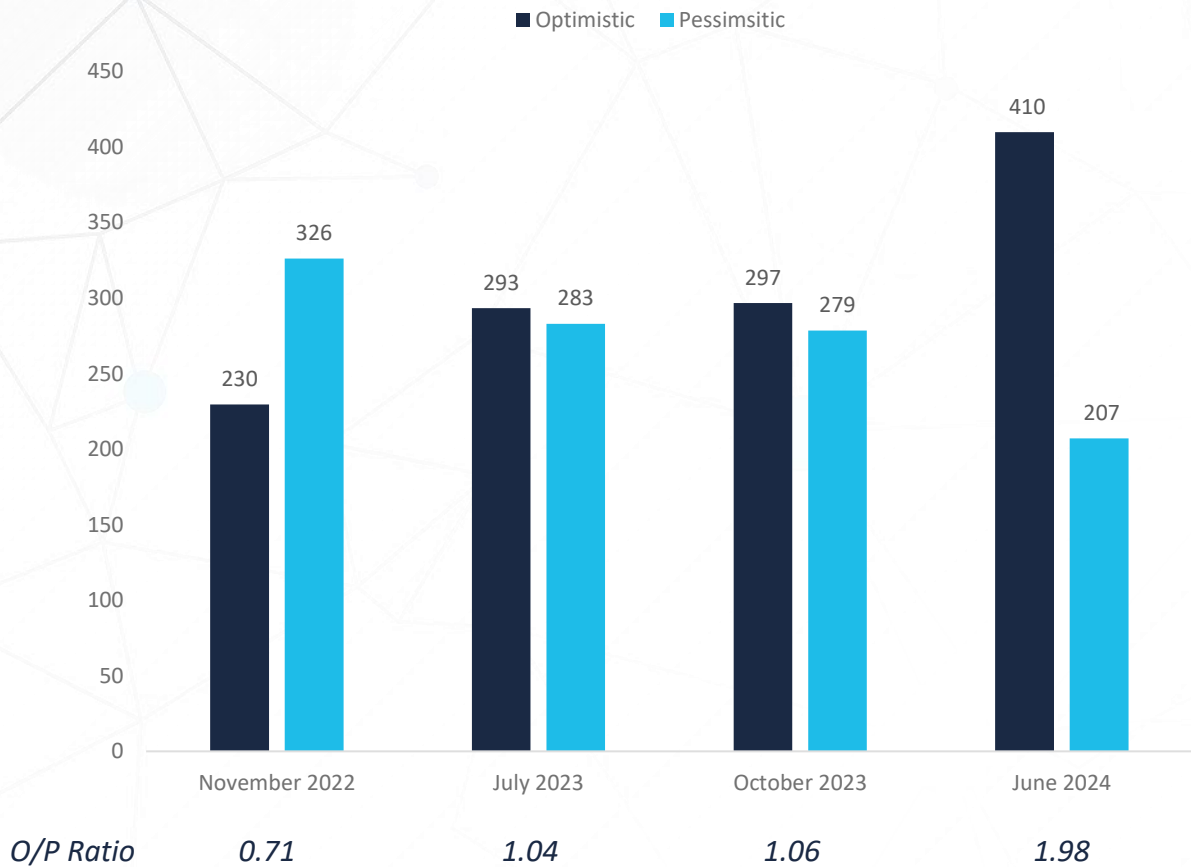


# Consumer Sentiment

# Consumers expressed the highest levels of optimism we have seen in the past 18 months, driven mostly by personal connections and achievements

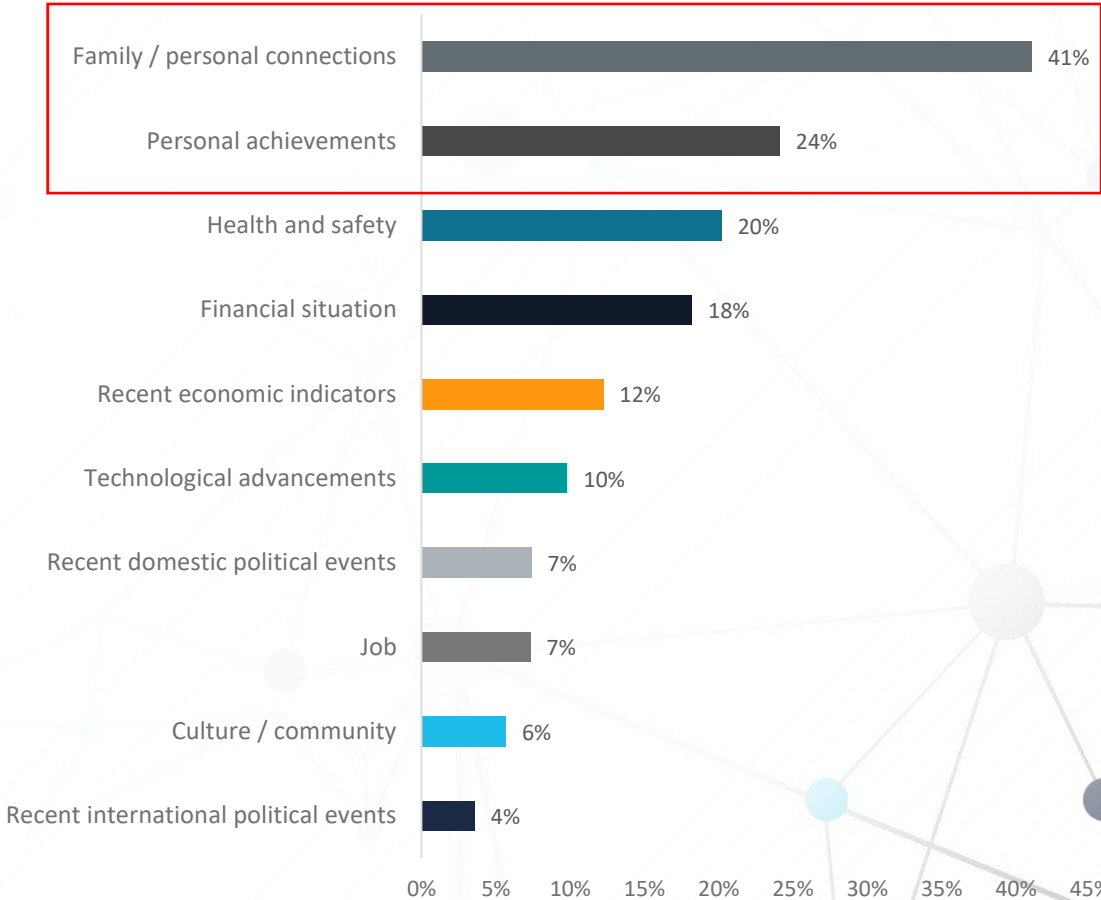
## Which best describes your general perspective? I feel ...

Average Responses Per Attribute - Normalized Population<sup>1</sup>



## What is driving your optimism about 2024?

[Select up to 2]

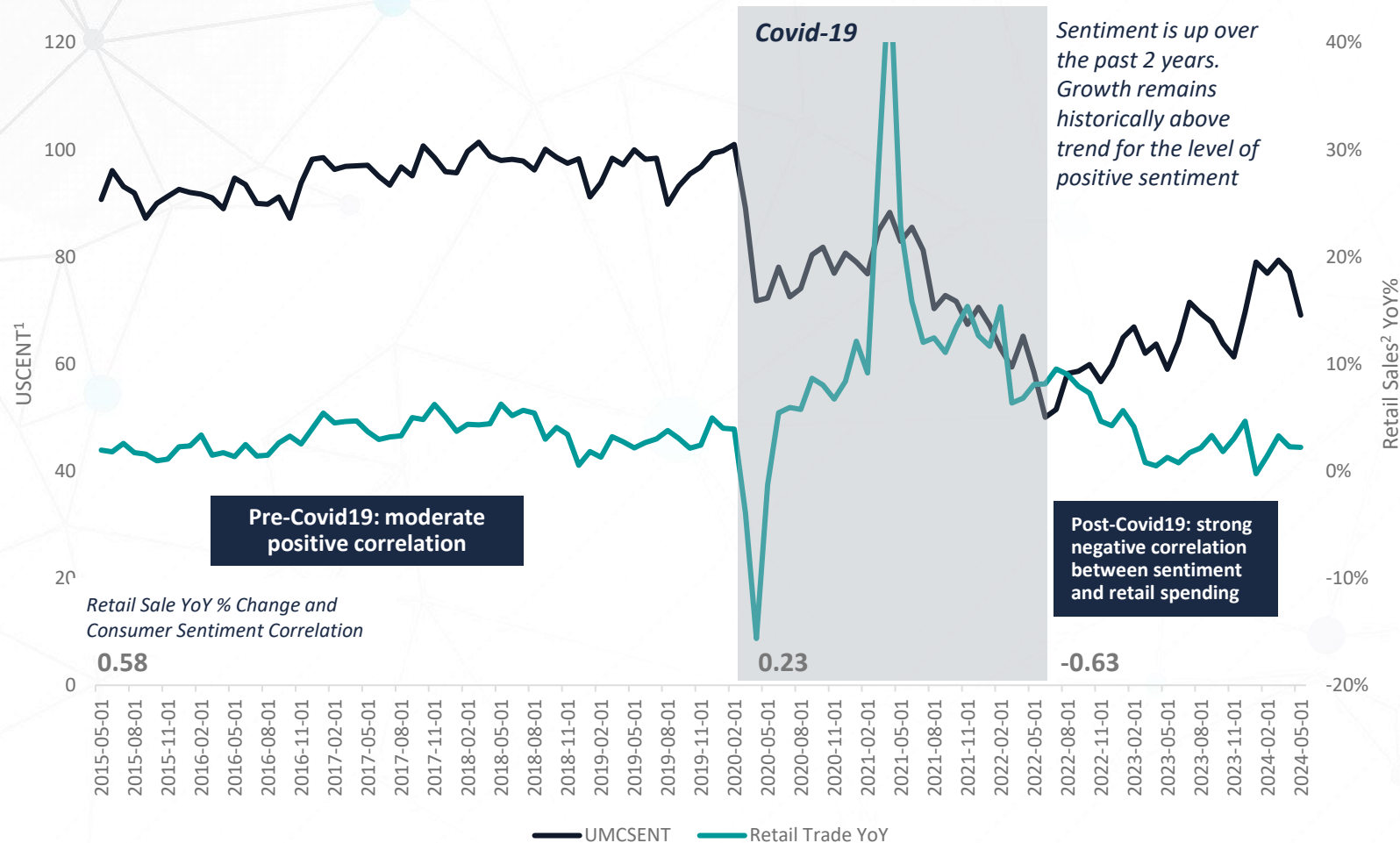


As consumers shift focus to things they can control as a source of hope, financial situation remains the top driver of pessimism

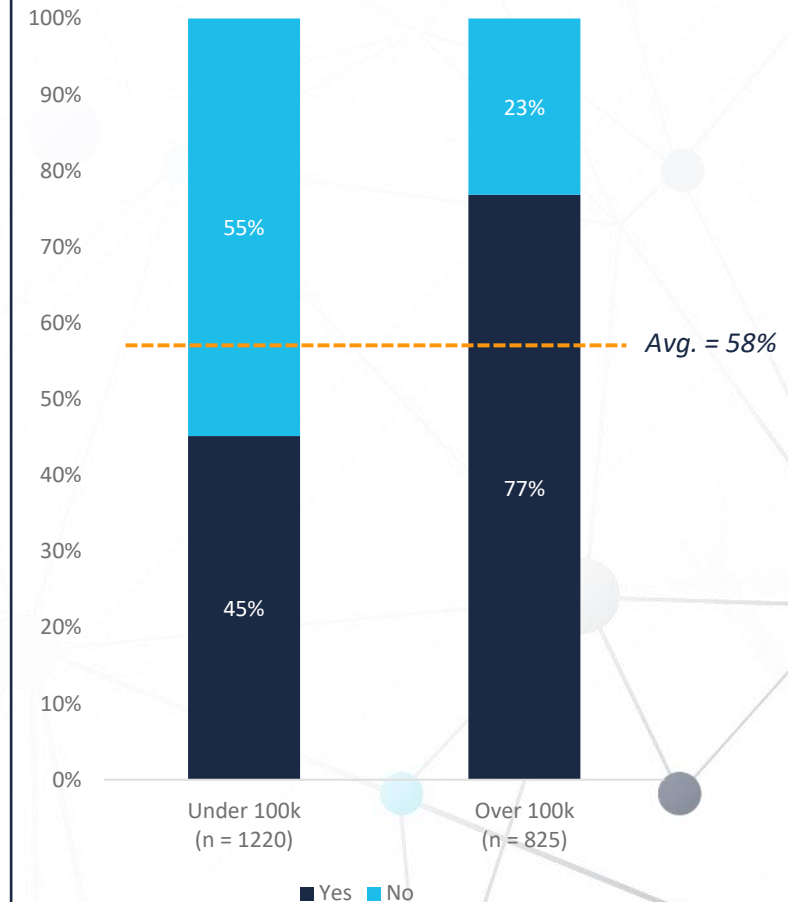
<sup>1</sup>: Respondents were asked to select from a list of 10 pessimistic feelings and 6 optimistic feelings, the data provided is the average number of selections by sentiment, normalized to 5,000 responses

# Consumer sentiment has grown over the past two years as consumers report being better off, but spending has broken trend post-Covid

UMCSI<sup>1</sup> vs. Retail Sales



Are you better off now than you were 4 years ago?





# Segmentation

# Beyond sentiment alone, accounting for consumers' financial situation creates a clearer picture of how they will think and act this Holiday

% of Surveyed Population by Segment

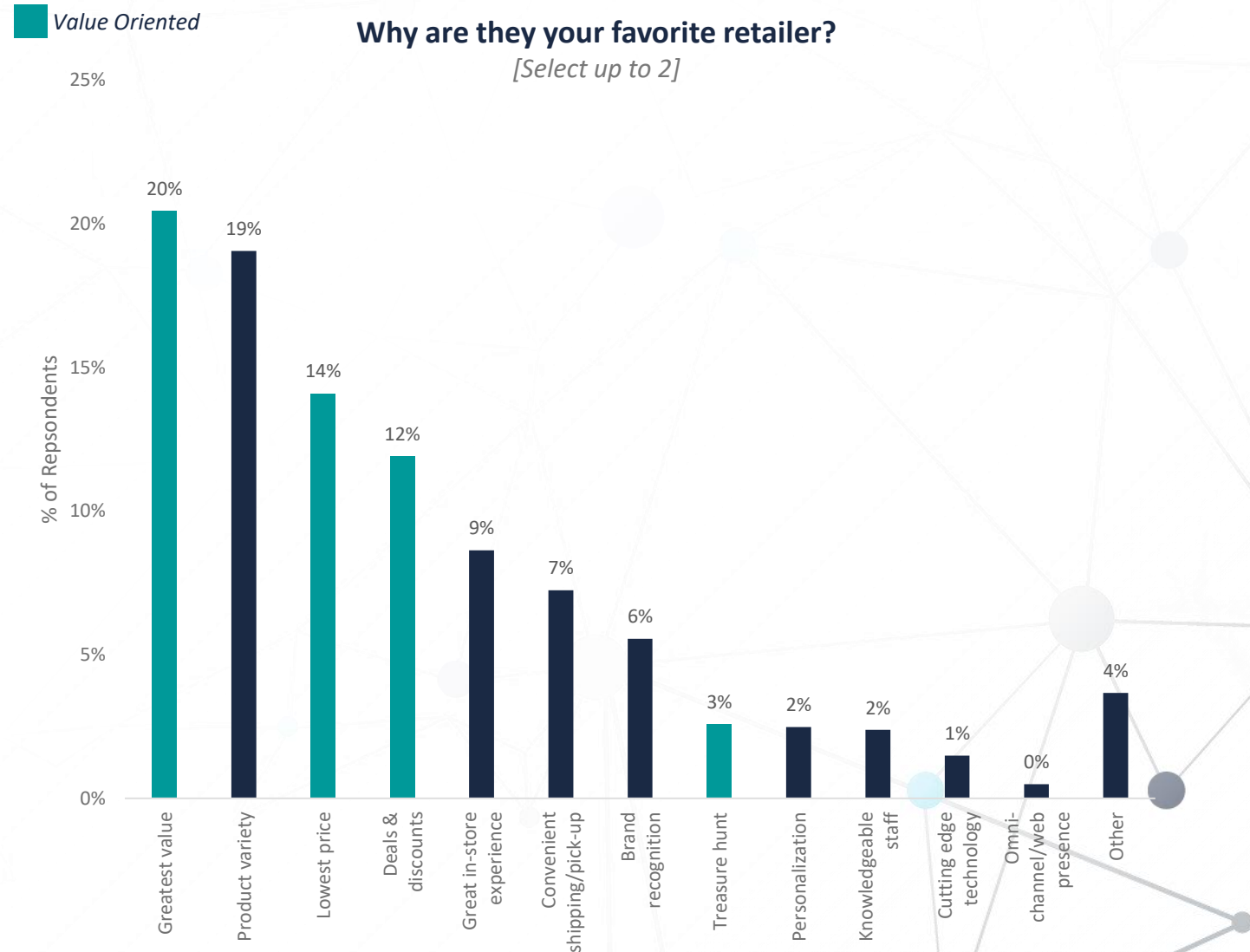
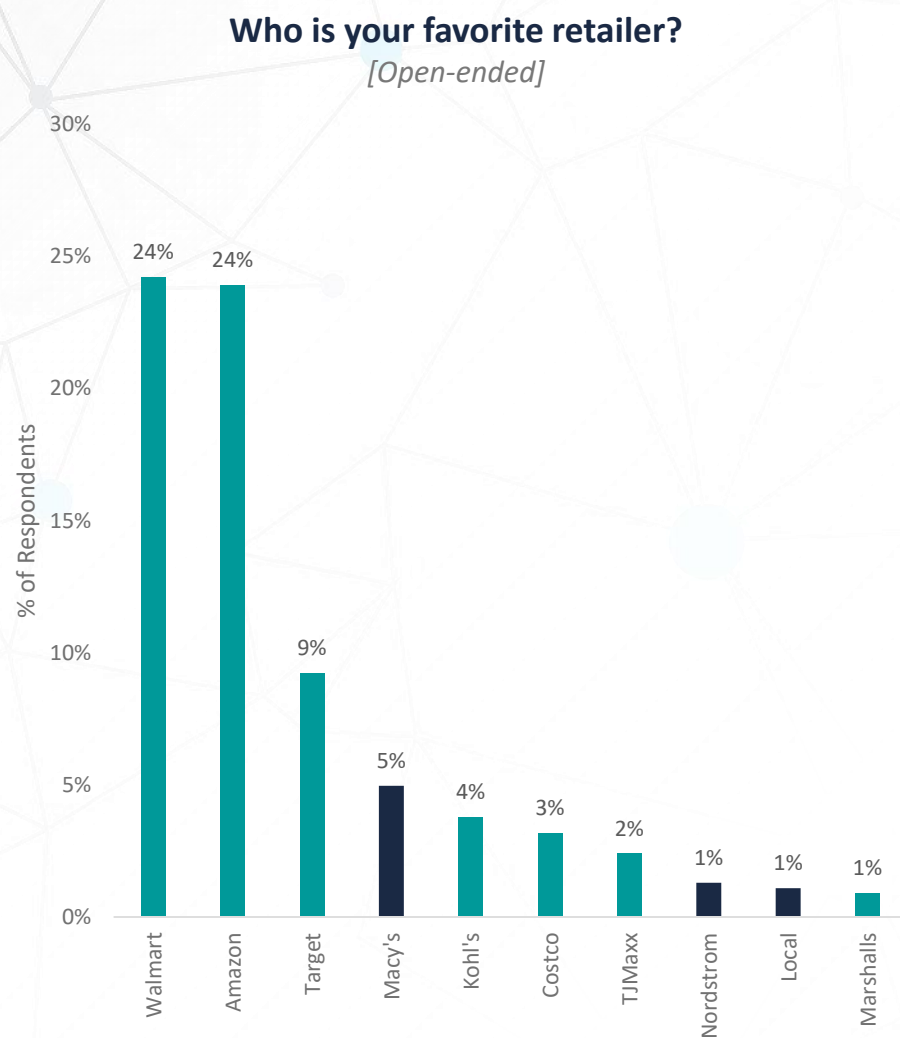
	Optimistic	Neutral	Pessimistic
Unconstrained	32%	7%	4%
Constrained	31%	15%	11%

- To better understand consumer spending expectations for Holiday, it is necessary to look beyond sentiment alone
- Financial constraint measures the extent that a respondent is struggling financially (e.g., sacrificing spending vs. saving by a meaningful amount)
  - Financially constrained respondents will feel more pressure to pull back compared to those that are unconstrained
- Sentiment categorizes respondents' answer to a numerical estimate of their optimism (e.g., 0 - very pessimistic to 100 - very optimistic)
  - Pessimistic respondents are more likely to expect the worst and adjust spend down compared to those that are optimistic
- Combining overall consumer sentiment and financial comfort creates a clearer picture of how consumers will tackle Holiday '24
- Because sentiment and financial situation both impact spend, **unconstrained-optimists** will be a target group this Holiday season



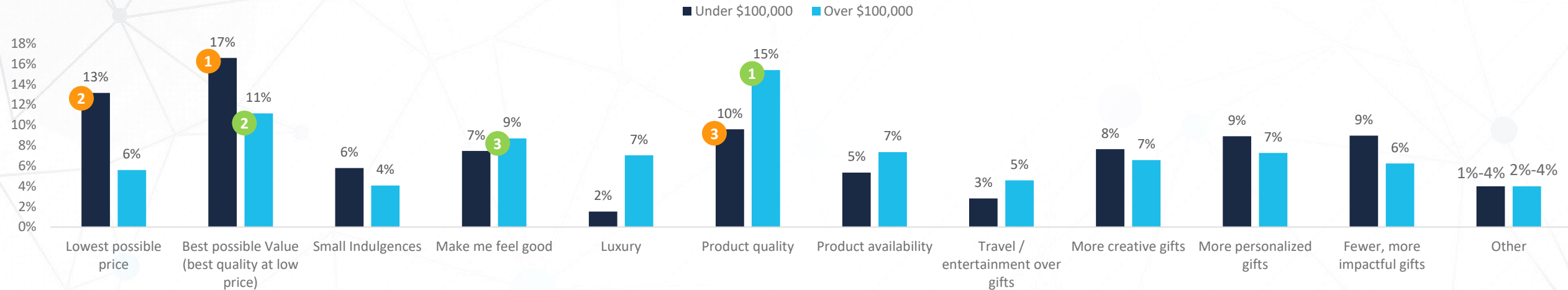
# Retail Preferences

# Providing great value will be crucial for consumers this upcoming holiday – 7 out of respondents' top 10 favorite retailers are value based

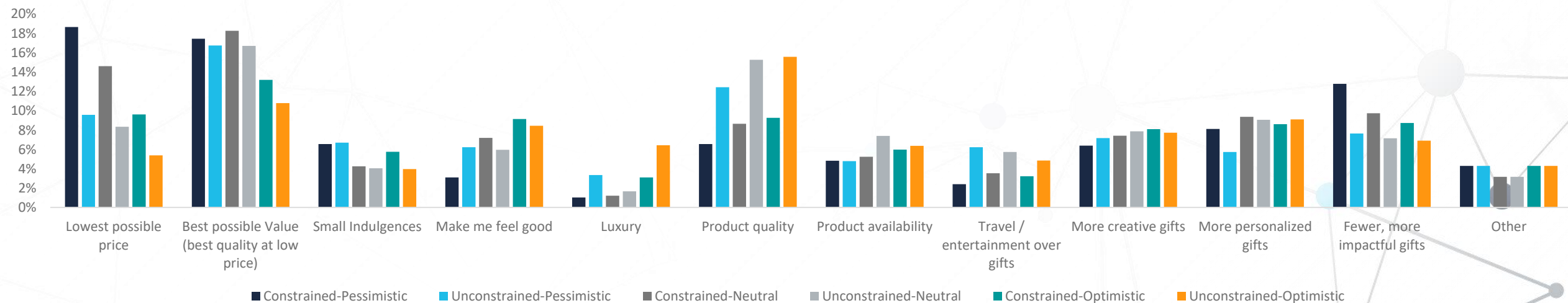


# Communicating value will be important across all income groups – specific segments can be targeted with quality, price, and personalization

What trends best describe your shopping behavior? (Select up to two)



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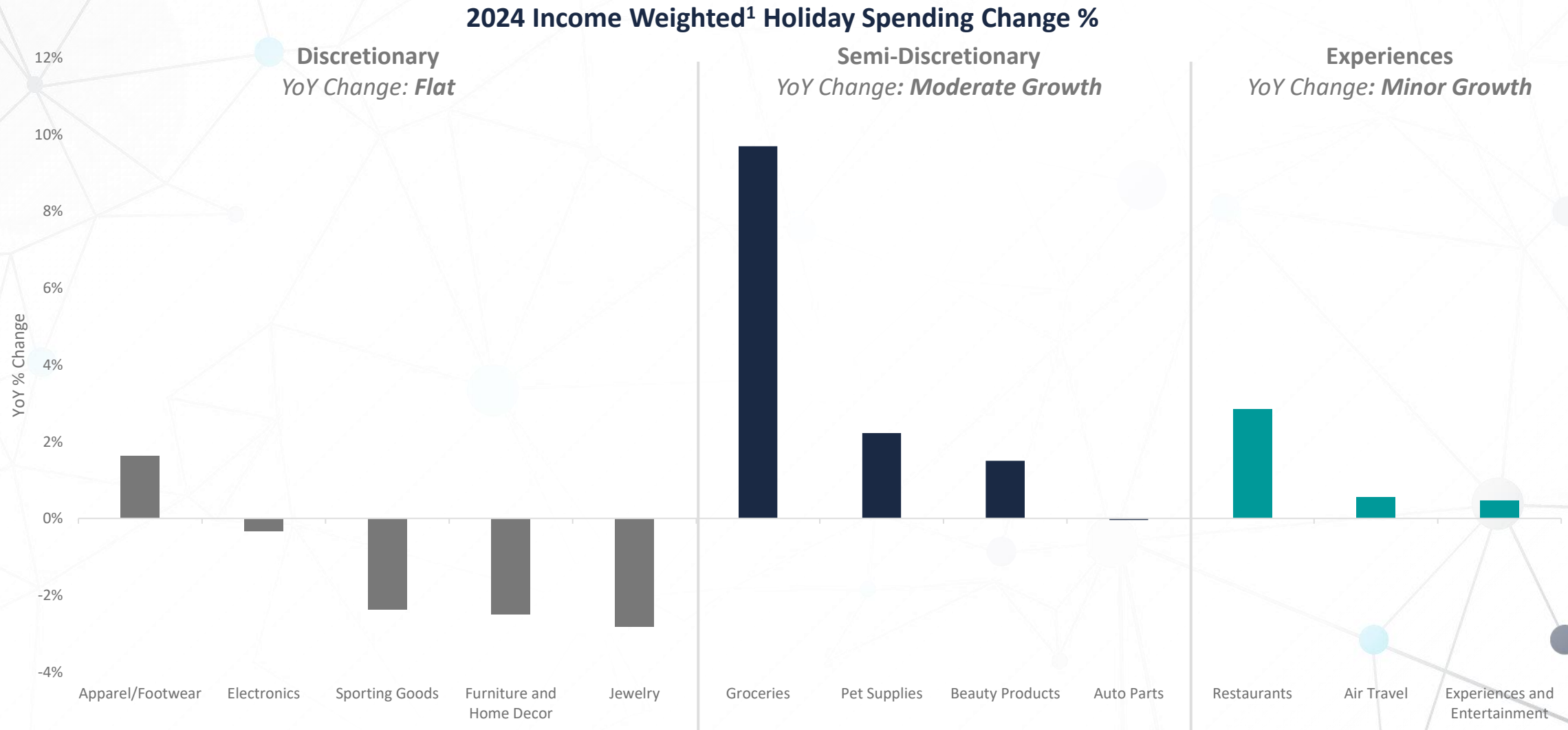






# Holiday

# Consumers will prioritize experiences over traditional gifting this holiday – high earners (HHI over \$100k) will be the key discretionary spenders



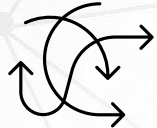
# Retailer Implications



# There are several complicating factors that contribute to a uniquely challenging holiday environment that requires retailer specific strategies

## Complicating Factor

## Description



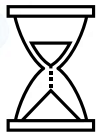
### Unclear Indicators

Rising optimism, the disconnect of sentiment and spending, and falling leading indicators present an uncertain environment for retailers to navigate



### Bifurcated Consumer

Our analysis shows there will be two distinctly different groups of consumers this holiday. Retailers will need to retain those pulling back spend with great value and win share of 'Unconstrained-Optimists' to drive growth year-over-year



### Shorter Holiday

With only 26 days between Black Friday and Christmas Eve, this is the shortest holiday period we have seen in 5 years, making each day more critical to performance



### Election Impact

Election years bring uncertainty and distraction in early November as consumers shift their focus away from Holiday spending



### Financials / Credit

Most consumers are expecting their financial situation to improve in the next 12 months, but are conservative about increasing spending on credit, making predictions about upcoming holiday spending challenging

# Paths to success will differ with your placement in the market, but with an effective strategy and strong execution, growth is achievable

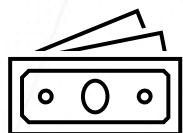
## Retail Type

## Holiday Strategy



### Deep Discount

Emphasize an easy customer journey and in-stock to win consumers seeking the lowest possible price this holiday



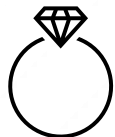
### Value Oriented

Capitalize on widespread desire for value – capture those seeking ‘Lowest Possible Price’ and provide effective promotions to those prioritizing quality products at value



### Specialty

Ensure that product spans low and high price points of the portfolio – retain consumers pulling back with affordable options while winning consumers increasing spend with great value on higher-ticket, quality products



### Luxury

Laser focus on winning ‘Unconstrained Optimists’. Provide high quality, impactful products at value, emphasizing non-material benefits

# About Creo

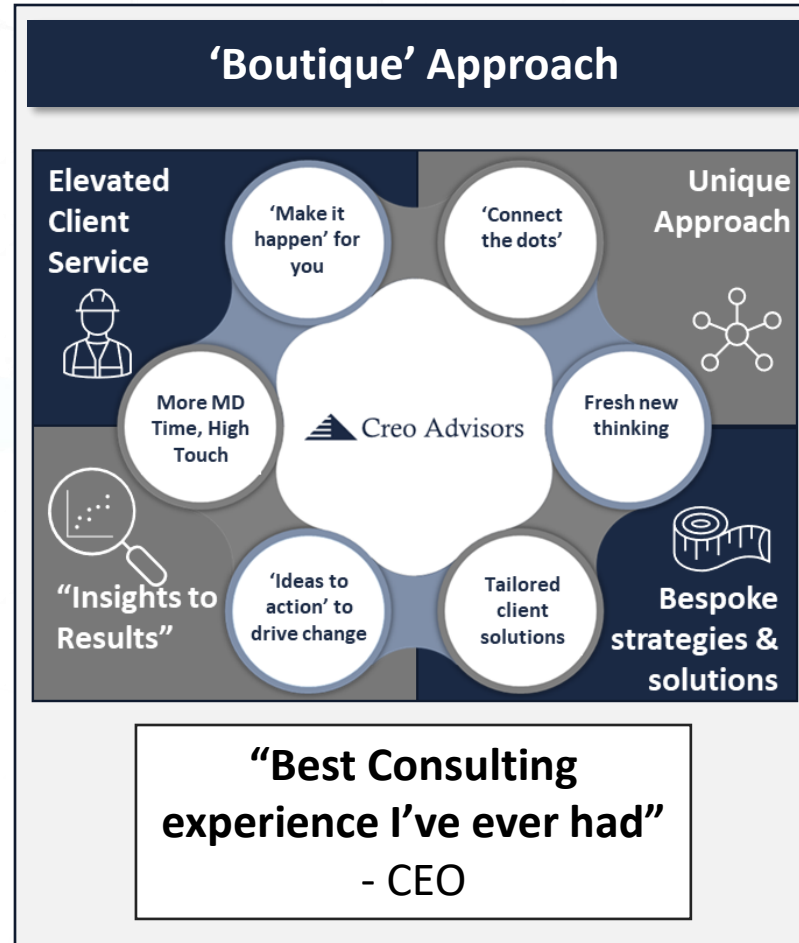


# Creo Advisors elevates value creation for clients. We are hyper-focused on creating, accelerating, and executing better client outcomes

Creo Advisors creates better outcomes for ambitious Management Teams, Private Equity and Boards ...

## Creo ... “to create”

- Creo ... derived from the Latin word “to create”
- Our model is designed “to create” ...
  - Positive client outcomes
  - Differentiated strategic solutions
  - “Insights to results” – EBITDA, Cash Flow, etc.
  - Elevated operating performance
  - Sustainable client success with new capabilities



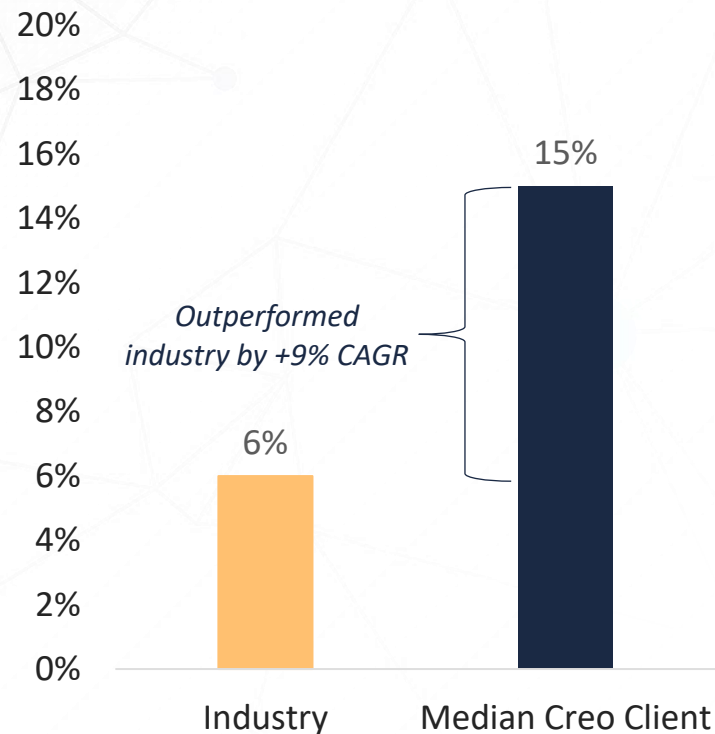
## Superior Client Results

- We ‘create’ >10x results for clients through our collaborative work
  - Strategy
  - Growth
  - Delivery/Supply Chain
  - Human Capital
- Deliver through a unique client value proposition
  - Better outcome
  - Better service
  - Better value
- Over 90% of our clients have called on us for follow-on work

# Creo clients have outperformed the market. We apply a rigorous, data driven approach to accelerate and elevate performance

## Client Performance

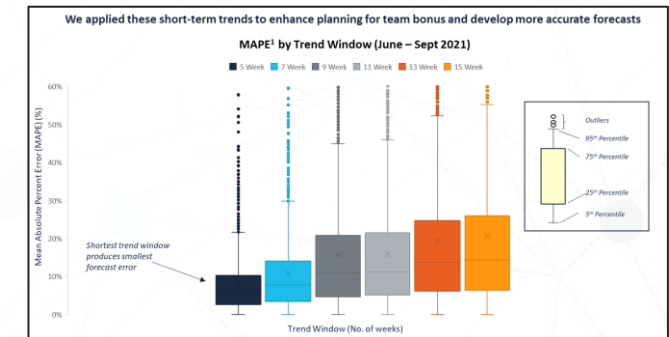
### Industry CAGR vs. Creo Clients



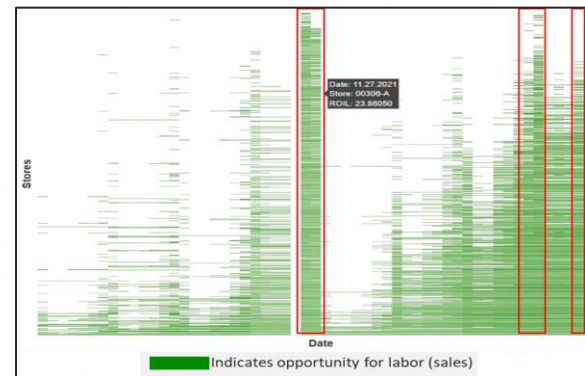
## "Insights to Results" Approach



## Market Centric Analytics



## Data-Driven-Recommendations



## Extensive ROI Modeling



Our business model enables higher adoption of initiatives and more effective change



# Creo Advisors



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