



PURCHASE DATA REPORT

How is Grocery Spend Changing Across Meal Kits, Specialty, Delivery, Traditional, & Discount?

The phrase “picking up a few things for dinner” used to mean the same thing to nearly everyone: a quick run to your local grocery store. How that plays out now varies considerably. One shopper may stop by a specialty grocery store on the way home from work, while another selects his groceries through an app on his phone and has them delivered before he gets home from work. A third shopper places an order through a meal kit service to have delivered to her front door, while she also stops by her local discount grocery store to pick up a few additional items.

Grocery shoppers have increasingly differing options for how to get food on the table, and each shopper uses a variety of these channels. The consumer is in control and on-demand shopper trends are having an impact on in-store purchases and shopping behavior. Cardlytics, a Purchase Intelligence platform that looks at actual spend across credit, debit, ACH, and bill pay, took a look at how these changes are shifting food dollars and changing the grocery marketplace.

Year-Over-Year Spend in Key Categories—Discount and Convenience Growing

The Discount grocery market appears to be maturing.

While this segment is not acquiring as many new customers, customers are spending more, demonstrating that Discount grocers are here to stay. Dollars spent with **Discount grocery** grew consistently, between 8-10% each year, from 2015 – 2017.

Specialty grocery spend is increasing their share of wallet, or amount of spend they capture in the category. However, unique shopper growth is staying flat.

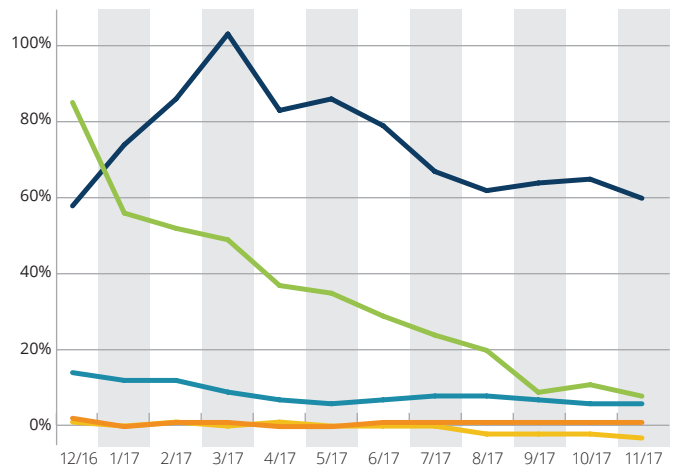
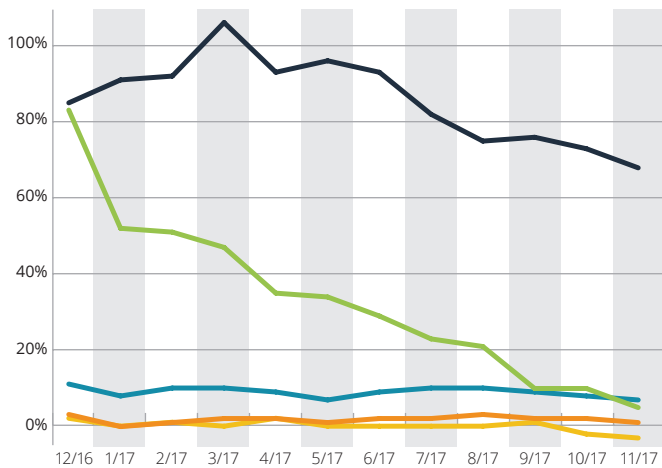
Traditional grocery saw a slight spend decline in late 2017, and was accompanied by a noticeable drop in unique shoppers this year during the critical back-to-school season, which continued through the rest of the year.

Although only 4.6% of consumers use convenience channels, such as delivery and meal kits, each channel impacts in-store sales differently. Grocery delivery takes a sizeable and immediate bite out of in-store sales, with meal kits impacting in-store in the long run. New players in the meal kits space maintained consistent growth in spend and unique shoppers, despite some experiencing high churn rates. However, mature meal kit brands showed significant declines in growth, leading to an overall shrinking in the segment.

Online grocery delivery sees consistent customer acquisition growth. Additionally, the spend growth numbers in online grocery delivery are higher than customer acquisition growth numbers, which suggests an increase in spend per shopper.

Year-over-Year Growth SPEND CHANGES

Year-over-Year Growth UNIQUE SHOPPER CHANGES



— MEAL KITS — SPECIALTY — DELIVERY — TRADITIONAL — DISCOUNT

Data from a representative group of shoppers, each of whom shopped a minimum of four times a month over a two-year period.



Meal kits

experiencing stagnated growth, due to shrinking of mature brands.



Specialty grocery

experienced a slight increase in spend (1-3%) while unique shopper growth remained flat.



Online grocery delivery

spend growth (75% to nearly 100%) outpaced new customer growth (65-86%).



Traditional grocery

spend and number of unique shoppers decreased by nearly 3% beginning in fall 2017.



Discount grocery

saw consistent annual growth of 8-10% in dollars spent.

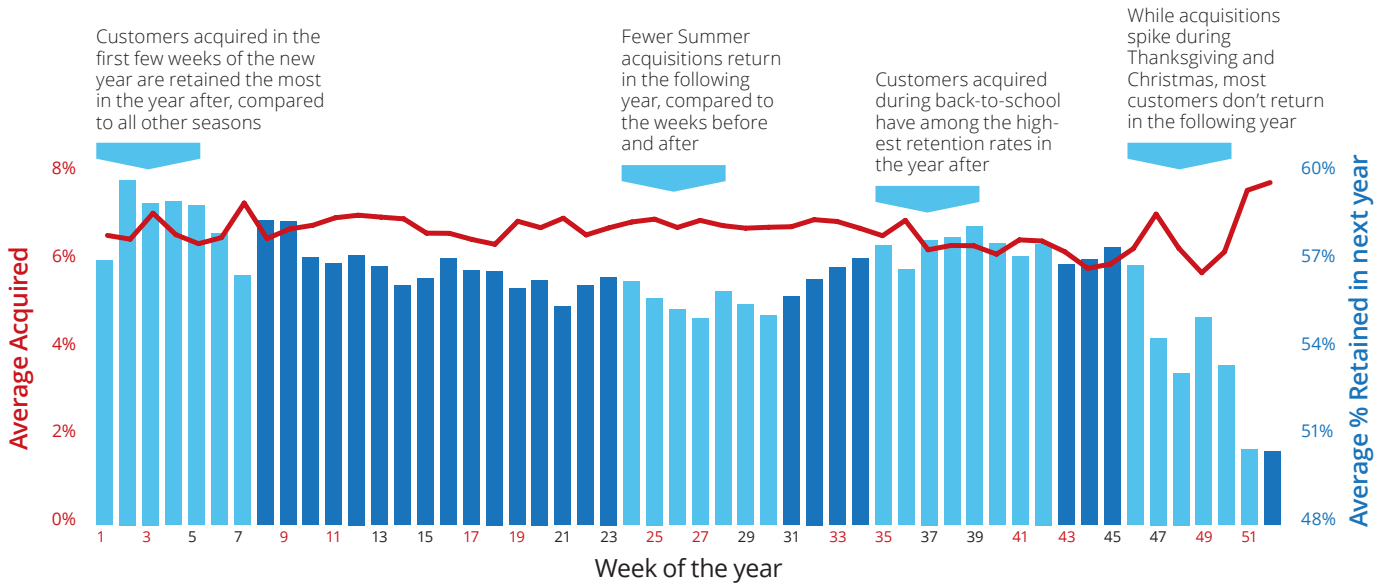
Trials don't equal acquisition

New Year's and Back-to-School are the most fruitful acquisition periods

Cardlytics evaluated new and returning Specialty and Traditional grocery shoppers to gain an understanding of the best time of year for both customer acquisition and retention. Understanding these key acquisition and retention periods gives marketers insight into when to implement strategies to bring in new customers and when to employ marketing campaigns that will draw customers back into the stores. Back-to-school's high retention rates provide retailers with an ideal foundation to set fruitful holiday campaigns in motion.



SPECIALTY GROCERY

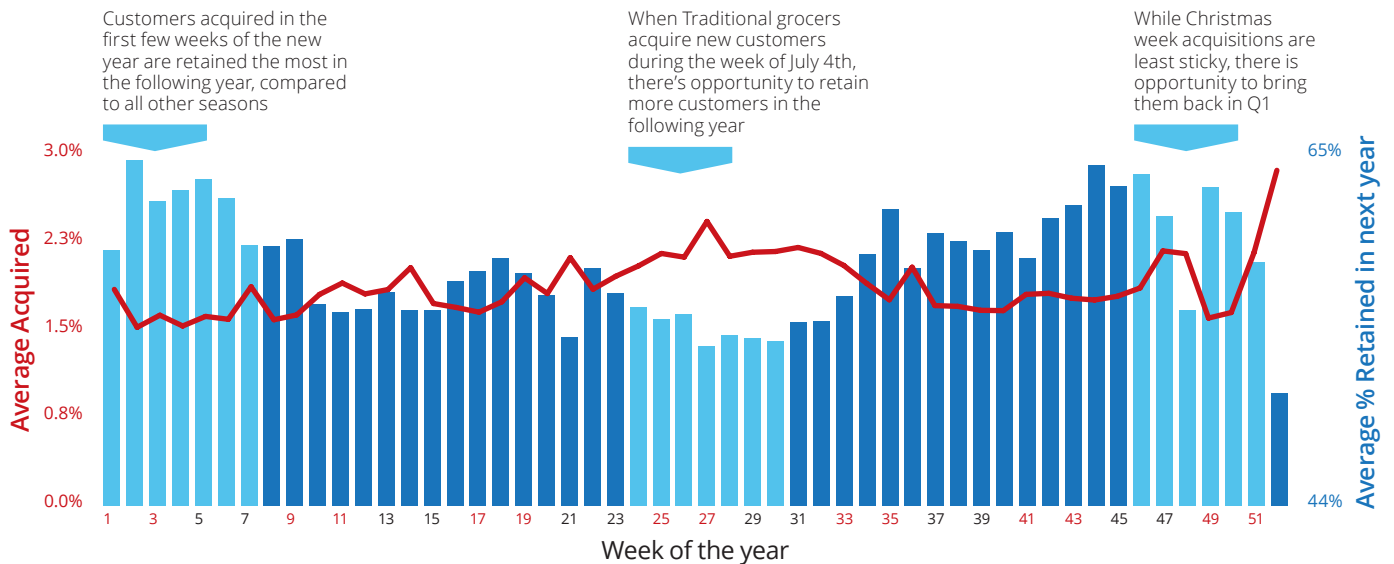


While trials spike during Thanksgiving and Christmas, most customers don't return in the following year

New customers acquired in the summer, compared to those acquired in the weeks before and after summer, tend not to return the following year

When Traditional grocers gain new customers in the first 2 months of the New Year and back-to-school season are retained the most in the following year, compared to other seasons

TRADITIONAL GROCERY



Trials are at the highest level at Christmas and the week of July 4th yet show the lowest retention

Like Specialty, Traditional grocery customers acquired in the first 2 months of the new year are retained the most in the following year – making January and February critical to new customer gains

New customers who come in around Thanksgiving are least sticky, but can be highly valuable if you can gain a 2nd purchase in December

How can marketers identify the opportunities created by grocery's changing environment and ensure that their campaigns drive the highest return?

The best way to understand what consumers will buy in the future is to have an accurate, full-wallet view of what they bought in the past, across all spending channels. **Cardlytics** makes marketing more relevant and measurable through their proprietary Purchase Intelligence platform, which looks at spend across credit, debit, ACH, and bill pay. Partnering with over 2000 financial institutions gives Cardlytics a distinct and secure view into where and when consumers spend their money. By applying advanced analytics to this large quantity of purchase data, Cardlytics makes the information actionable, helping marketers reach and influence likely buyers at scale, as well as measure the true sales impact of their marketing campaigns.

How can a full-wallet view shine a light on true customer loyalty?

Knowing where customers choose to spend is important when creating effective marketing campaigns. Retailers are able to track what their customers do when they're in the store. But, once the customer leaves the store, the retailer has a blind spot. This often leads to a misunderstanding of the customer and misinformed marketing. Full-wallet analytics is an accurate look at a customer's entire spend.

For instance, you may see 100 customers who shop your store weekly, consistently spending \$200. It would be reasonable to identify these customers as loyal. But, what if you knew that half of that group also spent \$300 with your competitor? Would you choose to market to that group differently?

Conversely, how do you discern the potential of infrequent or even lapsed customers? A full-wallet view will show if half of your infrequent shoppers are the category's best shoppers or if your lapsed shoppers are now using meal kits.

With this deeper understanding of the customer's purchase behaviors, marketers can precisely target the right communication, messaging and promotional incentive to their customers.

Cardlytics' Purchase Intelligence generates measurable lift in transactions, incrementality, and share of wallet.

When re-engaging lapsed and infrequent shoppers for retailers, Cardlytics' marketing strategies have delivered a 16-35% lift in transactions and an increase of \$6.50 - \$8.25 in incremental revenue. Between 5 and 8 share points shifted from the competitors' share of wallet and half of those share points were retained a month following the campaign.

As grocers face increasing competition and need help when their frequent shoppers start to stray, Cardlytics has been able to stem the losses with a 2-10% lift in transactions by frequent shoppers and a \$4 - \$6.69 increase in incremental revenue for every \$1 invested.

LAPSED & INFREQUENT SHOPPERS

up to **35%**

LIFT IN
TRANSACTIONS

~\$**7-8**

INCREMENTAL
REVENUE
FOR EVERY
\$1 INVESTED

up to **8.2%**

SHARE OF WALLET POINTS SHIFTED FROM
COMPETITORS DURING CAMPAIGN

SHARE SHIFT
AMONG
CAMPAIGN
PARTICIPANTS

FREQUENT SHOPPERS

up to **10%**

~\$**4-7**

up to **3%**

IN SHARE OF WALLET POINTS

While retailers have access to more data than ever before, using a full-wallet view of purchase data actually shows where someone is shopping and measures whether a campaign drove sales. With a view into more than \$1.5 trillion in spend across credit, debit, ACH and bill pay, Cardlytics is able to offer grocery marketers real customer insights for real marketing results.

For more information, visit [Cardlytics.com](https://www.cardlytics.com).