U.S. State of Spend

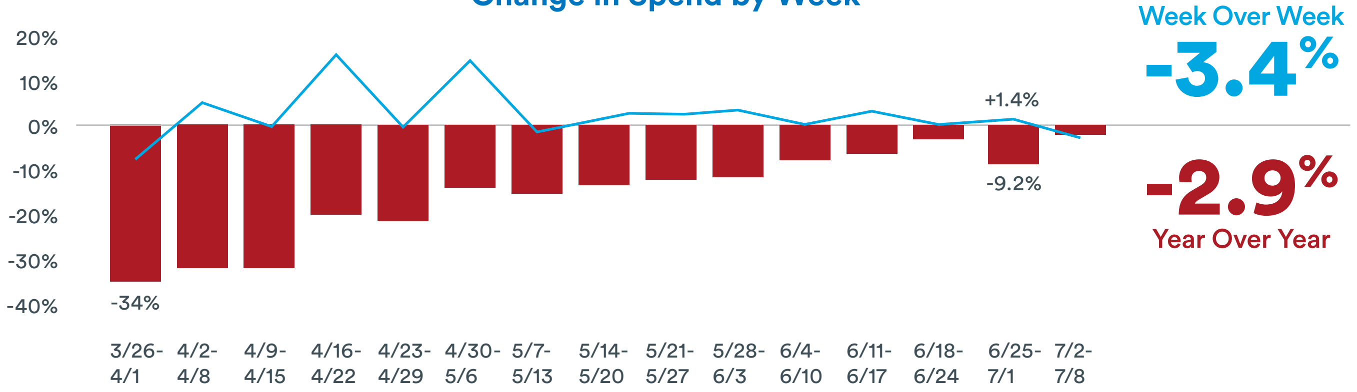
July 2020 | Issue 06

With insight into 1 out of every 2 U.S. transactions, Cardlytics is committed to helping marketers understand and respond to current trends that are impacting their industries. We put these purchase insights into action every day through precisely targeted campaigns that drive measurable sales. This report highlights important shifts in consumer spend and tracks early signs of recovery. To isolate the impact of COVID-19, we're evaluating recent changes in spend compared to the year before.

Overall spend growth slows

After weeks of continuous growth, U.S. spend has started to fluctuate. As cases spiked the last week of June, overall spend dropped nearly six percentage points year over year. Spend recovered the following week, showing that consumer spend may not be subject to a persistent downturn even if COVID-19 cases increase. On a week-over-week basis, spend has decreased for the first time since May due to the 4th of July holiday. We saw a similar week-over-week decrease in 2019.

Change in Spend by Week



CASE STUDY

National telecommunications company acquires high-value subscribers

As customers seek ways to stay connected and entertained, subscription services have an unprecedented opportunity to acquire new customers and capture incremental spend.

Goal:
In an increasingly competitive market, a national telecommunications company wanted to acquire new subscribers for their bundled services.

Insight:
By analyzing past purchase behavior, Cardlytics found customers with the strongest likelihood of signing up for multiple services and becoming high-value subscribers. These included the advertiser's existing customers who also subscribe to competitive service providers.

Campaign Results:
Cardlytics expanded the advertiser's targeting strategy to go after these high-value customers. Targeted offers in banks' digital channels reached likely customers in the advertiser's key markets and gave customers a reason to subscribe, ultimately growing market share and driving incremental sales for the advertiser.

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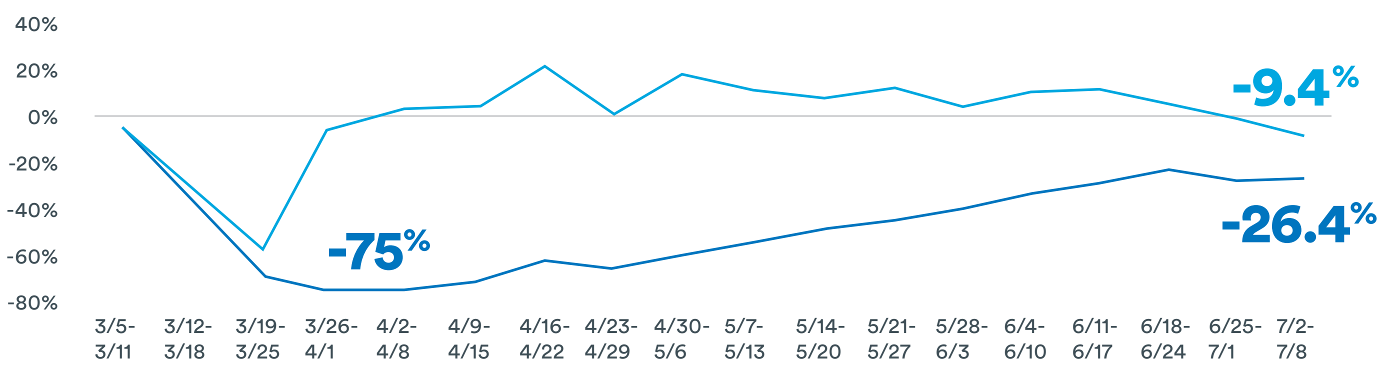
The Cardlytics Recovery Indicator

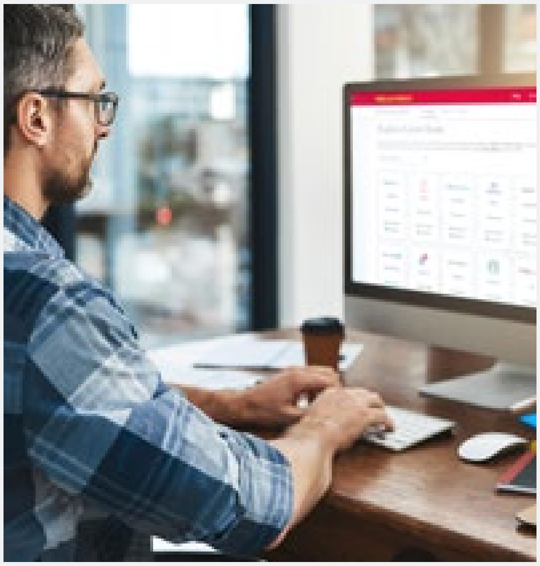
Cardlytics' Recovery Indicator tracks spend in select discretionary categories to help brands measure consumer confidence and choose the right way to ramp up their marketing. It compares weekly spend in discretionary categories such as salons, apparel retailers, casual dining and QSR restaurants, among others.



Change in spend by week for discretionary categories such as salons, apparel retailers, casual dining, and QSR restaurants

Despite the fact that overall spend is recovering, customers have become more cautious about spending on non-essentials in recent weeks. For the first time since late March, discretionary spend as tracked by the Recovery Indicator decreased slightly and is now down to -26.4% year-over-year.

When looking at week-over-week spend with Recovery Indicator brands, we also see consumers spending less each week — now down -9.4% compared to the previous week. This suggests that economic recovery cannot be measured by total spend alone. Rather, discretionary spend is a more telling gauge of when customers are returning to their pre-COVID spending patterns.



Making the Cardlytics Recovery Indicator actionable

Cardlytics helps marketers track where and when spend at their stores is likely to return. By overlaying our Recovery Indicator on their unique customer sets, we can help gauge customer confidence and choose the right time to ramp up marketing.

We also help our clients acquire new customers by prioritizing people who have resumed normal spending and by focusing on regions of the country that are showing strong signs of recovery.

Precisely targeted campaigns in our ad platform drive near-term sales by reaching people who are ready to spend. We deliver cash-back offers in banks' digital channels that help customers save on their next purchase — both in-store and online.

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Where is spend recovering?

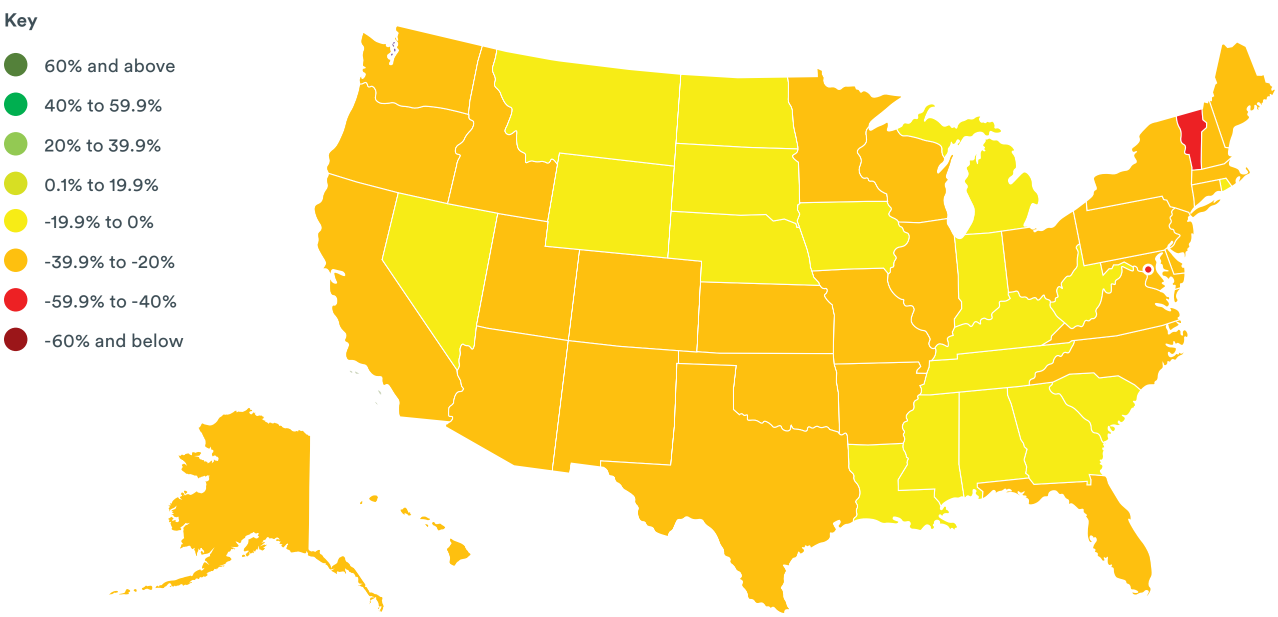
As marketers plan their return, the effectiveness and efficiency of their campaigns will depend on their ability to prioritize individuals who have resumed normal spending. Looking at the Recovery Indicator by state can help marketers focus on regions that are further along the path to recovery.

The majority of states are now outpacing the Recovery Indicator national average (-26.4%), though 20 states have seen negative shifts in their week-over-week spend at Recovery Indicator brands. Note, this is a significant shift given only four states were down week over week in our last State of Spend report.

Interestingly, only 13 states are below the national average — though these include larger economies such as New York and California. While New York and California are still pacing behind, they've seen their own significant recoveries - up 34 points and 27 points respectively since we first reported this data the week of May 14th.

Cardlytics Recovery Indicator by State

Year Over Year Change in Spend, Week of 7/2 - 7/8



Alabama	-11.6%	↑	Iowa	-19.6%	↓	Virginia	-24.5%	↑
Mississippi	-12.0%	↑	Utah	-20.0%	↑	Connecticut	-25.8%	↑
Kentucky	-14.0%	↑	Arkansas	-20.3%	↑	Maryland	-25.8%	↑
South Dakota	-15.4%	↓	Illinois	-20.8%	↑	Kansas	-27.0%	↓
Georgia	-15.9%	↑	Pennsylvania	-20.8%	↑	Wisconsin	-27.4%	↓
Wyoming	-15.9%	↑	Idaho	-20.8%	↓	New Hampshire	-27.9%	↑
Louisiana	-15.9%	↑	Delaware	-21.1%	↑	Arizona	-28.4%	↓
North Dakota	-16.0%	↓	Ohio	-21.1%	↓	Massachusetts	-29.5%	↑
Tennessee	-16.7%	↑	New Mexico	-21.1%	↓	Oregon	-29.8%	↓
Indiana	-17.2%	↓	Minnesota	-21.5%	↑	Texas	-30.2%	↑
Rhode Island	-17.4%	↑	North Carolina	-22.1%	↑	New York	-30.6%	↑
West Virginia	-17.5%	↓	New Jersey	-22.4%	↑	Maine	-31.0%	↑
Nebraska	-18.5%	↓	Missouri	-22.9%	↓	Washington	-33.1%	↓
Montana	-18.6%	↓	Florida	-23.6%	↑	Hawaii	-34.5%	↓
Michigan	-18.7%	↓	Oklahoma	-23.6%	↑	California	-35.0%	↓
Nevada	-18.8%	↓	Alaska	-23.6%	↑	District of Columbia	-42.0%	↑
South Carolina	-19.5%	↑	Colorado	-24.1%	↑	Vermont	-42.4%	↑

Each grocery purchase is worth more than ever

The competition for grocery spend is fierce. Since the start of the pandemic, consumers have ventured out less and consolidated their spend, shopping 5.1% fewer brands compared to the year before. Consumers are making fewer, but larger purchases at physical grocery stores.

While the average number of in-store grocery purchases is down, shopping cart value has increased by 29.7% during the same time period. Though grocery spend is up year-over-year, grocers still need to defend their market share and ensure they're on customers' shortlists for the next big grocery run.

-5.1% YOY
Average grocery brands shopped

-15.5% YOY
Average number of in-store grocery purchases

+29.7% YOY
Average shopping in-store cart value

Actionable Tip:
It's critical that grocers keep their customers engaged — especially as they continue to consolidate their spend and establish new online buying habits. With insight into purchases across the grocery category, Cardlytics can prevent churn by bringing back customers for their next grocery purchase. Cash-back offers in our ad platform provide valuable savings for both new and existing customers. Our campaigns are proven to drive incremental sales and build lasting loyalty.

The return of in-store spend

With the start of July, in-store retail sales are now showing positive year-over-year growth. Spend at brick & mortar retailers is up 1.2% compared to this same time last year — a significant increase considering in-store sales were down -12.8% year-over-year in Q2.

In-Store Retail Spend
+1.2%
Year Over Year

+6.4%
Auto Services & Products

+3.3%
Mass Merchandisers

+23.0%
Home & Garden

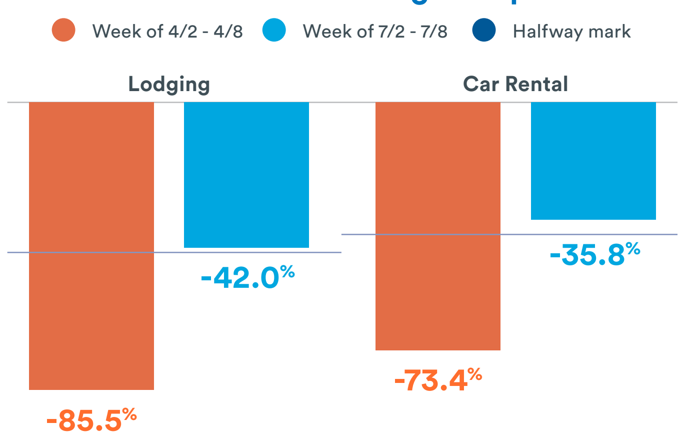
+0.4%
Pets

+ 1.2%
Sporting Goods

Travel recovery reaches a milestone

Travel, one of the first industries to see a drop in spend with the start of the pandemic, is now on the path to recovery. Compared to a low point the week of 4/2, both lodging and rental car categories have regained more than half of the weekly spend they previously lost. For travel brands looking for a tipping point to indicate when consumer spend may return, this could be the signal they've been waiting for.

Year-Over-Year Change in Spend



Spotlight: COVID-19's impact on share of wallet

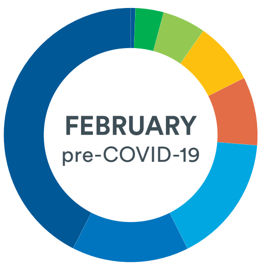
In the months since states first declared shelter-in-place orders, customers have had plenty of time to establish new buying habits. To help marketers track how behavior has shifted, we've taken a look at how spend has distributed across industries. We used our whole-wallet view of consumer spend to show how share changes each month. This does not reflect the decrease in overall consumer spend, but rather how share has shifted between industries.

Despite physical store closures, retail's share of consumer spend spiked in April and has consistently remained higher than it was before the pandemic. As of June, retail spend was up by 8.1 share points since February. Much of this growth in retail can be attributed to a rise in eCommerce spend (up 51.5% year-over-year in June).

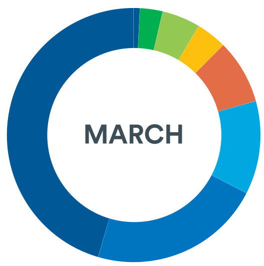
Initially, grocery saw some of the biggest gains as customers stocked up quarantine essentials — increasing by 7.1 share points between February and March. By contrast, restaurant spend saw a decrease early on as they closed locations and consumers prepped more meals at home. Recently, share of spend between restaurants and grocery has normalized near pre-pandemic levels as restaurants reopen and consumers seek to diversify their weekly menus.

Share of Spend by Industry

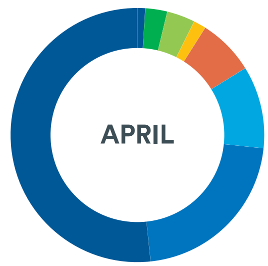
Retail · Grocery · Restaurant · Gas & Convenience · Beauty & Health · Travel · Entertainment



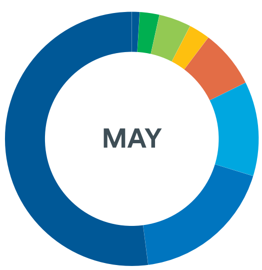
Retail	42.8%
Grocery	15.0%
Restaurant	16.4%
Gas & Convenience	8.8%
Beauty & Health	5.5%
Travel	7.9%
Entertainment	3.7%



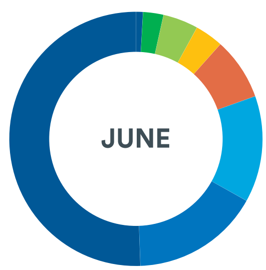
Retail	45.8%	↑
Grocery	22.1%	↑
Restaurant	12.0%	↓
Gas & Convenience	8.3%	↓
Beauty & Health	4.9%	↓
Travel	4.0%	↓
Entertainment	2.9%	↓



Retail	52.2%	↑
Grocery	21.9%	↓
Restaurant	10.6%	↓
Gas & Convenience	7.3%	↓
Beauty & Health	3.6%	↓
Travel	1.6%	↓
Entertainment	2.8%	↓



Retail	52.5%	↑
Grocery	18.4%	↓
Restaurant	12.1%	↑
Gas & Convenience	7.5%	↑
Beauty & Health	4.1%	↑
Travel	2.7%	↑
Entertainment	2.5%	↓



Retail	50.9%	↓
Grocery	16.5%	↓
Restaurant	13.6%	↑
Gas & Convenience	8.0%	↑
Beauty & Health	4.6%	↑
Travel	3.9%	↑
Entertainment	2.6%	↑

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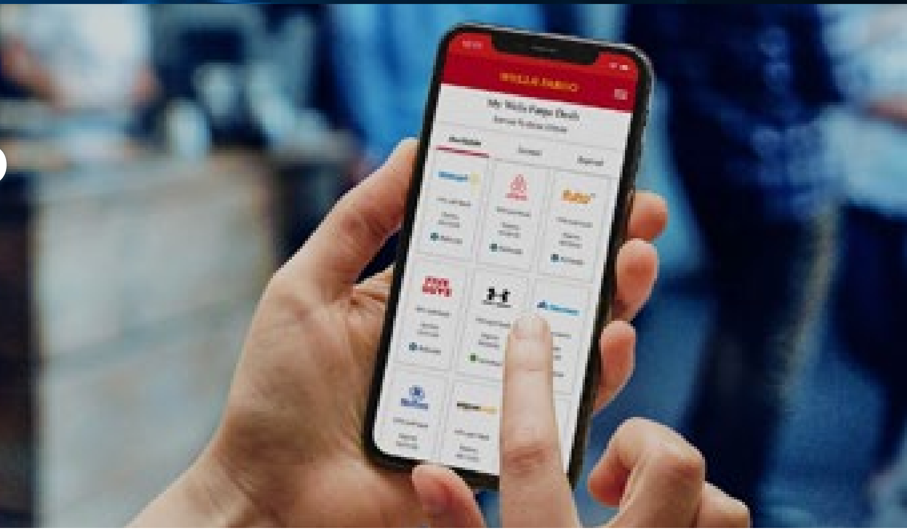
We're here to help

Cardlytics' analytics dashboard provides actionable insights into how businesses are faring in the COVID-19 era. These insights are the foundation of targeted campaigns in our ad platform.



Take action with answers to pressing questions:

- When are customers starting to make in-store purchases?
- How quickly am I gaining or losing share vs. my industry?
- How is my eCommerce channel performing against my category?
- Are my newly acquired customers likely to churn once we get through the curve?

Whether marketers are experiencing ups or downs in consumer spend, Cardlytics is using purchase insights to help all of our clients navigate the curve and drive measurable sales. Contact us today for analysis and a campaign strategy customized for your brand.

ABOUT CARDLYTICS

Cardlytics (NASDAQ: CDLX) is an advertising platform built in banks' digital channels. Through our bank partnerships, we have a complete view of where, when, and how customers shop online and in-store. Using this powerful Purchase Intelligence™, we help marketers identify opportunity, reach real people with relevant ads, then precisely measure the results.

>150M
Bank Customers

1 IN 2
U.S. Card Swipes

>$3T
Annual Spend

Analysis in this report is based on data derived from the Cardlytics platform between March 5th and July 8th. While analysis is representative of purchase behavior, it does not include every customer or every financial institution on the Cardlytics platform.

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