

U.S. State of Spend

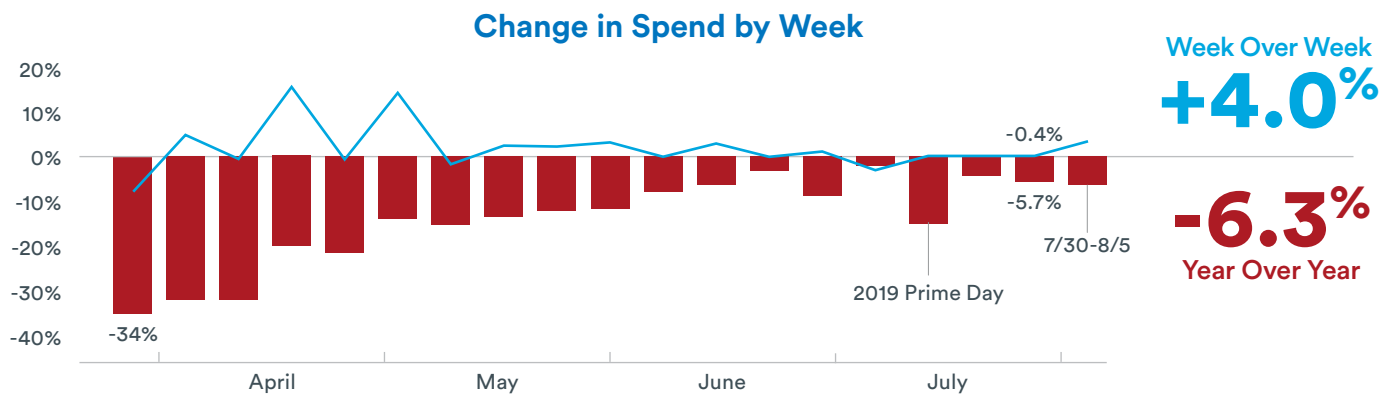
Issue 07

With insight into 1 in 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 insights into action to drive measurable sales every day with precisely targeted advertising campaigns in banks' digital channels. 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 plateaus

With travel plans postponed and no Prime Day sales to entice customers to open their wallets, July spend remained flat. Uncertainty around plans for school caused many consumers to hold off on picking up back-to-school items until later in the month.

Spend increased in the last week of July — up 4.0% compared to the previous week. This reflects a similar rise in the weekly spend last year as back-to-school shoppers hit the stores again to make last-minute purchases before classes began. Keep reading to find out which categories are seeing the biggest back-to-school bump.



CASE STUDY

Specialty retailer targets customers ready to spend

As shoppers establish new online buying habits, marketers have an opportunity to drive incremental sales across all their customer segments, including those they class as their most loyal.

Goal: An online specialty retailer wanted to combat declining sales and keep pace with industry shifts as more customers shop online.

Insight: With insight into how the retailer's customers spend with industry competitors, Cardlytics identified a significant opportunity to drive additional sales from the retailer's most frequent customers.

Action: Cardlytics expanded the retailer's targeting to include frequent shoppers in addition to new and lapsed segments. The campaign is effectively growing market share and driving incremental purchases — now pacing to deliver **over \$46 million in sales, equal to 8% of the client's total annual revenue.**

Delivery Spend
+173%
 Year Over Year

Delivery sets a record

Despite more restaurants opening their doors, delivery spend is stronger than ever. As of 7/30, delivery spend is now up 173% year over year — its highest increase so far in 2020. Year to date, **consumers have already spent over \$180M more on delivery than they spent in all of 2019.**



Back to school drives comeback for specialty retail

As schools finalized reopening plans later in the summer, students finally knew what to prepare for — and began gathering necessities for in-person classes, virtual learning, or sometimes both. Categories like books, office supplies, and home décor all saw gains in week-over-week spend during the last days of July and early August. A notable exception was the shoe category, which was down week-over-week at the start of the month, marking a drop in demand for fall footwear as more schools turn to virtual learning.

Change in Week-Over-Week Spend

Week of 7/30/2020 - 8/5/2020



+3.5%

Apparel



+10.9%

Books



+4.3%

Home Décor



+6.6%

Mass Merchandisers



+8.1%

Office Supplies



+6.0%

Salons



+8.2%

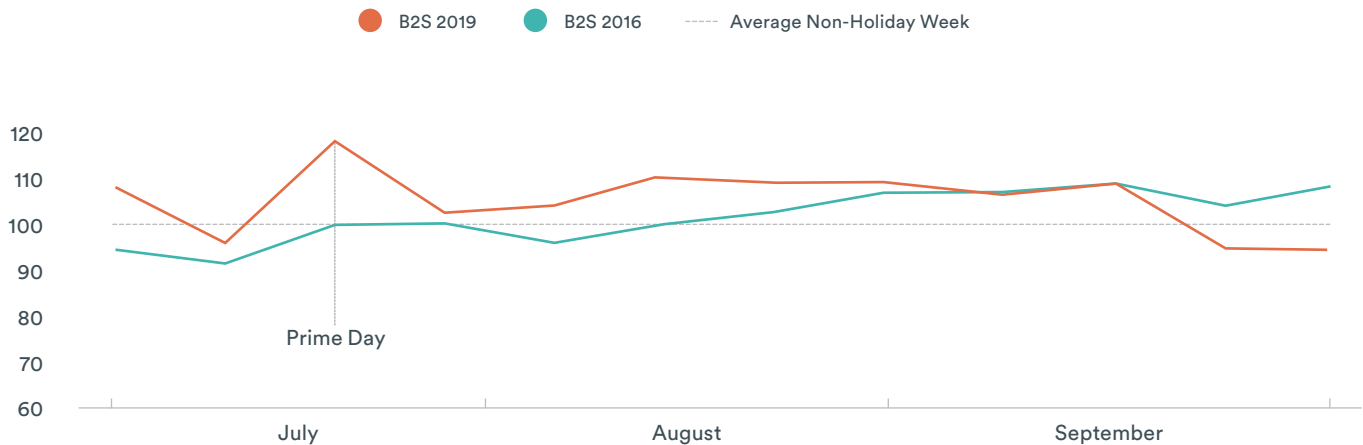
Technology

Spotlight: Postponed Prime Day to compete with Black Friday

With Prime Day now reportedly scheduled for early October — a month before retailers normally offer holiday deals — it's likely to pull this year's winter holiday spend forward. Prime Day's impact on the back-to-school season in past years illustrates how the typical pacing of consumer spend has shifted to align with the sales event.

Back-to-School Spend Index

2016 vs. 2019



Amazon Prime Days: July 12, 2016 and July 15-16, 2019

Over the past few years, growing Prime Day buzz has set the pace for when back-to-school shopping kicks off. As you can see in the chart above, which looks back at 2016 spend trends compared to 2019, the retail event pulled forward the back-to-school season from August / September to early July. Last year, as traditional retail brands offered their own versions of Prime Day sales, that week over indexed typical retail spend by 19%, and drove continued higher spend in the following weeks.

Brands looking to win more than their fair share of winter holiday spend will need to start their marketing early to capitalize on the Prime Day buzz and keep momentum going through the end of the year.

Engage key holiday shopper segments starting this Prime Day

Cardlytics' ad platform can help marketers maximize Prime Day momentum by precisely targeting holiday shoppers based on their spend behavior.



Early Birds

Start your holiday marketing in the weeks leading up to Prime Day — these shoppers will start checking off their gift lists as soon as the deals are in.



Deal Hunters

Use the Prime Day buzz to time your own campaigns and secure share of holiday budgets with deal-conscious shoppers who take advantage of Black Friday and Cyber Monday deals.

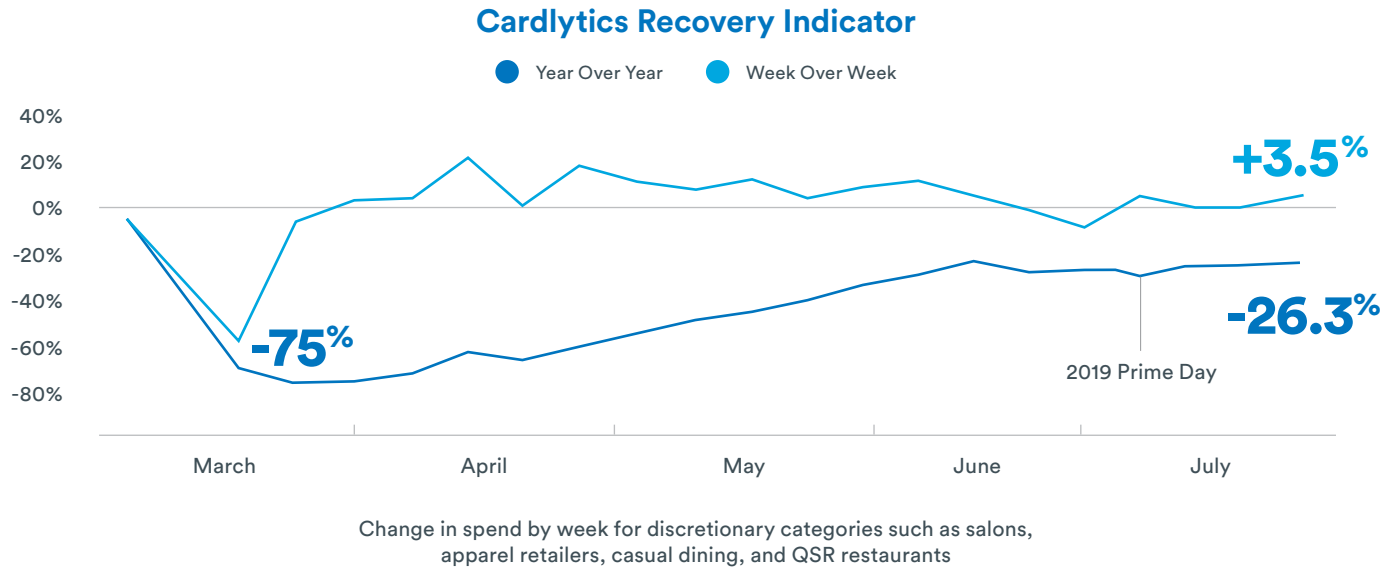


Steady Shoppers

Steady shoppers have the highest average holiday spend. Engage them consistently throughout the extended holiday season with rewards that drive repeat purchases.

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.



The delayed back-to-school season may not be the only driver for a slowdown in July. Consumer confidence, as represented by their willingness to spend money on low-cost, discretionary purchases, reached a plateau as cases spiked in July. The Cardlytics Recovery Indicator hovered around -26.3% year-over-year for the majority of the month.

In this case, no news is good news, and the plateau represents a hopeful sign that consumers are no longer willing to pull back spending even if the pandemic lingers. The spike in cases did not cause a corresponding drop in discretionary spend as measured by the Cardlytics Recovery Indicator.



ACTIONABLE TIP

Reach customers before new habits solidify

As customers establish routines for the rest of the year, marketers must act quickly to get their share of spend. Cardlytics help brands acquire new customers by prioritizing people who are spending on discretionary categories such as apparel and casual dining.

Targeted ads in our native ad platform give customers a reason to make their next purchase — either in-store or online. Build loyalty by helping them save in a time when it matters most.

Where is spend recovering?

In July, 37 states (a significant majority) tracked higher Recovery Indicator rates than the national monthly average of -27.2% year over year. However, looking a level deeper at the trends of individual states, consumer confidence is starting to fluctuate. Nearly half of all U.S. states saw a decrease in total discretionary spend in July — a notable change after the increases seen across the map in June.

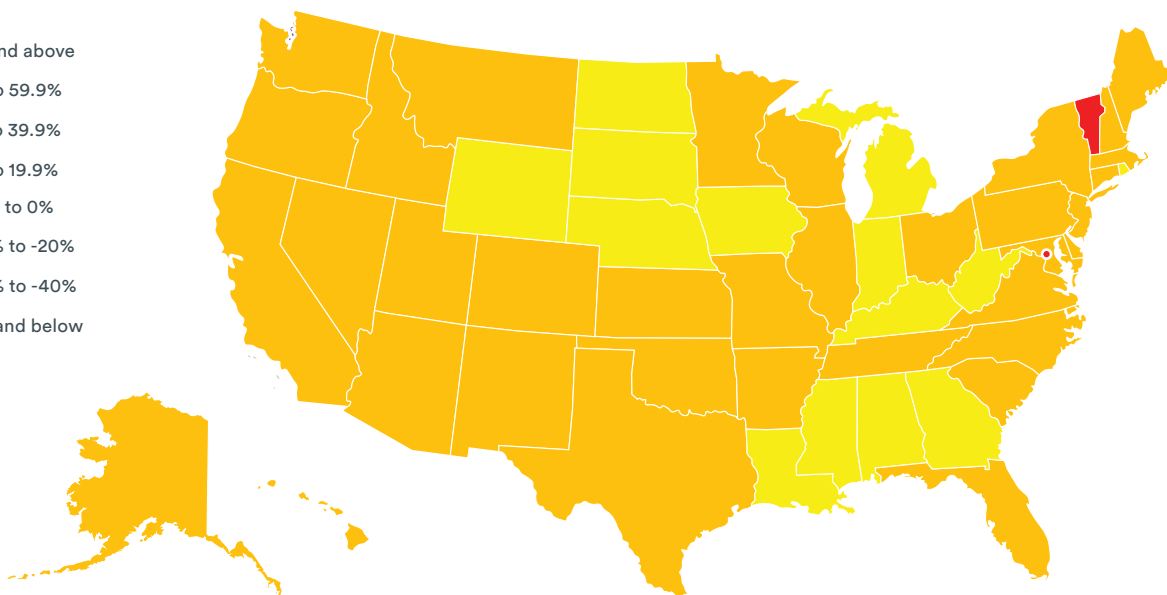
Interestingly, some of the regions that were hit the hardest at the start of the pandemic saw the strongest signs of recovery in July. These include New York (+15.6 points), Massachusetts (+8.8 points), Pennsylvania (+6.7 points), and Michigan (+5.9 points). As brands plan where to focus their marketing efforts leading into the back to school and holiday shopping seasons, this could be a signal to ramp up marketing with consumers in states that are showing signs of rapid recovery.

Cardlytics Recovery Indicator by State

Year Over Year Change in Spend, Month of July

Key

- 60% and above
- 40% to 59.9%
- 20% to 39.9%
- 0.1% to 19.9%
- -19.9% to 0%
- -39.9% to -20%
- -59.9% to -40%
- -60% and below



South Dakota	-13.50%	↑	Illinois	-20.40%	↑	Kansas	-26.80%	↓
Louisiana	-14.90%	↓	Minnesota	-21.40%	↑	Virginia	-26.90%	↑
Alabama	-15.30%	↓	South Carolina	-21.40%	↓	New Mexico	-27.00%	↓
Mississippi	-15.90%	↓	Ohio	-21.50%	↓	Texas	-27.60%	↓
North Dakota	-16.50%	↑	Delaware	-21.70%	↑	Arizona	-27.70%	↓
Indiana	-17.00%	↑	Idaho	-21.90%	↓	Maryland	-27.80%	↑
Nebraska	-17.00%	↑	Pennsylvania	-22.00%	↑	Alaska	-28.20%	↓
Wyoming	-17.30%	↓	Nevada	-22.50%	↓	New York	-28.20%	↑
Kentucky	-17.60%	↓	Arkansas	-23.20%	↑	New Hampshire	-28.50%	↑
Michigan	-18.30%	↑	New Jersey	-23.40%	↑	Massachusetts	-29.60%	↑
Georgia	-18.60%	↓	North Carolina	-23.60%	↓	Oregon	-30.40%	↑
West Virginia	-19.00%	↓	Colorado	-24.10%	↑	Maine	-31.00%	↑
Iowa	-19.20%	↑	Missouri	-24.70%	↓	Washington	-33.60%	↑
Rhode Island	-19.70%	↑	Connecticut	-25.30%	↑	Hawaii	-37.50%	↓
Montana	-20.00%	↓	Florida	-25.40%	↓	California	-37.80%	↓
Tennessee	-20.00%	↓	Oklahoma	-26.00%	↓	Vermont	-42.80%	↑
Utah	-20.00%	↑	Wisconsin	-26.10%	↑	District of Columbia	-43.00%	↑

Let's build your custom strategy

Cardlytics' analytics dashboard provides actionable insights into how businesses are faring in the COVID-19 era. These 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?

Whether marketers are experiencing ups or downs in consumer spend, Cardlytics is focused on helping *all* of our clients navigate the times 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.



>157M

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 August 5th. While analysis is representative of purchase behavior, it does not include every customer or every financial institution on the Cardlytics platform.

Get in touch: cardlytics.com/contact



 cardlytics

© 2020 Cardlytics. All Rights Reserved.