

L.E.K. Consulting

Home Category Perspectives

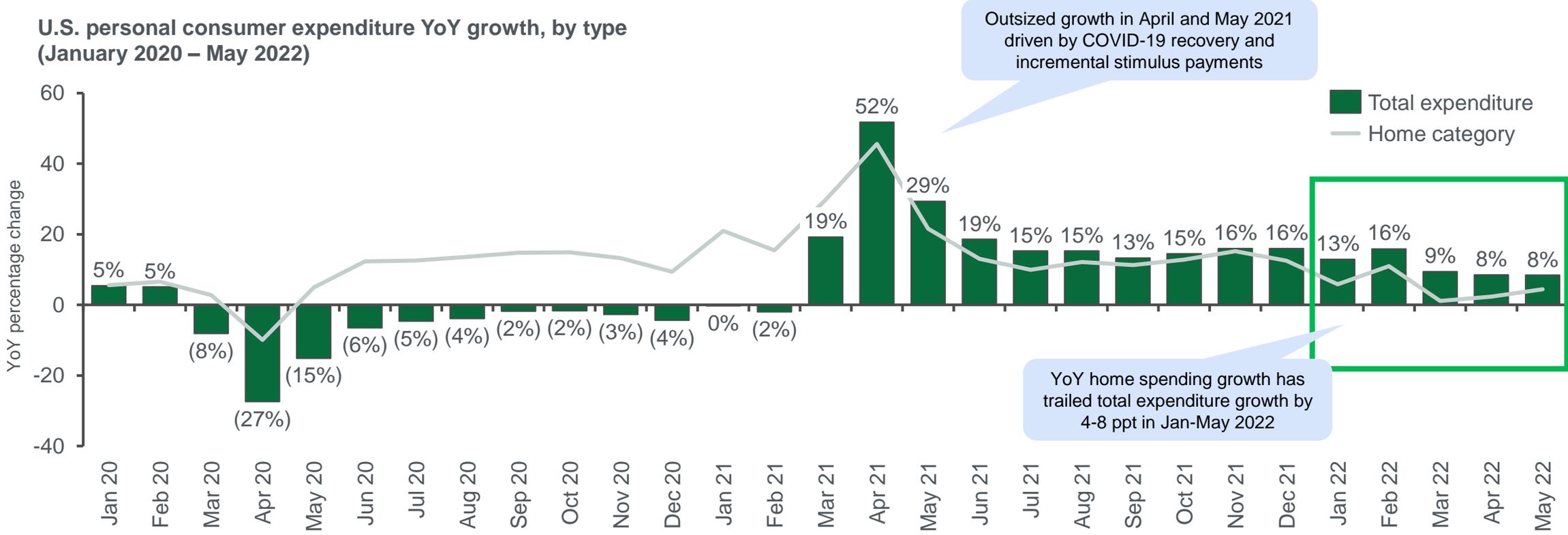
Q2 2022 Update

These materials are intended to supplement a discussion with L.E.K. Consulting. These perspectives will, therefore, only be meaningful to those in attendance. The contents of the materials are confidential and subject to obligations of non-disclosure. Your attention is drawn to the full disclaimer contained in this document.



Recent home category growth is trailing broader spend growth — however, home spend remains well above pre-COVID-19 levels

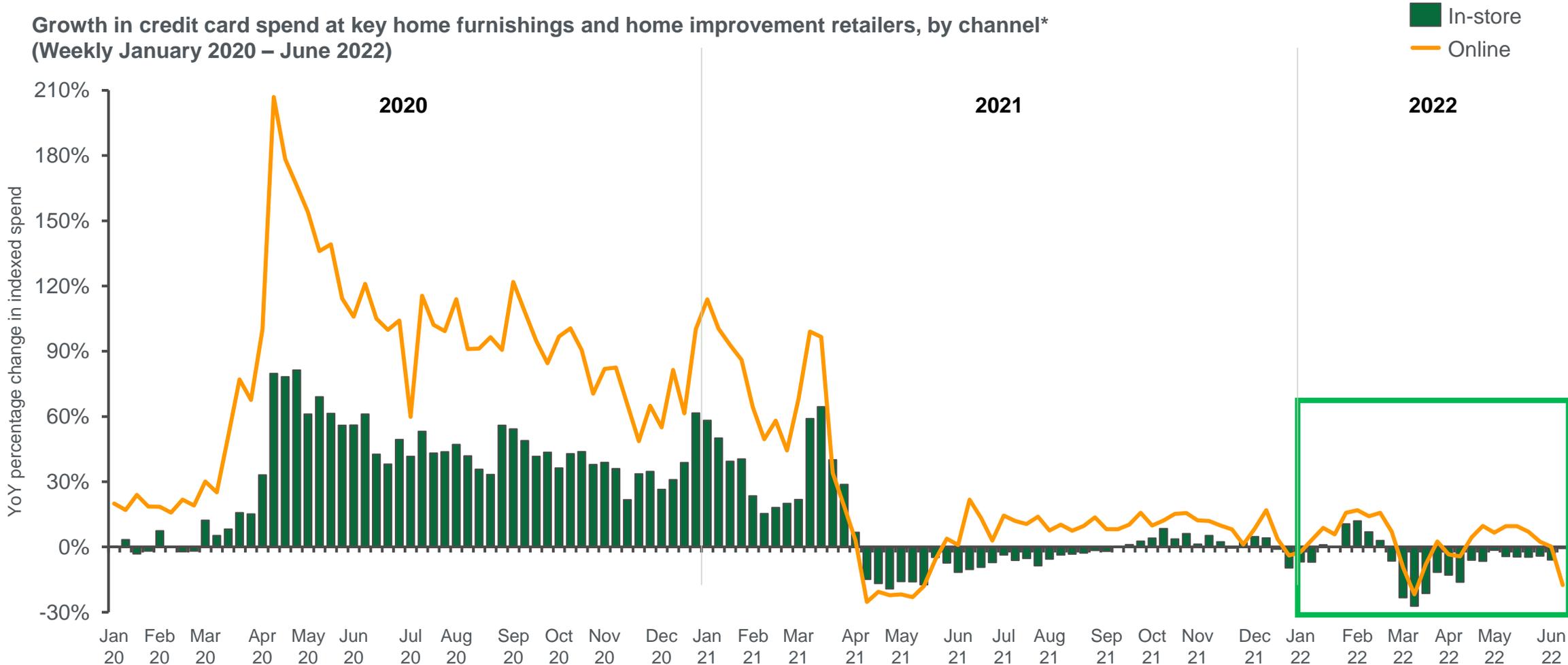
U.S. personal consumer expenditure YoY growth, by type (January 2020 – May 2022)



All	100	100	88	70	83	91	94	95	97	97	96	95	100	98	105	107	107	108	108	109	109	111	112	110	113	114	115	116	116
Home	100	100	98	86	101	109	110	111	112	113	111	107	121	116	127	126	123	123	121	125	125	127	128	120	128	128	128	129	129

* Total expenditure on relevant consumer goods and services excludes financial services, housing and utilities, other services, recreational services, and recreational vehicles
 Source: BEA; L.E.K. research and analysis

Recent credit card data suggests spend at key home improvement retailers has declined in recent weeks, particularly in offline channels

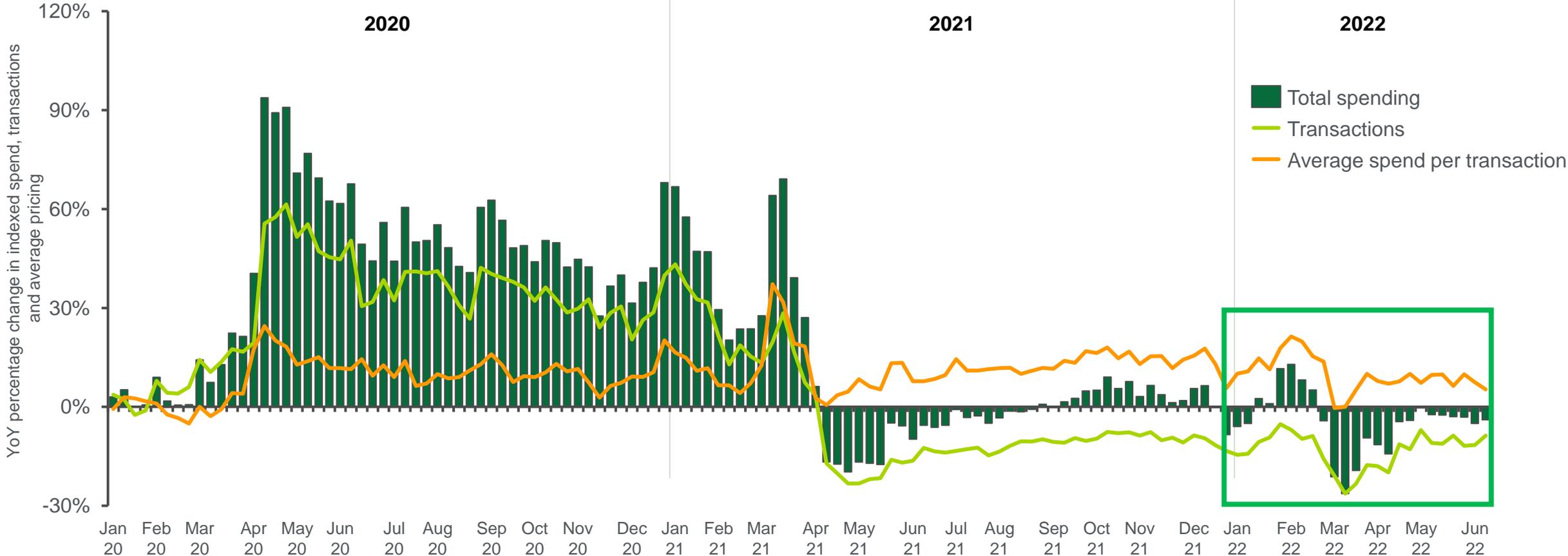


* Indexed spending at Ace Hardware, Amazon Home, Ashley Furniture, Bed Bath & Beyond, Costco Home, Crate & Barrel, Floor & Decor, Home Depot, Houzz, Lowe's, Menard's, Northern Tool, Pottery Barn, Restoration Hardware, Target Home, Walmart Home, Wayfair, Williams Sonoma

Source: MScience; L.E.K. research and analysis

Recent spending levels appear to be driven by pricing increases and inflation — transactions at key retailers are down more significantly year over year

Growth in credit card spend at key home furnishings and home improvement retailers, by channel*
(Weekly January 2020 – June 2022)

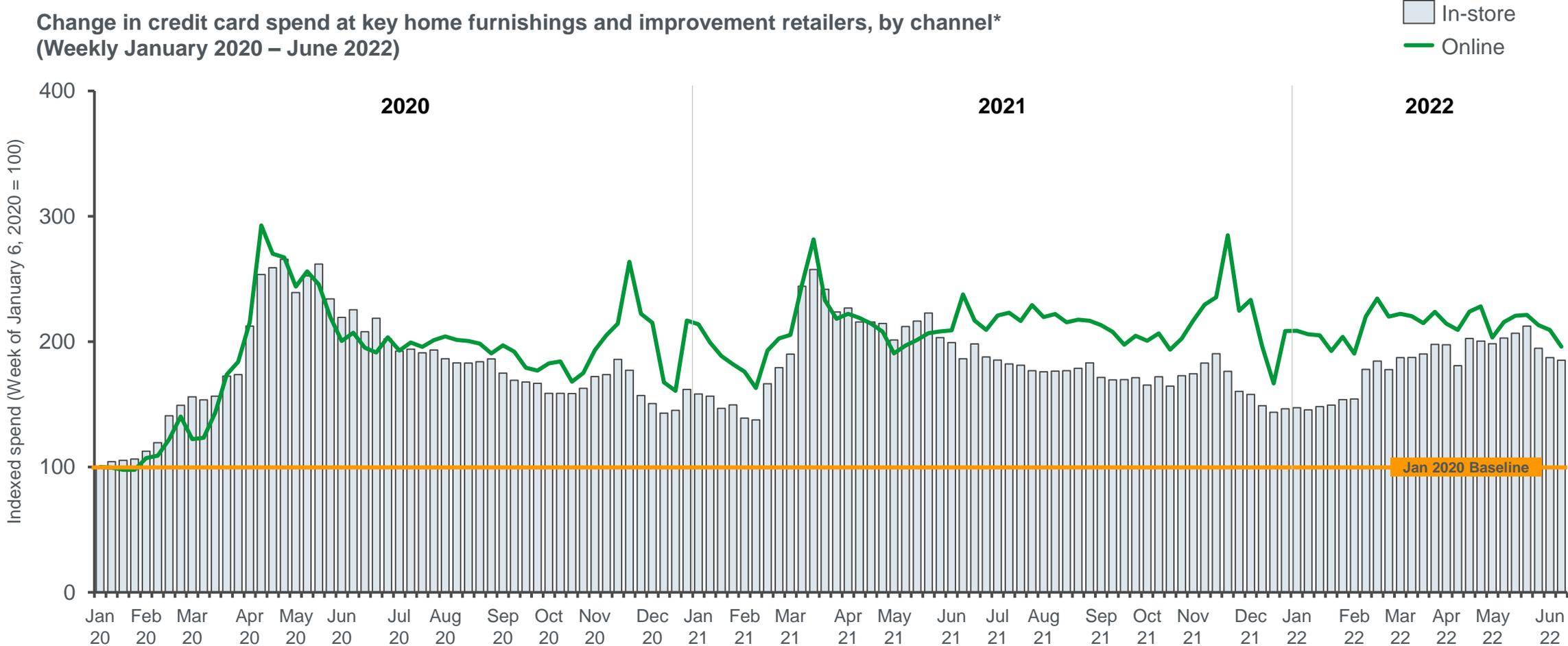


* Indexed spending at Ace Hardware, Amazon Home, Ashley Furniture, Bed Bath & Beyond, Costco Home, Crate & Barrel, Floor & Decor, Home Depot, Houzz, Lowe's, Menard's, Northern Tool, Pottery Barn, Restoration Hardware, Target Home, Walmart Home, Wayfair, Williams Sonoma

Source: MScience; L.E.K. research and analysis

However, spend levels in both channels remain significantly above the pre-COVID-19 baseline, suggesting declines are likely more a result of high, pandemic- and stimulus-driven comps

**Change in credit card spend at key home furnishings and improvement retailers, by channel*
(Weekly January 2020 – June 2022)**



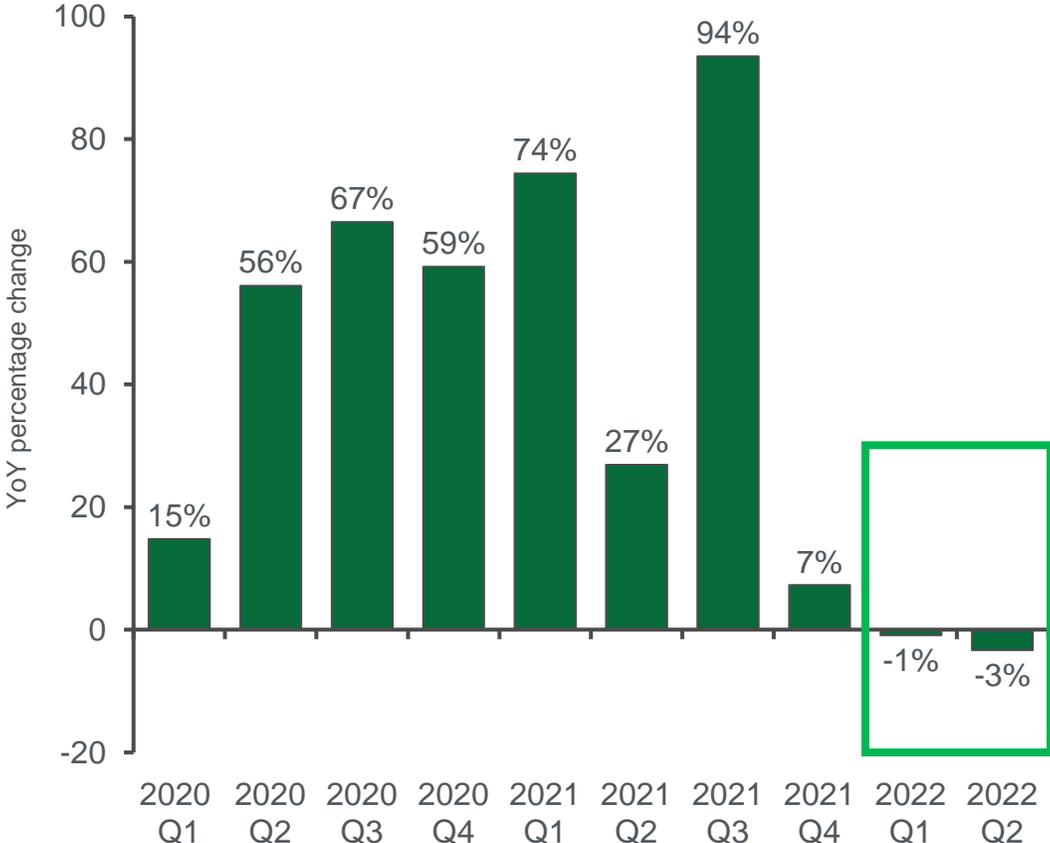
* Indexed spending at Ace Hardware, Amazon Home, Ashley Furniture, Bed Bath & Beyond, Costco Home, Crate & Barrel, Floor & Decor, Home Depot, Houzz, Lowe's, Menard's, Northern Tool, Pottery Barn, Restoration Hardware, Target Home, Walmart Home, Wayfair, Williams Sonoma

Source: MScience; L.E.K. research and analysis

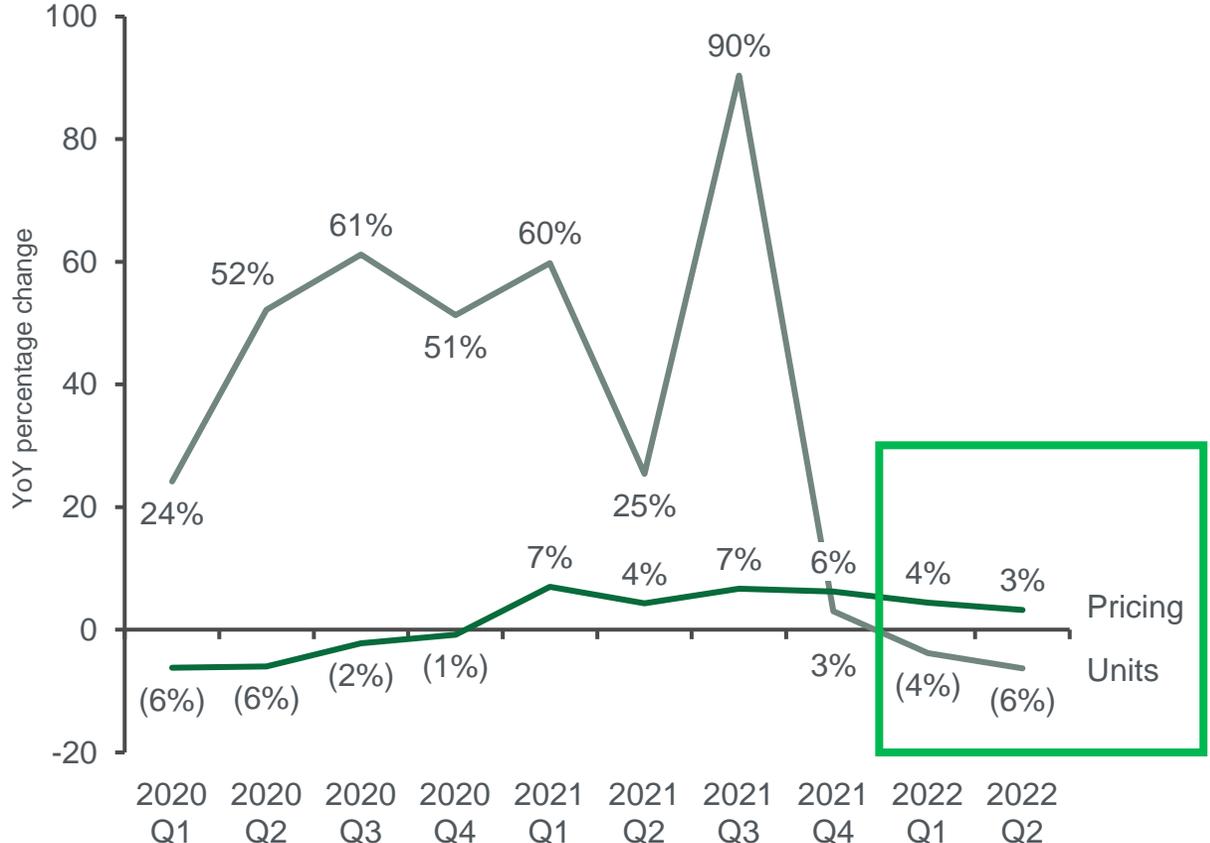


Amazon home department sales have declined slightly in 2022 YTD (remaining above pre-COVID-19 levels) after ~2 years of consistent growth – unit sales declines were somewhat offset by pricing increases

Amazon home category sales growth (Q1 2020 – Q2 2022)



Amazon home category unit and pricing growth* (Q1 2020 – Q2 2022)



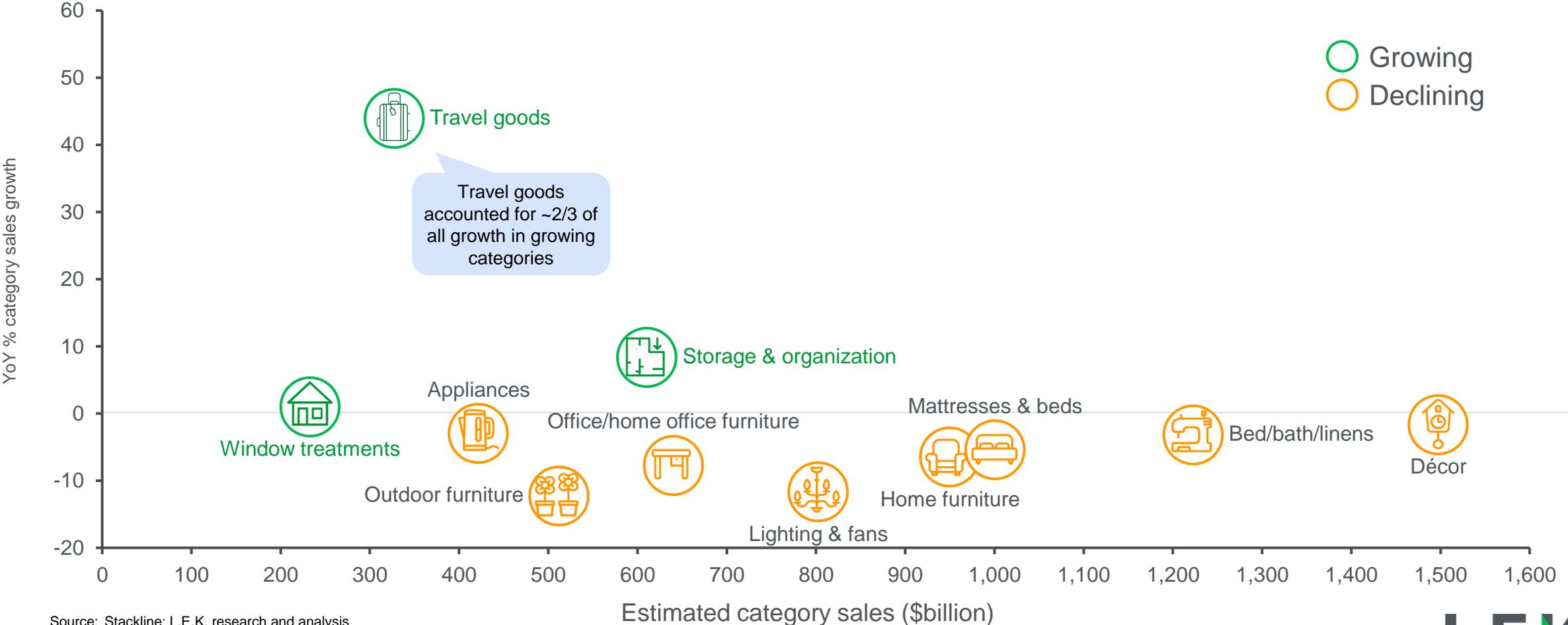
*Average pricing across home category; includes mix shift effects
Source: Stackline; L.E.K. research and analysis



However, top-selling categories were largely flat or declining — gains were primarily driven by travel goods, plus storage items and window treatments

Amazon home category sales growth (Q2 2021 – Q2 2022)

Q2 2022 category sales in \$B (X-Axis); YoY percent change (Y-Axis)



Source: Stackline; L.E.K. research and analysis

Average consumer sentiment and household durable buying conditions reached 10- and 20-year lows in recent months, driving uncertainty for future demand in home markets

University of Michigan index of U.S. consumer sentiment*
(January 2000 – June 2022)

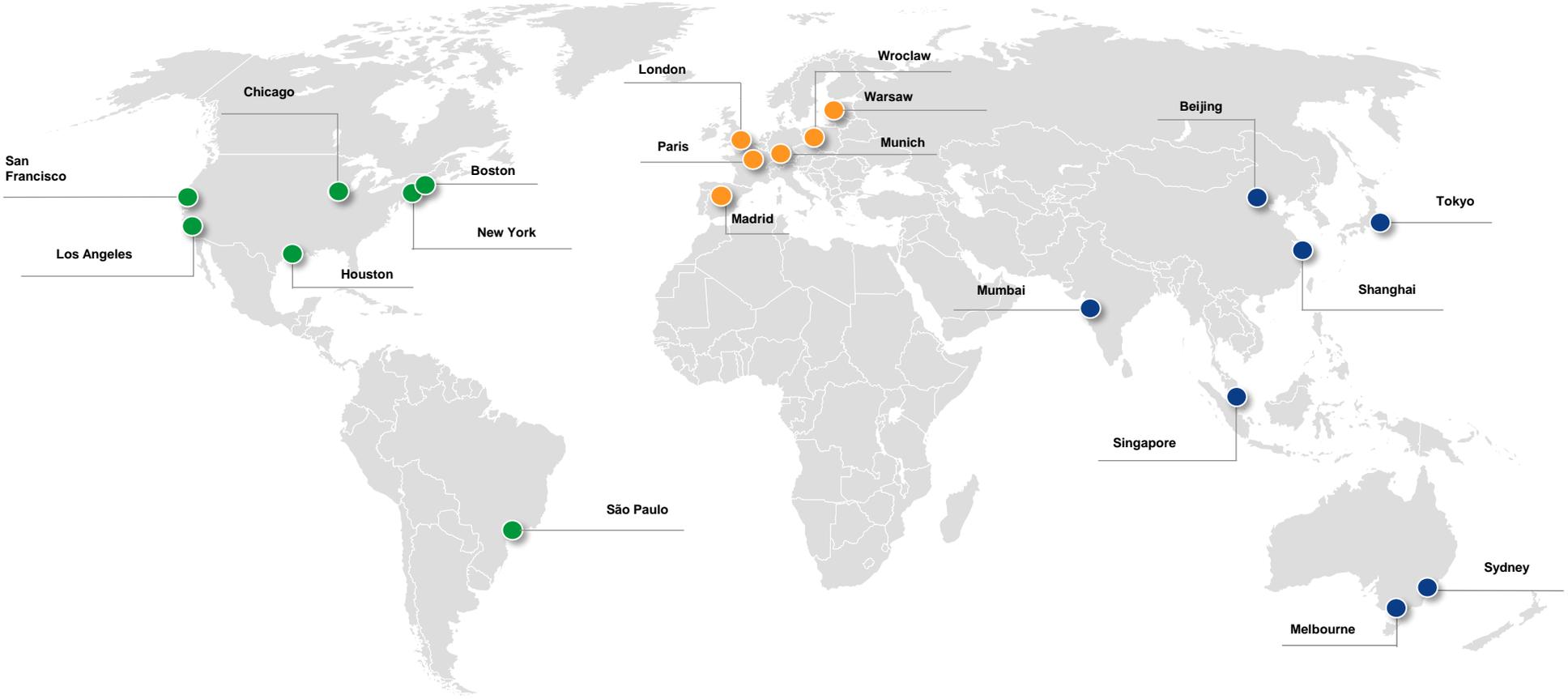


University of Michigan U.S. buying conditions for household durables*^
(January 2000 – June 2022)



*Includes preliminary data for June 2022; ^Buying condition index = percentage of respondents indicating it is a "good time to buy" less the percentage of respondents indicating it is a "bad time to buy" + 100
Source: University of Michigan; L.E.K. research and analysis

Connect with us



For more information, please contact consumer@lek.com



Disclaimer

This document is intended to provide information and is for illustration purposes only. Accordingly, it must be considered in the context and purpose for which it has been prepared.

It cannot be relied upon by any recipient. In accepting this document, you agree that L.E.K. Consulting LLC and their affiliates, members, directors, officers, employees and agents (L.E.K.) neither owe nor accept any duty or responsibility or liability to you or any third party, whether in contract, tort (including negligence), or breach of statutory duty or otherwise, howsoever arising, in connection with or arising from this report or the use you or any third party make of it.

L.E.K. shall not be liable to you or any third party in respect of any loss, damage or expense of whatsoever nature that is caused by your or any third party's reliance on or for any use you or any third party may choose to make of the report, which you accept is at your or their own risk.

This report is based on information available at the time this report was prepared and on certain assumptions, including, but not limited to, assumptions regarding future events, developments and uncertainties, and contains 'forward-looking statements' (statements that may include, without limitation, projected market opportunities, strategies, competition, expected activities and expenditures, and at times may be identified by the use of words such as "may", "could", "should", "would", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words).

L.E.K. is not able to predict future events, developments and uncertainties. Consequently, any of the forward-looking statements contained in this report may prove to be incorrect or incomplete, and actual results could differ materially from those projected or estimated in this report. L.E.K. does not undertake any obligation to update any forward-looking statements for revisions or changes after the date of this report, and L.E.K. does not make any representation or warranty that any of the projections or estimates in this report will be realized. Nothing contained herein is, or should be relied upon as, a promise or representation as to the future.