NRHA

All-Industry Conference

Disrupters Challenging the Hardware and Home Improvement Industry

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Extraordinarily Challenging Times

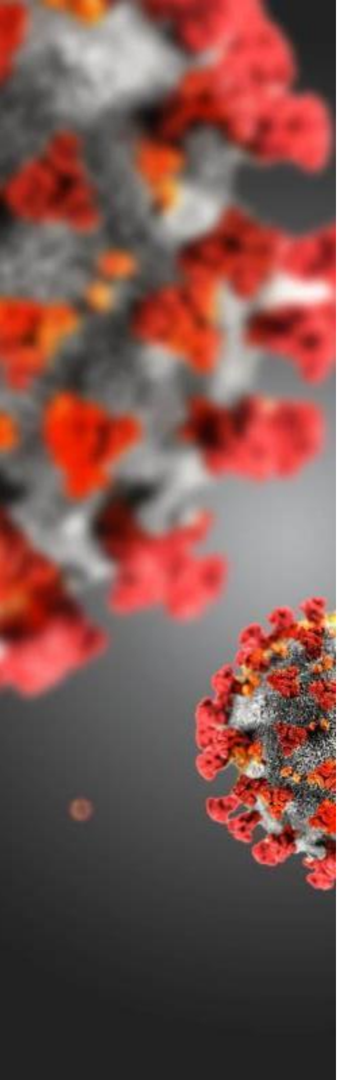
- **The world has changed in a blink of the eye.**
- **We have always lived in times of disruption but today there are more disruptors to contend with. The consequences of not recognizing disruptors, or recognizing and not responding are more significant.**
- **Today’s disruptors have and will continue to re-define how think about your business and plan strategy.**
- **Today’s disruptors are changing how your customers shop, how they purchase and how you must go to market and how you think about the future of your business.**

Extraordinarily Challenging Times

Disruptors are any forces that cause change. They take on many forms.

- World events
- Market shifts
- Consumer attitudes
- Companies
- People
- Countries
- Political issues
- Demographic changes
- Shopping behaviors
- And more

COVID 19 PANDEMIC – BREEDING DISRUPTORS



Breeding New Disruptors

- Often there is a defining moment that creates new disruptors or environment of disruptor re-creation.

- The COVID 19 pandemic created a breeding ground.

- The pandemic itself is a “mega” disruptor. It also served as a catalyst for breeding an array of new “disruptors.”

- Disruptors are usually associated with the negative or a threat. However, disruptors can provide major opportunities, depending on how one responds.

CHANGING SHOPPING ATTITUDES

Changing Shopping Attitudes

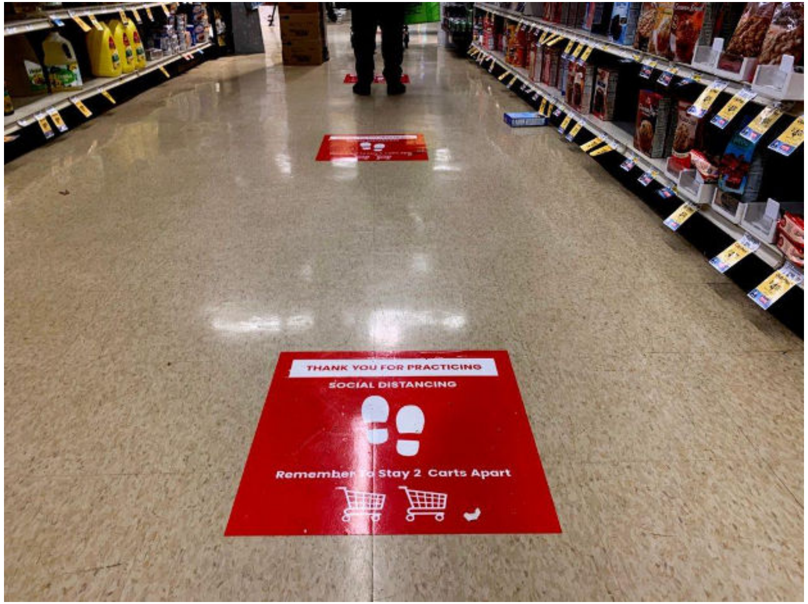
Today’s consumers think differently about shopping.

- Consumers are seeking convenience and safety (for the customers and employees) in where they choose to shop.
- For in store shopping, “in-stock” remains the #1 customer satisfaction issue.
- Consumers are spending more on “essentials” and looking for the best value in these uncertain times.
- Product availability is central.
- Consumers discretionary spending is “cautious.”

Changing Shopping Attitudes

Even though numerous areas are "opening up," many consumers are reluctant to re-engage the out of home shopping of pre-COVID times.

This trend is expected to continue as consumers become more accustomed to their "new" shopping attitudes.



CHANGING BUYING BEHAVIOR

Consumer Buying Behavior

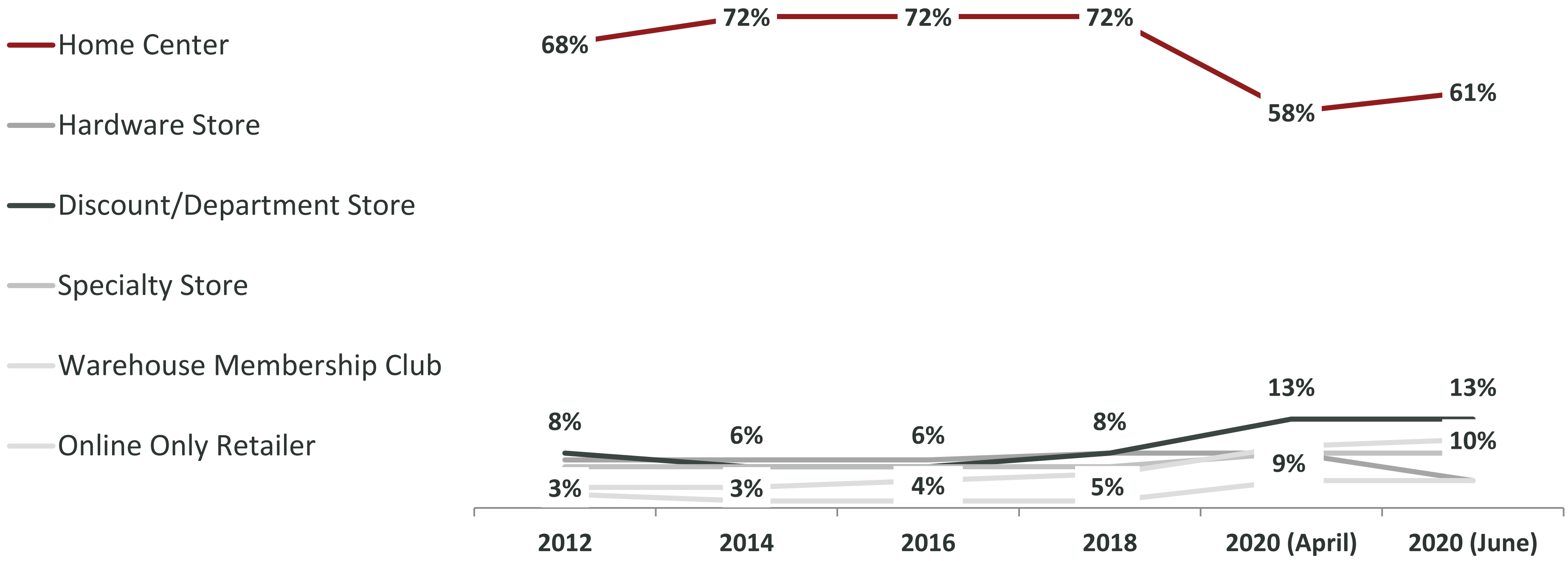
01 Consumers have increased the number of categories purchased within one transaction. (20% over 2018, overall transaction size up by 5%)

02 10% increase in hardware and home improvement sales over 2019 (Jan.-July)

03 Lowe's, Home Depot, and others up a staggering 25% to 35%...or more.

04 Product availability emerges as #1 factor in store selection. (reflecting some supply chain issues)

Where DIYers made their most recent HI purchase

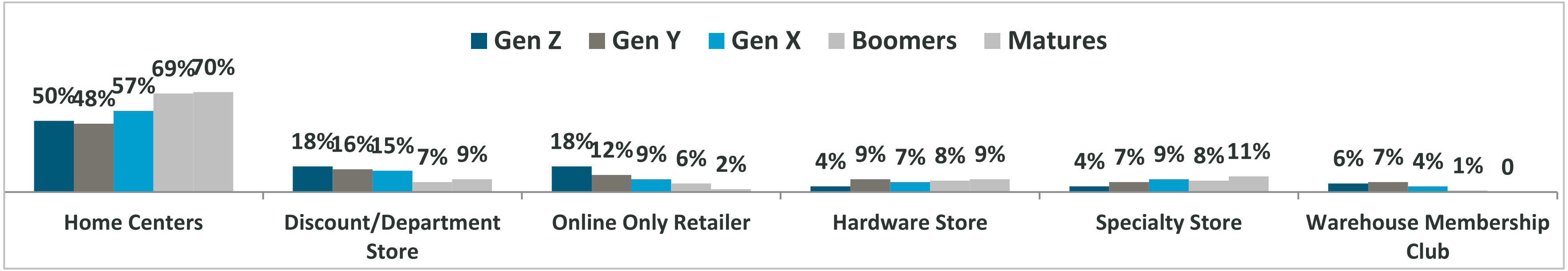


To observe any shifts in incidence after April, another round of interviews were conducted in June. Respondents were asked the exact same question: “Where did you purchase the product(s) previously mentioned, on your most recent purchase occasion?”

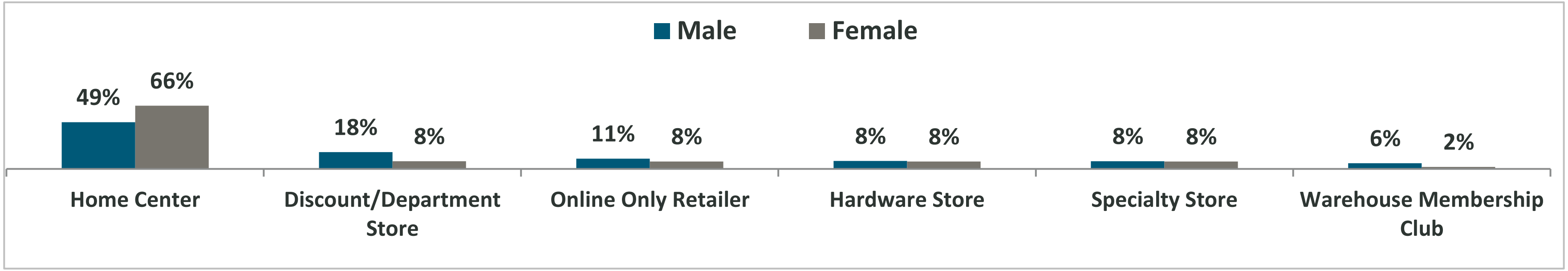
From April to June, Home Centers showed a 3% increase, Non-store-front retailers showed a 1% increase, and Hardware Stores decreased by 4%. This does not reflect spend, as most categories went up. It does suggest the overall frequency which shoppers are starting to shop at Home Centers is increasing relative to Discount/Department stores as people begin to get out of the home more often.

Where DIYers made their last HI purchase – by Generation & Gender

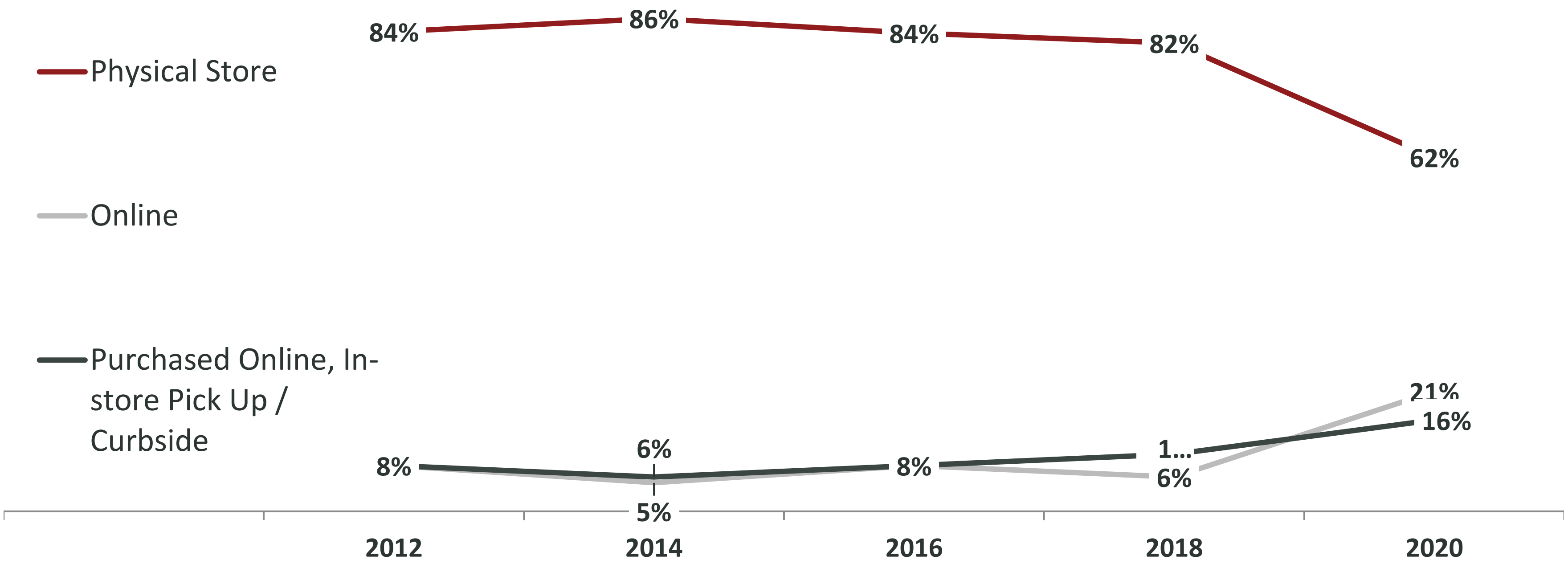
Channel Purchase Incidence by Age



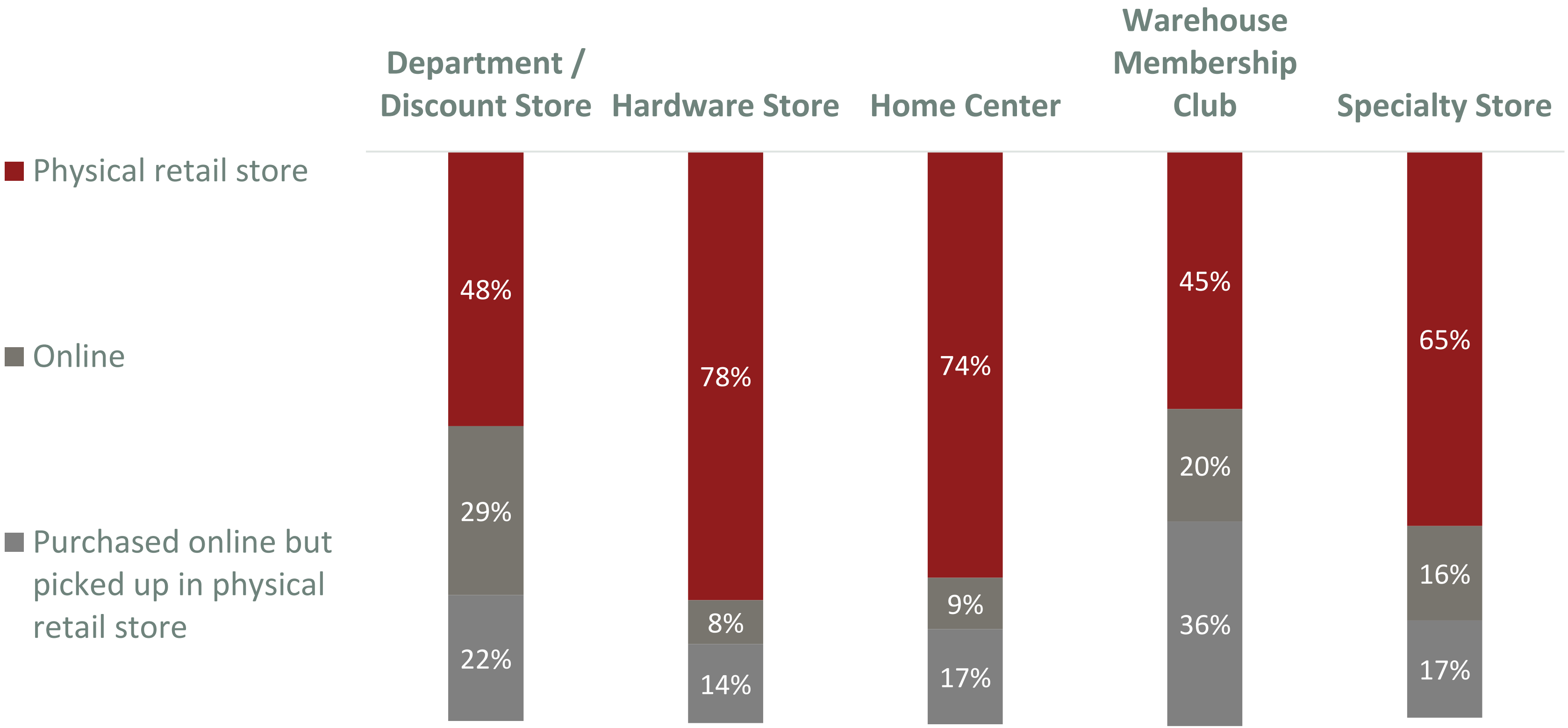
Channel Purchase Incidence by Gender



How DIYers made their most recent HI purchase

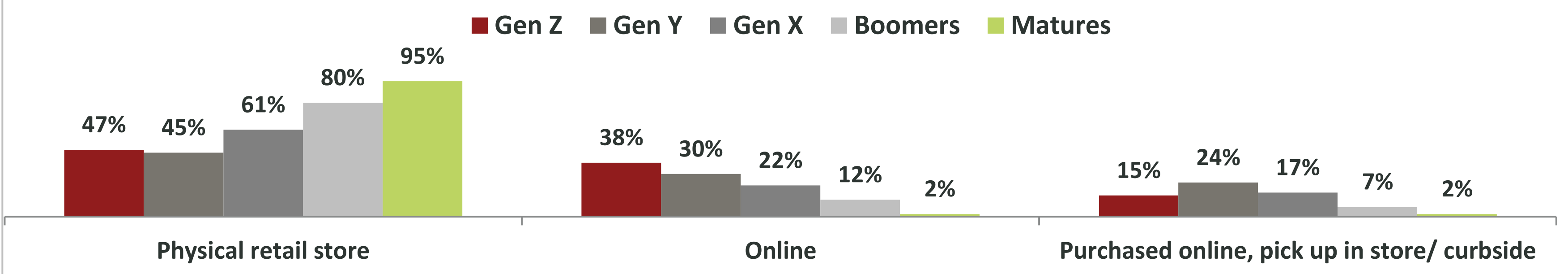


How DIYers made their most recent HI purchase - by Supplier

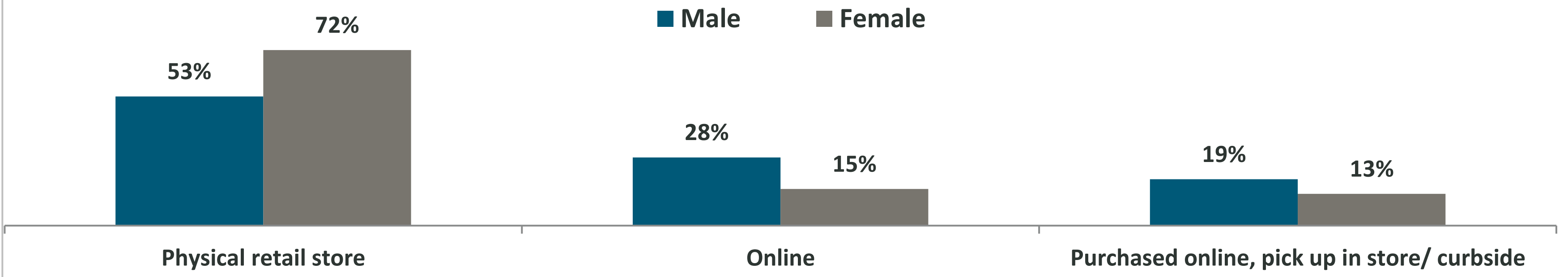


How DIYers made their last HI purchase - by Generation & Gender

Purchase Location by Age



Purchase Location by Gender



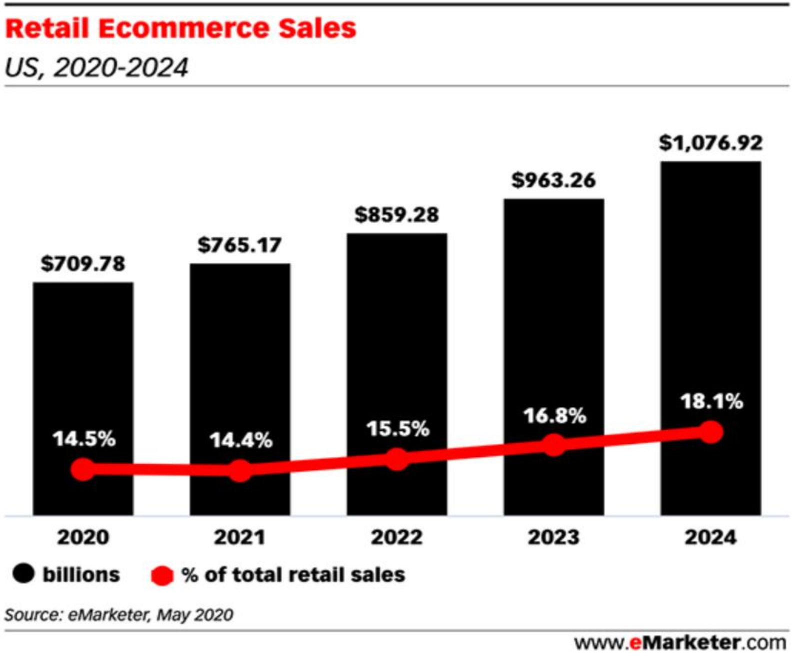
Online Shopping For Hardware and Home Improvement

During COVID era, the hardware and home improvement channel experienced 10 years of online growth in 5 months!

- **Product categories with little or no online penetration have seen double digit growth in online purchases:**
  - **36% purchased paint and paining supplies online**
  - **35% purchased lawn and garden products**
- **With youth driving housing demand, younger, higher income males are more likely to engage online.**
- **With high levels of customer satisfaction, online will remain strong, even when consumers return to stores.**

In Q2, 2020, US retail online sales grew 31.8% over Q1

(according to the US Census Bureau of the Department of Commerce)



URBAN EXODUS

Americans are leaving the big cities. "Perfect Storm" of factors are fueling the exodus:

- *COVID–19: Work at home, health concerns*
- *Civil unrest*
- *Pursuit of lower cost, lower density areas*
- *Need for more space*
- *Low interest rates*
- *Work from afar and live where your want*
- *Better education options*
- *Active millennial and other new buyers*

Where are people moving?

- *Small metro suburbs* fastest growing for single-family construction in Q2, 2020.
- Small metro burbs were followed closely by *small towns.*
- From the U.S Census Bureau

Area Definition	2019 Net Domestic Migration (000)
Principal Cities	(2,436)
Suburbs	2,294
Rural	142

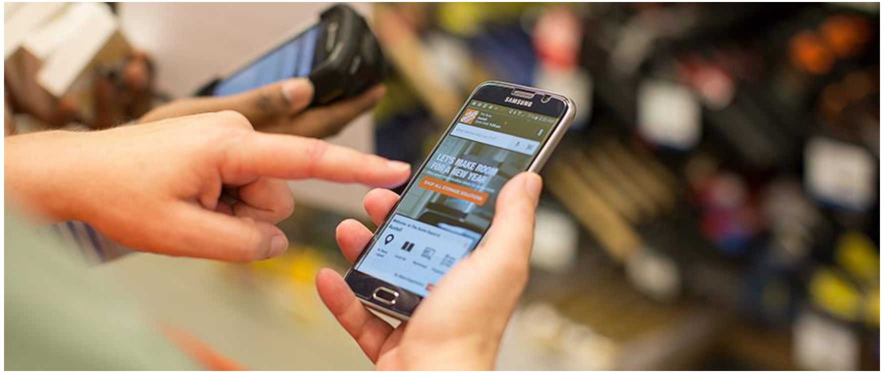
THE HOME DEPOT

The Home Depot

- The Home Depot has always been a channel disruptor, and they continue to be today.
- Whether its their approach to customer groups, operations, marketing or pricing, Home Depot continues to disrupt the status quo.
- Recognizing the shift in how their customers want to shop and buy, HD invested billions in “digital” and the support for their digital emphasis.
- The keen strategy positioned them well for the unexpected surge in customers’ digital engagement, due to COVID-19.

They remain a channel leader providing, and in many cases pioneering:

- Moving marketing to e-commerce
- Free delivery over a million products
- Customer friendly mobile app development
- Order pick up lockers
- Digital workshops
- Curbside pick up
- And more……



CLOSING

The future always arrives a little before we're ready to give up the present…

Thank You

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