Analysis of Industry and Spending Trends

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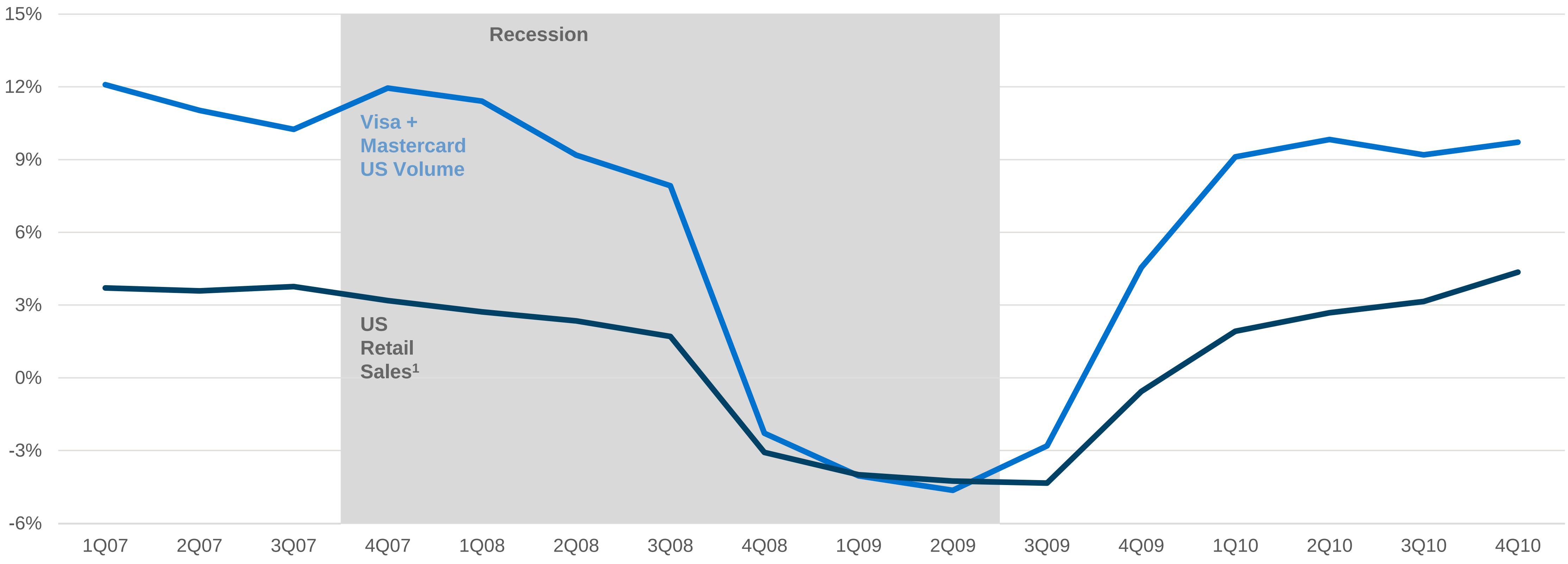
Payment volume growth during the Great Recession

During the Great Recession Visa and Mastercard US volume growth fell from 12% to -5%, but quickly rebounded once the crisis was over, as did retail sales

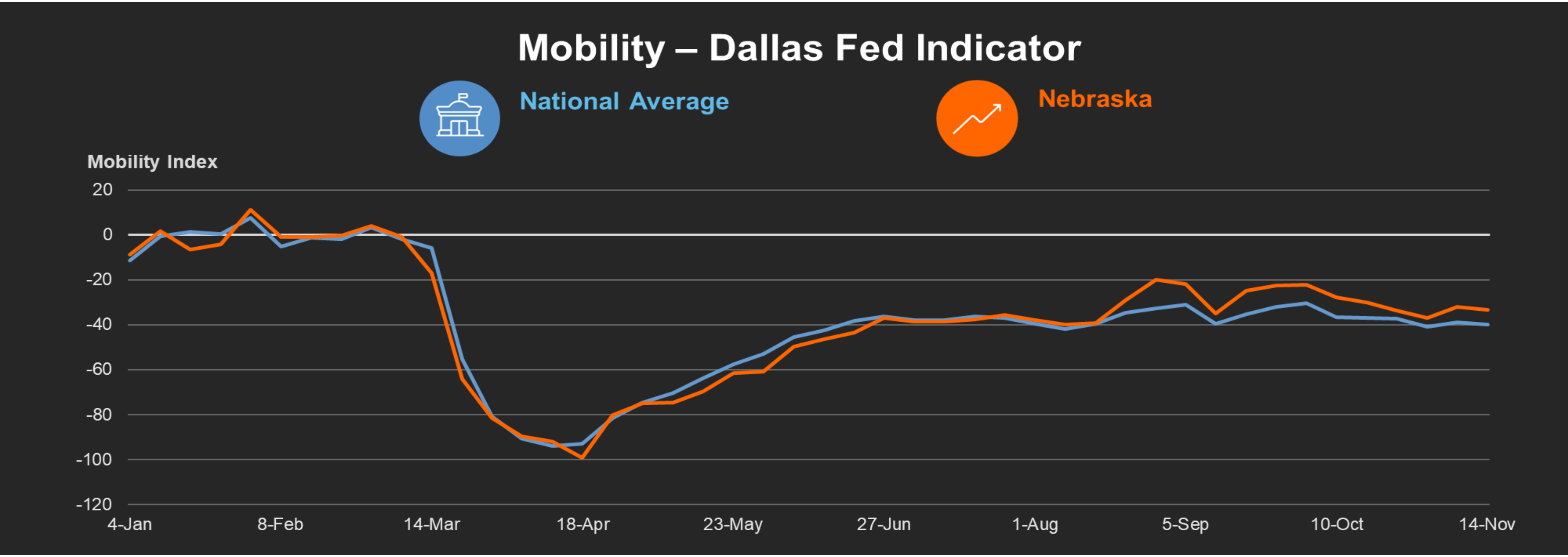
YoY change



Note: 1. Retail sales and food services excludes motor vehicle and parts and gasoline stations, non-seasonally adjusted.
Source: Visa, Mastercard, US Census Bureau.

Mobility

Nationwide, mobility has generally been in a holding pattern for a couple of months; Nebraska is tracking slightly higher than the U.S. overall.

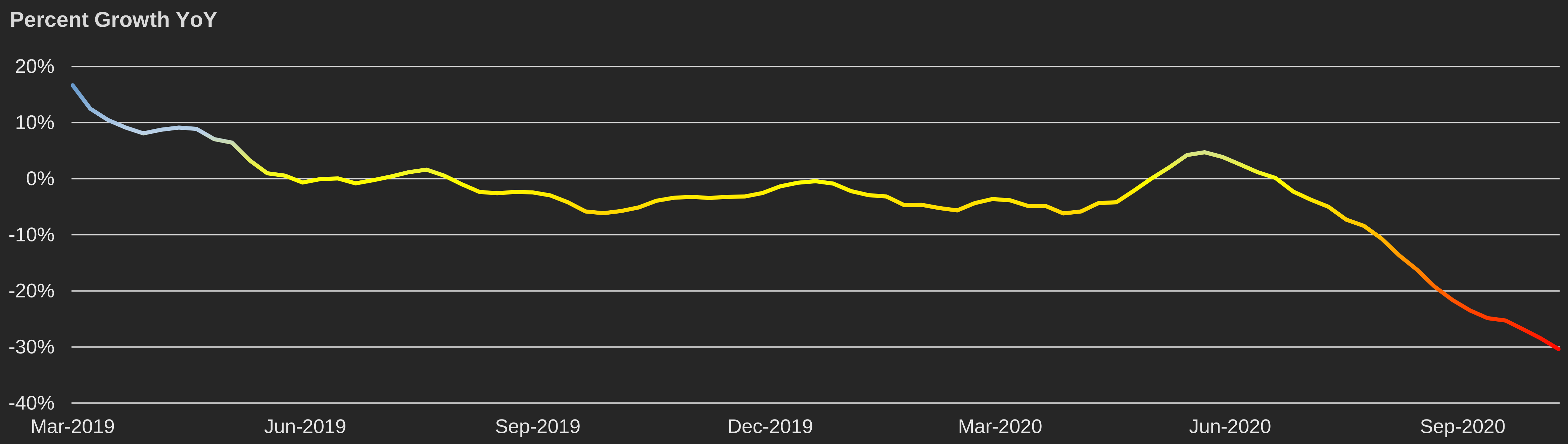


Source: Dallas Fed. Note: The Dallas Fed Mobility and Engagement Index summarizes the information in seven different variables based on geolocation data collected from a large sample of mobile devices. Index is scaled such that the average for January through February is 0 and the average for the week ended April 11 is -100.

Housing Market

Inventory on Zillow.com continues to reach new lows (in Omaha, and Nationwide), driven by moves away from urban areas, low mortgage rates and millennials reaching home-buying age.

Zillow For-Sale Inventory – Omaha



Source: Zillow.com.

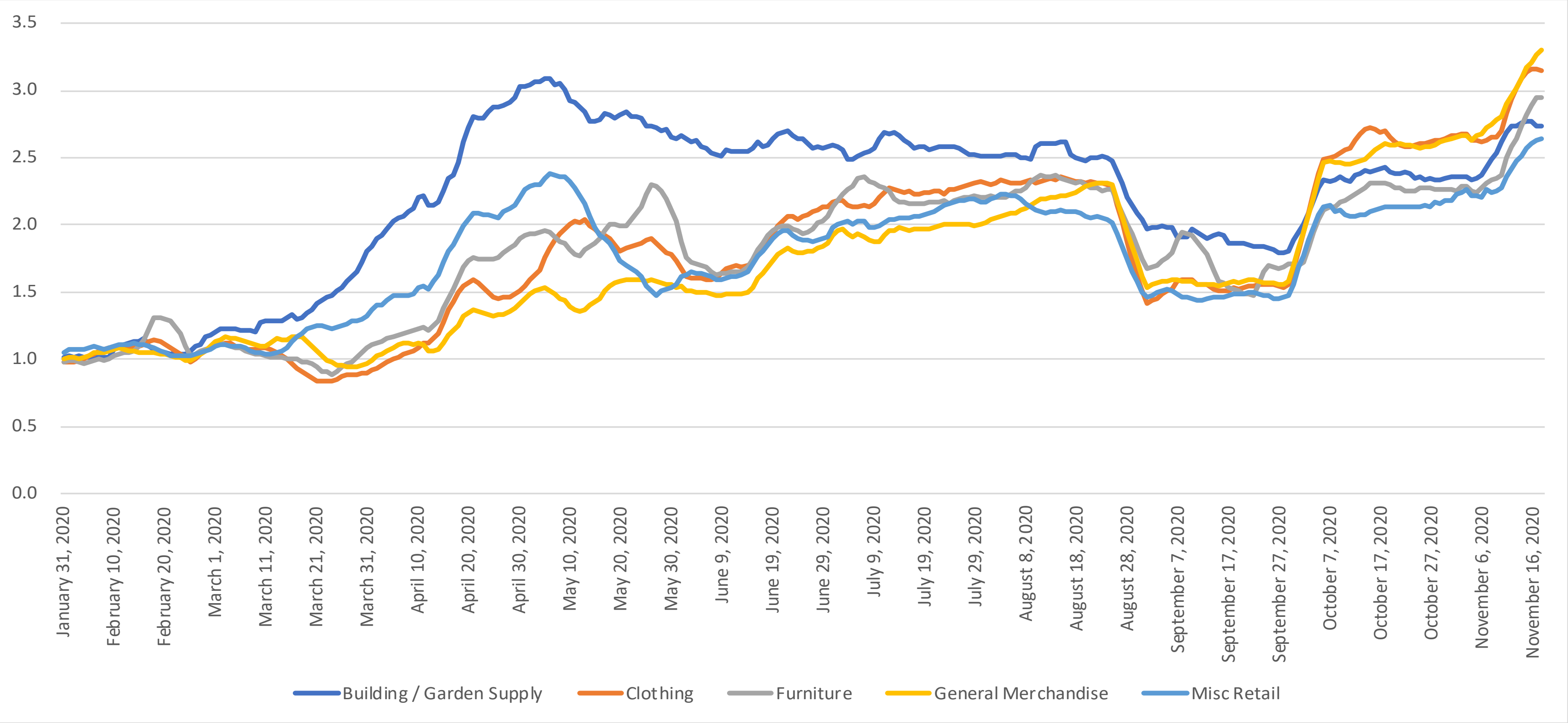
Nebraska's Top-Performing Sectors

The top-performing sectors in Nebraska all performed very similarly, as of the latest reading.

General Merchandise and Clothing were the best performing as of mid-November; earlier in the pandemic, home improvement was far and away the best performer (similar to nationwide trends as well).

Nebraska's Top-Performing Sectors (by $ spend)

Dollar Spend – Indexed to 100 for January



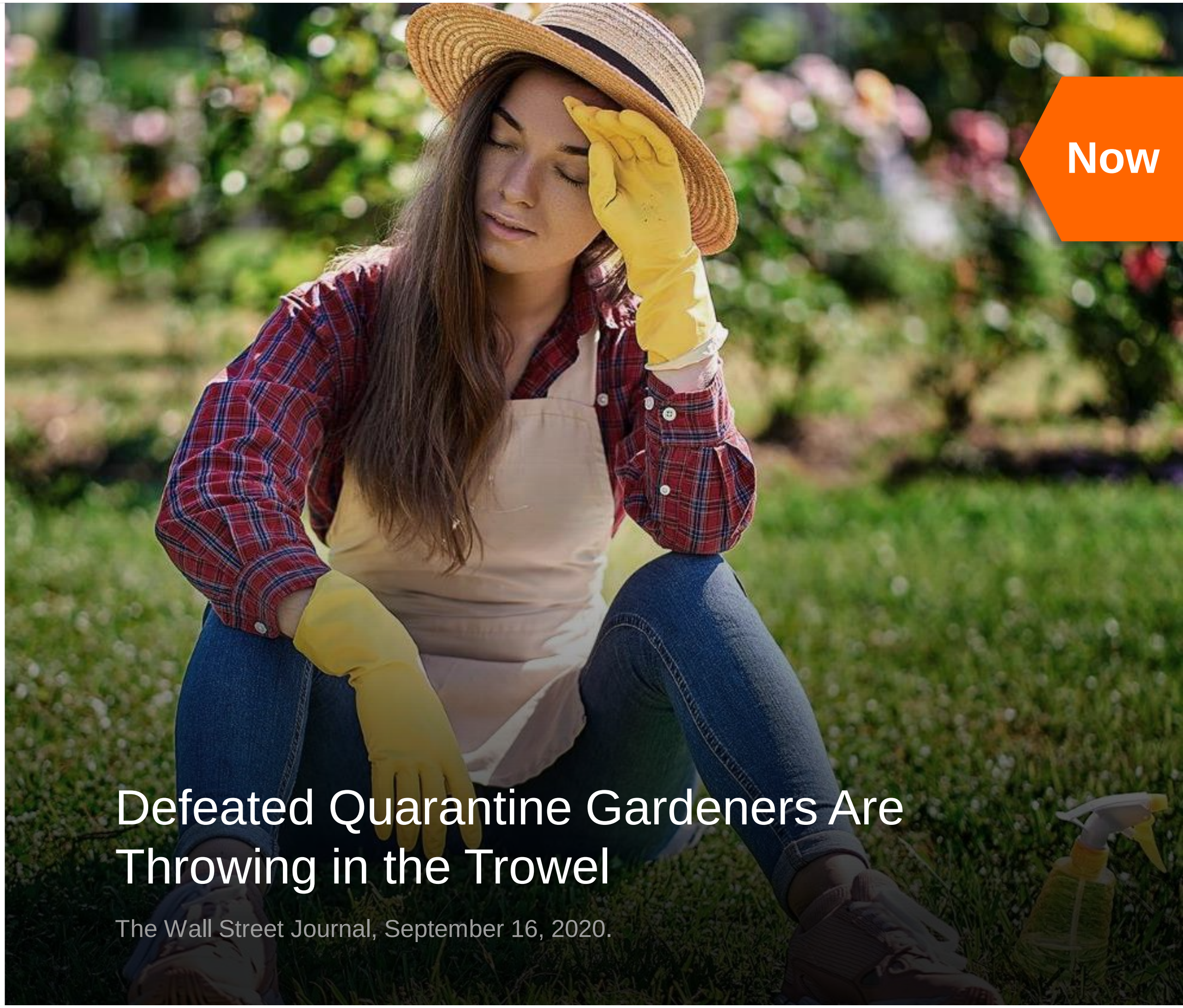
Source: Fiserv. Top performing sectors determined by greatest spend percent growth from January.

Paradigm Shifts or Passing Fads – Gardening

Then

How to Easily Grow Your Own Pandemic Garden

Vice, April 24, 2020



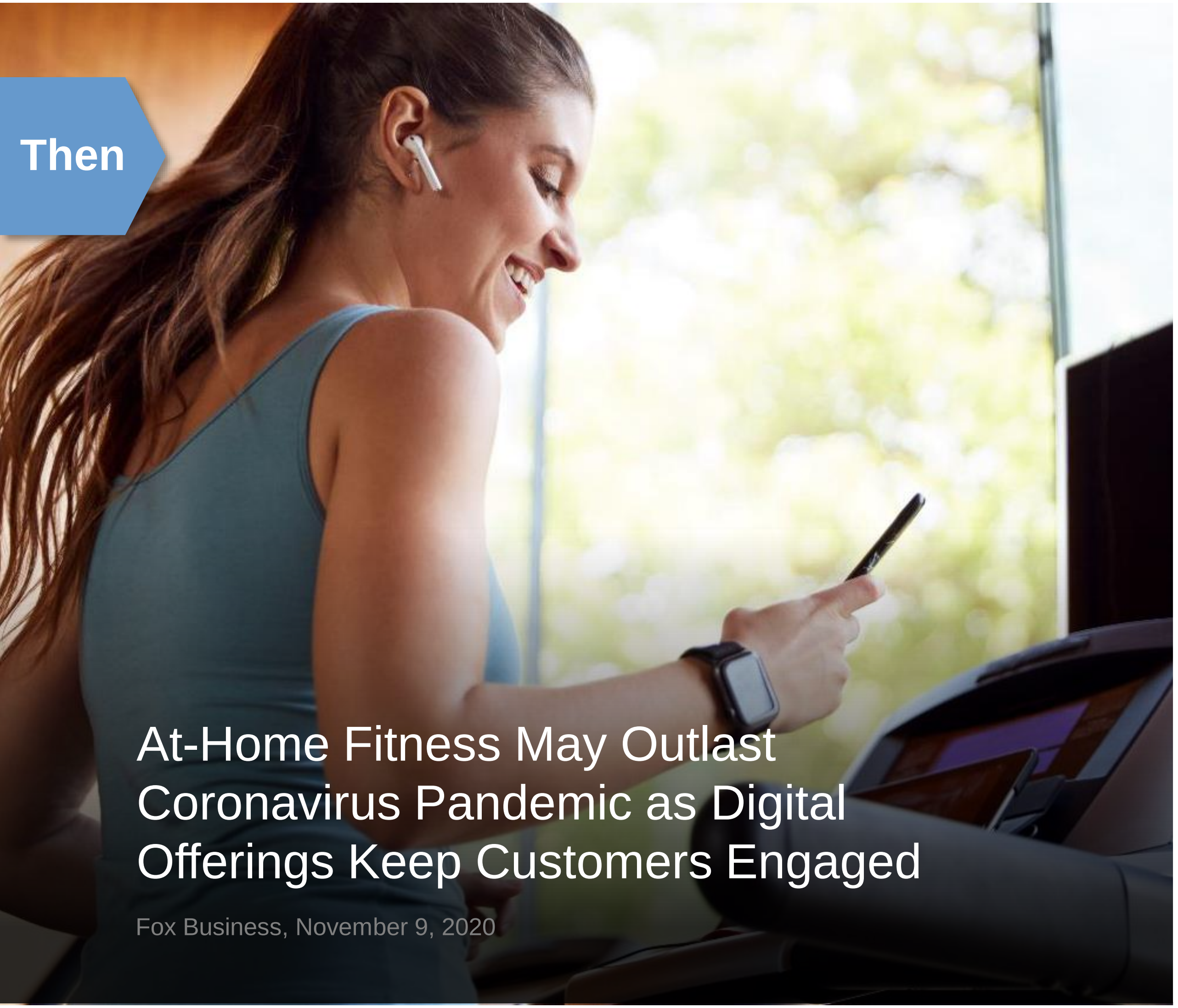
Now

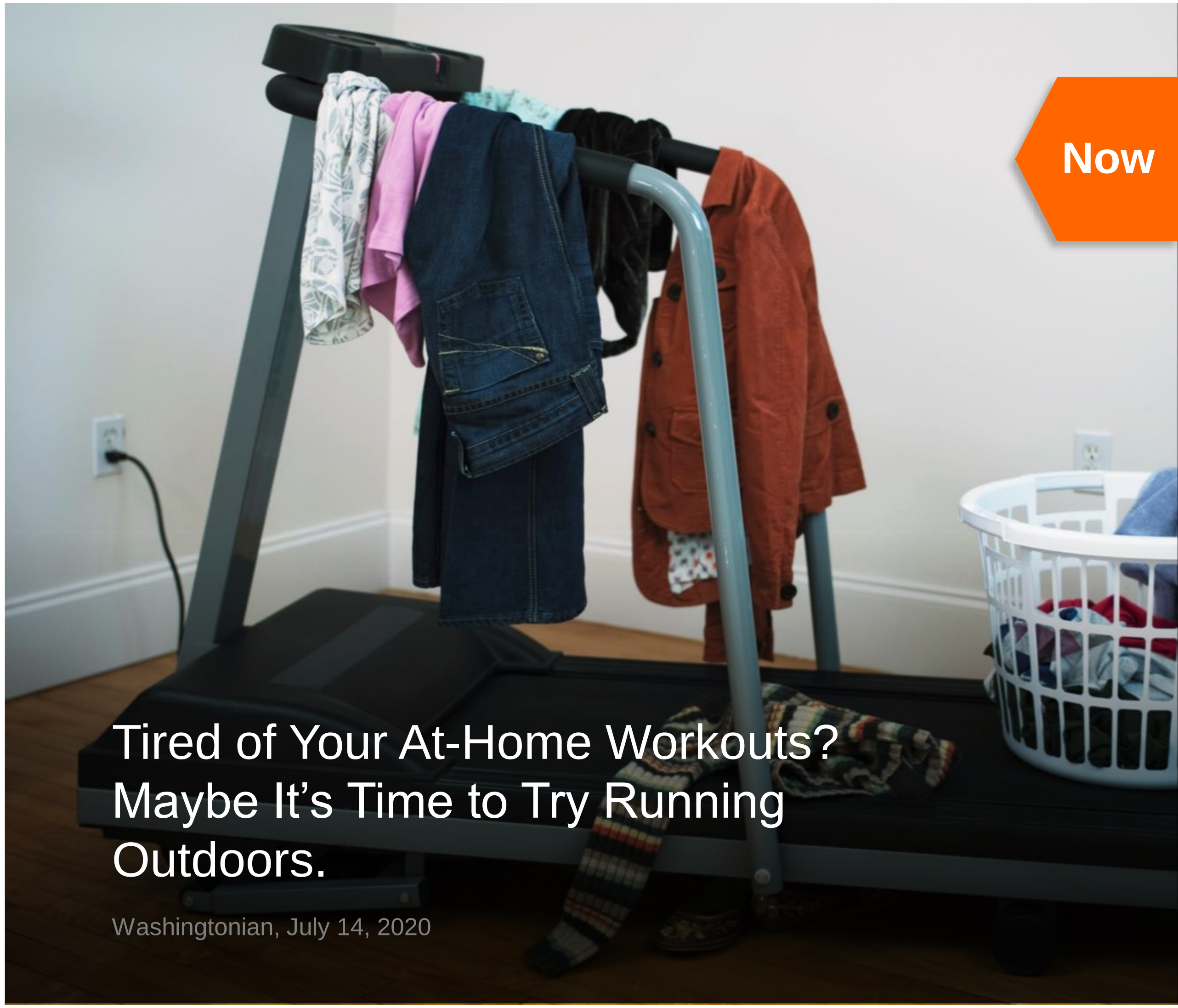
Defeated Quarantine Gardeners Are Throwing in the Trowel

The Wall Street Journal, September 16, 2020.

Paradigm Shifts or Passing Fads – Cooking and Baking

Paradigm Shifts or Passing Fads – Home Workouts





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Evaluation Framework – Paradigm Shifts or Passing Fads

- [ ] Who is adopting the change?
- [ ] Is the new paradigm a sufficient substitute for the original?
- [ ] Is the change scalable (tech or digital driven), or is it a manual work-around?
- [ ] Was the change already underway, and the pandemic accelerated the inevitable?
- [ ] Is the change gimmicky or a stop-gap for something better that’s on the horizon?
- [ ] Does the new way bring about more benefits than simply substituting for the old way?

Broad Implications Stem From the Shift to Working From Home


Transportation


Fashion and beauty


Place of residence


Coffee and breakfast

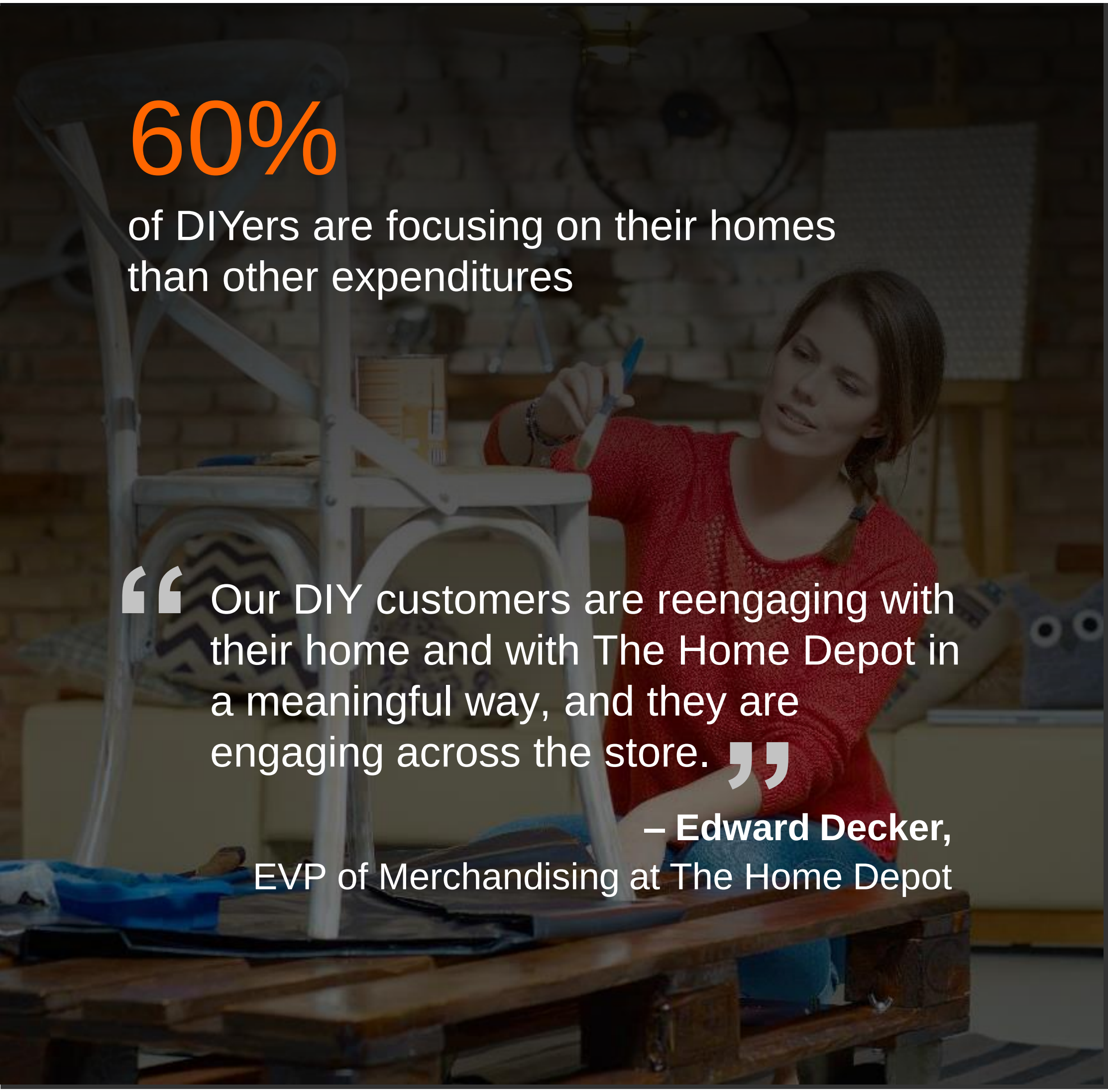

Building materials


Daycare


Furniture / Electronics


Lunchtime

Home Improvement – DIY

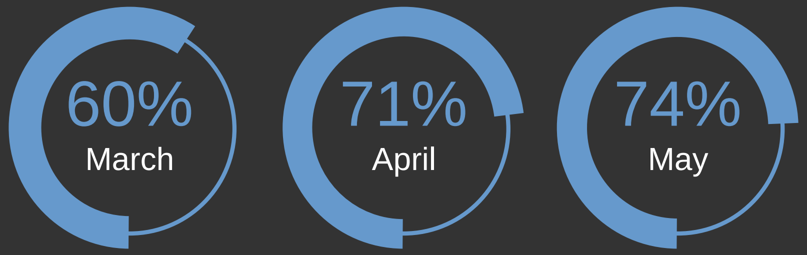


60%

of DIYers are focusing on their homes than other expenditures

> “Our DIY customers are reengaging with their home and with The Home Depot in a meaningful way, and they are engaging across the store.”
>
> **– Edward Decker,**
> EVP of Merchandising at The Home Depot

Have you started any new DIY projects in or around your home in the last week?
(Maintenance, replacement, repair, or remodeling work that you are doing)



Improving the Home Office

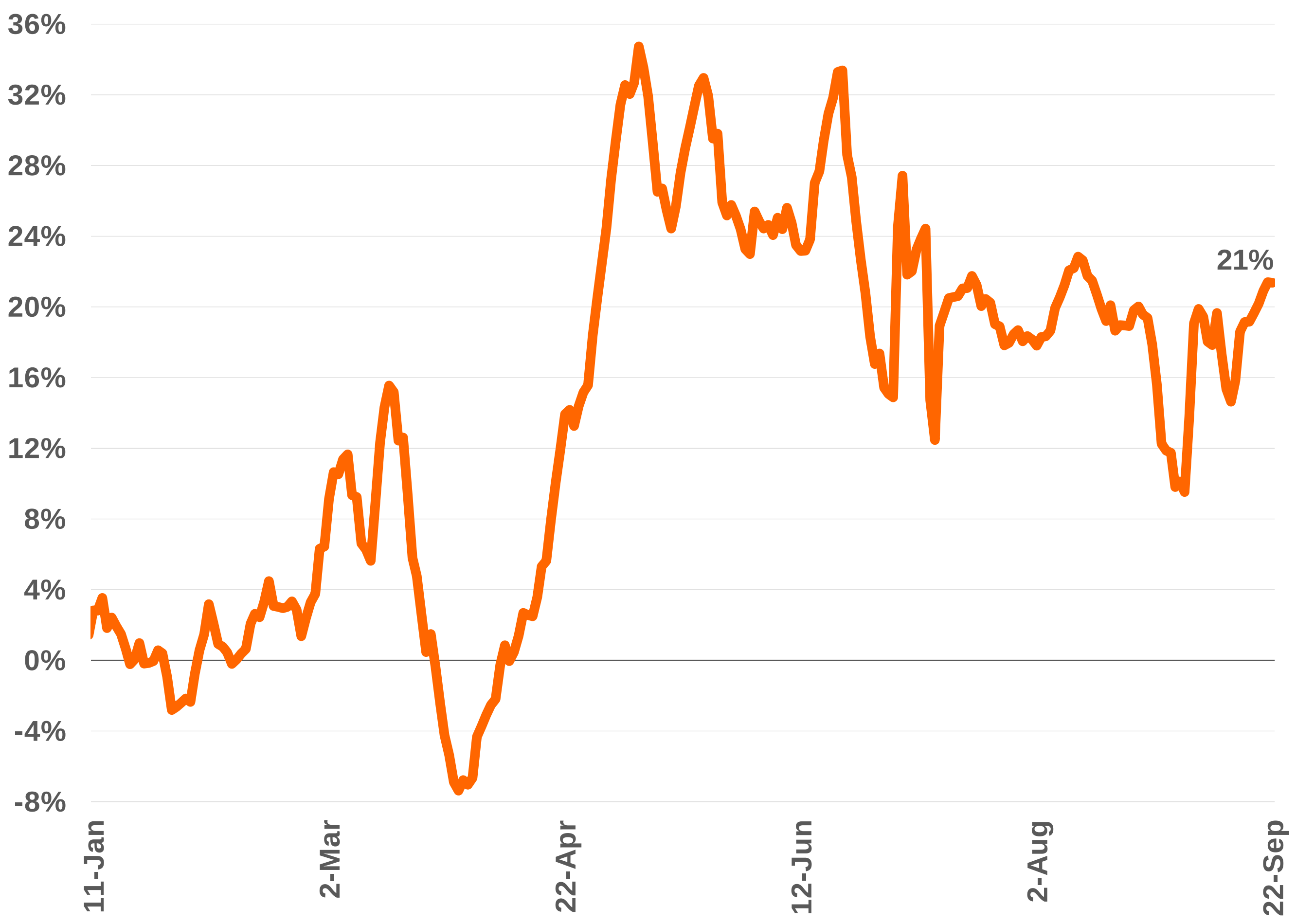
- Desk or table for computer
- Chair
- Phone
- Functional lighting
- Privacy
- Noise canceling headphones
- Robust home network (new router, mesh router system)
- Computer equipment (ergonomic keyboard, printer, external monitor)

Source: General industry information, The Farnsworth Group and the Home Improvement Research Institute, The Home Depot.

Building Materials and Garden Supply

The sector remains well above pre-crisis growth levels, thanks to continued stay-at-home dynamics. While velocity has pulled back from its early-summer peak, overall levels remain very healthy.

YoY Transaction Growth (7-day moving average)

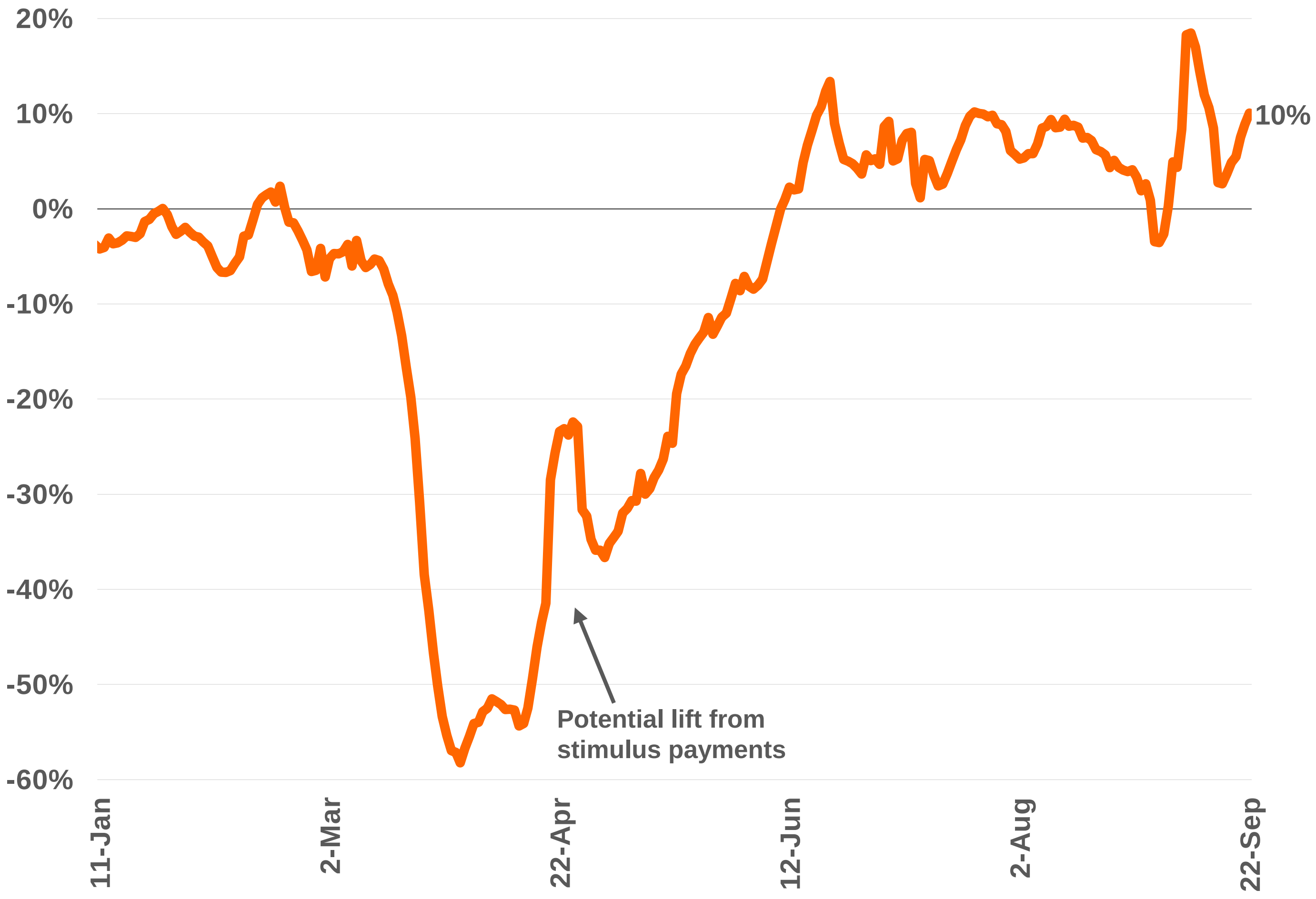


Source: SpendTrend. Note: Data represents Brick & Mortar and E-commerce, on a same-store-sales basis.

Furniture

Furniture spending velocity has seen some spikes and dips in recent weeks, likely a result of Labor Day, but continues to be solidly above pre-crisis levels as consumers continue refreshing their living spaces.

YoY Transaction Growth (7-day moving average)



Source: SpendTrend. Note: Data represents Brick & Mortar and E-commerce, on a same-store-sales basis.

Future of Social Media

Social media usage will likely normalize post pandemic. A recent survey of U.S. adults revealed the following:

~25%

stated they would **continue to spend more time** on social media after the pandemic

51%

thought their pre- and post-pandemic social usage would be the same

21%

thought of **decreasing** social media use after the pandemic

> “I don’t expect this exact spike in usage will sustain over a longer period of time”
>
> – Mark Zuckerberg, CEO of Facebook

Source: General industry information, eMarketer.

Retailer's Focus on Digital

“I continue to be excited about the opportunity I see for NIKE in digital. We know that digital is the new normal. The consumer today is digitally grounded and simply will not revert.”

– John Donahoe,
CEO of Nike

+83%

YoY sales growth for Nike's digital channel

+200%

Growth in demand for Nike's commerce app

BEST BUY

“Customer shopping behavior will be permanently changed in a way that is even more digital and puts them entirely in control to shop how they want. Our strategy is to embrace that reality and lead, not follow.”

– Corie Barry,
CEO of Best Buy

+240%

Domestic online YoY revenue growth

53%

Of total domestic revenue from online; vs. 16% last year

TARGET

“Growth in digital is way bigger to us than just the sales or profit on that one digital transaction because it deepens our relationship with the guest, and that pays off in spending in aggregate.”

– Michael J. Fiddelke,
CFO of Target

+195%

Comparable YoY digital sales growth

10M

New digital guests added in 1H20

Source: Nike, Best Buy, Target.

Brick-and-Mortar Remains an Important Channel

TARGET

"When you look beneath the surface of the reported numbers, you find that our stores actually drove over 90% of our Q2 growth and enabled more than 3/4 of our digital sales and an even higher percentage of our digital growth."

– Brian Cornell,
CEO of Target

"Our unmatched drive-thru penetration has allowed us to continue serving more customers in more markets than anyone else. While we've seen a significant uptick in drive-thru as a percentage of total sales throughout the segment, a crucial step in our recovery is the reopening of dining rooms."

– Chris Kempczinski
CEO of McDonald's

"We will not look to ecommerce as our major leveraging point to get us through COVID and out the other side. It'll be complementary, as it always is."

– Ernie Herrman
CEO of The TJX Companies

9 retailers that are avoiding the industry's shakeout and opening stores

Burlington banks on in-store shopping

Source: General industry information, Target, McDonald's, The TJX Companies, CNBC, September 7, 2020, The National Retail Federation, August 11, 2020.

BOPIS and Curbside Become Critical for Some… While Others Thrive Without It

Gap Inc.

"Curbside pickup and BOPIS are key to providing the best shopping experience, at the customer's convenience and choice."

– Jonathan Ormerod,
Vice President of Gap stores

Costco Wholesale

"Buy online and pick up in-store, we continue to look at what others do. We continue to scratch our head a little bit. It's not that we'll never do it but it's not on the agenda for this week."

– Richard Galanti,
CFO of Costco

AutoZone

"We continued to see very strong growth in our online shopping channels, Buy Online Pick-Up In-Store, next-day delivery and ship to home. In particular, our Buy Online Pick-Up In-Store offering grew rapidly at 4x the growth rate of the ship-to-home options."

– Bill Rhodes,
CEO of AutoZone

Trader Joe's

"We know that some other retailers are offering these services. We also know those offerings don't always translate into positive results."

– Tara Miller,
Marketing Director for Trader Joe's

Source: AutoZone, Gap, Costco, Business Insider, April 27, 2020.

Holiday Shopping

~$997

What consumers expect to spend on holiday shopping, only **$50 less** than in 2019

Over 50% of consumers plan to spend some of the money saved on travel expenses…on holiday shopping

Source: National Retail Federation, October 21, 2020.

Rise of the “Digital Holiday”

Then

60%

consumers planning to purchase holiday items online (primarily to avoid crowds)

Now

34%

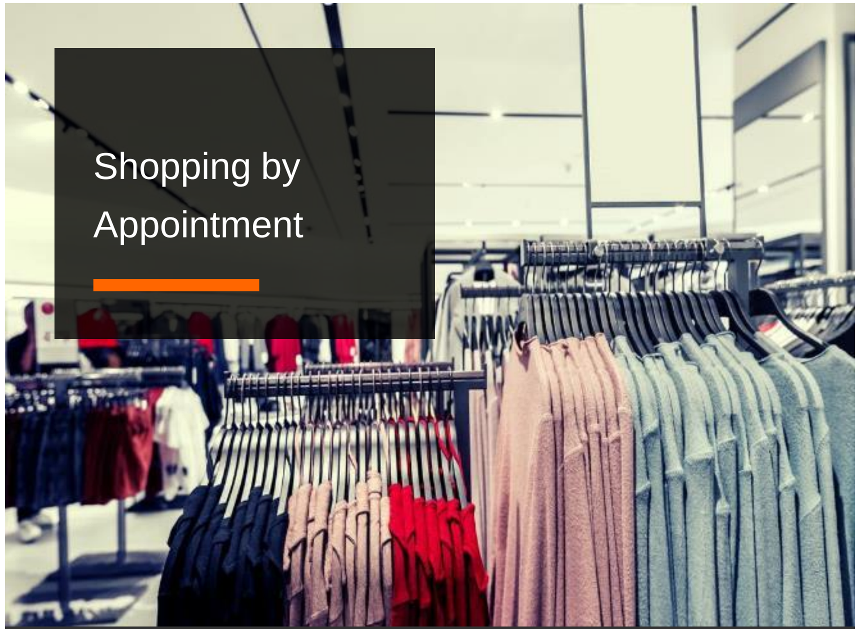
expected growth in U.S. holiday season e-commerce sales

> “Retailers need to ensure their e-commerce capabilities are up to the task for the holiday season, with detailed visibility into demand changes and focus on seamless experiences and fulfillment efficiency.”

– Brooks Kitchel,
Managing Director of Accenture Strategy, Retail

Source: Deloitte, Salesforce.

New Changes Coming to Holiday Retail



Extending Black Friday offers over several weeks

- Home Depot offering "Black Friday" deals for two months
- Tanger's early-season sale kicked off on November 1st

Managing throughput

62%

of consumers may shop at a physical store via shopping appointment

Same-day, BOPIS and curbside delivery

- Best Buy is testing a ship-from-store hub model
- Bed Bath and Beyond rolled out same-day delivery services

Source: General industry information, Accenture.

Travel and Leisure

Then

A desire to travel internationally…

Traditionally, iconic structures, historical monuments and natural wonders were preferred destinations

...is being replaced by secluded / local destinations

Now

40% Of U.S. travelers stating that the COVID-19 pandemic has made them rethink their destination choices

71% Of U.S. travelers are looking at domestic travel destinations, up from 58% last year

47% Of travelers are considering in-state road trips for their next holiday

Road trips preferred over flights:

- Hitting the road in vacation pods
- School on the road for “schoolcations”

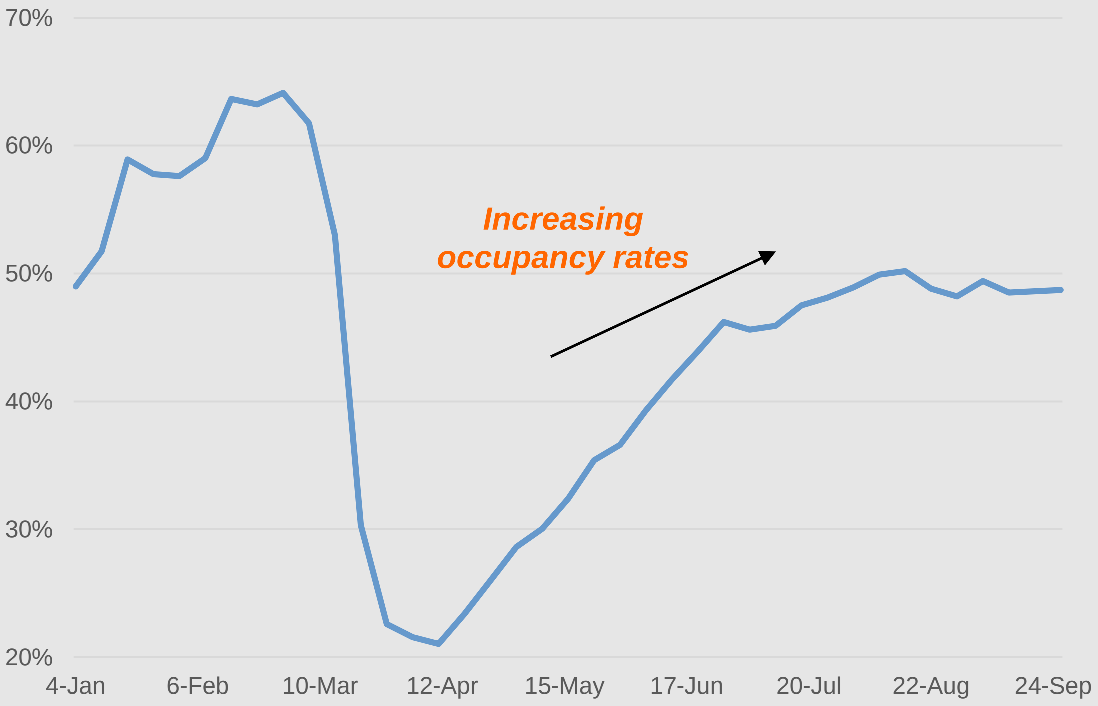
Source: General industry information, World Travel & Tourism Council.

Travel – Hotels vs. Airlines

US consumers are increasingly returning to hotels, but not traveling via plane nearly as much as historically.

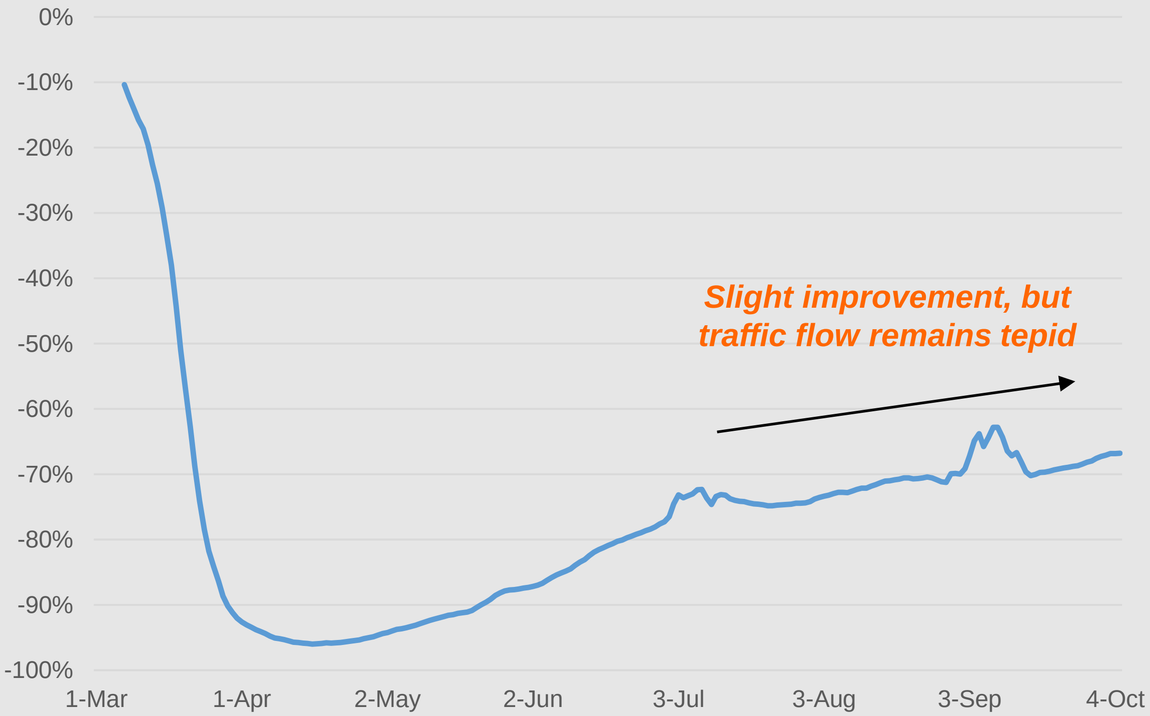
US Hotel Occupancy Rate

Hotel occupancy rate



US Airline Traffic

TSA traveler throughput (YoY)



Source: STR, TSA.

A Latent Desire to Travel Remains

Grounded planes double as pop-up restaurants

Selling Business Class meals in grocery stores

Flights to nowhere for those with nowhere to go

Source: General industry information, Gulf News, October 27, 2020.

Cash Usage at the Point of Sale

Americans are hoarding **cash** because of Covid-19

Quartz

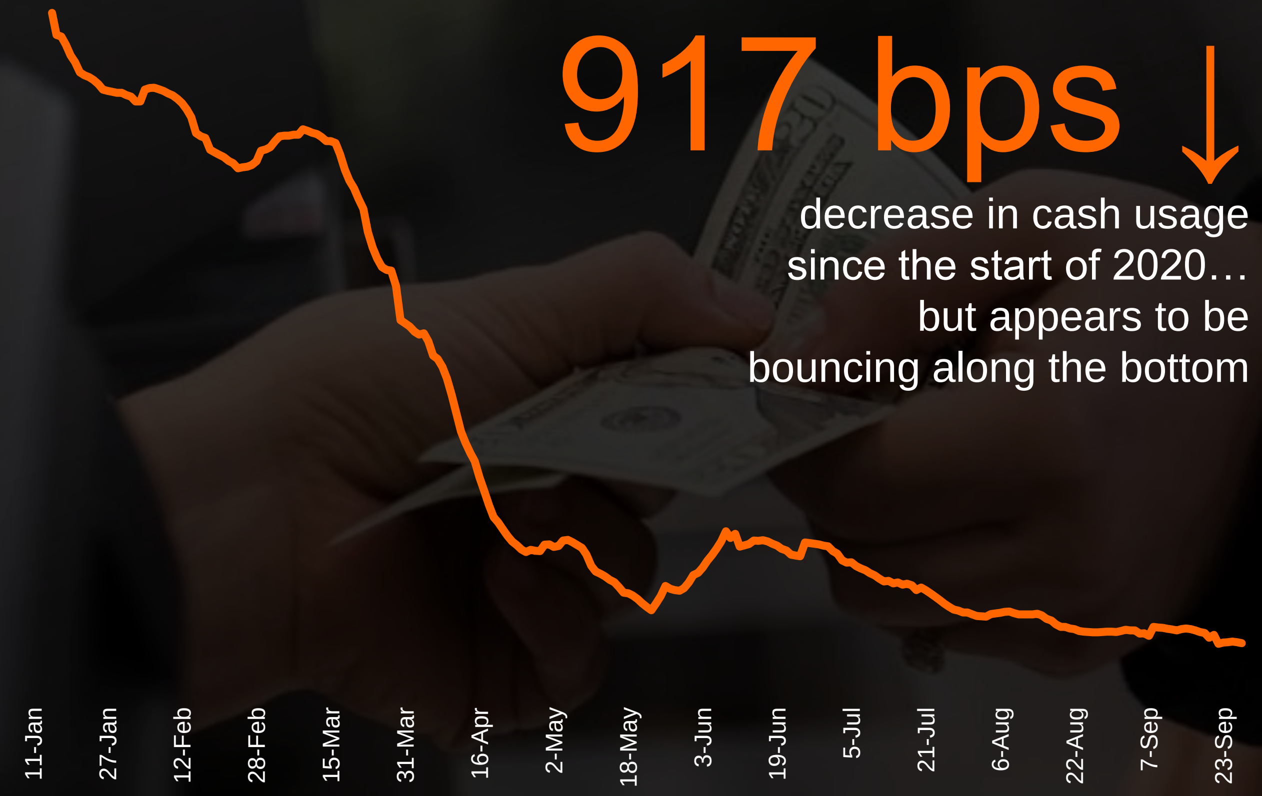
Cash Is History. How to Profit From the Digital-Payment Future.

Barron's

Will The Pandemic Spell The Real Death Of **Cash**?

PYMNTS.com

Cash Usage Decrease[1] (14-day moving average)



Source: Fiserv. 1. Measured as U.S. cash transactions as a percent of total at Clover merchants.