

Russia – Ukraine Conflict: Consumer Sentiment –

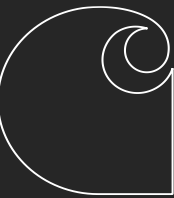
Consumer & Market Insights

March 2022

Week ending 3-6

Carhartt Strategy & Insights

Key Takeaways



Engagement Factors

Takeaways



General Sentiment

A **Growing Majority Of Americans Favor Additional Economic Sanctions** On Russia But Want To **Avoid Sending Troops Or Air Strikes To Help The Ukrainian Army**



Russia Sentiment

Russia's Deteriorated Image Has Transitioned Into **Consumers Expecting Corporations To Denounce The Country's Invasion** Of Ukraine And **Stop Business Operations In Russia**



Brand Outreach

A Growing List Of Companies Are Supporting Ukraine And Taking Action Against Russia, As Consumers Are Now **Expecting Brands To Stop Doing Business In The Country**



Economic Impact

The Threat Of **Fuel And Gas Price Increases** Is **Less Of A Deterrent For Support Of Additional Economic Sanctions On Russia** Even As Consumers Are Most Concerned About The US Economy



Supply Chain Impact

Increasing Cost Of Oil And Gas Will Impact Retail Supply Chains Due To **Higher Raw Material Costs**, With Analysts Projecting A **Return To Supply Chain Issues Seen In 2020**



Consumer Confidence

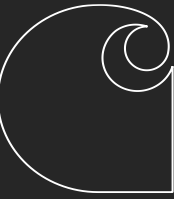
Consumer Sentiment Is Down Due To **Growing Concern Around Inflation** And The **Economic Impact Of Russia's Invasion Of Ukraine**, Shifting Consumer Spending To Account For Higher Prices

LEGEND:  **Consumer Sentiment**

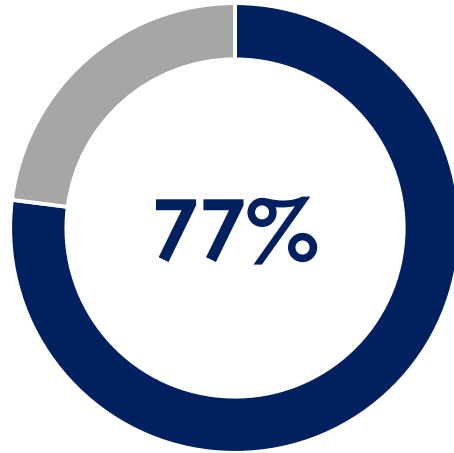
 **Economic Outlook**

GENERAL SENTIMENT

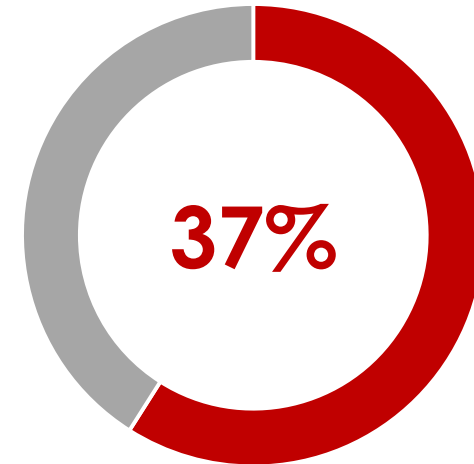
A growing majority of Americans favor additional economic sanctions on Russia but want to avoid sending troops or air strikes to help the Ukrainian army



How The US Supports Ukraine Is A Polarizing Topic, With **Growing Support Of Economic Sanctions** While **Fear Of Retaliation From Russia** Hinders Support Of Sending Air Strikes Or Troops To Ukraine



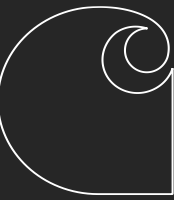
A growing number of Americans favor **additional economic sanctions against Russia** in response to their invasion of Ukraine, **up 8ppt vs last week**



Less than half of Americans support the **use of air strikes or sending troops to Ukraine** due to **fear of retaliation from Russia**

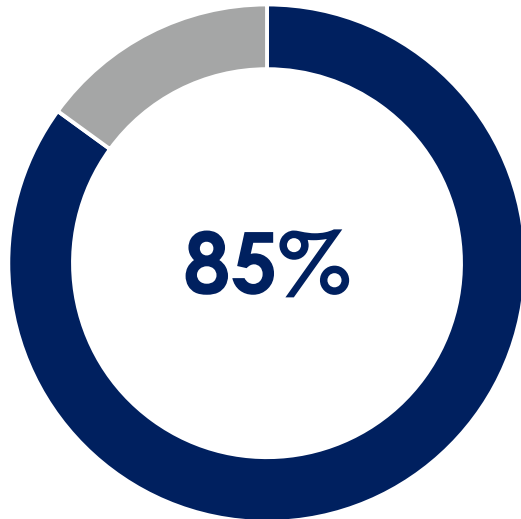
RUSSIA SENTIMENT

Russia's deteriorated image has transitioned into consumers expecting corporations to denounce the country's invasion of Ukraine and stop business operations in Russia






Consumer Sentiment Towards Russia Is Unfavorable And At Its Highest Levels In History

Gallup Research: What is your overall opinion of Russia? Is it very favorable, mostly favorable, mostly unfavorable, or very unfavorable?

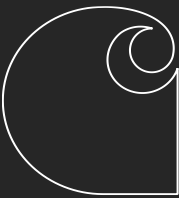


9 out of 10 Americans now have an unfavorable view of Russia as a result of their invasion of Ukraine






Growing Calls For Consumers To Boycott Brands Such As McDonald's And Coca-Cola Who Had Not Stopped Doing Business In Russia

	<ul style="list-style-type: none">• Company had made no statements about Russia's invasion and no comments on if their restaurants are open, with consumers pushing a #BoycottMcDonalds on Twitter• As of March 8, company closed its locations in Russia temporarily with CEO Chris Kempczinski publishing a statement on the invasion of Ukraine
	<ul style="list-style-type: none">• While the company is donating €1m to support the Red Cross in the region, consumers are still pushing #BoycottCocaCola on Twitter until operations in Russia are halted• As of March 8, company has suspended operations in Russia due to the invasion of Ukraine
	<ul style="list-style-type: none">• Russia accounts for \$3.4 billion or more than 4% of Pepsico's revenue, but the company had made no statements about its operations after Russia's invasion of Ukraine until this week• As of March 8, the company suspended operations in Russia due to the invasion of Ukraine

A growing list of companies are supporting Ukraine and taking action against Russia, as consumers are now expecting brands to stop doing business in the country



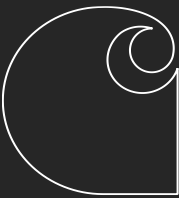
Brands Have Been Proactive In Supporting Ukraine With 'Symbolic Protests' During The Russian Invasion, Including Companies Halting Sales & Operations In Russia

	<ul style="list-style-type: none"> Levi Strauss & Co is pausing commercial operation in Russia in response to Russia's invasion of Ukraine. Company will still support its employees and families impacted Company has announced a donation of \$300,000 to nonprofit organizations providing aid to those impacted by the invasion of Ukraine
	<ul style="list-style-type: none"> Beginning last week, the company has temporarily shut down all its stores in Russia while making purchases on their website and on the app unavailable in the country
	<ul style="list-style-type: none"> All Ikea stores in Russia have been closed and the company has paused all sourcing from Russia and Belarus Ikea statement: <i>"The war has both a huge human impact and is resulting in serious disruptions to supply chain and trading conditions, which is why the company groups have decided to temporarily pause IKEA operations in Russia"</i>
	<ul style="list-style-type: none"> Company has stopped selling iPhones and devices and suspended Apple Pay systems in Russia, along with the removal of Sputnik and RT news organizations from the App Store outside of the country Company will match donations to some relief organizations 2:1
	<ul style="list-style-type: none"> Russian state media channels are banned from Google platforms, including Google Play store. Google Pay is suspended for customers of sanctions-hit Russian banks, meaning customers of those banks won't be able to use the mobile payment system



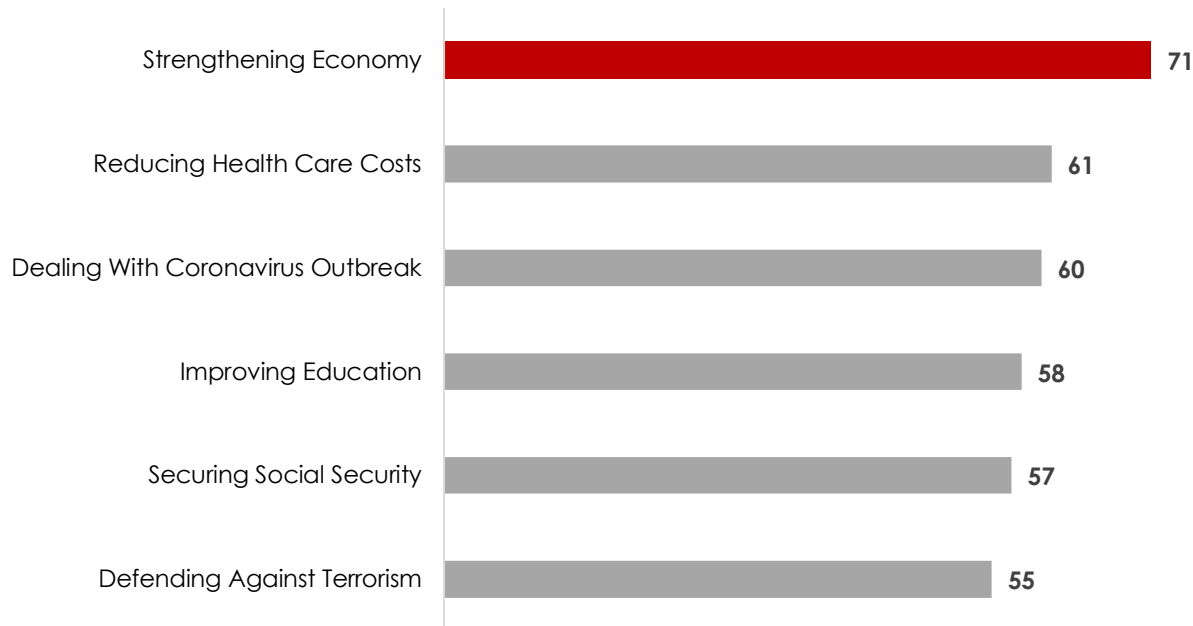
ECONOMIC IMPACT

The threat of fuel and gas price increases is less of a deterrent for support of additional economic sanctions on Russia even as consumers are most concerned about the US economy



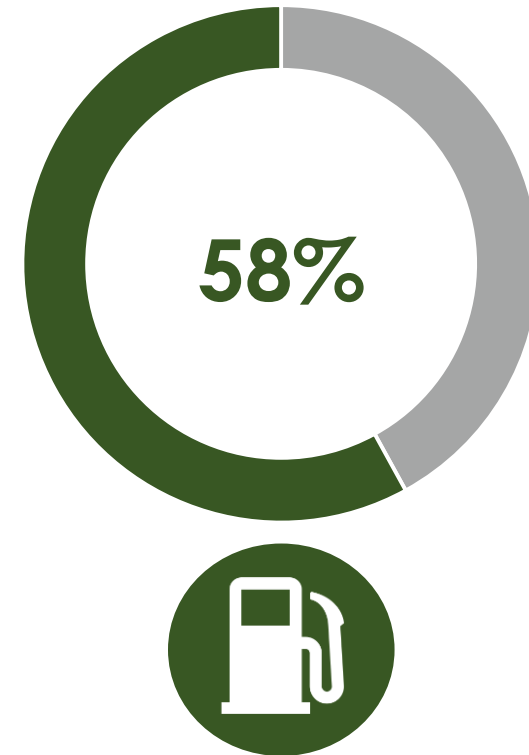
With Inflation Hitting A 40-year High, Americans See **Strengthening The Economy As A Top Policy Priority**

PEW Research: % who say ___ should be a top priority for the president and Congress to address this year



Majority of Americans view **strengthening the economy as the top priority** for 2022, including consumers saying cost for food and consumer goods such as gas prices were worse than they were a year ago

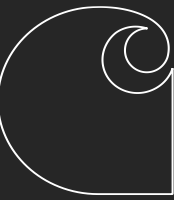
The Impact On Cost Of Fuel And Gas Is **Less Of A Deterrent For Americans Supporting Additional Sanctions Vs Last Week**



Over half of Americans support additional economic sanctions even if they increase fuel and gas prices, up 9ppt vs last week

SUPPLY CHAIN IMPACT

The increasing cost of oil and gas will impact retail supply chains due to higher raw material costs, with analysts projecting a return to supply chain issues seen in 2020



With **Oil Above \$110 A Barrel**, Higher Energy Costs Risk Increasing **Packaging, Manufacturing, And Shipping Costs** For Companies & Consumers



Brent Crude Oil is over \$110, up from \$78 seen in January as President Biden bans all imports of Russian Oil. Gas prices are at a record high for consumers at \$4.17 a gallon



Fossil fuel ingredients have seen higher prices due to rising oil costs, including resin which is a main material used in certain consumer product packaging



Higher energy prices and continued supply chain disruptions will continue to impact businesses, including inflation that reached 7.9% in February resulting in consumer prices at its highest levels in 40 years

"Cost of ecommerce and fulfillment will go up significantly for retailers...the actual raw materials across the board in the short term are going to go up. In the long-term should the crisis linger for a long time, we will see a direct impact on packaging cost..." Amar Singh, Kantar Senior Director

"Anything sourced out of Europe will become more problematic coming to the US. We see this with the supply chain given the rates to move items to the US. We will see a return back to 2020 shortages because Europe does not have enough energy to run the plants." Dave Marcotte, Kantar SVP

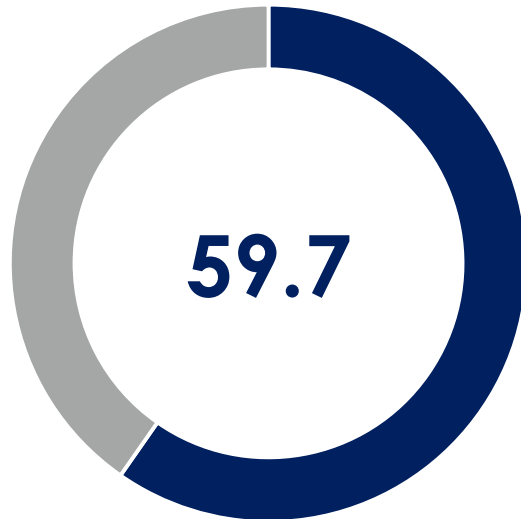
CONSUMER CONFIDENCE

Consumer sentiment is down due to growing concern around inflation and the economic impact of Russia's invasion of Ukraine, shifting consumer spending to account for higher prices



Consumer Sentiment Is Down 5% MoM Due To The Economic Uncertainty Of Russia's Invasion Of Ukraine

University of Michigan Consumer Sentiment Index - March 2021



Consumer Sentiment is down 5% from February and **down 30% vs LY**, pushing sentiment down to its lowest levels in 10 years. Consumers **view personal finances to worsen in the year ahead** due to inflation and the economic impact of Russia's invasion of Ukraine

Invasion Of Ukraine Has Immediate Shifts In Consumer Spending With Bulk Buying And Higher Food Costs



'Bulk Buying' will increase on everyday items to reduce trips to stores and supermarkets to save money due to rising fuel costs



Consumers will minimize energy consumption, including fuel cost management due to rising oil and gas prices



Higher energy costs will make food prices increase due to higher processing and transportation costs. Expectation is consumers will purchase 'pantry staples' and local produce

*"Consumer sentiment will weaken further. This has to mean **slower economic growth** than would otherwise be expected in Europe, the US and most emerging markets" – Pantheon Macroeconomics*