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How will COVID-19 change the consumer?

COVID-19 has permanently changed consumer behaviour

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Accenture research shows that 95 percent of consumers are making significant and lasting changes to how they live, work and shop. Retailers need to adapt rapidly to capture this changing market and add value.

COVID-19 has also triggered an economic recession that is amplifying some of the consumer trends.

For example, in the early months of the pandemic, some consumers felt they had more money to spend due to limited options for entertainment. However, the recession hit and, for many consumers, reversed those feelings of financial confidence: 83 percent say they are concerned about the impact of COVID-19 on the economy.

Shifts in shopping activity, product and channel choices are emerging, distinguishing consumer behaviour myths from reality.

83%

say they are concerned about the impact of COVID-19 on the economy.

COVID-19 has dramatically reshaped consumer behaviours

The Consumer in Crisis

Consumers respond to the initial shock of the global pandemic

The Adjusting Consumer

Consumers adapt to changing personal circumstance

The Future Consumer

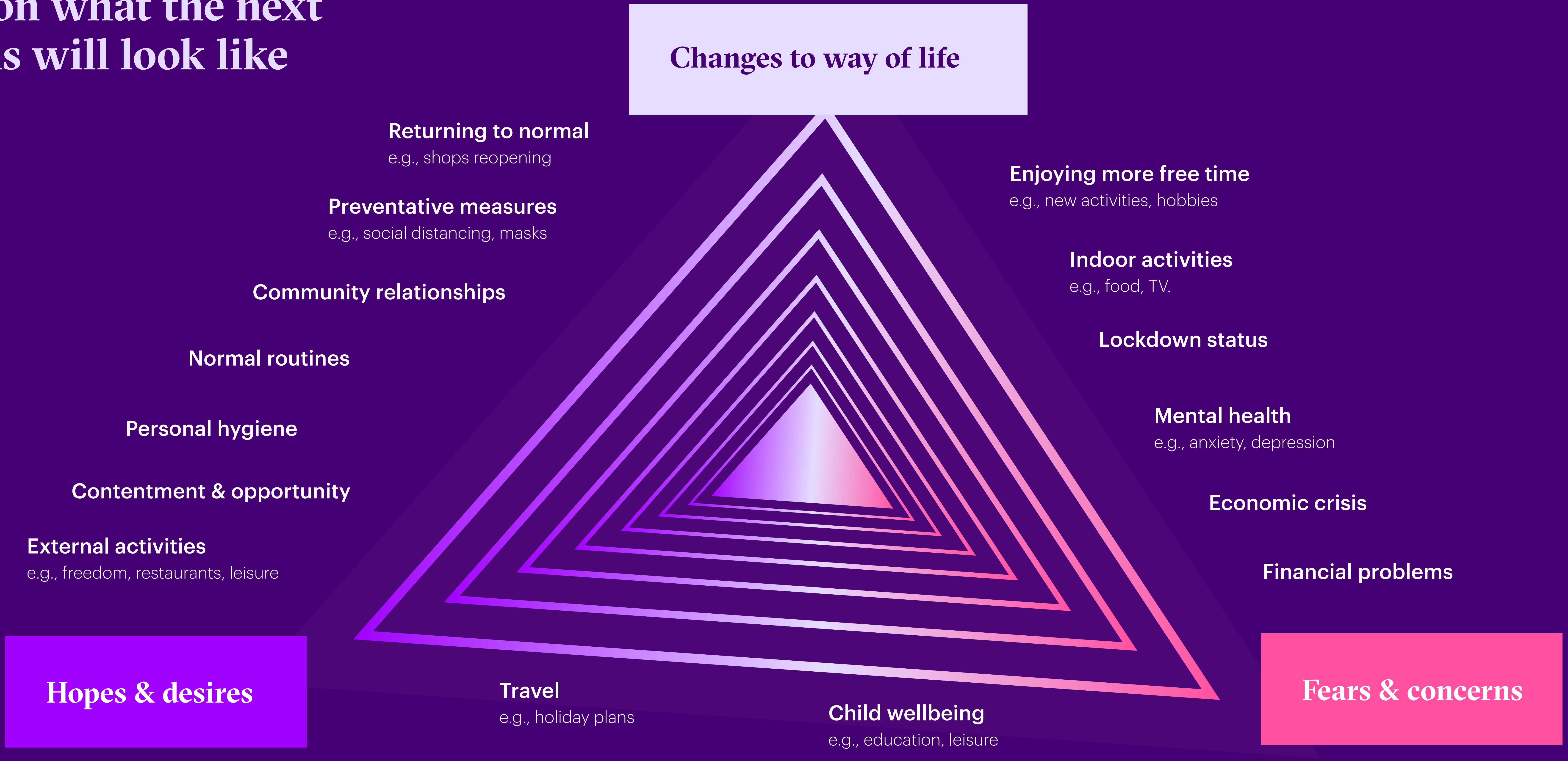
Consumers determine their new normal

Outbreak — **Restrictions imposed** — **Emergence of a new normal**

Timeline

Consumers are grappling with a range of emotions as they consider what the future will look like

Thoughts on what the next 3-6 months will look like



Source: Accenture COVID-19 Consumer Survey 2 - 8 June 2020 and Quid analysis (N = 15,000 responses). Findings based on top 15 clusters
Question: Please describe, in as much detail as possible, your feelings about life at home and in the communty in the next 3 - 6 months.

Meet the future consumers

On The Edge	Tentative Returner	Me. Reinvented	Stubbornly Seeking Normal	YOLO
20%	23%	11%	28%	17%
Extremely worried about health, finances and going out in public	Cautious about re-entering society and returning to normal routines	Seizing the opportunity to transform themselves for the better	Harking after a return to the way things were	Living for the moment to make up for what was lost
"We have had to change our whole way of life and if people think we can just go back to normal, they are wrong."	"Hopefully everyone will reenter and reopen the community slowly and responsibly."	"I'll be working out more and dealing with self care and spending time with family more often."	"It's time for us to be able to be out."	"I want to go on a trip after the outbreak is over." "I want go out and live a little more."
Most worried about health, the economy and job security **42%** will **cut back** on future spending, **60%** are exploring **new sources of income** **Least comfortable** visiting public places in the next six months	**Cutting back or moderating** future spending **Will avoid** non-trusted or non-essential places (e.g., bars/clubs, public transport) **Fearful** for the economy and public health	**78%** are buying more locally-sourced products **69%** are exploring new sources of income **Most likely** to be making and sustaining changes to shopping and personal habits	**Least likely** to be shopping more cost-consciously **31%** will not change spending patterns post-outbreak **Least likely** to comply with restrictions, now or in the future	**Most likely** to increase spending once the outbreak subsides **Most likely** to think restrictions are being lifted too slowly **50%** feel comfortable visiting bars/ clubs and sporting events in the next six months

Myths versus Realities

Responding to the truth about consumer behaviour

Some people still hold hope that life—and consumer behaviour—will soon go back to the way it was. It's unlikely. While current trends may diminish somewhat, there won't be a full return to pre-pandemic conditions.

Consumers' sentiments, spending and behaviour will remain changed. To survive and compete in the future, many organisations will have to adapt to a new world.

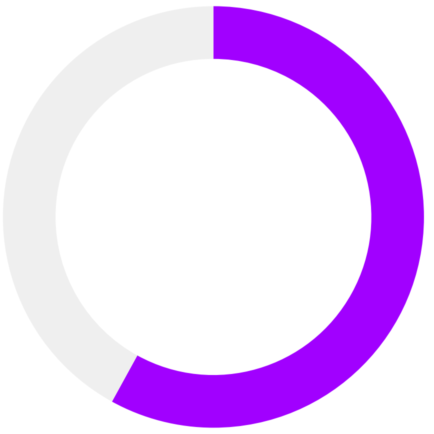
MYTH 1

"Consumers will focus on economical brands."

REALITY

There is still a market for premium products across consumer income brackets

58%



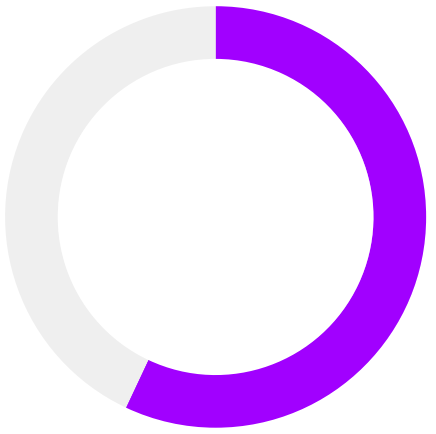
The majority of consumers are maintaining or increasing their purchases of premium brands.

[2]

2x

12% of survey respondents are increasing purchases of premium brands; they're twice as likely to buy themselves little luxuries than others.

57%



Of those increasing purchases of premium brands are in low or middle income brackets.

MYTH 2

"COVID-19 has driven a return to consumer loyalty."

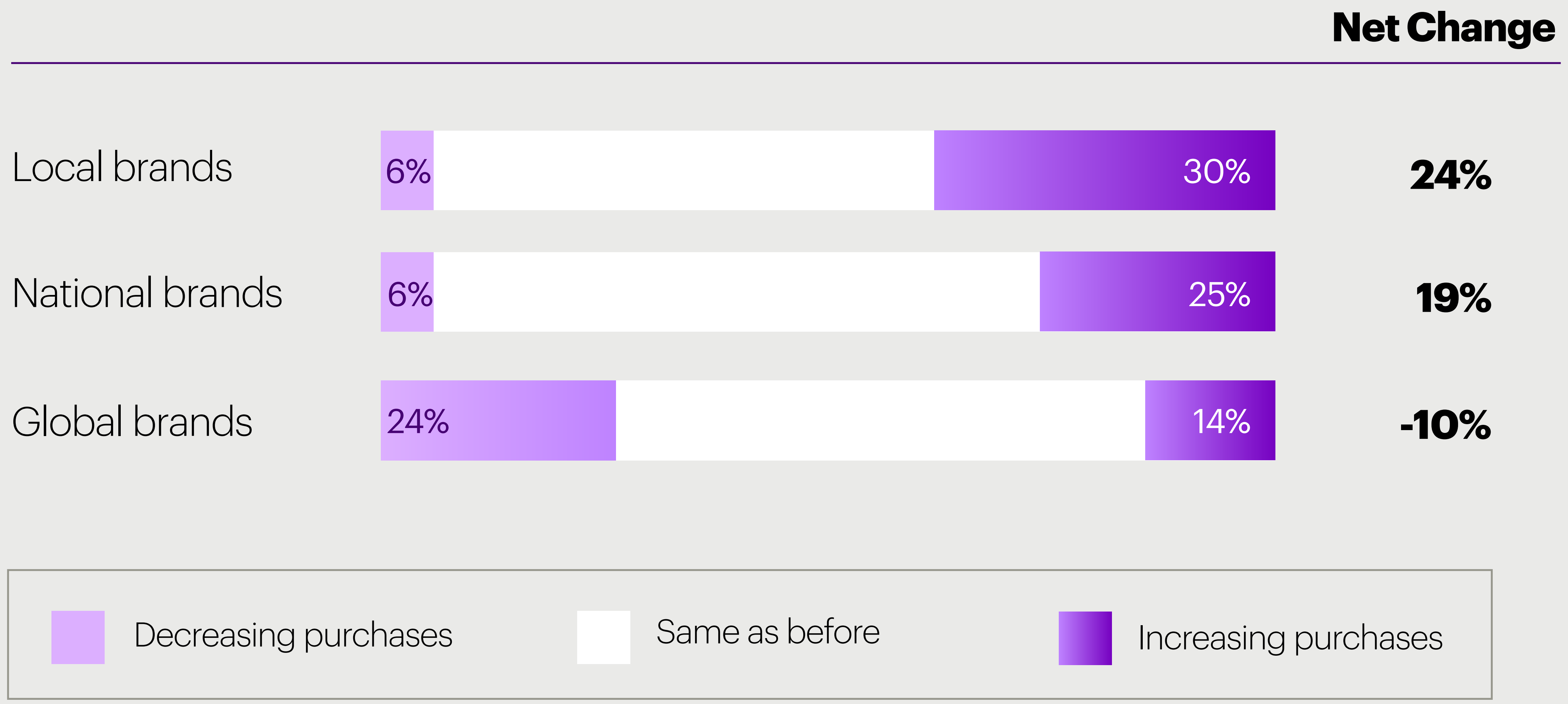
REALITY

Consumers are trialing new brands, but loyalty should not be assumed

Product availability challenges at the beginning of the crisis, coupled with new demands for healthy, environmentally friendly and locally sourced products, have led many consumers to trial alternate brands for the first time.

Sixty-three percent of consumers report changing the types of brands they buy, with national and local brands benefitting from the decline in purchases experienced by global brands.

Changes to purchases by brand type



MYTH 3

“Once a vaccine is available, people will return to pre-pandemic activities away from home.”

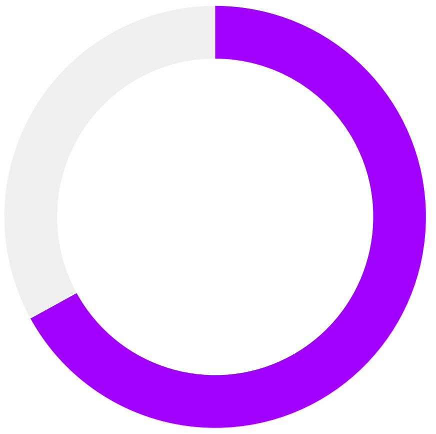
REALITY

Consumers’ use of their homes as the hub for entertainment and social occasions is not temporary.

Home

Current mobility data shows people are still spending more time at home than they were last year, and less time in other locations.

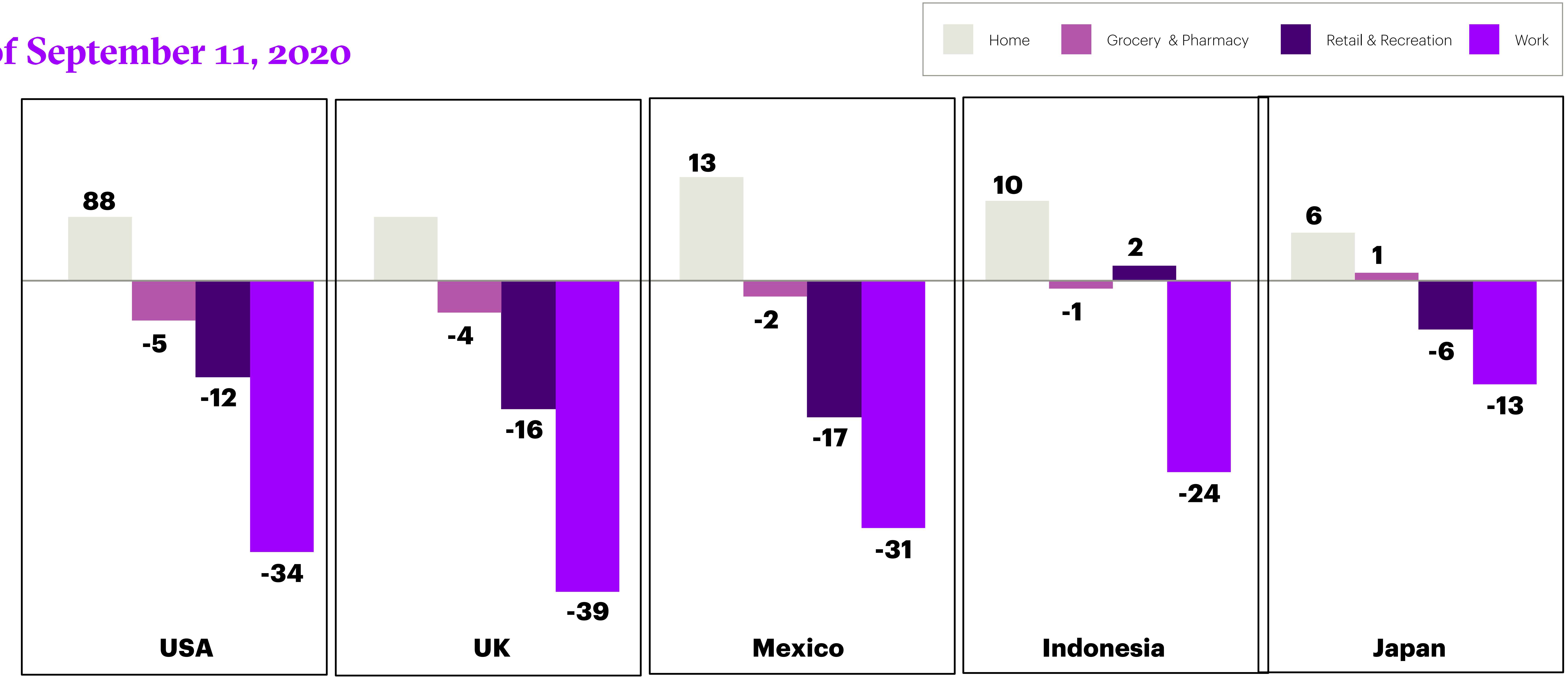
67%



of consumers plan to do most of their socialising from home in the next six months.

Change in time spent in locations (September versus January)

As of September 11, 2020



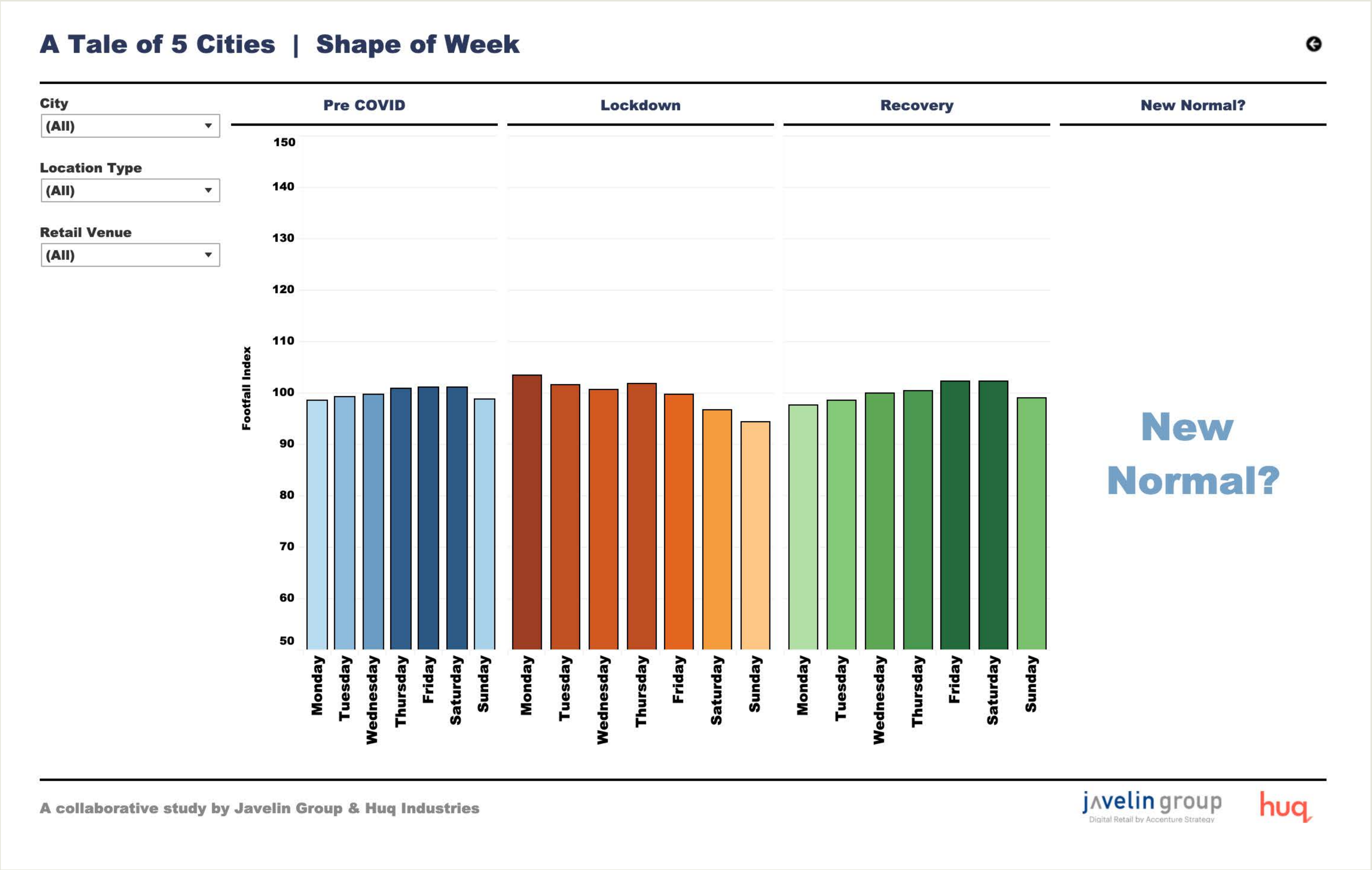
Source: Google LLC "Google COVID-19 Community Mobility Reports". https://www.google.com/covid19/mobility/ Accessed: 21 September 2020

Change in weekly shopping patterns

Is Monday the new Saturday?

With consumers currently somewhat fearful of crowds and congested locations, we hypothesised a shift in daily activity patterns, with new weekly and daily activity peaks and troughs emerging.

The aggregate evidence shown here confirms a significant shift in the weekly peak (previously from Thursday to Saturday) to the start of the week, with Monday becoming the busiest day overall during the lockdown period. However, the recovery period generally saw a return to the pre-lockdown weekly pattern.

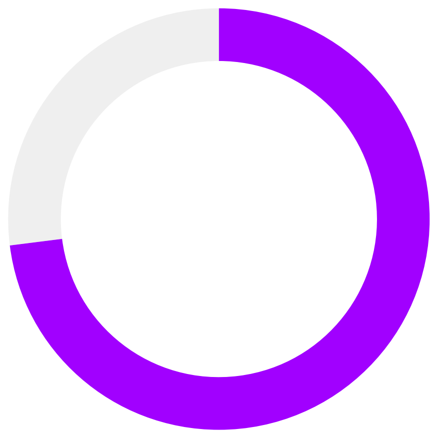


MYTH 4

“Working from home means doing the same thing in a different location.”

REALITY

It's not just same job, different place. Working from home is reinventing our lifestyles.

73% 

of employees enjoy working from home.

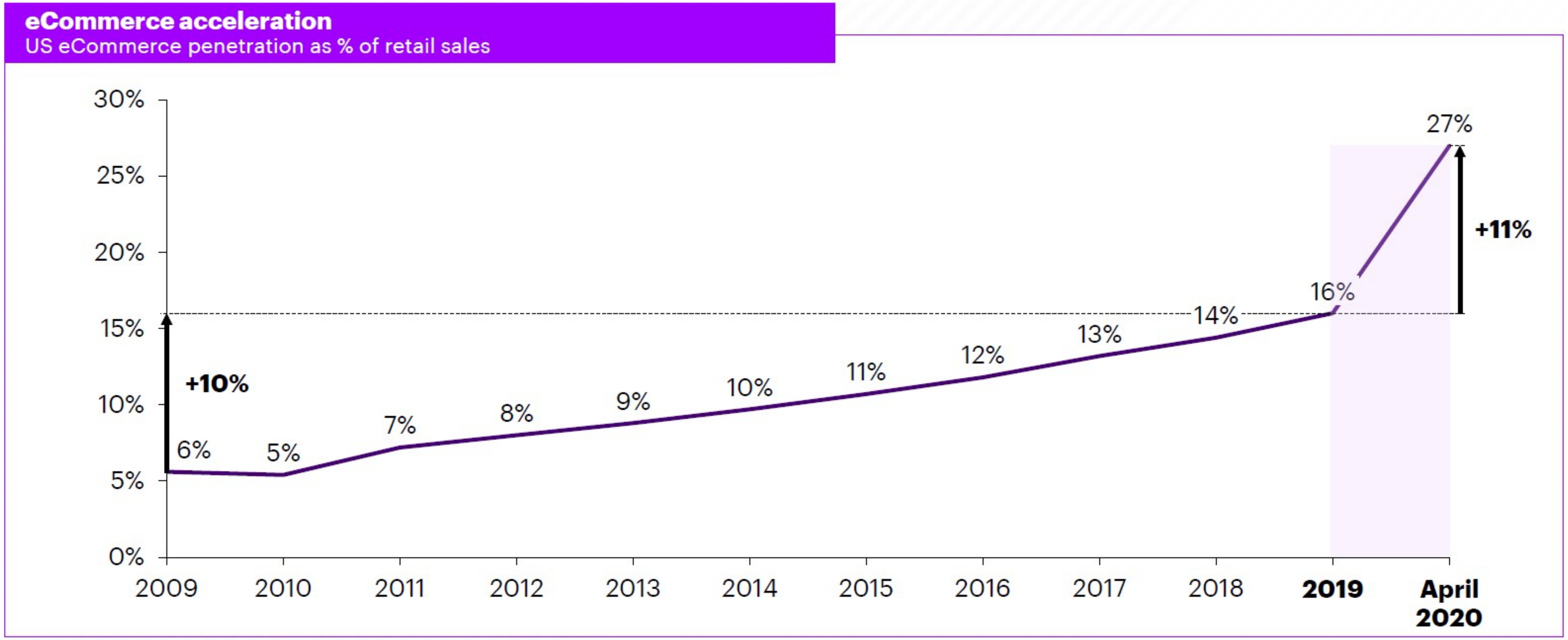
35% 

plan to work from home at least once a week in the future.

MYTH 5

“The spike in eCommerce is a passing phase.”

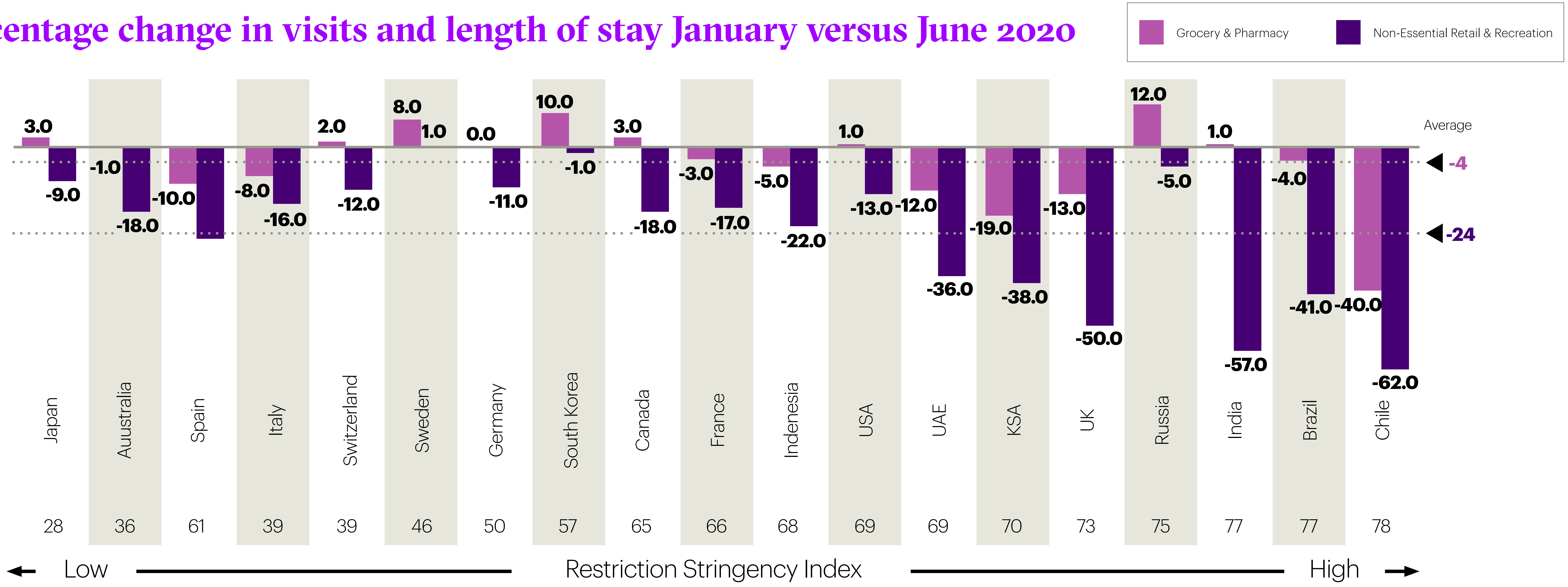
eCommerce saw 10 years of growth in a matter of months



Source: Bank of America , US Department of Commerce, ShawSpring Research via L'Oreal presentation at Duetsche Bank Access Global Consumer Conference, 9 June 2020

Retail footfall remains below January 2020 levels across markets, despite lifting restrictions

Percentage change in visits and length of stay January versus June 2020

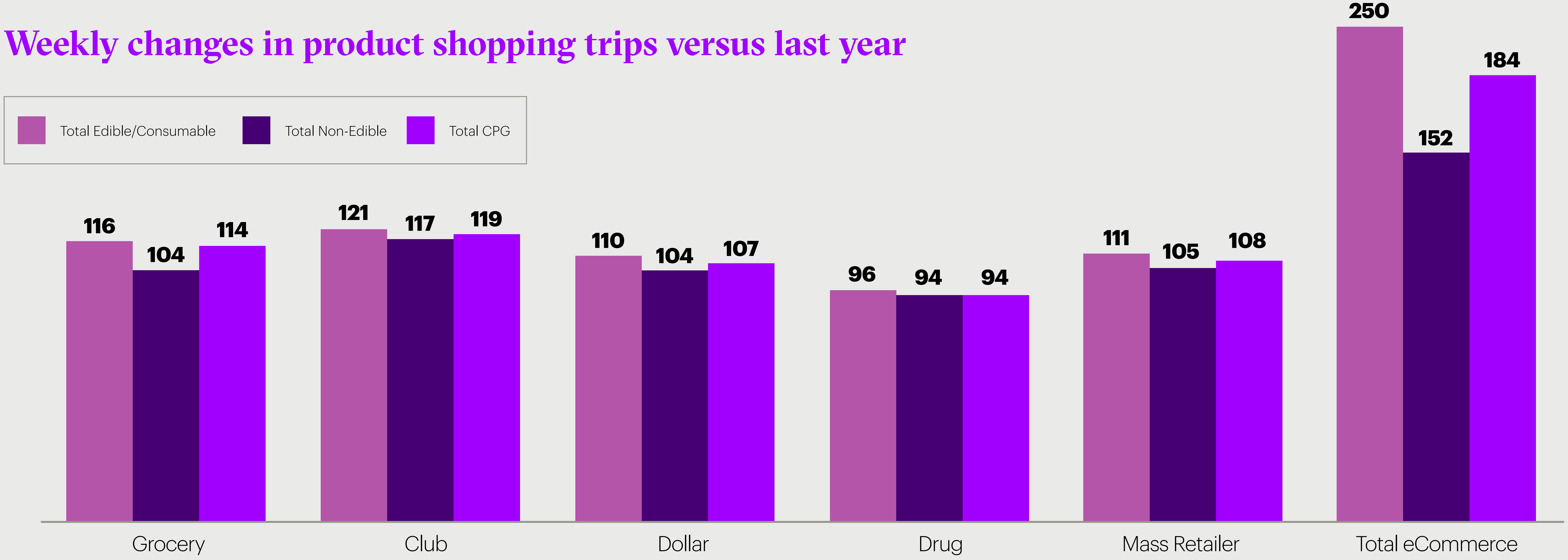


Source: Gllgle LLC "Google COVID-19 Community Mobility Reports". https://www.google.com/covid19/mobility/Accessed:26/06/20. Non-essential retail and recreation includes places like restaurants, cafes, shopping centres, theme parks, museums, libraries and movie theatres. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3 - Feb 6, 2020. The Government Response Stringency Index is a composite measure based on nine response indicators including retail/workplace closures, travel bans, and restrictions on movement rescaled to a value from 0 to 100 (100 = strictest response). Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government. Data use policy: Creative Commons Attribution CC BY standard. Restriction as of 16 June

REALITY

Consumers will continue to shop online at rates significantly above pre-COVID-19 levels

Weekly changes in product shopping trips versus last year



Source: IRICPG Channel Shift Index. Weekly Changes in Product Trips vs. Last Year, by Channel and Department, for week ending 24thJan 2021

Achieving profitability online is a key challenge for retailers

Move to profitability

Become a marketplace*

Creating a platform at scale to provide consumers with diversified offerings and convenient delivery options.

Supported by:

- Clear platform growth strategy
- Diversified offering
- Pricing and fee strategy enticing retailers and customers
- Strong operational network to ensure on-time fulfilment and deliveries

Currently loss-making

Lost in the middle

Retailers struggle to achieve online profitably with current scale, service and experience.

Caused by:

- Limited scale of network and order volume
- Sub-optimal basket value and category mix
- Complexities in optimising fulfilment and last mile delivery

Move to profitability

Increase average order value

For retailers with less reach, moving to profitability means focusing on increasing average order value to offset the margin impact of online fulfilment.

Supported by:

- Clear pricing and promotion strategy
- Enhanced customer engagement—new experiences, services and solutions
- Advanced analytics underpinning key decision-making across business

*Hybrid model where retailers can sell their own goods and let others sell theirs on the platform

Recommendations to consider

Use open discovery versus preconceived notions about consumers

Rethink consumer segments

Reassess your product and service portfolio

Evaluate ecosystem partners

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