HOW COVID-19 HAS CHANGED THE RETAIL LANDSCAPE

Matt Taylor

November 2020

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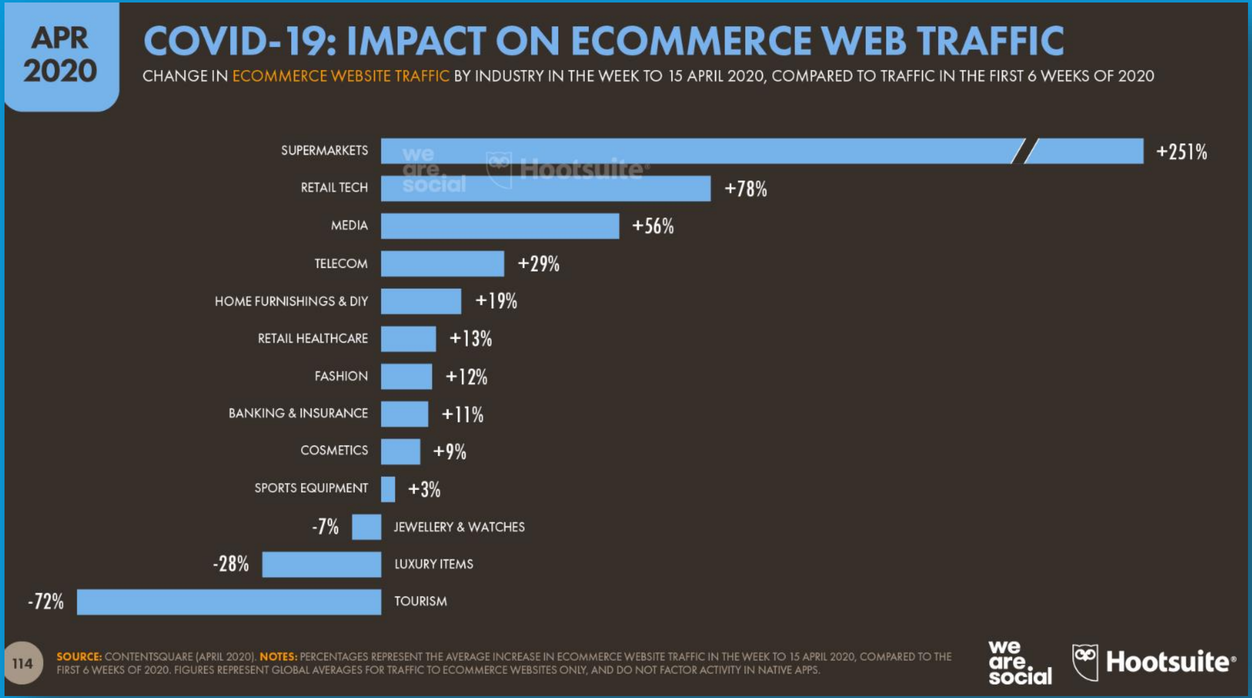
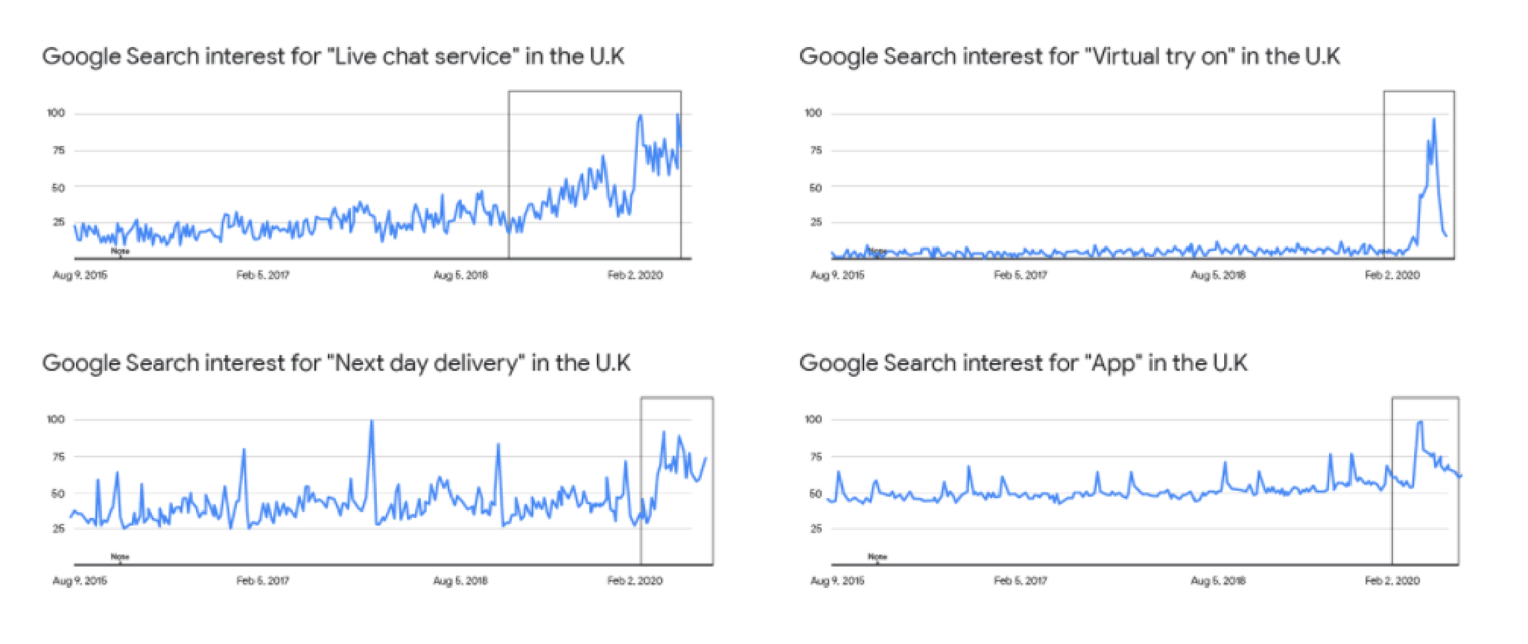
COVID-19 SHIFTED SHOPPING TO ONLINE AND BOOSTED E-COMM SALES…



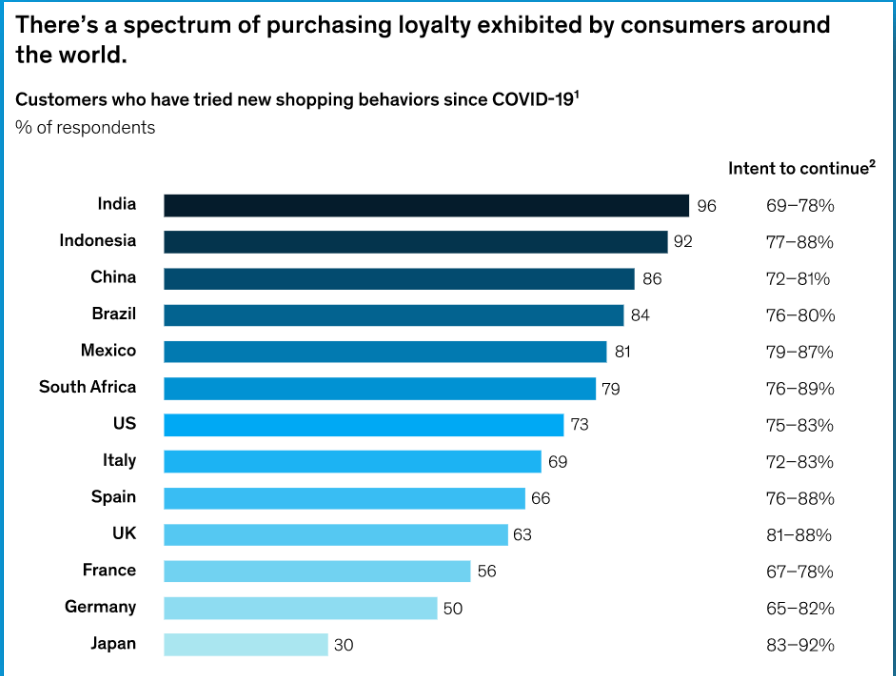
https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-global-view-of-how-consumer-behavior-is-changing-amid-covid-19 & BCG Covid-19 Consumer Sentiment Survey

THE WAY CONSUMERS ARE DOING THINGS HAS CHANGED AND RETAILERS MUST ADAPT…



https://www.thinkwithgoogle.com/intl/en-gb/consumer-insights/consumer-trends/6-lockdown-consumer-trends-will-be-here-long-term/?utm_medium=social&utm_campaign=thinkwithgoogle&utm_source=linkedin&utm_content=6-lockdown-consumer-trends-will-be-here-long-term

IT'S A TRULY GLOBAL TREND…



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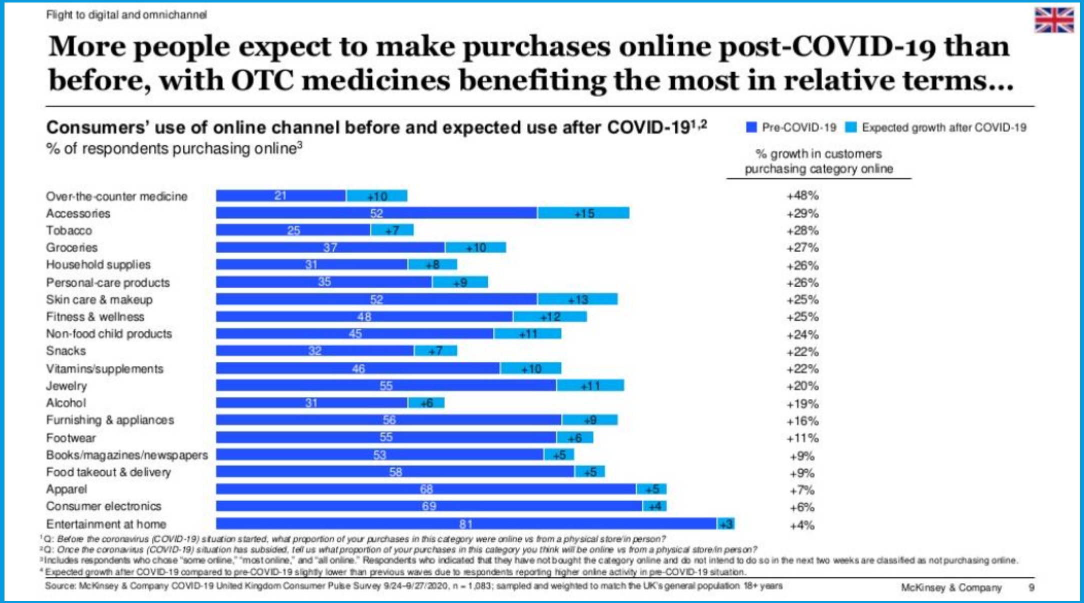
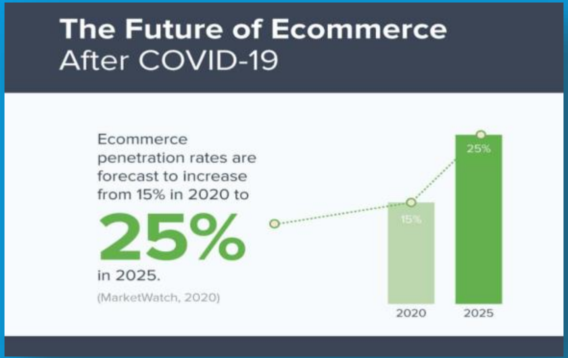
THE GROWTH IN ONLINE LOOKS SET TO STAY…





A massive leap in online penetration will force ca. 15%-30% growth in consumer online spend

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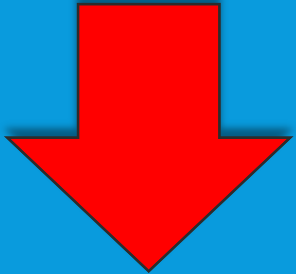
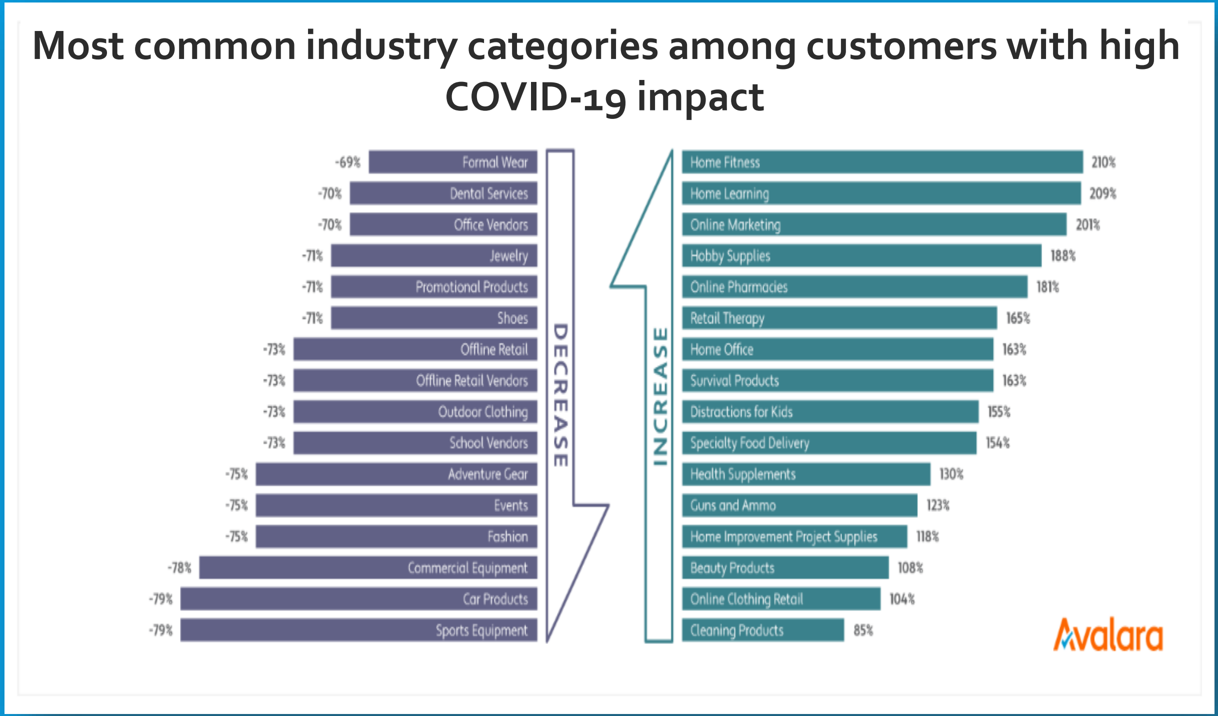
THE TRAVEL & TOURISM SECTOR IS FEELING SOME OF THE BIGGEST IMPACTS…

Globally air travel is down 85% on last year



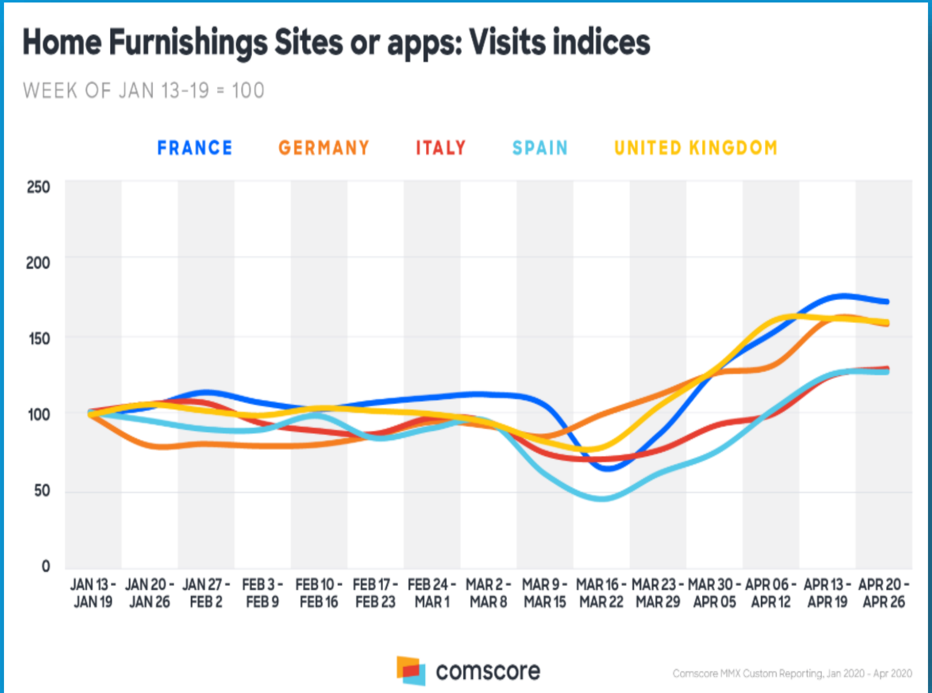
Source: https://www.marketwatch.com/story/people-are-becoming-less-comfortable-about-air-travel-during-the-pandemic-survey-shows-2020-08-17

WITHIN RETAIL WE HAVE SEEN SOME BIG CATEGORY SHIFTS…



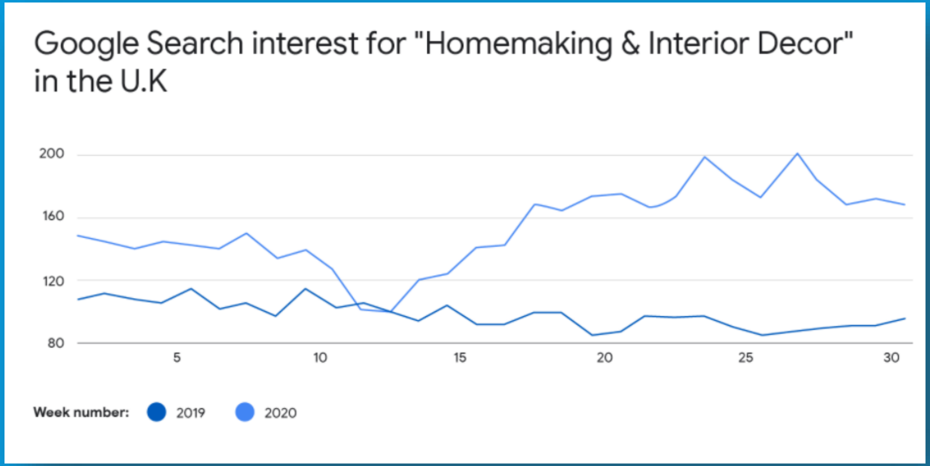
Sources: Avalara 2020

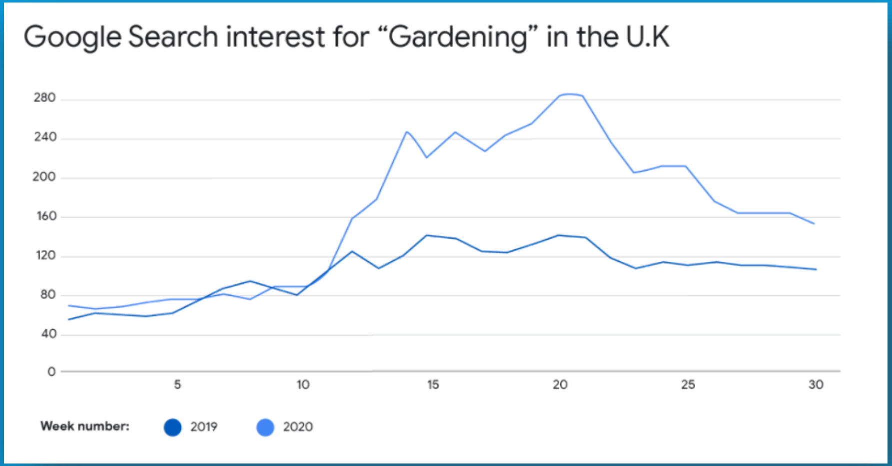
...RETAILERS WHO ARE PRESENT IN 'HOME' CATEGORIES OFTEN WINNERS...



Sources: Comscore MMX Custom Reporting – Jan 20 – Apr 20

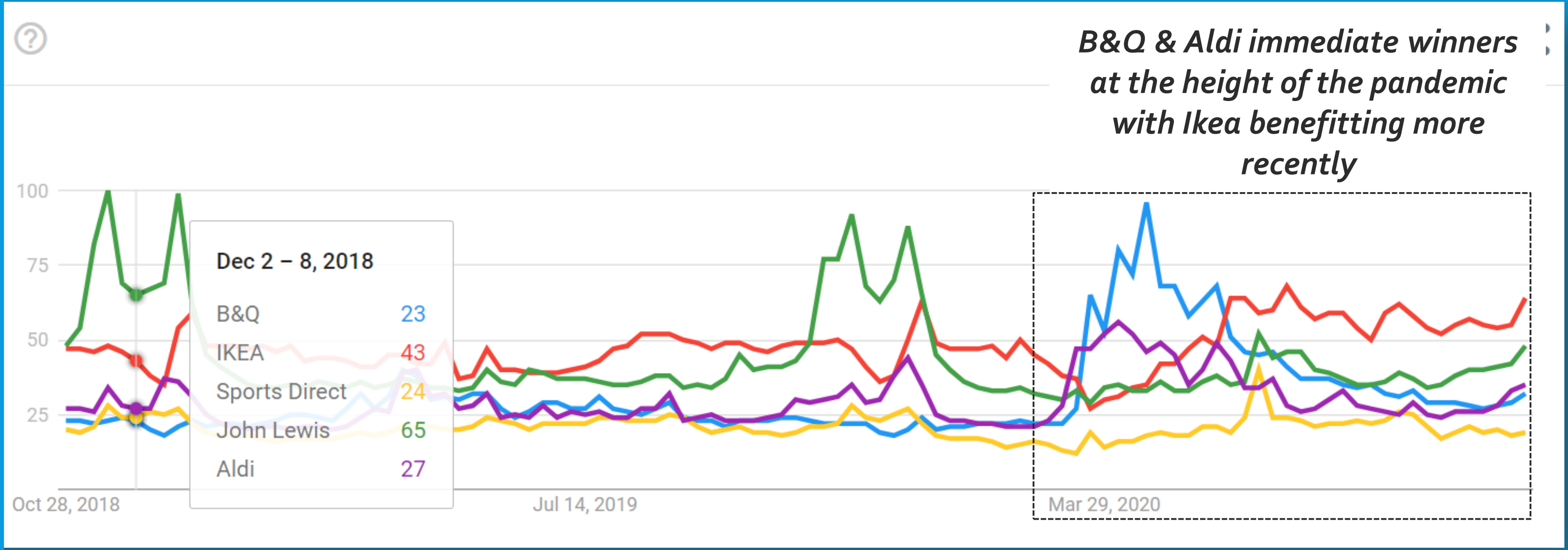
THIS IS CLEARLY VISIBLE IN YEAR ON YEAR CATEGORY TRENDS….





Source: Google Trends 29.10.20

THIS VARIANCE HAS CAUSED HUGE AND VARYING IMPACTS ON RETAILER DEMAND…



Source: Google Trends 29.10.20

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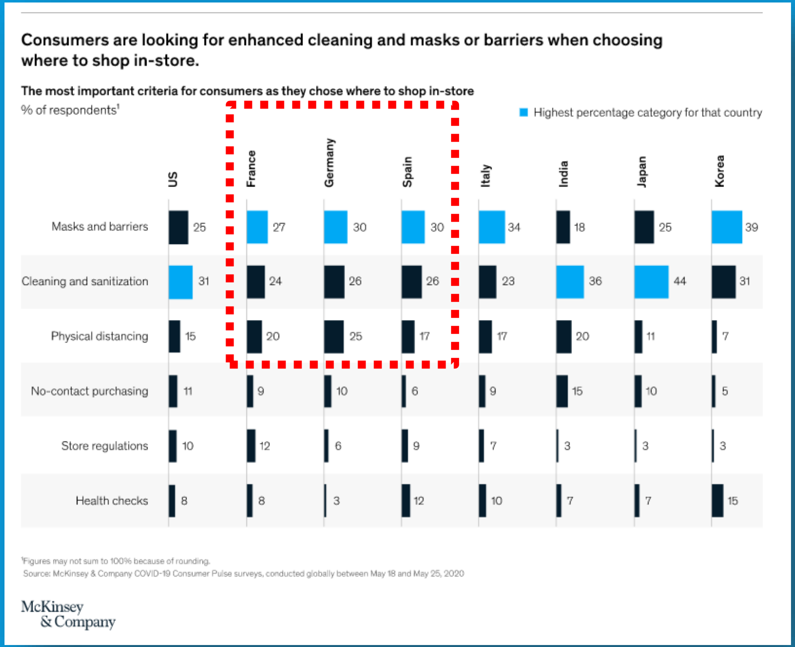
DURING COVID AND NOW, WHERE TO SHOP IS DRIVEN BY HOW SAFE A STORE MAKES THEIR CUSTOMERS FEEL…



A McKinsey study found that the top 3 measures European consumers are looking for when choosing where to shop as a result of COVID are as follows;

1. Masks & Barriers
2. Cleaning and Sanitisation
3. Physical Distancing

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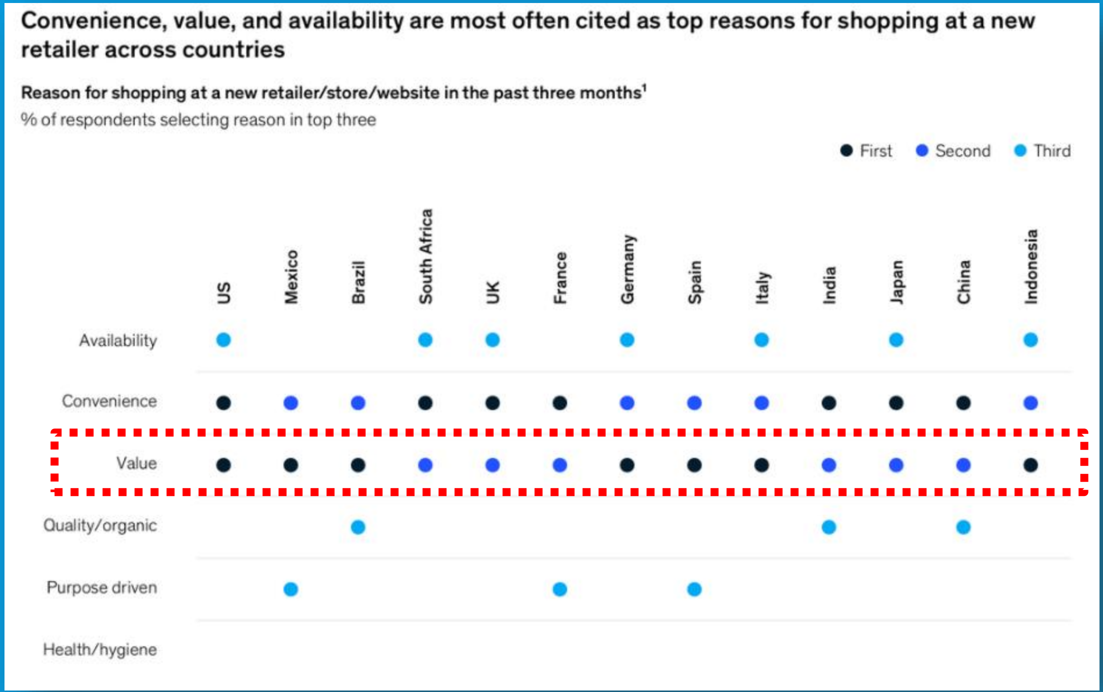
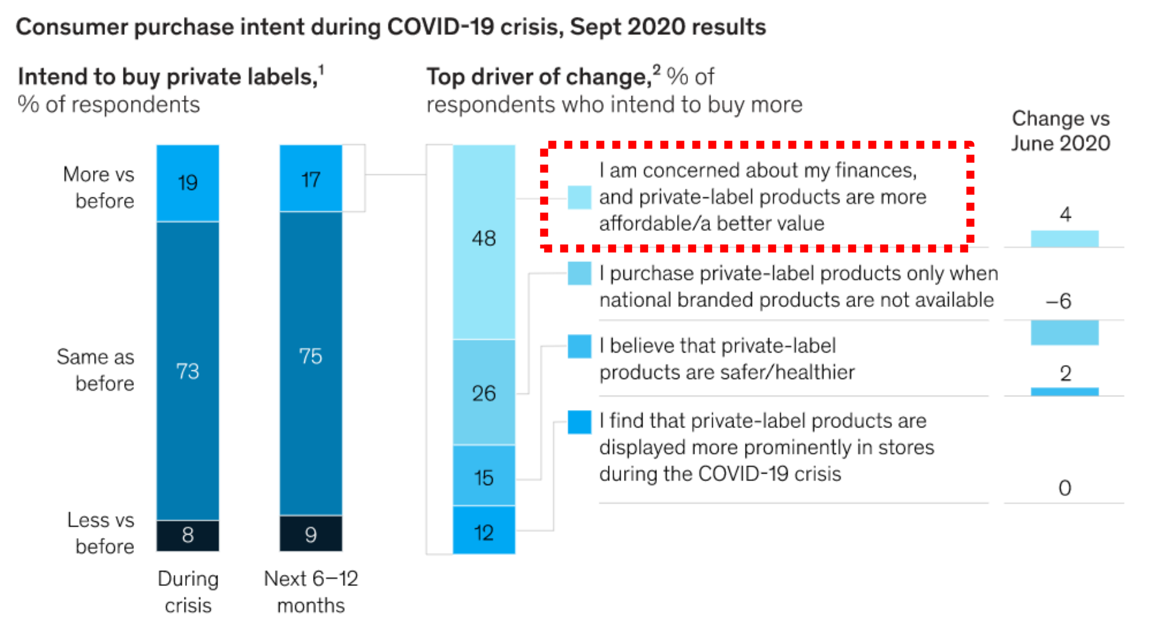
CONSUMERS ARE MORE WILLING TO CHANGE SHOP OR BRAND; OFTEN DRIVEN BY THE SEARCH FOR VALUE…



'Convenience' and 'Value' are the main reasons why consumers choose a new store / retailer or Brand

https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-global-view-of-how-consumer-behavior-is-changing-amid-covid-19

PRIVATE LABEL BRANDS COULD BE THE WINNERS IN THIS SEARCH FOR VALUE …



Almost half of customers surveyed suggest that finances and affordability are the main reasons for choosing private labels

https://www.mckinsey.com/industries/retail/our-insights/turning-private-labels-into-powerhouse-brands?cid=soc-web

PRICE SENSITIVITY DECLINING & VOLUMES INCREASING FOR LARGER PACKS…

Overall, consumer price sensitivity remains consistent across categories (pre-COVID-19 vs. now)

Deep dive:
Consumers are less sensitive to price changes in large packs and more sensitive to price changes in smaller ones.

-32%

Decline in sensitivity for brands dominant in larger packages.

There is a consistent shift to larger pack sizes across categories

13%

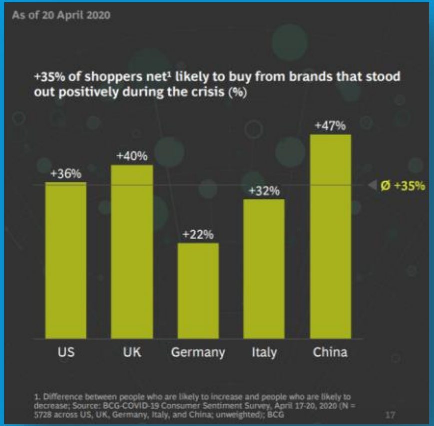
Relative growth of larger packages

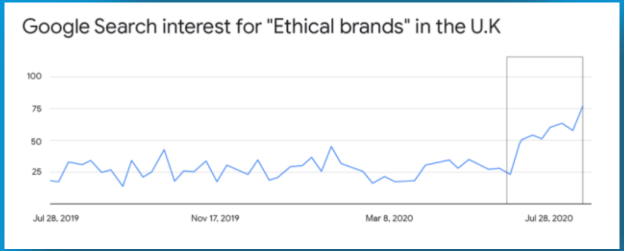
5

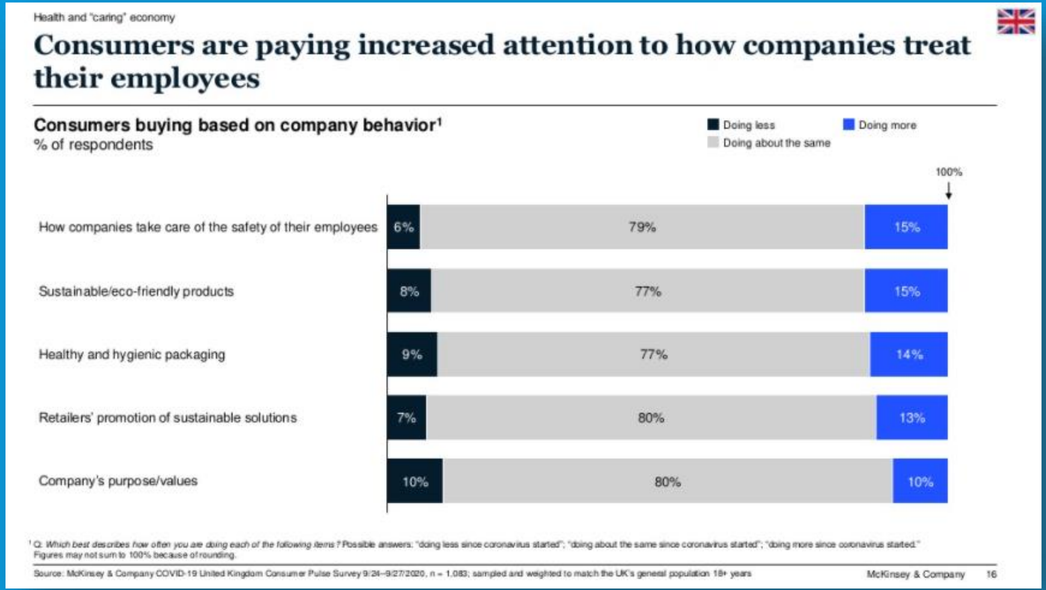
SKIM

Source: SKIM Knowledge Centre; *Impact of COVID-19 on consumer price* sensitivity

POSITIVE ETHICS AND A PERCEPTION OF ‘DOING THE RIGHT THING’ WILL HELP RETAILERS WIN CUSTOMERS…







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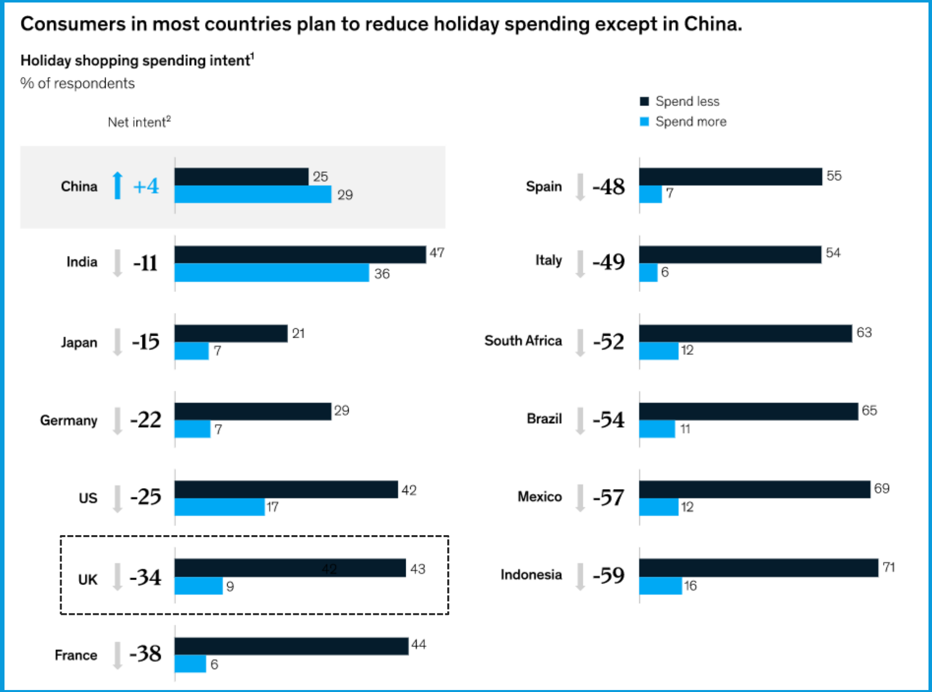
CHRISTMAS IS THE FIRST CHALLENGE FOR RETAILERS…



In the UK we can expect less spend on the Christmas / Holiday Season in comparison to other years

Only China are expecting to spend more this 'Holiday Season'

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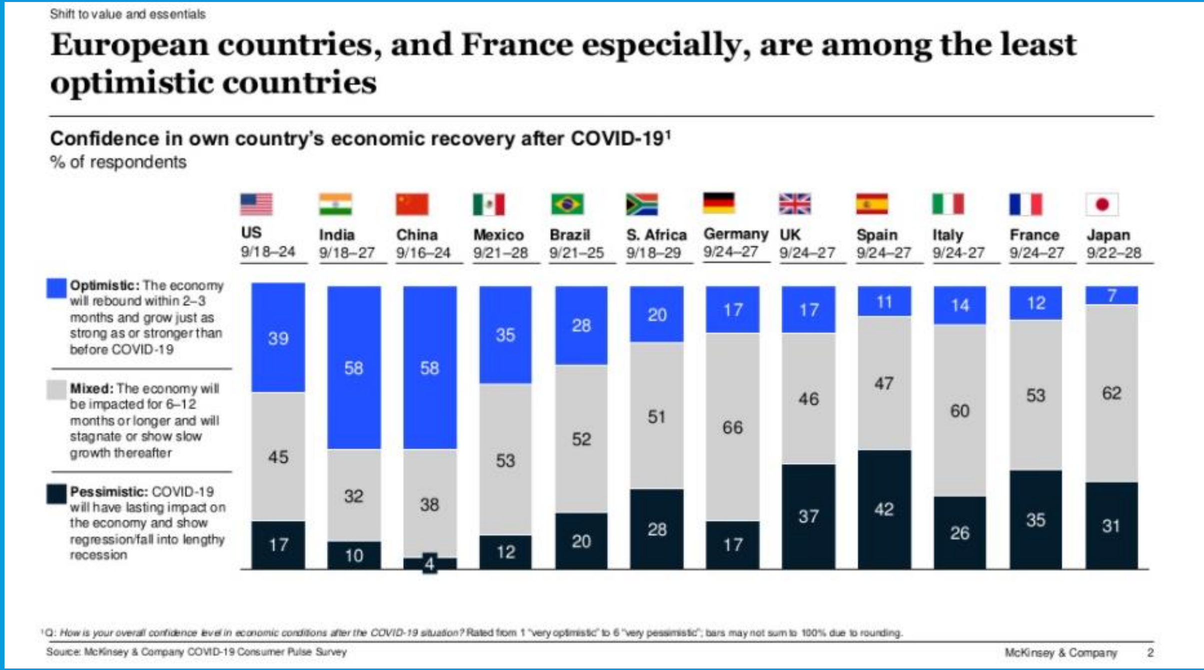
EUROPEANS HAVE A MORE PESSIMISTIC OUTLOOK TO ECONOMIC RECOVERY…



This is likely to have an impact on discretionary spend into 2021

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ECONOMIC UNCERTAINTY AND UNEMPLOYMENT ARE THE BIGGEST (AND UNKNOWN) 'HEADWINDS' ON RECENT RETAIL TRENDS….

	GDP level forecast[1] EOY 2021 vs. EOY 2019
US	96-100%
Europe	95-99%
China	107-112%
Japan	95-99%
India[2]	101-108%

Estimated current employment impact[9]

	Total employment 2019 (M)	Employees impacted[10] (M)	% of employees impacted
US	~159	~41	~26%
UK	~33	~8	~25%
Germany	~45	~10	~23%
France	~28	~13	~46%
Italy	~23	~8	~32%
Spain	~20	~4	~22%

Economic recovery not likely until 2021/22 and the scale of unemployment is yet to be seen

Source: BCG Covid-19 Consumer Sentiment Survey

TO SUMMARISE

- Clear shift to digital and omnichannel
- Consumer loyalty is under threat in search for value
- Discretionary spend is likely to reduce across many categories
- Doing the ‘Right Thing’ will win new customers and improve loyalty
- We are still living in the ‘New Normal’ and out of home activities are unlikely to resume to normal levels in the short term
- Economic uncertainty hangs like a rain cloud and this will continue to impact consumer decision making