

HOW COVID-19 HAS CHANGED THE RETAIL LANDSCAPE

Matt Taylor

November 2020

CONTENTS

Online the new normal

Winners in the retail landscape

Consumer trends

Challenges into 2021 and beyond

CONTENTS

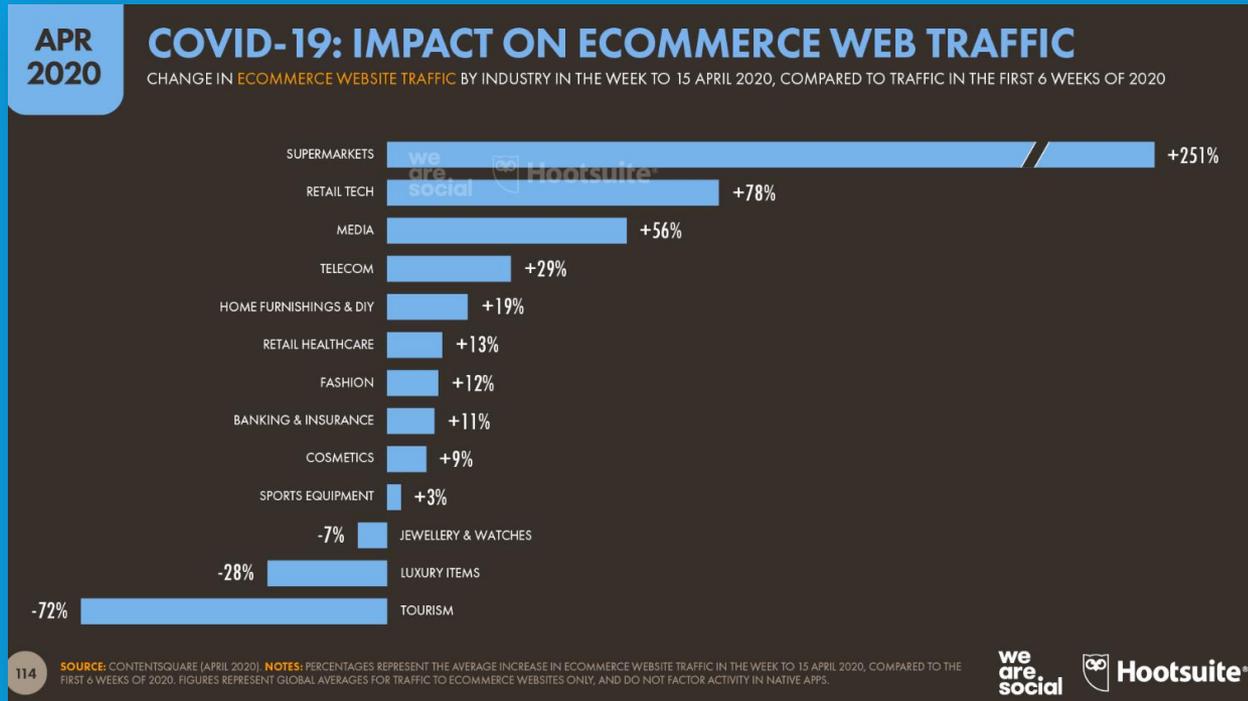
Online the new normal

Winners in the retail landscape

Consumer trends

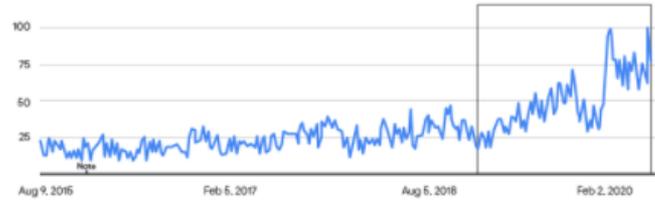
Challenges into 2021 and beyond

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

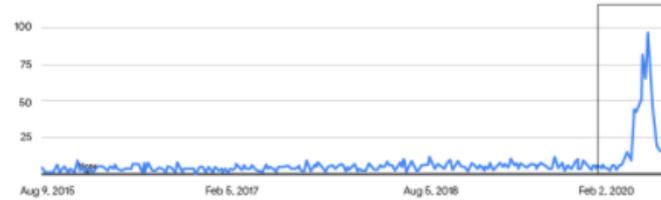


THE WAY CONSUMERS ARE DOING THINGS HAS CHANGED AND RETAILERS MUST ADAPT...

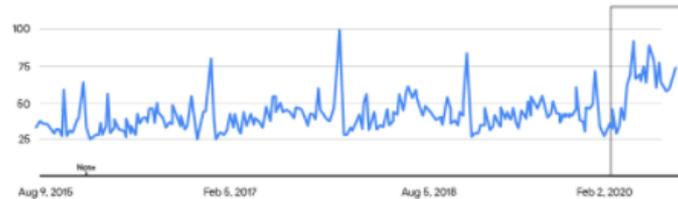
Google Search interest for "Live chat service" in the U.K



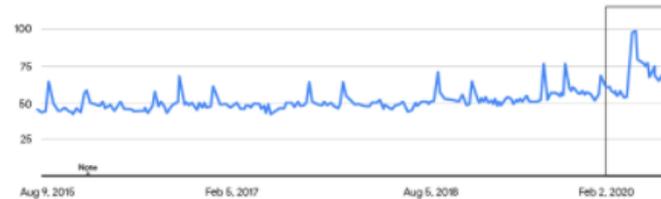
Google Search interest for "Virtual try on" in the U.K



Google Search interest for "Next day delivery" in the U.K



Google Search interest for "App" in the U.K

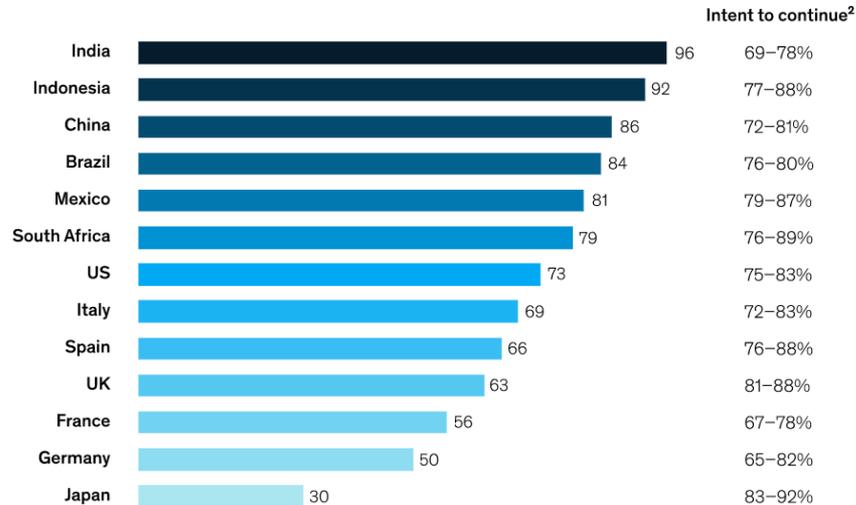


IT'S A TRULY GLOBAL TREND...

There's a spectrum of purchasing loyalty exhibited by consumers around the world.

Customers who have tried new shopping behaviors since COVID-19¹

% of respondents



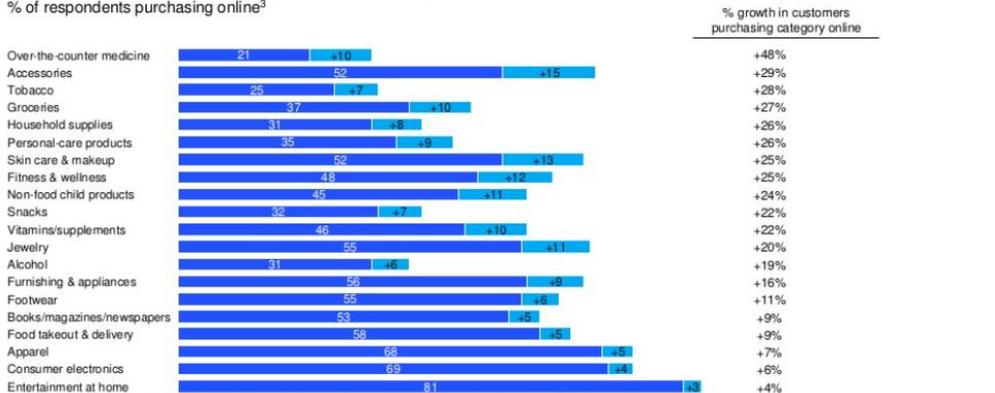
THE GROWTH IN ONLINE LOOKS SET TO STAY...

Fight to digital and omnichannel



More people expect to make purchases online post-COVID-19 than before, with OTC medicines benefiting the most in relative terms...

Consumers' use of online channel before and expected use after COVID-19^{1,2}
% of respondents purchasing online³

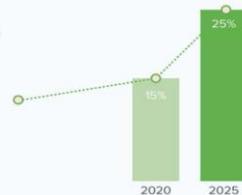


¹ Q: Before the coronavirus (COVID-19) situation started, what proportion of your purchases in this category were online vs from a physical store/in person?
² Q: Once the coronavirus (COVID-19) situation has subsided, tell us what proportion of your purchases in this category you think will be online vs from a physical store/in person?
³ Includes respondents who chose "some online," "most online," and "all online." Respondents who indicated that they have not bought the category online and do not intend to do so in the next two weeks are classified as not purchasing online.
⁴ Expected growth after COVID-19 compared to pre-COVID-19 slightly lower than previous waves due to respondents reporting higher online activity in pre-COVID-19 situation.
 Source: McKinsey & Company COVID-19 United Kingdom Consumer Pulse Survey 9/24-9/27/2020, n = 1,083; sampled and weighted to match the UK's general population 18+ years
 McKinsey & Company 9

The Future of Ecommerce After COVID-19

Ecommerce penetration rates are forecast to increase from 15% in 2020 to **25%** in 2025.

(MarketWatch, 2020)



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

CONTENTS

Online the new normal

Winners in the retail landscape

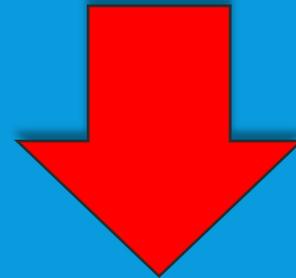
Consumer trends

Challenges into 2021 and beyond

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

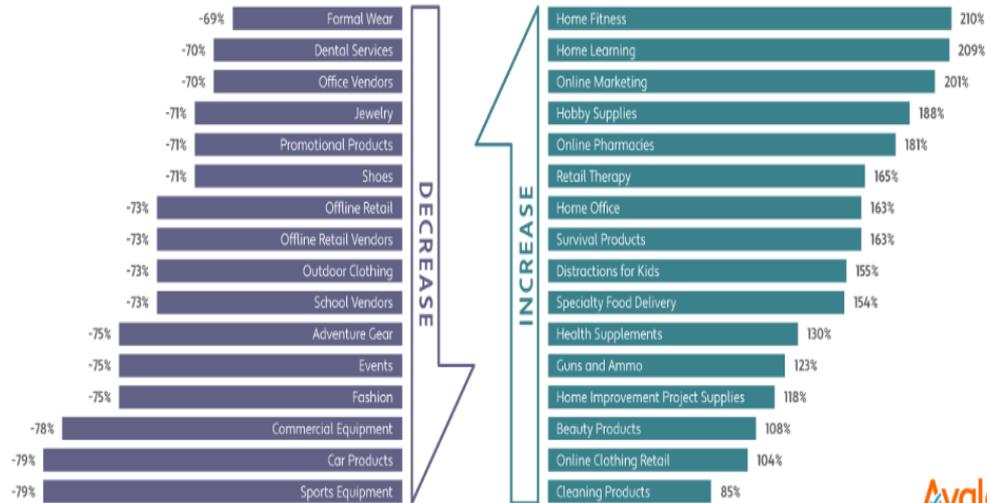


Globally air travel
is down **85%** on
last year

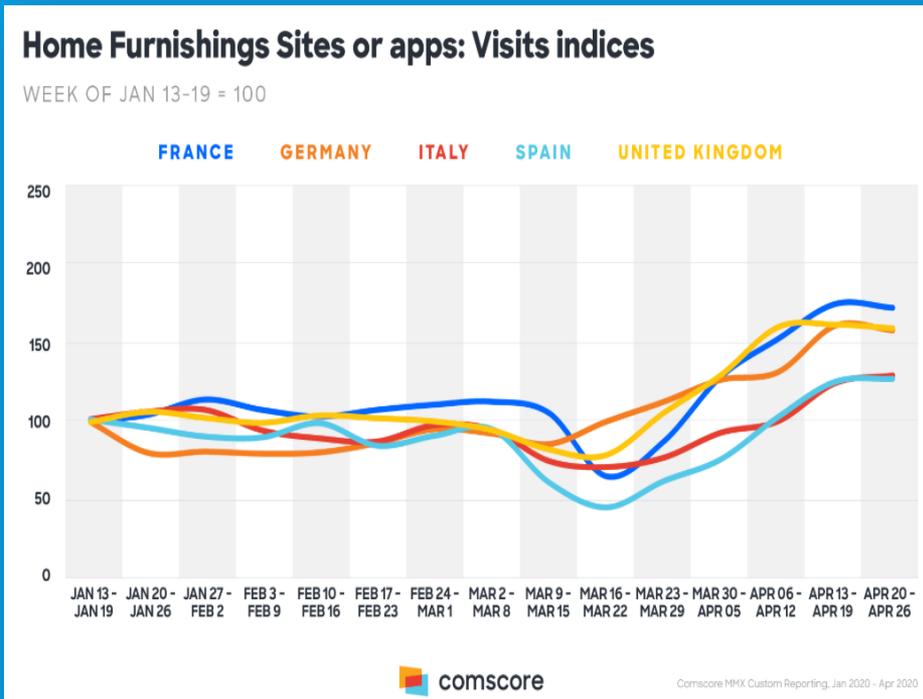


WITHIN RETAIL WE HAVE SEEN SOME BIG CATEGORY SHIFTS...

Most common industry categories among customers with high COVID-19 impact

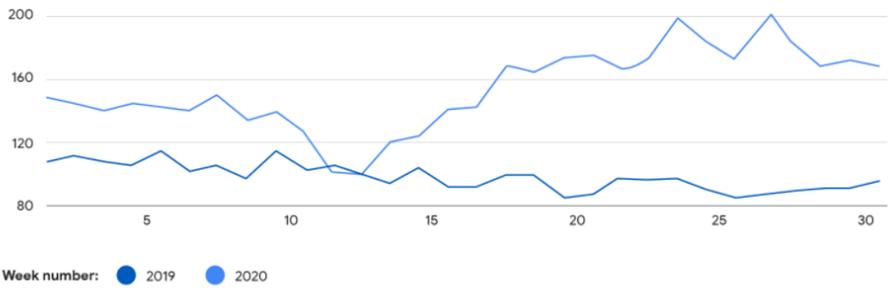


...RETAILERS WHO ARE PRESENT IN 'HOME' CATEGORIES OFTEN WINNERS...

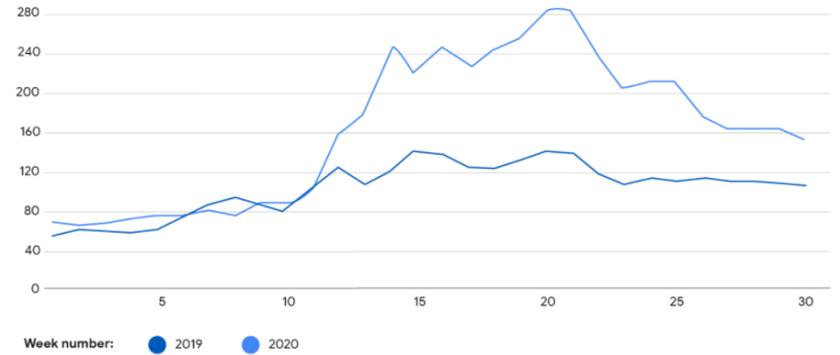


THIS IS CLEARLY VISIBLE IN YEAR ON YEAR CATEGORY TRENDS....

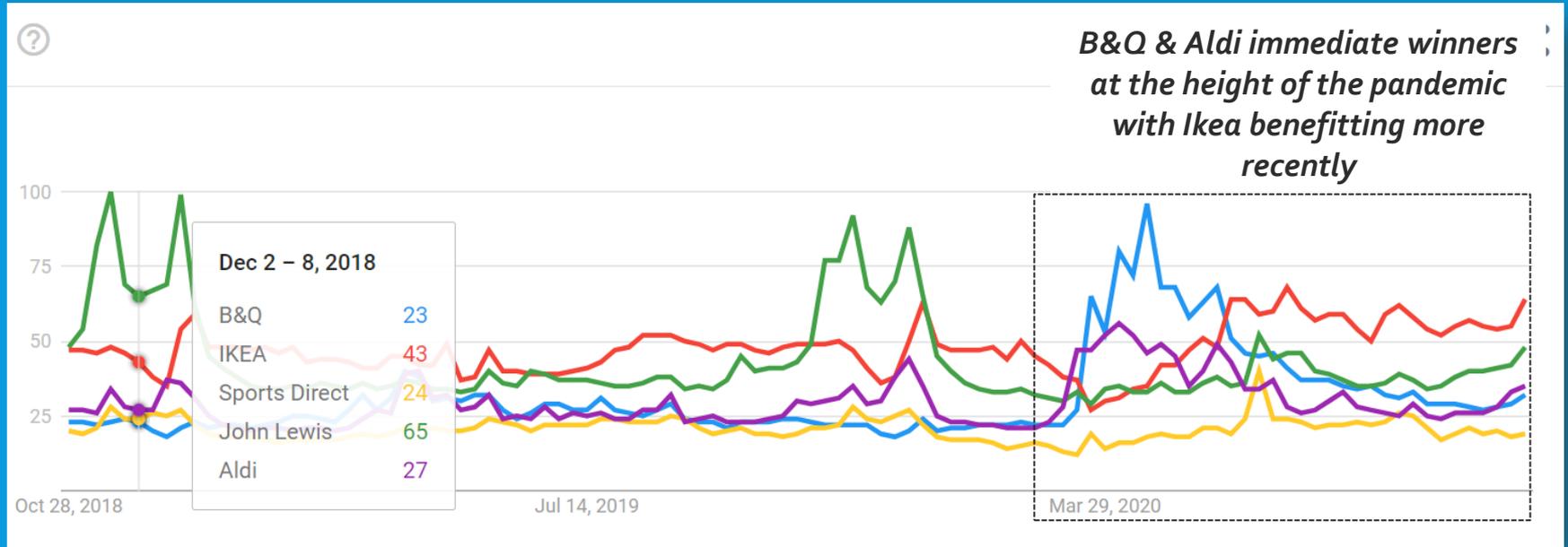
Google Search interest for "Homemaking & Interior Decor" in the U.K



Google Search interest for "Gardening" in the U.K



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



CONTENTS

Online the new normal

Winners in the retail landscape

Consumer trends

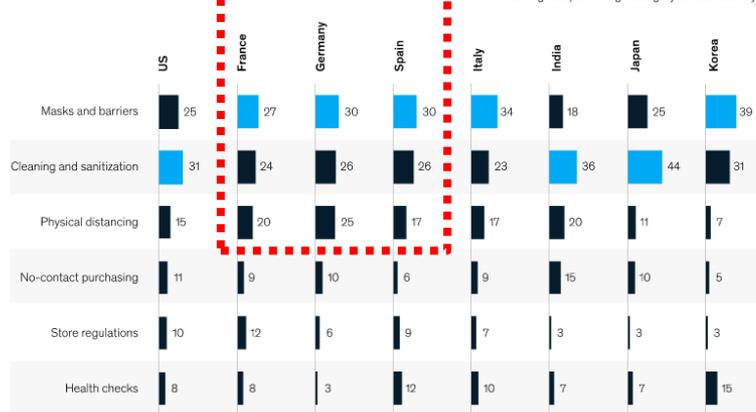
Challenges into 2021 and beyond

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

Consumers are looking for enhanced cleaning and masks or barriers when choosing where to shop in-store.

The most important criteria for consumers as they chose where to shop in-store

% of respondents¹



¹Figures may not sum to 100% because of rounding.

Source: McKinsey & Company COVID-19 Consumer Pulse surveys, conducted globally between May 19 and May 25, 2020

McKinsey
& Company

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;

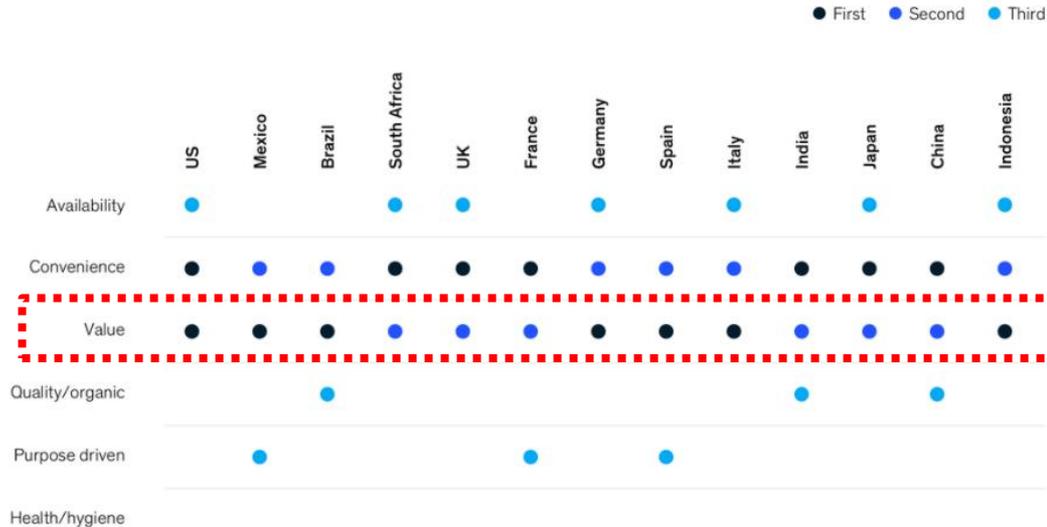
1. Masks & Barriers
2. Cleaning and Sanitisation
3. Physical Distancing

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

Convenience, value, and availability are most often cited as top reasons for shopping at a new retailer across countries

Reason for shopping at a new retailer/store/website in the past three months¹

% of respondents selecting reason in top three

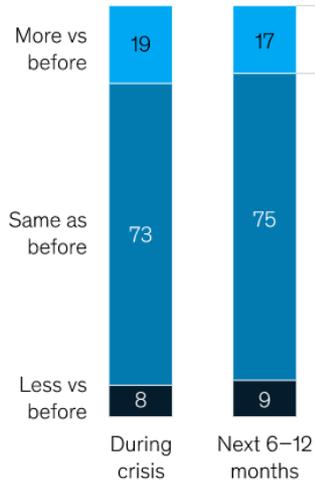


'Convenience' and 'Value' are the main reasons why consumers choose a new store / retailer or Brand

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

Consumer purchase intent during COVID-19 crisis, Sept 2020 results

Intend to buy private labels,¹
% of respondents



Top driver of change,² % of
respondents who intend to buy more



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

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.



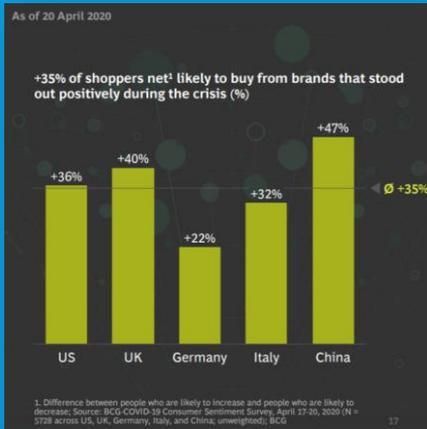
There is a consistent shift to larger pack sizes across categories

13%

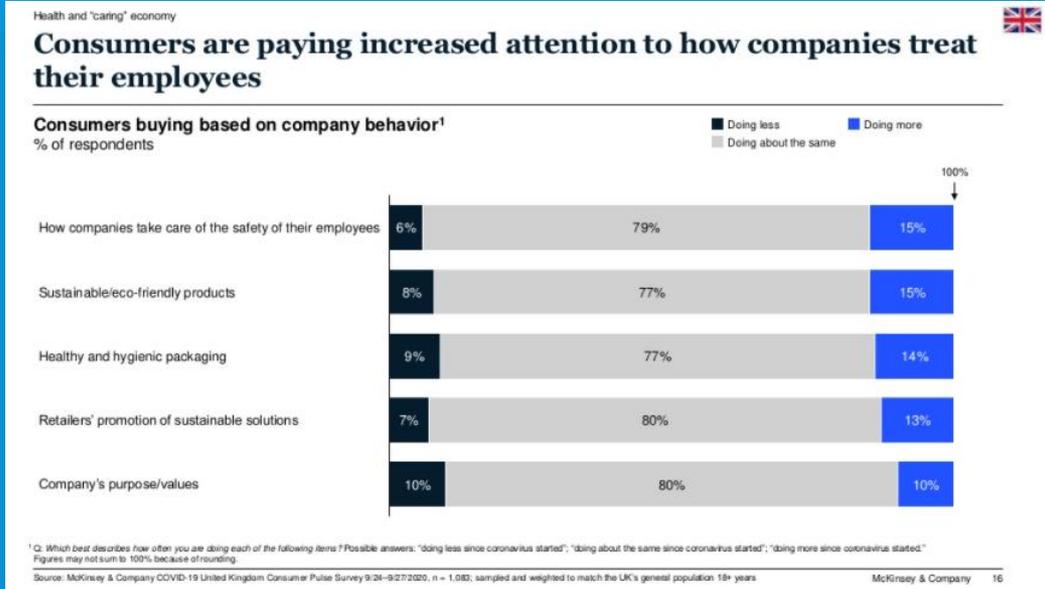
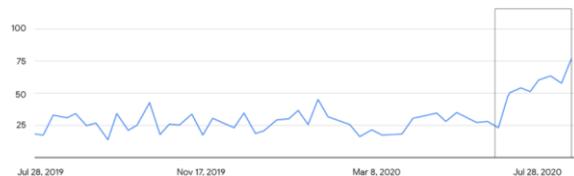
Relative growth of larger packages



POSITIVE ETHICS AND A PERCEPTION OF 'DOING THE RIGHT THING' WILL HELP RETAILERS WIN CUSTOMERS...



Google Search interest for "Ethical brands" in the U.K



CONTENTS

Online the new normal

Winners in the retail landscape

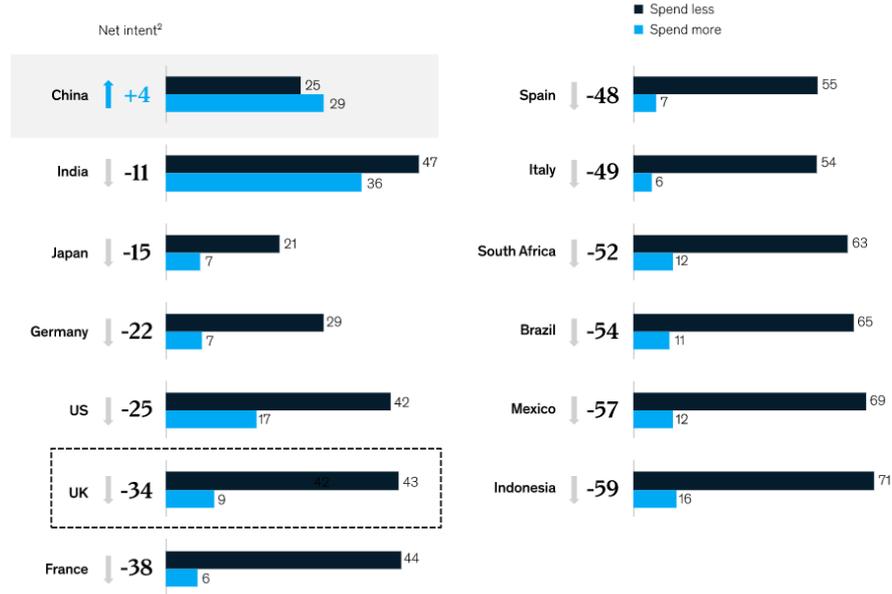
Consumer trends

Challenges into 2021 and beyond

CHRISTMAS IS THE FIRST CHALLENGE FOR RETAILERS...

Consumers in most countries plan to reduce holiday spending except in China.

Holiday shopping spending intent¹
% of respondents



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'

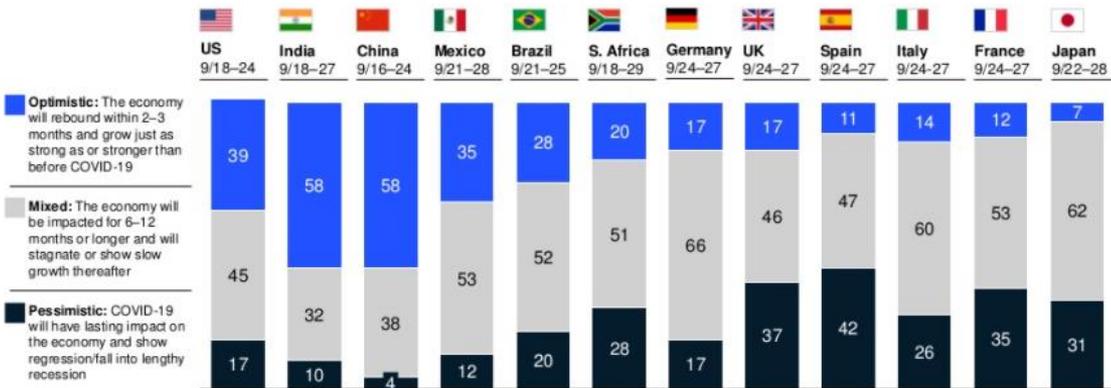
EUROPEANS HAVE A MORE PESSIMISTIC OUTLOOK TO ECONOMIC RECOVERY...

Shift to value and essentials

European countries, and France especially, are among the least optimistic countries

Confidence in own country's economic recovery after COVID-19¹

% of respondents



¹Q: How is your overall confidence level in economic conditions after the COVID-19 situation? Rated from 1 "very optimistic" to 6 "very pessimistic"; bars may not sum to 100% due to rounding.

Source: McKinsey & Company COVID-19 Consumer Pulse Survey

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

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

GDP level forecast¹
EOY 2021 vs. EOY 2019

US 96-100%

Europe 95-99%

China 107-112%

Japan 95-99%

India² 101-108%

Estimated current employment impact⁹

	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**

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**