



Tuesday 23rd June: 6:00pm – 7:00pm CEST:

How Your Shopper is Changing: What You Need to Know

Chris Reid, Executive Vice President, Mastercard

John Ross, CEO, IGA

Moderator: Wai-Chan Chan, The Consumer Goods Forum

This webinar focused on looking at recent trends of consumer behaviour to understand how the COVID-19 pandemic has impacted the shopping experience for both consumers, retailers and brands. The webinar also explored what we can expect to consumers to want and need in the future and how retailers and brands can respond.

Wai-Chan quickly started off the discussion by asking Chris and John about consumer behaviour:

1. *In terms of channel behaviour, how has channel behaviour changed over the past few months? Has it changed based on geography?*

Chris started by explaining how digital spending, or e-commerce, has significantly risen in volume as a result of physical stores being closed, various degrees of quarantines and lockdowns, and consumer preference. This has varied however based on country-level nuances which can be explained both by social norms and by the pace of which COVID-19 impacted the market. Some markets have had interesting results, for example, in the U.S., retail performance in April 2020 was marginally down but e-commerce doubled. From a retail point of view, John explained he has been curious if we can predict how some countries and their markets will respond to the virus based on other markets' responses. He said common patterns have emerged, starting with emotional spending that took form in early panic buying, shelf-clearing, and rapid stock ups. E-commerce growth has been rapid early on and, in general, sustained. John also pointed out that the patterns can be nuanced between rural and urban stores within the same national markets.

2. *Given where China is in the lifecycle of the pandemic, has that e-commerce behaviour stuck or has it changed?*

With his company's Chinese headquarters based in Wuhan, John first responded by explaining how China looks like it's back to work. Everyday life has resumed for the most part, though food shopping is not as normal. Still, traditional and e-commerce sales are up. E-commerce



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transactions have changed from first to panic-buying, to normal full-basket shopping, to fill-in purchases. As time goes on, he predicts that 30% of e-commerce consumers will stay solely as e-commerce shoppers, while the others will experience a mix of returning to retail stores and using both traditional and e-commerce. Chris expressed a similar sentiment and pointed out that while e-commerce has experienced significant growth, corporate research showed a significant majority of consumers are missing the physical experience of going to a grocery store, especially local stores, and the number one thing people want to do when quarantines are lifted is make longer and more frequent trips to the grocery store.

3. *How has category mix – areas of spending – changed over time?*

John first gave his insight on the Chinese market. During the first four weeks of the outbreak in December 2019, they saw the same behaviour that other markets would then exhibit as the virus spread. This took the form panic-buying which saw household cleaning products and pantry items fly off shelves as people worried they would not have access to cleaning materials or food. Now as the timeline of the virus moves forward, we see consumers change their behaviour to more calm shopping in grocery stores as they gain confidence that they can shop for food in-person themselves safely, and that they will have steady access to food. The opening of restaurants will also help consumers have access to food, but since they have been closed during quarantines and some consumers are still afraid to go out to eat, consumers have had to spend much more time and effort on cooking all of their meals at home for themselves. As a result, grocery stores have continued to experience strong sales, which is beneficial in off-setting some of the losses from in-store restaurant-like experiences such as salad bars. Alcohol sales have also sustained high growth. E-commerce tickets also have shifted from fill-in purchases to full-basket purchases.

Chris also pointed out that three categories of spending have seen significant growth during the pandemic: groceries, home improvement, and furniture. Home improvement and furniture purchases can be partly explained by people being at home for longer periods of time and needing to adjust to lockdown. IKEA, for example, is experiencing high demand now from consumers. Chris said that spending in other categories has changed based on access and availability; travel and department store shopping have experienced significant loss in demand. The jewellery trade has well, though Chris said industry leaders are hopeful it will pick back up as consumers shift spending from some categories, like travel, to others, like jewellery. Clothing has experienced a drop in demand but will likely pick up again as seasons change. The overall trend is seeing people shift priority in where they want to spend money.

4. *Is there any difference in category spending by segment of consumer?*



John pointed out the distinction between two types of consumers during this time. The first he said is the white-collar consumer who is working from home, inconvenienced by the lockdown but not in financial or personal distress. These consumers are experiencing what he calls the “joy of cooking” effect and are finding the time spent in lockdown to be creative with their purchases and cooking. In contrast, John explained that for low-income and/or unemployed consumers, the pandemic has caused significant financial stress. The situation is especially more difficult for shoppers who depend on retailer-issued coupons and discounts, which many stores are not offering as much given their own financial struggles.

5. What may the future look like? Can we see any categories of spending growing?

Chris explained that this is an emotional time for consumers and that will play into their behaviours. Consumers will be more likely to come back to a physical store once it has reopened if they are confident the store is health-conscious and taking the necessary measures to keep people safe. John explained that shopper sentiment has also swung towards local chains and farmers markets, a trend we saw gain momentum before the pandemic, but with the advent of COVID people not only want to support their local economies but also shorten the supply chain for foods and eat more fresh produce. This has also been an educational process for shoppers who have had to spend more time preparing their own meals and are now more conscious of eating healthy and taking charge of their health. John also said we don’t know yet what the in-store meal experience like salad bars will look like in grocery stores, but expects the technology and model will evolve to offer these services differently but build on the growing digital relationship between the consumer and the retailer. If the retailer is able to provide services as a “one-stop-shop” for consumers who feel confident in the retailer, that will build trust between the two. Chris also explained this is how consumers become habitual shoppers with a specific retailer.

6. *On the topic of loyalty, are there any other things the consumer will want in the future? Will they want cashless transactions, curb-side pick-up, or anything else?*

John stressed the consumer will expect efficiency, particularly when it comes to stock, and mature customer service. It will be essential to understand that the consumer’s wants for efficiency, speed and safety are the same in-store and on e-commerce. The digital experience will be just an extension of the in-person experience. Retailers will have to rethink some services to offer them in a way to meet the shopper demands.

7. *For brands, what is the new COVID reality for brands and manufacturers?*

John expressed pride in the industry about how well brand infrastructure has held up. Given the unexpected nature of the pandemic, many brands had switch gears quickly to meet demands for



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certain products or stop production on others. In this sense John expressed that the pandemic is a gift if sorts in that it is really making the industry think harder about opportunities for collaboration and efficiency. For example, consumers have been showing a strong willingness to substitute for one item that they regularly buy, but may be out of stock, for the same item made by a different brand. John suggests this is an example of how brands can streamline and collaborate. Chris echoed this thought, and emphasized that brands that are doing well during this time are focus on their customers' needs and take the time to understand the communities that they serve. He said the focus of brands should be offering solutions to consumers to take stress out of their lives.

8. *Sustainability is a big part of the CGF and the work it does. Do you see any change in how consumers view sustainability after the pandemic?*

John pointed out that for low-income shoppers, their immediate needs take larger precedence compared to more macro needs for sustainable shopping. Their primary concern is being able to feed their families and have access to necessities. More affluent shoppers are therefore in a different position to think about the sustainability of their products. Measuring confidence and fear is important in this aspect. Confident shoppers are willing to experiment with their purchases and think about different ways of shopping and fearful shoppers are those two rely on time-tested products that may be produced less sustainably. Boosting confidence in this manner is essential. Chris said the obligation to sustainability has not changed and is maybe stronger than ever before. Based on his consumer sentiment research, people's concerns at the moment are first focused on the pandemic, then the economy, then their family, and finally the environment. Chris also discussed how consumers are moving to focus more locally, creating sustainable ways of living on the local level.

9. *Do you see anything different happening in the recession that will come as a result of the pandemic?*

John expressed that while the recovery process is less sure on a national level, retailers stepped up during the pandemic to offer leadership. The celebration of grocery store workers as heroic highlights how retailers, like grocery stores, have worked hard to create safe environments for their workers and consumers, which has brought them a lot of credibility. Chris emphasized the local dynamic will be critical as communities recover from the pandemic. He also has seen consumer spending rebound in an optimistic manner but it depends on how countries open up from lockdowns. John followed up and stressed that the retailers will have to adapt to meet all consumers needs, for example by offering discounts and investing in new technologies.

10. *At the CGF, given the context of the pandemic, do you see the CGF's Coalitions of Action progressing at a high speed?*



All of the coalitions and their commitments are critical, said John. He said that the industry needs to figure out how to allocate its more limited resources to be able to meet the commitments the Coalitions laid out. He is encouraged by the high-level leadership at the CGF which can drive strong change. Chris said that now more than ever, consumers are looking for companies to deliver on their promises. They are accepting of progress, even if it is slow, but they want to see action and progress.