

TO SHOP OR NOT TO SHOP

The Shift of Consumerism During
The Current Global Pandemic

MRM

4.3.2020

COMMERCE AND COVID-19

Like always, people need stuff (or may just want stuff). The question today is: how are we getting what we need or want in times of social distancing, quarantine or plain isolation?

Since the spread of COVID-19, life has changed dramatically. After so many “what-to-stock-up-on-during-Corona-virus” articles, and so much panic-buying toilet paper, looking ahead, Kantar predicts that from mid-April to May people will start cutting back instead of stocking-up. And, from May to June retail inventories will hurt from delayed global shipments.

But, as the number of Americans filing for unemployment benefits recently surged to a record high, Walmart Inc. has taken on 25,000 new employees, and pledged to hire 150,000 hourly workers to keep its shelves stocked and checkouts staffed during the coronavirus pandemic. And they are not alone. Hundreds of thousands of job openings are opening up across the country as certain industries are challenged to keep up with shifting consumer behavior. In other words, people are changing the way in which they go about getting stuff. And this is happening at large scale.

HOW WE BUY

WHERE WE BUY

WHAT WE BUY

WHEN WE BUY

This perspective takes a look into the immediate impacts of this global pandemic on commerce as we know it.

HOW WE BUY: UNEXPECTED TRAFFIC PATTERNS WITH DIGITAL DRIVING FOOT TRAFFIC

- ▶ The pandemic brought a surge in purchases of food and supplies. As inventory depleted, high-demand products saw purchase limits, and the shift to online-purchasing began with a blend of online and in-store purchasing. Online stock shortages, delayed delivery times and strong “pick-up instore” inventory levels flipped web traffic to foot traffic for in-store purchases of products deemed immediately necessary. Communities with government mandated stay-at-home or shelter-in-place orders are seeing less of a traffic mix and more purchases completed online. According to Kantar, recent retail and delivery mobile app downloads have skyrocketed, demonstrative of full purchase cycles happening online.

E-tailers must take into consideration the in-person customer journey when replicating it online.

The In-Person Experience

- Walk into a physical brick-and-mortar store
- Be greeted by a salesperson
- Browse through strategically merchandised displays
- Easy checkout with live support if needed
- Personal encouragement to provide feedback on the product and experience

The Online Equivalent

- Personalized welcome messages upon website entry
- Live-chat assistance
- Proper merchandising of high-demand products across the website for easy access
- Multiple payment method options
- Encouraged feedback and interaction via emails and social media

Consistent branding and messaging throughout these touchpoints will nurture emotional connections with consumers, instigating brand loyalty.

The usual traffic pattern of in-store browsing to online purchasing has flipped to online browsing with in-store purchasing of “immediately necessary” products.

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WHERE WE BUY: MARKETPLACE IS UNDERPERFORMING

Amazon broke the commerce mold 20 years ago. Today we are seeing unexpected decreases in marketplace consumption of high-demand products/supplies and an increase in these sales directly through brands and e-tailers.

Consumers are purchasing from brands they trust and brands pledging philanthropy. Brand loyal consumers have stronger average lifetime values than non-loyal customers. Over the last month, grocery, home and health are priority categories that experiences the highest growth. Kantar recognizes 817% increase in hand sanitizer, gloves, masks and anti-bacterial sprays, 198% increase in cough, cold and flu medications, 152% lift in pain reliever sales, and toilet paper sales up 186%. These numbers have been reflected on more e-tailers websites than marketplaces.

According to The Verge, Marketplaces have been performing supplier audits and removing products from websites because of illegal price gauging and false messaging about products ability to treat or heal COVID-19

Strategies to Get Ahead

DTC Test-and-Learn

- CPG companies embarking on direct-to-consumer test-and-learn initiatives for household brands are at an advantage. Brand loyal consumers are likely to shop DTC, even if that means placing multiple orders.

Pledge Philanthropy

- Consumers are drawn to purchase from business pledging philanthropic efforts such as those donating proceed percentages to local charities and those shifting production lines to manufacture PPE (personal protective equipment).

“Amazon sales should seemingly be soaring during the coronavirus crisis, amid panic buying and shelter-in-place orders, but web traffic measures show the e-commerce giant’s overall visits flat or growing slower than other major multi-line retailers in recent weeks”

- AdAge

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WHAT WE BUY: STOCKING UP TO END, CUTTING BACK TO BEGIN

Experts are predicting slowdowns in purchasing and consumers shift from stocking-up to cutting-back.

According to Kantar, from Mid-April through May we will see consumers cutting back on purchasing. When this ends, consumerism will shift again. Deferred credit card, rent and insurance payments will have to be made. Free trials from technology services like Wifi and cable networks will end. Debt collectors will be back at work. The availability of liquid cash for rationing purchases will diminish for many families. Businesses will have to readjust supply chains and inventory management.

Category shifts in purchasing trends are inevitable. Walmart is already reporting increased tops sales due to video conferencing. Department stores are heavily promoting comfort wear and “cozy” home essentials. Workout apparel and at home gym equipment (Mirror, Peleton) are also seeing increased sales.

Industry Analysis

According to Forbes:

- The US textile and apparel industry has a long road ahead
- Luxury goods will bounce back thanks to emotional purchasing but luxury consumers once the threat of the virus subsides
- Foot traffic will slowly return to stores and malls
- Retail technology solutions will enable businesses to get back online faster

Walmart has confirmed increased sales in the tops apparel category, but not in bottoms. This is attributed to the influx of virtual conferencing as people adapt to working at home.

- CNN

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WHEN WE BUY: DESIGNATED SHOPPING HOURS AND SUBSCRIPTION SERVICES

Essential stores have designated specific shopping hours for seniors and high-risk consumers. Store openings are met with long lines of people waiting to enter during regular opening hours. Subscription sales are growing.

It's not only the elderly shopping in early morning hours. Business Insider interviewed Target employees for their insider tips on how to shop at Target right now. The number one tip is to shop in the earliest 2-3 hours that stores are open in the morning (with respect to elderly hours).

Social distancing has forced stores to limit store capacities for one-in-one-out entry policies. Gone are the days of stopping into the store because it fits the consumer's schedules. Here are the days of strategically going to the store after confirming via phone or internet that the one-in-one-out line is not too long and that

the store has inventory you are looking for. These actions all impact when people buy. In this new wave of consumer inventory monitoring, those with transparent communication and inventory updates will survive.

Aside from online shopping, we are seeing a rise in subscriptions. Nielsen notes that four in ten people already use a subscription-based service, and in the next two years another 36% said that they would consider using one. Subscription services span across all industries and verticals. Because society has moved indoors, Nielsen predicts two things: the 36% that indicated that they would try a subscription service in the next two years will adopt one much earlier, and that this new consumer purchasing habit is here to stay.

“The early bird gets the worm”

**- Target Employee,
Business Insider**

Subscriptions offer a great way for consumers to personalize their own user journeys by choosing what they want, when they want it.

WHAT'S NEXT?

When this is behind us, we will be living in a new normal:

- There will be a higher reliance on online sales and subscription services
- Hand sanitizer, mask and gloves sales will remain strong
- Consumer traffic patterns will mimic real time inventory

Perhaps...

- Elderly will always have early designated shopping hours.
- In 30 years we will put on virtual reality headsets for mimicked shopping aisle browsing experiences.

At McCann Worldgroup, we will continue to observe these changes to best serve and advise our clients to fuel success for generations to come. ■

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