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ANNEX 1

A global view of how consumer behavior is changing amid COVID-19

Discussion document

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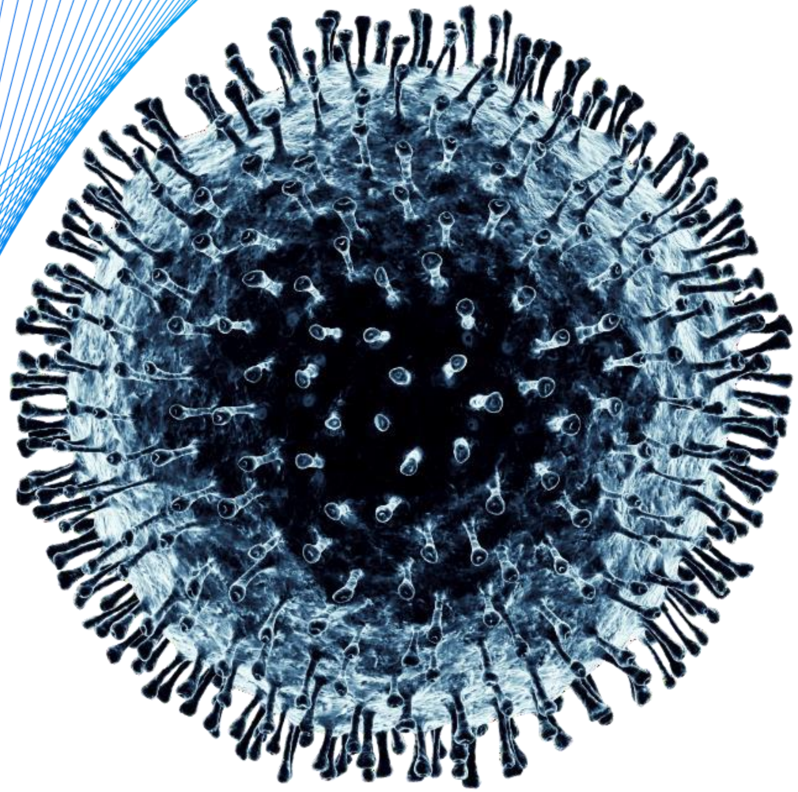
Nidhi Arora, Tamara Charm, Anne Grimmelt, Mianne Ortega,
Kelsey Robinson, Christina Sexauer, Yvonne Staack,
Scott Whitehead, Naomi Yamakawa

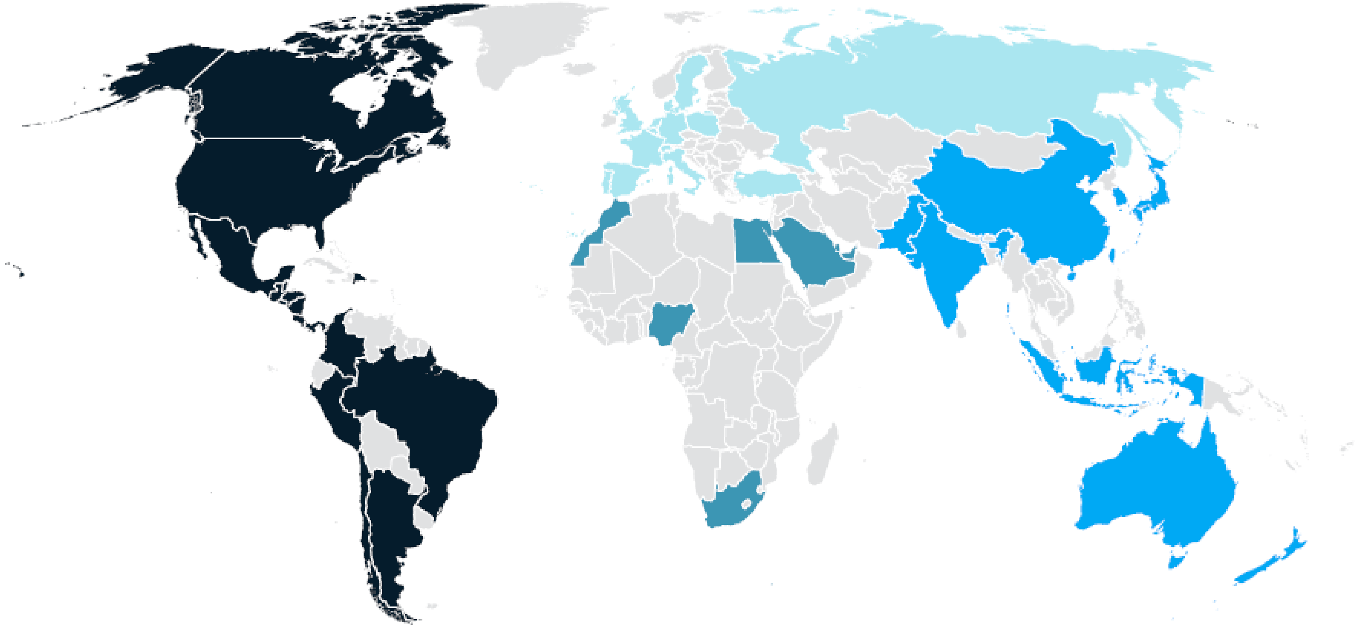


COVID-19 is first and foremost a global humanitarian challenge. Thousands of health professionals are heroically battling the virus, putting their own lives at risk. Governments and industry are working together to understand and address the challenge, support victims and their families and communities, and search for treatments and a vaccine.

Solving the humanitarian challenge is, of course, priority #1. Much remains to be done globally to respond and recover, from counting the humanitarian costs of the virus, to supporting the victims and families, to finding a vaccine.

This document is meant to help with a narrower goal: provide facts and insights during the current COVID-19 situation. In addition to the humanitarian challenge, there are implications for the wider economy, businesses, and employment. This document includes consumer insights from surveys conducted globally between June 16 and June 21, 2020.

We are tracking consumer sentiment across 45 countries



AMERICAS

- Argentina
- Brazil
- Dominican Republic
- Guatemala
- Belize
- Honduras
- El Salvador
- Nicaragua
- Costa Rica
- Panama
- Canada
- Chile
- Colombia
- Mexico
- Peru
- USA

APAC

- Australia
- China
- India
- Indonesia
- Japan
- New Zealand
- Pakistan
- South Korea

EUROPE

- Belgium
- Denmark
- France
- Germany
- Italy
- Netherlands
- Poland
- Portugal
- Russia
- Spain
- Sweden
- Switzerland
- Turkey
- UK

AFRICA AND MIDDLE EAST

- Egypt
- Morocco
- Nigeria
- Saudi Arabia
- South Africa
- Qatar
- United Arab Emirates

The boundaries and names shown on this map do not imply official endorsement or acceptance by McKinsey & Company

COVID-19 has affected consumer behavior in five key ways, some of which will have a lasting impact

Shift to value and essentials

- Many consumers globally are continuing to see their incomes fall and optimism in an economic recovery hasn’t seen a resurgence
- Consumers are more mindful of their spending and trading down, as they expect COVID-19’s impact to last four-plus months
- Consumers intend to shift their spending largely to essentials, such as grocery and household supplies, and cut back on discretionary categories

Flight to digital and omnichannel

- Most categories have seen more than 10 percent growth in their online customer base during the pandemic—and many consumers say they plan to continue shopping online even when brick-and-mortar stores reopen
- In markets that had high online conversion rates before the pandemic (e.g., UK and the US), e-commerce continues to grow across all categories

Shock to loyalty

- For certain products and brands, COVID-19 caused supply-chain disruptions, leading consumers who couldn’t find their preferred product at their preferred retailer to change their shopping behavior, including trying different brands and stores
- Across the globe, value was the main driver for consumers trying a new brand or place to shop

Health and “caring” economy

- Across countries, survey respondents say they buy more from companies that have healthy and hygienic packaging and care for their employees
- The actions that businesses take during this pandemic are likely to be remembered for the long-term

Homebody economy

- In most countries, more than 70 percent of consumers don’t yet feel comfortable resuming their “normal” out-of-home activities
- While many consumers plan to go out for grocery shopping and socializing with friends, they are staying away from travel and crowded spaces

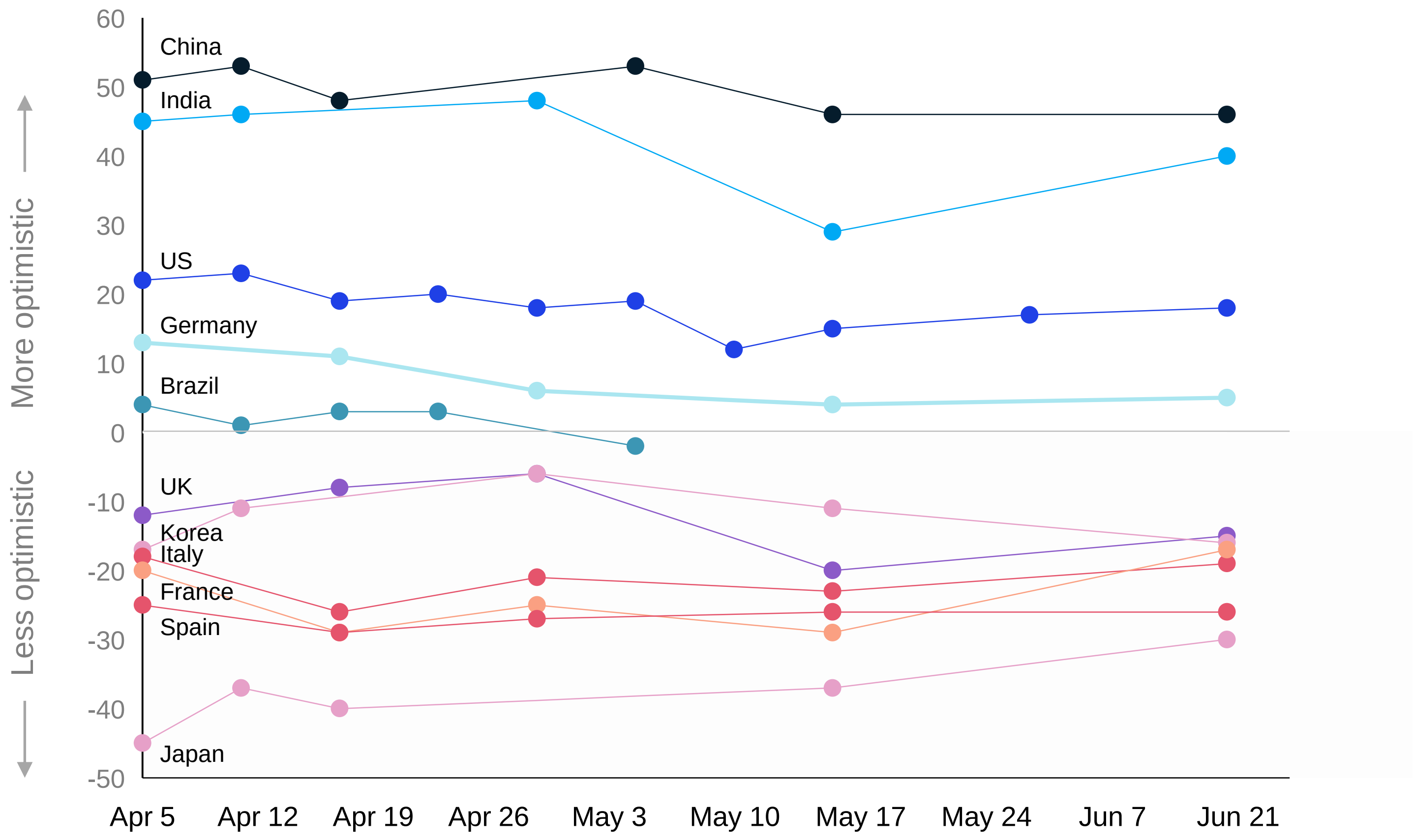
While these changes in consumer behavior hold overall, there are variations in every country.

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between May 15 and June 21, 2020

While optimism varies by country, it has not seen a resurgence

Optimism about own country's economic recovery after COVID-19[1]

Net optimism %[2]



China, India, and the US remain the most optimistic countries even as their optimism fluctuates across weeks

Most European countries, as well as Korea and Japan, have more consumers who are pessimistic about an economic recovery

India, France, and the UK experienced sharp upticks in June, following recent declines in May

[1] Q: *How is your overall confidence level on economic conditions after the COVID-19 situation?* Rated from 1 "very optimistic" to 6 "very pessimistic."

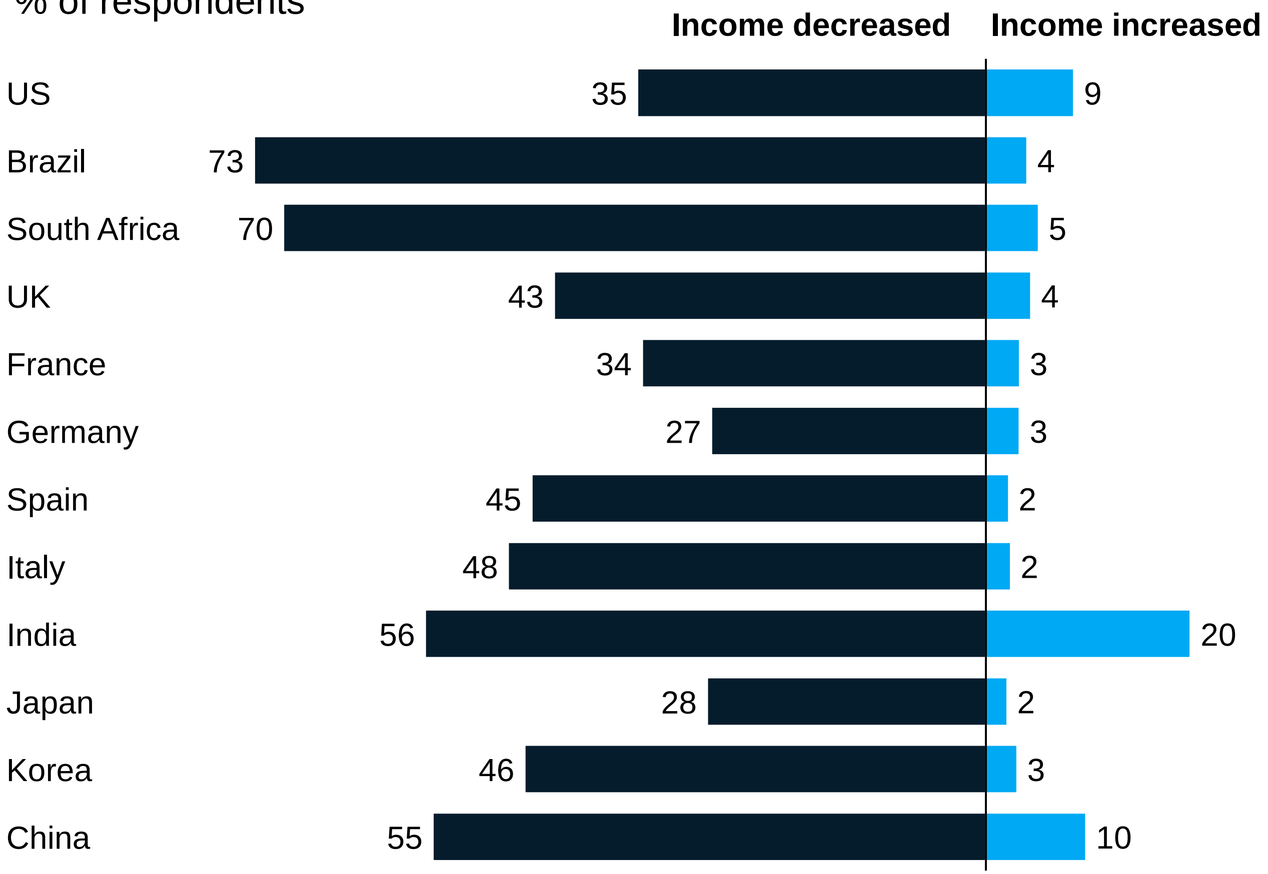
[2] Net optimism is calculated by subtracting the percent of respondents who answered 5 "pessimistic" and 6 "very pessimistic" from the percent of respondents who answered 1 "very optimistic" and 2 "optimistic."

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between March 15 and June 21, 2020

Consumers globally have experienced a decrease in income in the past two weeks

Respondents who experienced a decrease vs increase in income over the past two weeks[1]

% of respondents



Although global consumers are experiencing a decrease in income, the depth of income loss varies significantly across countries

Consumers' income has been impacted most in Brazil, South Africa, and India

Even in China, where many consumers are back at work, 55 percent still report a decrease in income

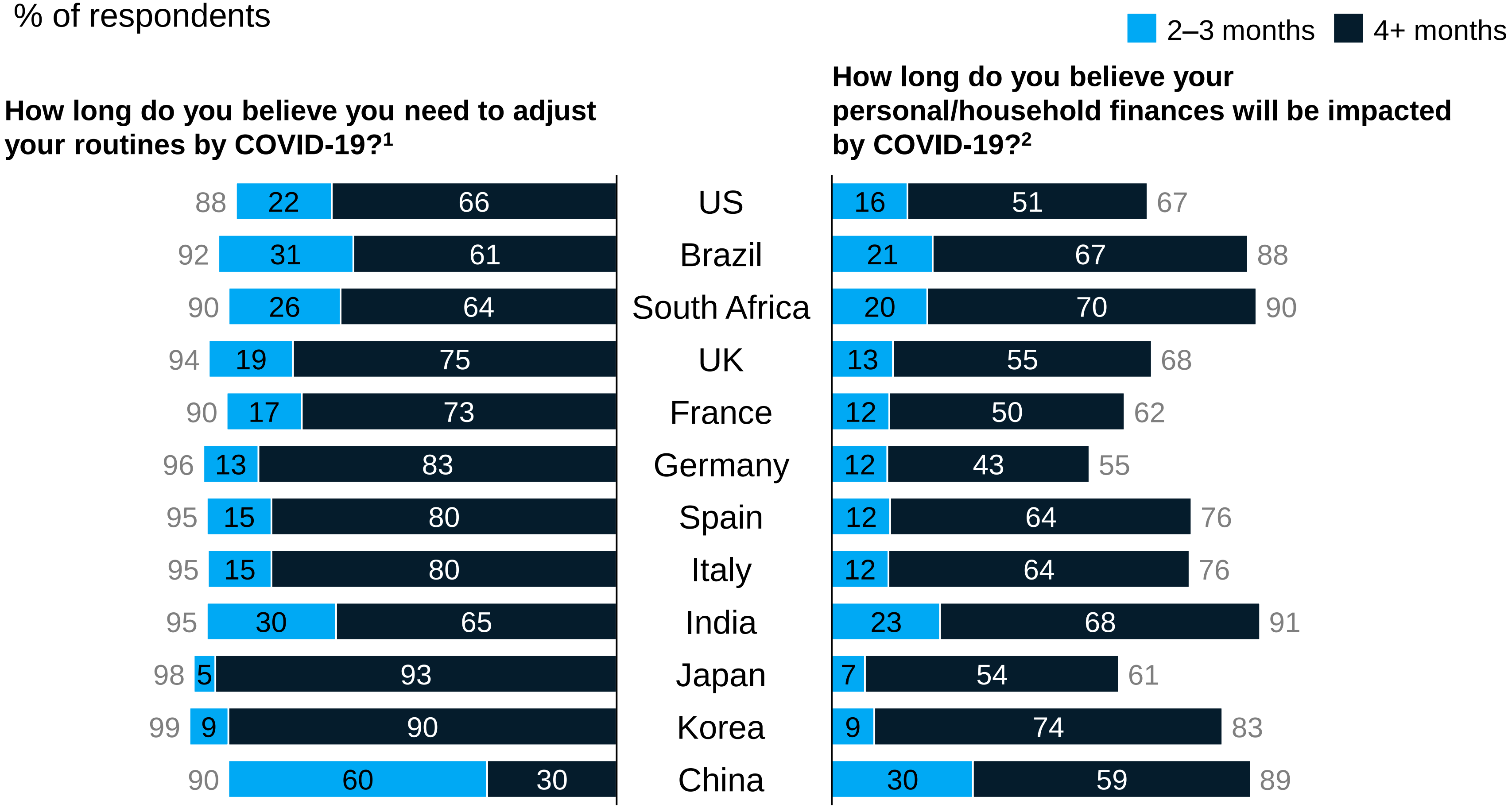
1 Q: *How has the coronavirus (COVID-19) situation affected your (household) income over the past two weeks?*

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020; source of data for South Africa and Brazil was from McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted between May 15 and May 25, 2020

Most consumers outside China believe a return to normal will take more than four months

Respondents' belief about the time it will take to return to normal

% of respondents



The majority of global consumers, excluding those in China, expect COVID-19 to impact their routines for 4+ months

While most Chinese consumers expect impact to their routines to last for 2-3 months more, they expect their finances to be impacted for longer

Many consumers, particularly in Germany, France, Japan, and the US, expect their finances to recover more quickly than their routines

[1] Q: *How long do you believe you need to adjust your routines, given the current coronavirus (COVID-19) situation, before things return back to normal in your country (e.g., government lifts restrictions on events/travel)?*

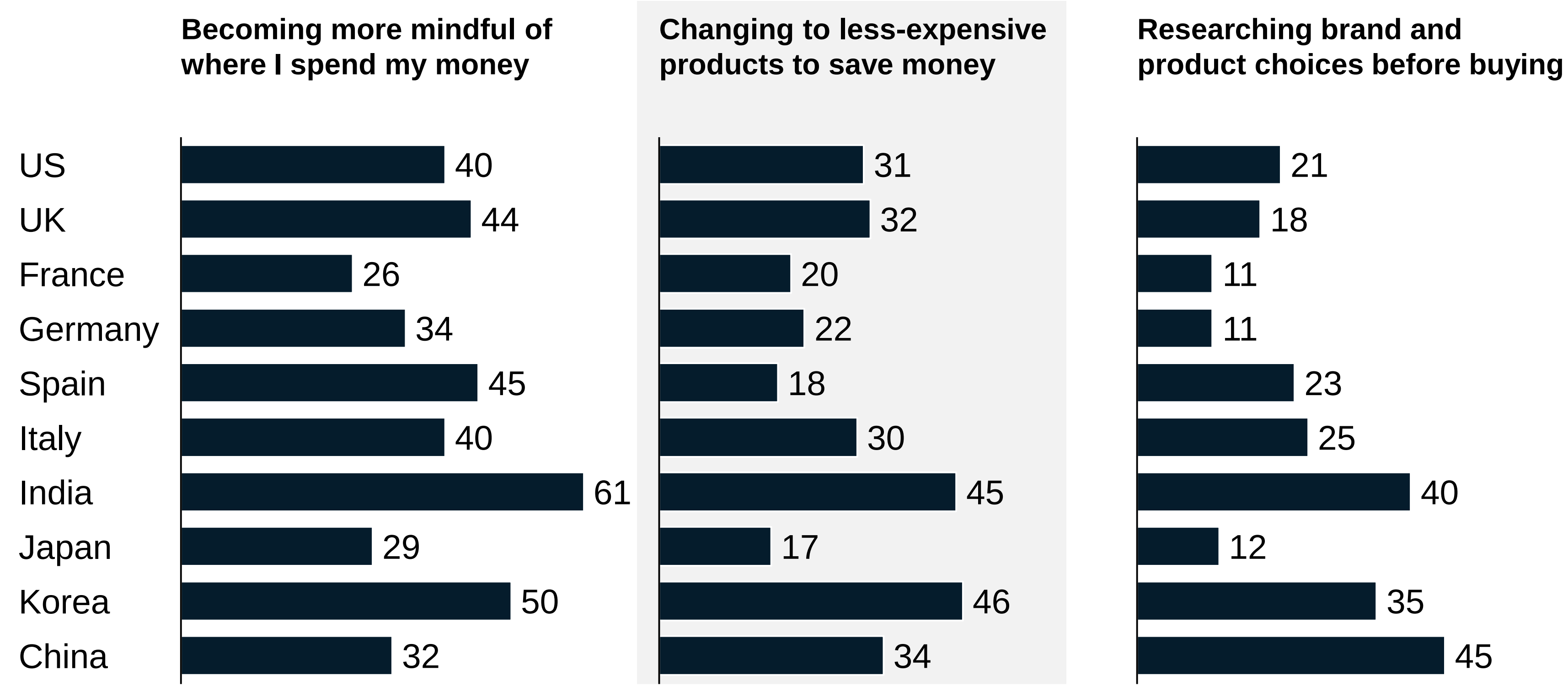
[2] Q: *How long do you believe your personal/household finances will be impacted by the coronavirus (COVID-19) situation?*

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020; source of data for South Africa and Brazil was from McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted between May 15 and May 25, 2020

Consumers have shifted to more mindful shopping, with some trading down for value

Change in shopping mindset since COVID-19[1]

% of respondents who are doing more of stated activity[2]



- Many consumers agree that they are being more mindful of where they are spending their money, especially those in India and Korea

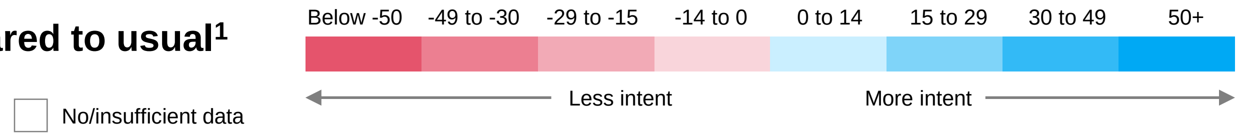
The mindset shift can be seen in habits such as trading down and researching brands before making purchases in India, Korea, and China

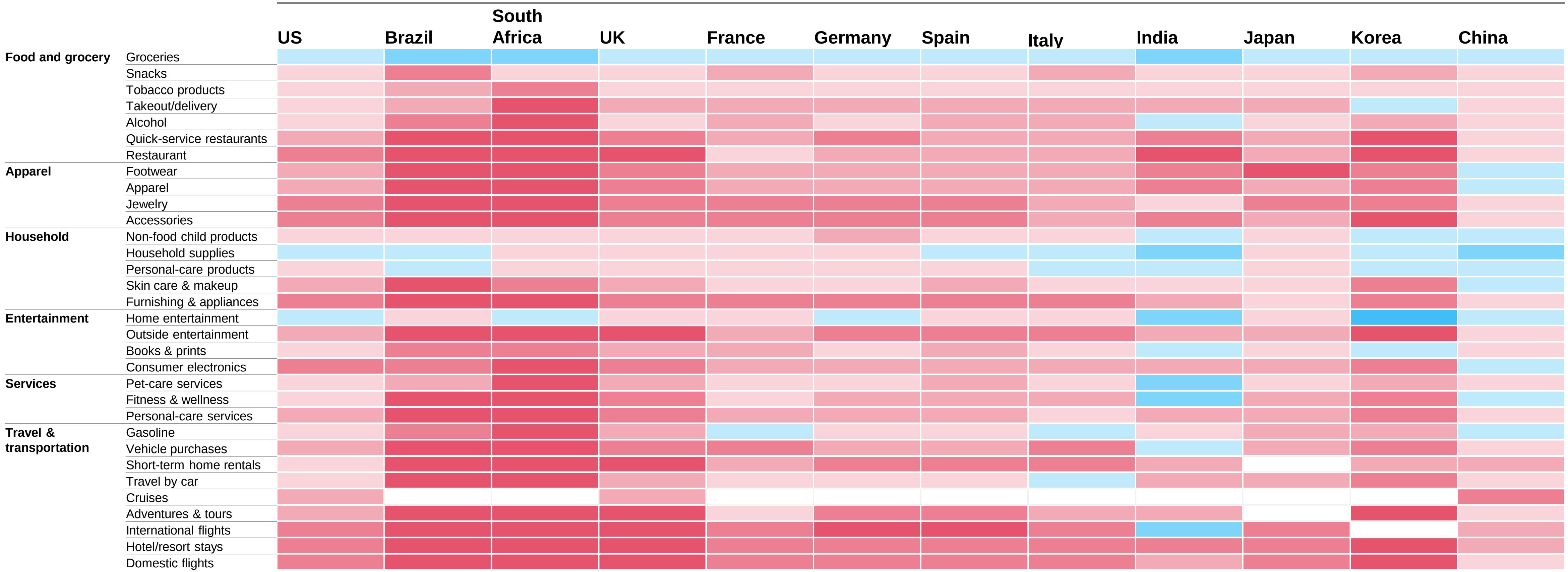
[1] Q: "*Which best describes how often you are doing each of the following items?*" Possible answers: "doing less since coronavirus started"; "doing about the same since coronavirus started"; "doing more since coronavirus started."
[2] Percent of respondents who answered that they are doing more of stated activity since COVID-19 started.

Source: McKinsey & Company COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020

Consumers continue to concentrate their spending on essentials, though Asia is seeing some categories move to a positive intent

Expected spending per category over the next 2 weeks compared to usual[1]
Net intent[2]





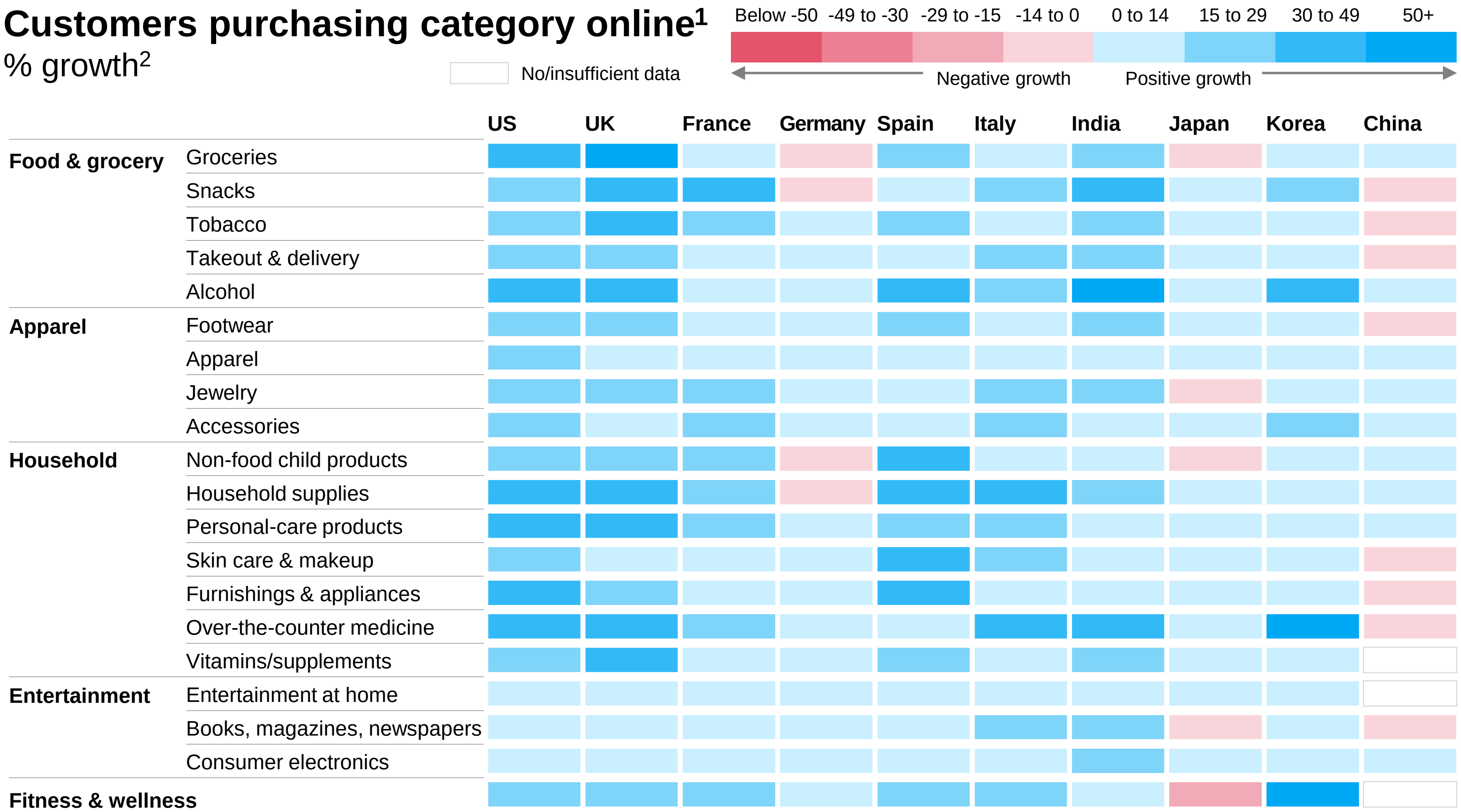
[1] Q: *Over the next two weeks do you expect that you will spend more, about the same or less money on the following categories than usual?*
[2] Net intent is calculated by subtracting the percent of respondents who indicate they will decrease spending from the percent of respondents who indicate they will increase spending.

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020; source for South Africa and Brazil is McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted between May 15 and May 25, 2020

More people expect to make a portion of their purchases online post-COVID-19 than before

Customers purchasing category online[1]

% growth[2]



[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?* 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?* Possible answers: “didn't purchase online”; “some online”; “most online”; and “all online.”

[2] Percent growth is calculated by subtracting the pre-COVID-19 percentages from post-COVID-19 percentages and dividing by pre-COVID-19 percentages of respondents selecting “some online”; “most online”; and “all online.”

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020

The US and most European countries see the maximum growth in consumers who intend to continue using online channels even after the crisis ends

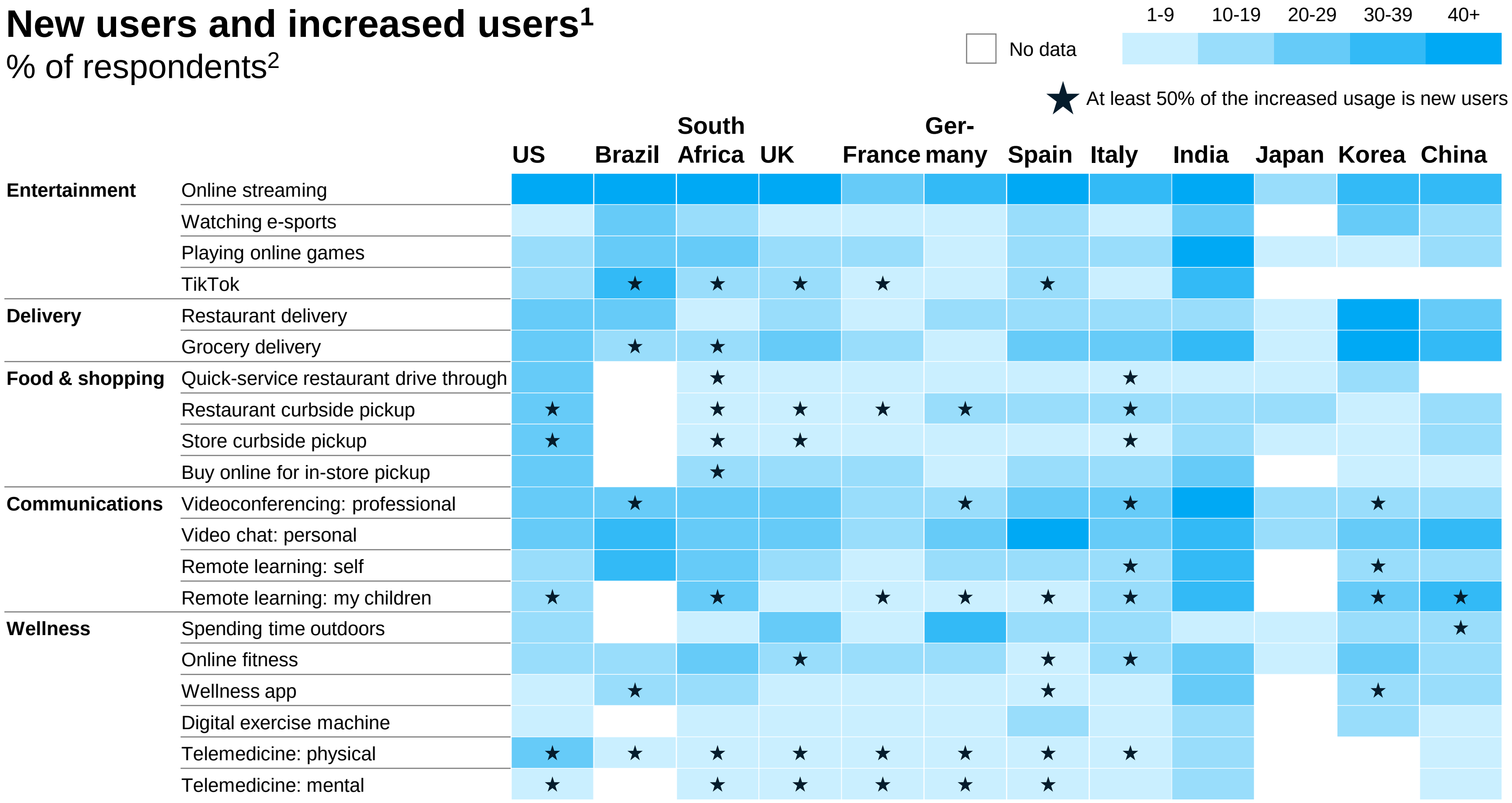
A similar proportion of consumers in China expect to buy online after COVID-19, however they say they will increase share of wallet spent online

Alcohol and Over-the-counter medicine are categories where consumer intent to switch to online purchasing is highest across countries

Consumers are also increasing adoption of digital and low-contact services

New users and increased users[1]

% of respondents[2]



As consumers adapt to the restrictions, many have picked up and intensified digital and low-touch habits such as online streaming, curbside pickup, online fitness and video chats

Global consumers have replaced some of the in-person aspects of their work and healthcare with solutions such as professional videoconferencing and telemedicine

1 Q: *Have you used or done any of the following since the COVID-19 situation started? If yes, Q: Which best describes when you have done or used each of these items?* Possible answers: "just started using since COVID-19 started"; "using more since COVID-19 started"; "using about the same since COVID-19 started"; "using less since COVID-19 started."

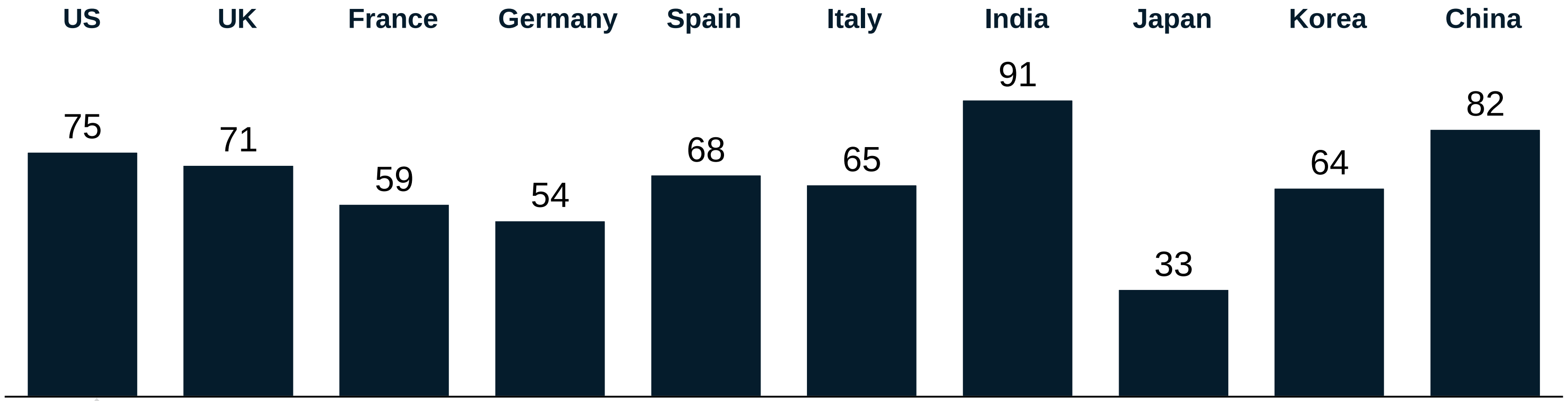
2 % of respondents is calculated by adding percent of all respondents who are new to the activity and percent of respondents who have increased their use since COVID-19 started.

3 For Brazil, the data for "Remote learning: self" and "Remote learning: my children" were combined and asked as one question in the survey; combined result is shown in the former.

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020; source of data for South Africa and Brazil was from McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted between May 15 and May 25, 2020

More than 60 percent of global consumers have changed their shopping behavior

Customers who have tried new shopping behaviors since COVID-19[1]
% of respondents



73%–80% intend to continue their adopted behavior

65%–85% intend to continue their adopted behavior

When consumers couldn’t find their preferred product at their preferred retailer, they changed their shopping behavior: many consumers have tried a different brand or shopped at a different retailer during the crisis

In the US and China, more than 75 percent of consumers have tried a new shopping method, while in Japan, where lockdowns were less strict, the comparative number is 33 percent

[1] Q: *Since the coronavirus (COVID-19) situation started (i.e., in the past ~3 months), which of the following have you done?* Options: “new shopping method”; “different brand” ; ”different retailer/store/website”; ”private label/store brand”; and “new digital shopping method.”

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020

Value is a key driver of consumers trying a different brand or place to shop

Top 3 reasons for choosing a new place to shop[1]

	US	UK	France	Germany	Spain	Italy	India	Japan	Korea	China
Value	●	●	●	●	●	●	●	●	●	●
Convenience	●	●	●	●	●	●	●	●	●	●
Availability	●	●		●	●	●		●		
Purpose-driven			●						●	
Quality/organic							●			●
Health/hygiene										

Top 3 reasons for choosing a new brand[2]

	US	UK	France	Germany	Spain	Italy	India	Japan	Korea	China
Value	●	●	●	●	●	●	●	●	●	●
Availability	●	●	●	●		●	●	●		
Quality/organic			●	●	●	●	●		●	●
Convenience	●	●						●		
Health/hygiene									●	●
Purpose-driven					●					

Value and convenience were the top three reasons for choosing a different place to shop for consumers across all countries, with availability being important in many countries as well

Value was the key reason for trying a new brand across the globe, with Europe and Asia also choosing brands based on quality/organic factors

1 Q: *You mentioned you shopped from a new retailer/store/website since the coronavirus (COVID-19) situation started. What was the main reason you decided to try this new retailer/store/website? Select up to 3.*

2 Q: *You mentioned you tried a new/different brand than what you normally buy. What was the main reason that drove this decision? Select up to 3*. "Brand" includes different brand, new private label/ store brand.

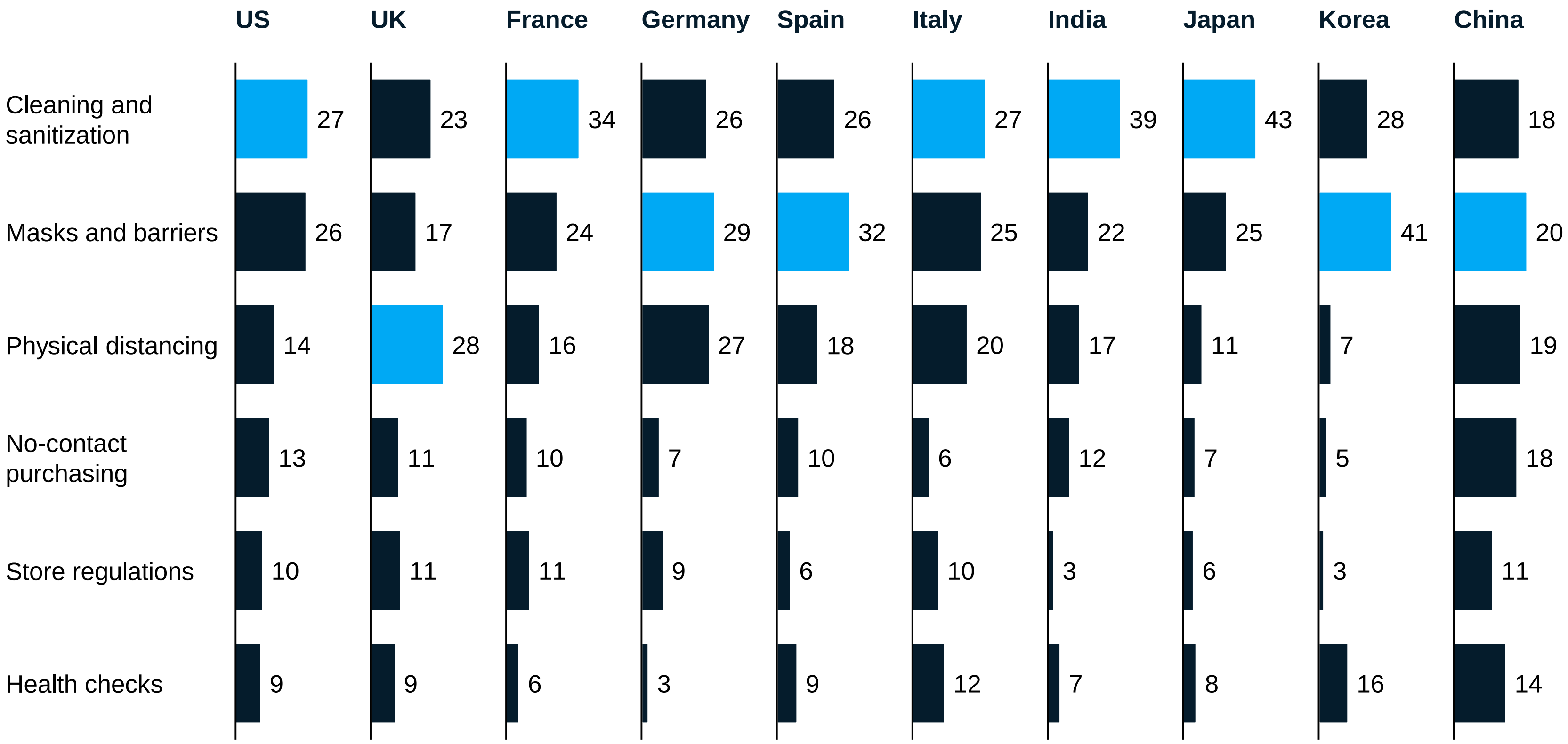
Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020

Consumers want to see visible signs of cleaning, barriers when shopping in store

The most important criteria for consumers as they chose where to shop in-store[1]

% of respondents[2]

Highest percentage category for that country



Global consumers are looking for health indicators such as enhanced cleaning and the usage of masks and barriers when deciding where to shop in-store

Store regulations and health checks, although still valued, are less important to consumers than other safety measures

[1] Q: *Once restrictions lift, which of the following factors will be most important to you as you decide which of these places to visit in person?*

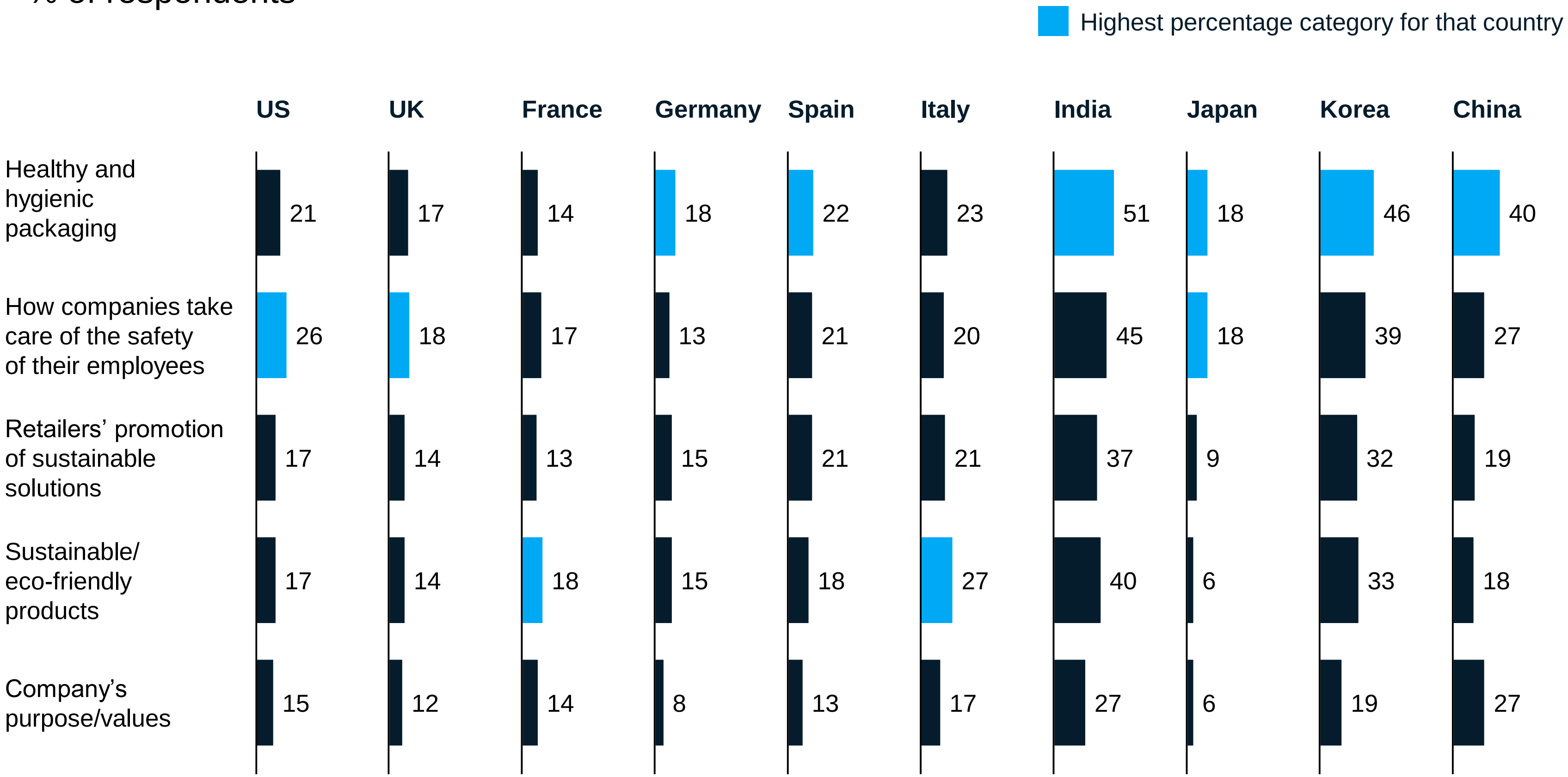
[2] Respondents who selected as most important.

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020

Consumers say that hygienic packaging and care for employees have become more important

Consumers are buying based on company behavior[1]

% of respondents[2]



Healthy and hygienic packaging and how companies take care of the safety of their employees have increased in importance as buying factors

Retailers’ promotion of sustainable solutions, sustainable/eco-friendly products, and companies’ purpose/values are lower on the priority list, but important for Italy, India, and Korea

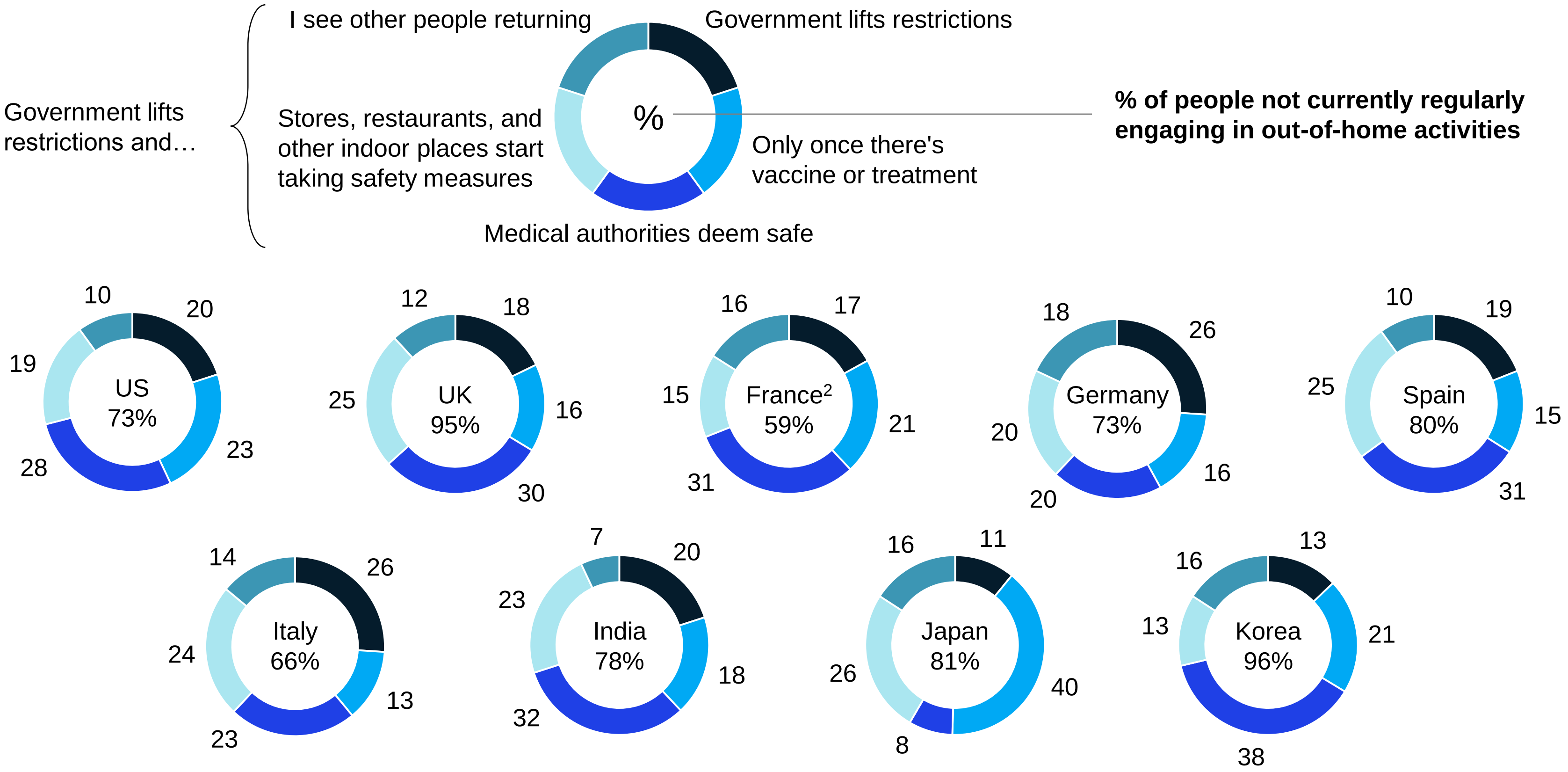
[1] Q: *“Which best describes how often you are doing each of the following items?”* Possible answers: “doing less since coronavirus started”; “doing about the same since coronavirus started”; “doing more since coronavirus started.”
[2] Percent of respondents who responded “doing more since coronavirus started.”

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020

Most consumers are still not engaging in 'normal' out-of-home activities

Milestones consumers are waiting for before regularly engaging in out-of-home activities[1]

% of respondents



[1] Q: *Which best describes when you will regularly return to stores, restaurants, and other out-of-home activities?* Chart rebased to exclude those already participating in these activities and those who do not deem any of these items important; figures may not sum to 100% because of rounding.
[2] France: 4% of respondents selected "Government lifts restrictions and others," which is not shown in the chart.

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020

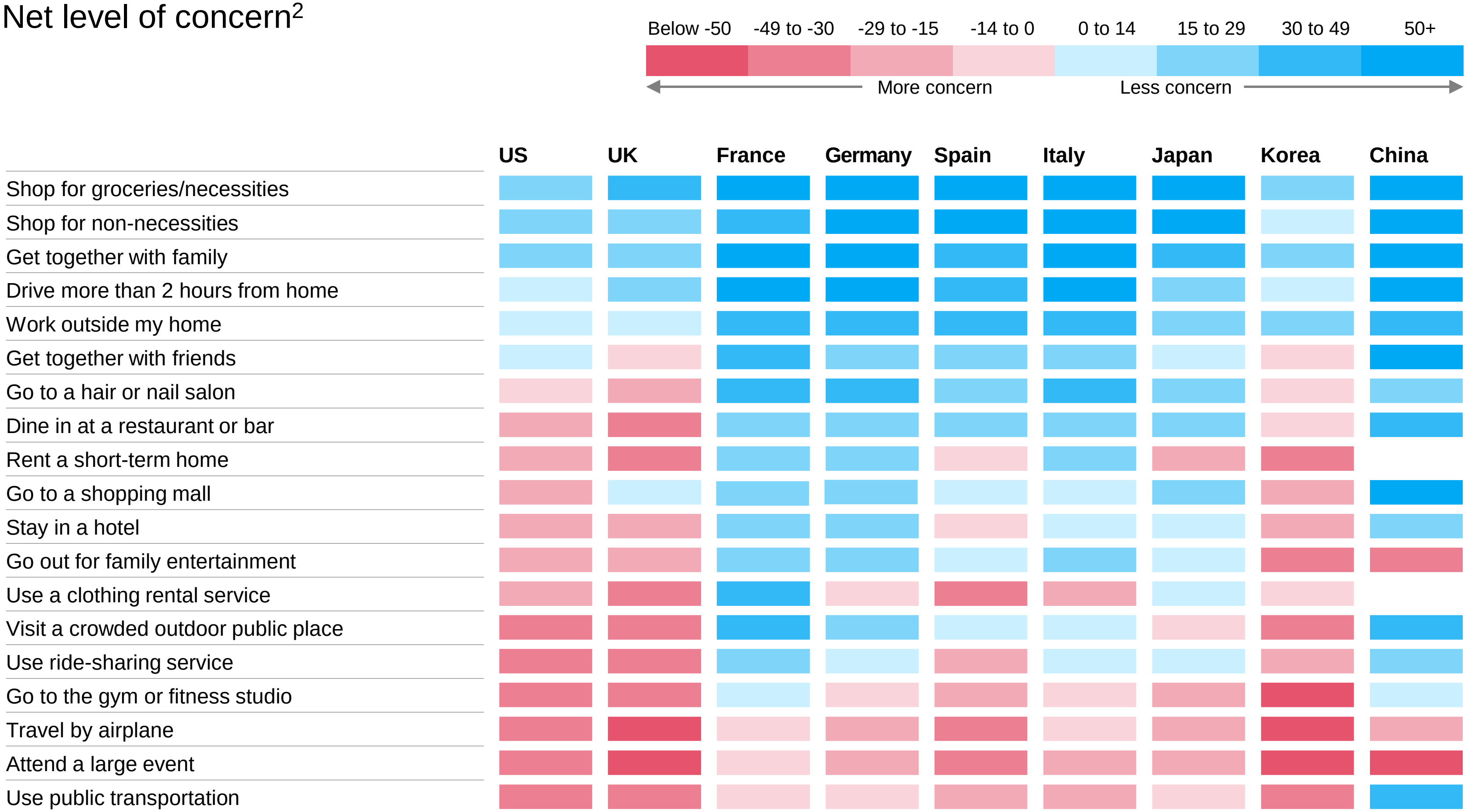
More than 70% of consumers in most countries have not yet engaged regularly with out-of-home activities

Of those not yet regularly leaving home, more than three-quarters want to see milestones met beyond the lifting of restrictions, such as medical authorities deeming it safe, before fully engaging

Consumers in the US, UK, and Korea remain most concerned about a range of out-of-home activities

Consumers’ level of concern undertaking various activities[1]

Net level of concern[2]



[1] Q: *How worried would you be if you were to do the following activities in the next two weeks?* Possible answers: “not worried at all”; “not very worried”; “somewhat worried”; “very worried”; “extremely worried.”

[2] Net level of concern is calculated by subtracting the % of respondents stating they are “very worried” and “extremely worried” from “not worried at all” and “not very worried.”

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020

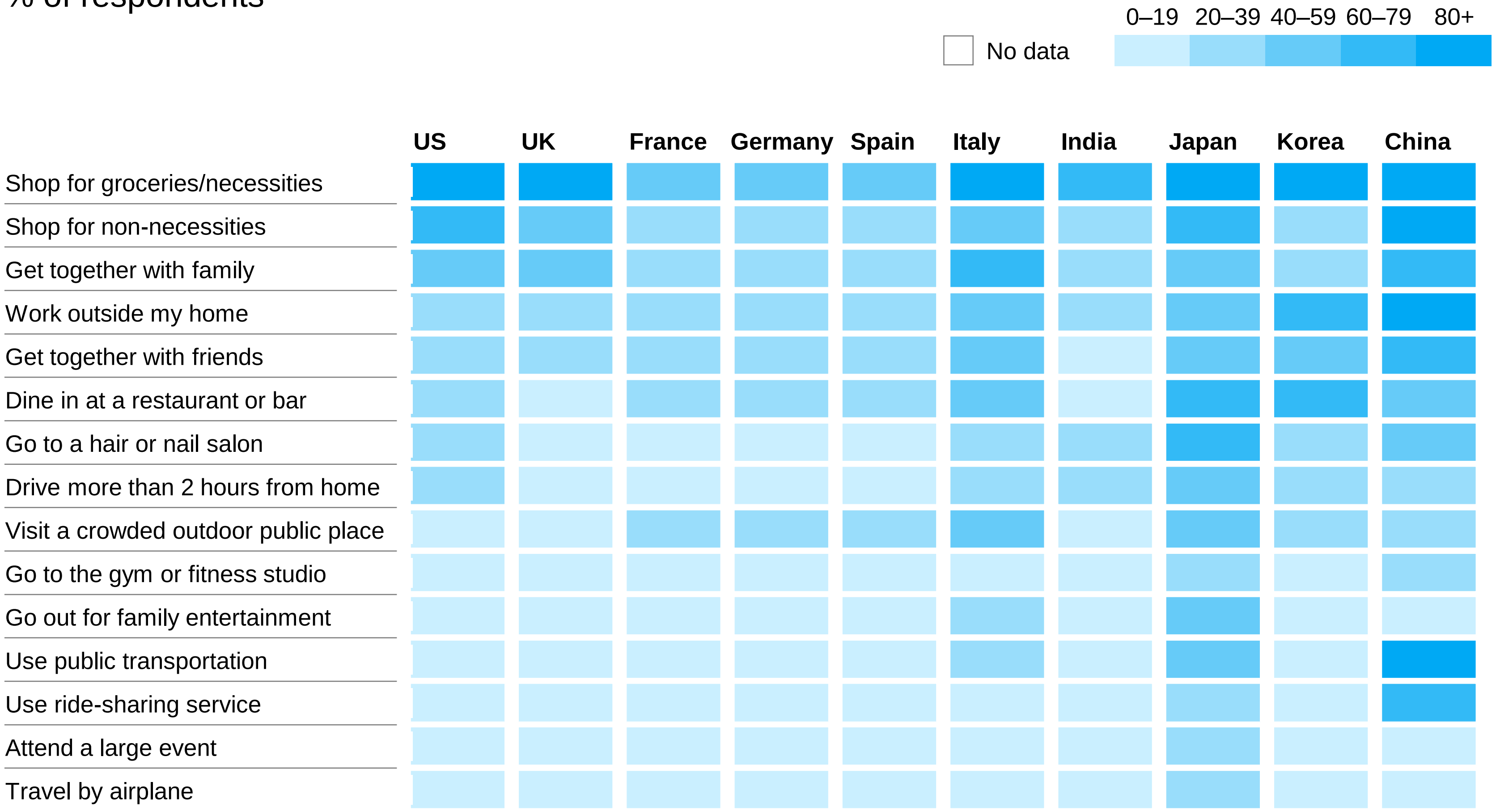
Consumers are least concerned about activities that they likely have become accustomed to over the course of COVID-19, such as shopping for groceries/necessities and non-necessities

By contrast, global consumers are most concerned about resuming participation in travel and attending large gatherings

Intent to pursue out-of-home activities varies by category and country

Intended engagement with activities outside the home for the next two weeks[1]

% of respondents



[1] Q: *For which of the following activities do you intend to leave your home to do in the next two weeks?* Chart represents % of respondents who intend to leave their home to do this activity during the next two weeks.

Source: McKinsey & Company, COVID-19 Consumer Pulse surveys, conducted globally between June 15 and June 21, 2020

Global consumers plan to leave their homes in the next two weeks mainly to shop for essentials (e.g., groceries)

Consumers in Italy, Japan, and China plan to engage in more activities in the next two weeks

Consumers in France, Germany, Spain, and India are the most conservative in their expectations of participating in out-of-home activities in the next two weeks

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