

# How Will Consumer Markets Evolve After Coronavirus?

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Introduction to our COVID-19 themes

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# The impact of COVID-19

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The health crisis and the unprecedented disruption caused by COVID-19 have had profound impacts on economies, businesses and consumers worldwide, changing the way consumers live, work and shop.

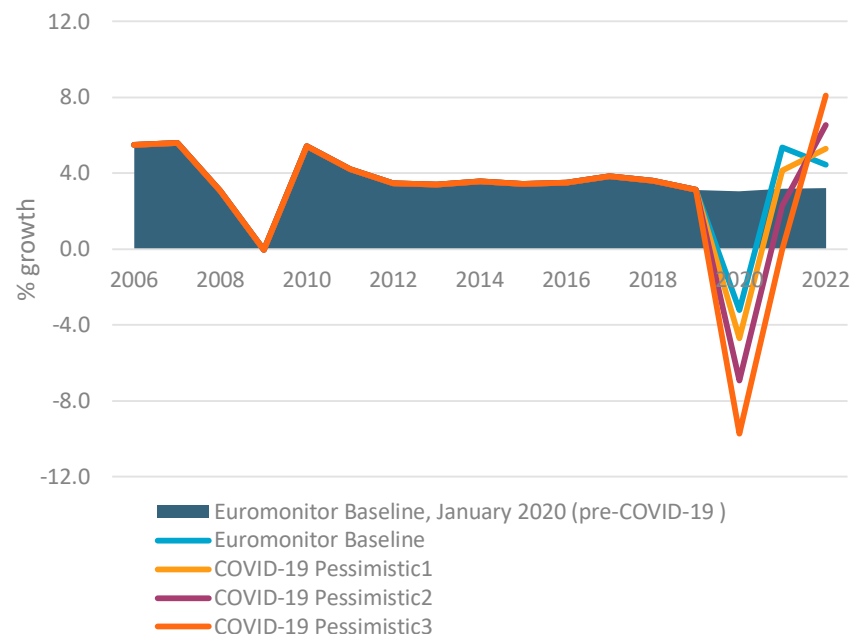
Uncertainty remains high, but what is clear is that economies will not emerge unscathed and the daily routines and lifestyles of consumers will shift to accommodate continued social distancing. Whilst treatment and vaccine options are investigated, and potentially into the longer term, a new normal will emerge, as fears of a pandemic or other destructive events remain palpable.

# COVID-19 has transformed the economic and consumer landscape

The global economy is forecast to enter its worst recession since the 1930s, hitting every sector from hospitality to education and finance.

Businesses are facing huge challenges in navigating through the turbulence, while coping with disrupted supply chains and rapidly changing consumer needs and habits.

**Global Real GDP Growth, Baseline and Scenarios: 2006-2022**



# COVID-19 has transformed the economic and consumer landscape

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As consumers continue to struggle with the spread of the virus, lockdowns and new daily regimes, they are also affected by rising unemployment and deteriorating earnings. More households are expected to fall into lower-income segments. Overall, a growing anxiety about future prospects are undermining the global consumer sentiment.

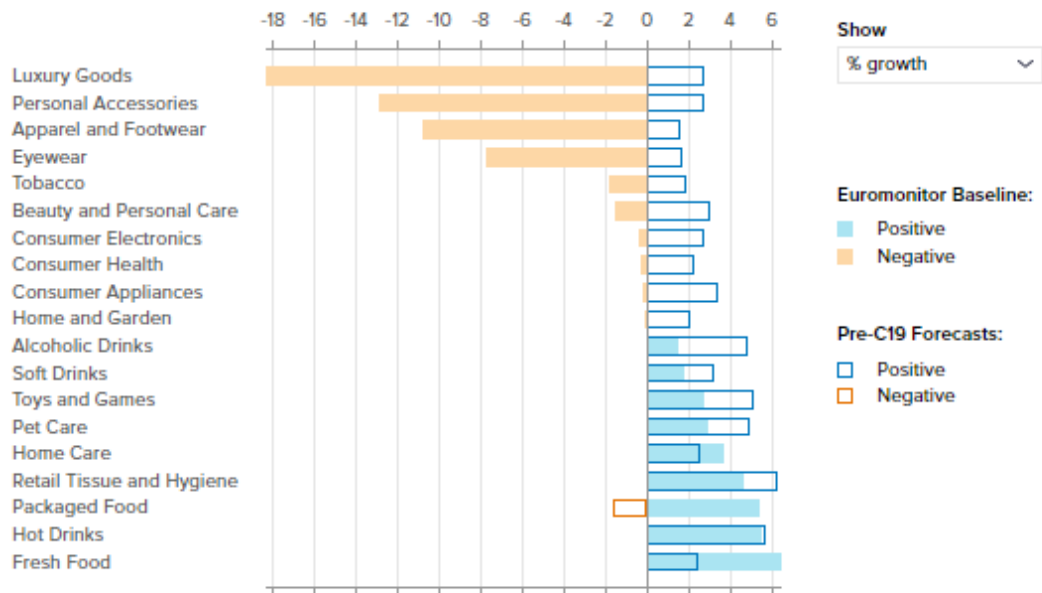
Yet the massive change brought about by the pandemic also makes consumers re-evaluate their life priorities, giving rise to new values and spending criteria. Many of the behaviour shifts, including a focus on family or community, health and digital solutions, are expected to last a long time, even in the aftermath of the crisis – particularly if the crisis itself endures.



# The impact of COVID-19 on market sizes

## WORLD PRE-C19 FORECASTS SCENARIO FORECAST I

Industry Level Retail Sales 2019-2020, % growth, 2019 constant prices, fixed year exchange rate ⓘ



With the exception of fresh food, packaged food and home care, COVID-19 will have a negative impact on consumer markets.

Source: Industry estimates

Last updated on May 11, 2020 at 11:22AM GMT

## Consumers refocus on health and financial security

As the global economy enters crisis-mode, the worst since the Great Depression, anxieties relating to health will continue, with added stress relating to financial welfare and employment prospects. We are now in uncharted waters as consumers of all ages, income levels and cultures deal with two major crises in one: health safety and recession.

Quarantine and lockdowns have enforced indoor living, accelerating the evolution of the home as the hub for everything, consumers have been forced to develop new habits regarding working, playing, shopping and exercising, all from their homes. Rising anxiety levels over health, income and general concerns over the future are turning more consumers towards goods that can help with mental wellbeing. With seniors particularly vulnerable to the impact of COVID-19, telehealth (remote healthcare at home) will be instrumental in healthcare.

There have also likely been significant shifts in who is shopping where, and how often. Older generations have shifted to online shopping, whilst younger consumers are shopping less frequently and stockpiling some staple products. This all implies changes to how retailers and brands market to consumers. This new normal cuts across working life, home life, how we get around, as well as our social life and leisure activities.





# Our COVID-19 themes

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Our global network of analysts have identified six themes which are impacting consumer markets.



From Sustainability  
to Purpose



Hometainment and the New  
Experiential Consumer



Where and How  
Consumers Shop



Wellness Redefined



The 'New Normal': What's  
Here to Stay?



Innovation and the  
New 'Core'

## Six key coronavirus era themes

<b>From Sustainability to Purpose</b>	The idea of sustainability evolves beyond the inclusion of ethical credentials and environmental concerns, such as plastic pollution and climate change, to a more holistic approach that aims to create social, environmental and economic value.
<b>Hometainment and the New Experiential Consumer</b>	Consumers redefine and adapt their daily routines as they stay at home longer, further reinforcing many of the pre-COVID-19 trends towards hometainment and digital experiences. This creates strategic opportunities across products and services.
<b>Where and How Consumers Shop</b>	The rise of online, click & collect, frictionless retail and direct-to-consumer (D2C) are accelerated. Retail restrictions in place during the pandemic have fast-tracked the shift to digital distribution. Retail operations and consumer demands will prompt new strategies.
<b>Wellness Redefined</b>	The primary aspects of optimal health, health in its purest form and the adoption of a holistic approach which encompasses spiritual and physical wellness are being reinforced. Mental wellness and emotional health take centre stage, with the notion of happiness becoming a more tangible commercial prospect.
<b>Innovation and the New 'Core'</b>	In a rapidly changing operating and consumer environment, with risk averse retailers and consumers, the appetite for experimentation is diminished. Innovation will be driven by the demand for immunity / health-boosting ingredients, for which consumers will pay a premium.
<b>The 'New Normal': What's Here to Stay?</b>	How consumers work, shop, eat, drink and play will be driven by lingering home seclusion and 'risk dread'. Changes to the consumer mindset will drive reduced consumption of non-essential items and anti-ostentation, a focus on self and family and on preventative and immune health.

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# From Sustainability to Purpose



The idea of sustainability has evolved beyond the inclusion of ethical credentials and environmental concerns, such as plastic pollution and climate change, to a more holistic approach that aims to create social, environmental and economic value. For businesses, this shift to pursuing purpose over profit was happening before the COVID-19 outbreak, but the global health pandemic has increased momentum.

Consumers' attitudes towards sustainability topics are changing and corporations are responding to the pandemic by putting purpose first, while protecting the triple bottom line.

# How “From Sustainability to Purpose” impacts consumer markets

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## Health, Beauty and Fashion

Companies are moving production to the pursuit of the greater good through ethical values and brand positioning. Health, beauty and fashion brands must invest more in locally produced goods now more than ever and concentrate on their brand heritage, transparency, safety and provenance.

## Drinks and Tobacco

With quality of life moving into focus, companies are keen to be seen supporting local communities. The pandemic will see both the 'planet-before-profit' mantra and purpose-driven action properly tested by beverage consumers in the coming months and years.

## Food and Nutrition

In the short to mid-term, COVID-19 is expected to realign consumers' priorities. Issues, such as food waste, animal welfare and food security, will be front-lined whilst others, such as packaging sustainability and sustainable sourcing, will lose out. While sustainability is initially taking a back seat to health, normalisation will follow.

## Home and Technology

COVID-19 has both refocused and reclassified what sustainability looks like for home and technology industries. That's not to say efforts towards cutting energy usage and tackling sea plastic have gone away, more importantly they must now co-exist with the primacy of hygiene and serving consumers during economic hardship.

## Services and Payments

The pandemic has decimated service and payments sectors like foodservice, travel and sports whilst accelerating digitalisation and contactless in retailing as consumers move online during the pandemic. COVID-19 gives industries a chance to reset and build back better, putting people first to achieve the triple bottom line.

# Hometainment and the New Experiential Consumer



Consumers redefine and adapt their daily routines as they stay at home longer, further reinforcing many of the pre-COVID-19 trends in hometainment and digital experiences.

The expanded cohort of experiential customers creates strategic opportunities across products and services, from personalised exclusive luxury to wellness routines and gourmet experiences to further digitalisation of education and entertainment.

# How “Hometainment and The New Experiential Consumer” impacts consumer markets

<b>Health, Beauty and Fashion</b>	Augmented and virtual reality, combined with holographic experiences, will transform the online shopping channel by placing consumers in quasi physical store conditions. Luxury experiences will be more focused on the at-home universe, and brands will need to secure high-quality and meaningful experiences with all channels.
<b>Drinks and Tobacco</b>	Countertop commerce, i.e. the development of gadgets to create beverages at home, will become more pronounced with increased hometainment and also due to a desire to take control of the preparation process. There will be also be a more sedate, solitary aspect to experiences, with more of a focus on health and mental wellbeing.
<b>Food and Nutrition</b>	Meal occasions are coming into the home and could stay. After 2-3 months of cooking almost every meal, some consumers could come out the other end with a new found love for cooking. This trend is facilitated by a multitude of new social forums and free online cooking classes, some run by famous chefs.
<b>Home and Technology</b>	The trend towards digital education and pastimes is further enhanced, including further growth of gaming and online esports events that compensate for the lack of regular sporting events. Toy companies are further repositioning themselves as entertainment companies, expecting digitalisation of play and pastimes to strengthen.
<b>Services and Payments</b>	Consumers will remain wary of sporting events, concerts, busy restaurants and more. All of this will drive new approaches to reaching consumers and building consumer relationships. Whilst physical outlets will not go away, the need to justify any and all consumer visits will intensify.

# Where and How Consumers Shop



The arrival of COVID-19 accelerates trends, such as the rise of online, click & collect, frictionless retail and D2C.

How will retail operations (and the consumer perspective) change now, at six months and at a year and how should companies best position themselves to meet consumer needs?



# How “Where and How Consumers Shop” impacts consumer markets

## Health, Beauty and Fashion

The distribution of beauty and fashion products is being heavily impacted by COVID-19 given its physical retail dependence, over-reliance on wholesale and underdeveloped e-commerce capabilities. COVID-19 has emerged as the ultimate retail disruptor, with the potential to accelerate e-commerce adoption, expand click & collect formats and catalyse frictionless retail and D2C operations worldwide.

## Drinks and Tobacco

With the decimation of foodservice and on-trade in the beverages sector during COVID-19 and concerns for its mid-term future (recovery will be slow, many foodservice outlets have simply folded), focus has been on alternative consumer channels including D2C and B2B2home.

## Food and Nutrition

A turning point for e-commerce and a boost for meal kits is tempered by an adverse impact on impulse channels, as consumers are less likely to 'pop in' to buy a single chocolate bar from their local convenience store. D2C opportunities could emerge.

## Home and Technology

With the surge in e-commerce, D2C brands come to the forefront, raising brand awareness and customer acquisition via a variety of platforms, from e-commerce presence on Amazon to sales via their own shopping sites and subscription models. Click & collect also sees a significant boost across markets.

## Services and Payments

Click & collect and alternative check-out options have become expected, and social selling, super apps and marketplaces have grown drastically in importance. Significant shifts in who is shopping and how often implies changes to how retailers and brands market, merchandise and promote.

# Wellness Redefined

On the cusp of a tipping point prior to the pandemic, the wellness movement is set to witness another paradigm shift causing leaders to rethink strategies through a renewed lens. The primary aspects of optimal health, health in its purest form and the adoption of a holistic approach are being reinforced.



Mental and emotional wellness takes centre stage, with the notion of happiness becoming a more tangible commercial prospect. Digital and tech-enabled self-care solutions gain further importance in preventative health, alongside immune-boosting, de-stressing and soothing product credentials. Nutritional habits turn to naturally healthy and functional alternatives endorsing the concept of a resilient body and mind. Home as health hub is re-emphasised; at-home therapy, home hygiene and healthy cooking practices take higher precedence.

# How “Wellness Redefined” impacts consumer markets

## Health, Beauty and Fashion

Beauty and wellness convergence becomes even more prominent. Immunity and energy boosting health concepts, alongside those which support concerns related to sleep, stress and anxiety, are key beneficiaries. Digital health solutions are reinforced, and luxury wellness brands move into mental, emotional and spiritual health.

## Drinks and Tobacco

Outcome-based products addressing consumer need states will evolve, all with even more emphasis on mental wellbeing; mindfulness and preventative health. The move towards responsible stimulants (cannabis, caffeine, botanicals) instead of alcohol and tobacco will be more pronounced.

## Food and Nutrition

Healthy eating will become an even more important topic to consider for consumers as the fundamental balance of exercise vs nutrition becomes disrupted by even more sedentary lifestyles. This will accelerate the shift towards more holistic wellness and eating, although the focus on calories consumed may become more important.

## Home and Technology

The concept of “home as health hub” resurfaces and is reinforced as many consumers ramp up their at-home cleaning and hygiene routines; from the management of air quality, translating into demand for air purifiers; and more innovation with claims of disinfecting qualities; to surface cleaning and wellness routines.

## Services and Payments

The recovery for the travel industry will look to health and wellness as a key driver. Retailers will need to bring an impression of calm, comfort and serenity to the consumer experience, with cleanliness and hygiene also at front of mind. Trust and transparency will become even more important.

# Innovation and the New 'Core'



The Coronavirus Era has disrupted 'business as usual' for companies producing consumer goods and providing consumer services. This has led to a rapidly changing operating and consumer environment and left the appetite for experimentation diminished.

With retailers and consumers becoming increasingly risk averse, what could this mean for craft brands, new product development and the innovation pipeline? What are the new core set of values and features that brands will refocus on?

# How “Innovation and the New Core” impacts consumer markets

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## **Health, Beauty and Fashion**

Prominent innovations involve providing home-based services for customers, such as beauty consultations and DIY content. At the same time, companies are reorienting around simpler, more cost effective product lines like private label and general health products, and by streamlining manufacturing processes.

## **Drinks and Tobacco**

Innovation will be driven by demand for immunity / health-boosting ingredients, for which consumers will pay a premium. Insurgent brands will struggle to survive due to a lack of financial clout and craft will be under pressure as consumers' financial positions weaken.

## **Food and Nutrition**

'Value' is likely to become the single most important factor for consumers. Not just economy products but well-positioned premium products that can replicate the restaurant experience in the home. The D2C channel will develop from a low-base, but smaller brands are likely to get squeezed by retailers looking to simplify their ranges.

## **Home and Technology**

Innovation in the short to mid-term refocuses on agility of consumer reach and communication, efficiency and costs to consumers. The concept of value for money surges forward. Long-term strategies will likely combine a mix of premium quality and a well-communicated value-for-money approach.

## **Services and Payments**

Trading down and away from physical outlets could drive new spending and upgraded experiences elsewhere. High-end e-commerce and live streaming events to expand as launchpads for new brands and new products. Domestic travel could expand, creating potential opportunities for high-end, interesting yet affordable experiences.

## The 'New Normal': What's Here to Stay?

How consumers work, shop, eat, drink and play will be driven by lingering home seclusion and 'risk dread'. An increase in working-from-home will be matched with an increase in hometainment – cooking, eating and socialising at home.



Shopping will also be conducted largely from the home, and remote learning, gaming, cashless and proximity payments will all either ramp up or become the norm. Consumers' mindsets will switch to reduced consumption of non-essential items and anti-ostentation, a focus on self and family and on preventative and immune health. Companies will focus on maintaining value sales as consumers find themselves in a recessionary era with reduced discretionary income.

# How “The ‘New Normal’” impacts consumer markets

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## **Health, Beauty and Fashion**

New attitudes toward physical distance, health and remote working will create opportunities related to therapeutic properties and mental wellbeing. Companies will work to diversify supply chains, while continuing to invest in digital tech and virtual experiences to maintain engagement.

## **Drinks and Tobacco**

Social distancing knocks the very concept of group consumption. We had witnessed a shift in traditional drinking rituals and occasions pre-COVID-19, and this will become more pronounced. Consumers will be jaded, less prone to want to post on social media about their drinking preferences; discretionary income will be spent on things that make them healthy in the first instance, happy second.

## **Food and Nutrition**

We do not expect to see a new normal for packaged food; the industry is doing well and expects to return to normal in most cases, with a residual impact of stockpiling bringing purchases forward in some cases.

## **Home and Technology**

As consumers cut down on discretionary purchases, tech brands that focus on low-cost strategies will benefit by proving to offer the biggest bang for buck. However, technology companies operating in traditionally more premium spaces like Apple will not likely be impacted as much due to their loyal bands of affluent diehard fans.

## **Services and Payments**

Retailers will focus on their value proposition and technology. As the technology gap grows between laggards and adopters, sales will disproportionately go to the adopters, resulting in a more consolidated retail landscape globally. Shopping centres, inherently social, will have to work hard to draw shoppers.

# OVERVIEW

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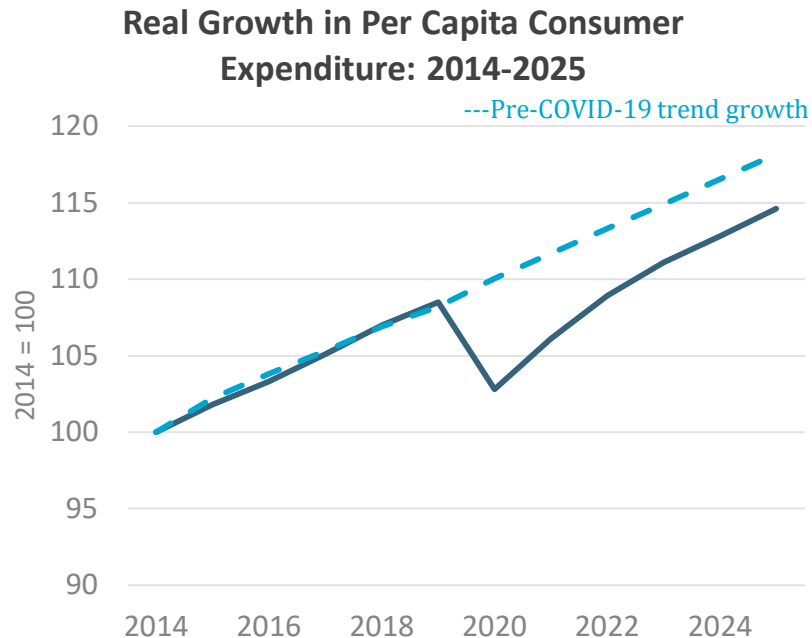
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## The outlook for consumers



Source: Euromonitor International

We expect per capita consumer expenditure to fall by 5.2% in real terms in 2020 globally, and to not return to 2019 levels until 2022.

However, it will remain far below where it would have been without the COVID-19 crisis.

This contraction in spending will clearly impact the performance of consumer markets, with consumers re-evaluating their priorities much like they did in the aftermath of the Global Financial Crisis.

# The outlook for consumers

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Many of our themes represent a deepening of trends that were already present: for example “Wellness Redefined”, which sees a holistic approach encompassing spiritual and physical wellness being reinforced; or “Where and How Consumers Shop”, which sees an acceleration of trends such as the rise of online, click & collect, frictionless retail and D2C.

A question mark hangs over the future of innovation, with retailers and consumers becoming increasingly risk averse.

What could this mean for craft brands, new product development and the innovation pipeline? What are the new core set of values and features that brands will refocus on?

Health and value seem likely to be key priorities.



From Sustainability to Purpose



Hometainment and the New Experiential Consumer



Where and How Consumers Shop



Wellness Redefined



The 'New Normal': What's Here to Stay?



Innovation and the New 'Core'

# The evolution of consumer markets

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## Health, Beauty and Fashion

- Ethical values to the fore
- Luxury under pressure and the experiential consumer a particular challenge
- Acceleration of e-commerce adoption and frictionless retail

## Drinks and Tobacco

- Closure of foodservice and on-trade, means the concept of drinking occasions has been dealt a hammer blow
- Further development of countertop commerce

## Food and Nutrition

- Meal occasions coming into the home and may stay there, facilitated by online forums and cooking classes
- Big players focus on what sells now and core line

## Home and Technology

- Sustainability shifts to highlighting economic value of premium hygiene and integrated smart technology
- D2C, marketplaces and subscription models enhanced
- The concept of “home as health hub” resurfaces

## Services and Payments

- Restaurants will increasingly experiment with groceries, supporting home meal prep and delivery
- Physical outlets will not go away, but the need to justify consumer visits will intensify

# Contact Details

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COVID-19 on consumers, economies and  
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