

Consumer sentiment is evolving as countries around the world begin to reopen

As restrictions lift and pockets of spending return, consumer behavior begins to adapt to the next normal.



As the COVID-19 crisis continues and geographies around the world begin to reopen, consumer behaviour has started to change. There are six trends in consumer sentiment and behaviours globally. While there are certainly differences by country and region, overall, these trends hold true:

Despite pockets of reopening, net consumer optimism has decreased, and most consumers continue to expect a long-lasting impact from COVID-19.

Net optimism has declined in most countries in recent weeks. China and India remain the most optimistic, while Japan remains the least, and many countries in Europe have more consumers who are pessimistic about an economic recovery than are optimistic. Most consumers globally still expect COVID-19 to impact their routines for a long time to come, with 70 percent of consumers in hard-hit nations anticipating adjustments to their routines for four months or more.

In most countries, consumers expect their finances to recover more quickly, though more than half of consumers in most countries still believe their finances will be impacted for four months or more.

As incomes have declined, consumers are spending on essentials and not discretionary categories, with some exceptions in South Korea and China.

Consumers globally continue to see the impact of COVID-19 on their incomes, with those in Brazil, South Africa, and India most impacted. As a result, overall spending intent is down across two-thirds of countries surveyed, and most categories across countries still show a net intent to reduce spending – though more optimistic countries tend to project higher spending intent. Spending on groceries and at-home entertainment continues to show positive momentum, as it has since we first started measuring in mid-March. Today, consumers in more countries

intend to increase spending on other basic categories, such as household supplies and personal care, as well. Chinese and South Korean consumers intend to spend more on select other categories: food takeout and delivery, snacks, skin care, non-food baby products, fitness and wellness, and gasoline. While overall spending intent on most discretionary categories remains negative, there is reduced pessimism about future spending on categories such as restaurants, restaurant delivery, apparel, footwear, and consumer electronics today versus in mid-March. Spending intent is close to neutral in China across most non-travel related categories.

Consumers are shifting to online and digital solutions as well as reduced-contact channels to get goods and services.

Intent to shop more online across categories is positive in several countries, including the US, India, South Korea, and Japan. In Europe and Latin America, intent to shop more online is lower. This lower penetration likely stems from lower reach given limited infrastructure, which has limited the ability of consumers to shift their spending in a large-scale way. Across all countries measured, consumers are adopting and intensifying digital and reduced-contact ways of accessing products and services. As we look more granularly in the US, this digital trend is magnified for Gen Z and millennials and for higher-income consumers. Consumers' stated intent to continue these behaviors varies across category. Some categories are gaining many new customers who intend to stick with the behavior post-COVID-19, including online fitness and wellness apps, store curbside pickup, and physical telehealth. In contrast, consumers demonstrate less of an appetite to continue with other growing categories, including restaurant curbside pickup, professional videoconferencing, mental telehealth, and remote learning for children.

Even though many countries have lifted stay-at-home restrictions, most consumers still feel the pull toward a "homebody economy."

Most consumers across countries still feel they are not back to "regular" out-of-home activities. However, with restrictions lifting in pockets around the globe, consumers are increasingly venturing outside their homes for select categories of activities. Most commonly, consumers plan to shop, with nearly all consumers planning to shop for necessities out-of-home in the next two weeks, and roughly half planning to shop for non-necessities. In Europe and China, over 50 percent plan to leave home to get together with family. A large minority of consumers intends to

dine at a restaurant or bar, get together with friends, go to a hair or nail salon, or work outside the home across most countries. However, intent to travel, shop at malls, or attend crowded indoor events remains low across countries.

Consumers want extra reassurance to resume day-to-day activities outside their homes.

In order to feel comfortable engaging with out-of-home activities, most consumers are waiting for milestones beyond the lifting of governmental restrictions. Many consumers want the endorsement of medical authorities and the implementation of visible safety measures from stores, restaurants, and other indoor spaces. Others (around ten to 15 percent across most countries) are waiting for a vaccine before they feel comfortable going back to routines outside the home.

Net Optimism varies across regions, with China and India remaining more optimistic and Japan being the least optimistic of the countries surveyed.

The US, Germany, and Brazil have more consumers who are optimistic about an economic recovery, while most European countries and Korea have more consumers who are pessimistic. Despite the lifting of restrictions around the world, optimism has declined in many geographies in recent weeks. China, India, and the UK have demonstrated the sharpest declines, while the US, Germany, and France are also below the levels of net optimism seen in early April.

Consumers expect a longer-lasting impact to their routines and finances as the COVID-19 crisis continues.

More than 90 percent of consumers across countries surveyed expect COVID-19 to impact their personal routines for more than two months, and in many hard-hit European countries as well as Japan and Korea, more than 70 percent of consumers believe that the impact will last four months or longer. By contrast, in China, less than one-third of consumers expect an extended impact on personal routines. Some consumers expect their finances to recover even more quickly. Around half of consumers in the US, France, and Germany expect their personal finances to recover in less than four months.

As incomes have declined, consumers are spending on essentials and not discretionary categories, with some exceptions in South Korea and China.

Consumers globally continue to experience a decrease in income, though the depth of income loss among countries varies notably. Consumers' income has been steadier in Japan and



Germany, with around 30 percent experiencing a decrease in income, and has been more greatly impacted in Brazil, South Africa, and India, where around 70 percent have experienced a decrease. Even in China, where many consumers are back at work, 54 percent of consumers say they have experienced decreased income.

Countries with greater optimism often have higher spending expectations. Several countries with higher levels of optimism, including Indonesia, Nigeria, China, the Dominican Republic, and Saudi Arabia, show a net increase in expected spending in the next two weeks.

Countries with slightly lower optimism, such as Colombia, Chile, Belgium, Brazil, France, Poland, and Portugal, still have more consumers who expect to increase spending. Most remaining countries have low optimism and expect to decrease spending, with Korea, South Africa, and Mexico exhibiting relatively low optimism and substantially negative net spending intent. In contrast, the United Arab Emirates, India, and Peru are relatively more optimistic but still have slightly more consumers who intend to decrease spending than increase spending.

Intent to spend more on essentials continues across countries, while spending on discretionary categories has pockets of optimism.

Across countries, consumers intend to spend more on groceries, with many countries showing positive spending intent for at-home entertainment. Consumers across several countries plan to spend more on household supplies and personal-care products. Across countries, consumers intend to spend more on

groceries, with many countries showing positive spending intent for at-home entertainment. Consumers across several countries plan to spend more on household supplies and personal-care products. In China and South Korea, a wider set of categories have positive spending intent, including food takeout and delivery, snacks, skin care and makeup, non-food child products, fitness and wellness, and gasoline. European consumers also increasingly care about responsible, no-frills spending, with more importance placed on brands' broader purpose. We hope to explore this in other countries in the next survey. In China and South Korea, a wider set of categories have positive spending intent, including food takeout and delivery, snacks, skin care and makeup, non-

food child products, fitness and wellness, and gasoline. European consumers also increasingly care about responsible, no-frills spending, with more importance placed on brands' broader purpose. We hope to explore this in other countries in the next survey.

Consumers are shifting to online and digital solutions as well as reduced-contact channels to get goods and services.

Asian and American consumers plan to leverage online shopping across many categories in the near future. The use of digital and low-touch options for procuring food and goods is rapidly increasing. Consumer acceptance of digital solutions for online shopping is growing in countries with more developed e-commerce infrastructures, including the US, Germany, India, Japan, Korea, and China. Consumers in these countries generally plan to increase online shopping in the next two weeks across categories, including groceries, food takeout and delivery, household supplies, personal care, non-food child products, and books and print media. Countries with lower approval ratings for e-commerce, such as Spain and Italy, show greater intentions to return to offline grocery sales. Adoption of digital and low-touch activities has continued as consumers adjust behavior. Consumers have taken up new ways to learn, work, entertain themselves, procure essentials and non-essentials, connect with others, and increase wellness while at home. Usage of online streaming and personal video chats has increased rapidly across most countries. Online fitness, including the use of wellness apps, has grown in almost all countries, with online fitness attracting new users across the UK, Spain, and Italy.

Consumers globally have replaced some of the in-person aspects of their work and healthcare with digital solutions. Videoconferencing for work has attracted new users in Brazil, Germany, Italy, and Korea. Similarly, telemedicine for both physical and mental health has grown across countries, driven by new users adopting the technology.

Consumers globally intend to continue using many of these activities after the COVID-19 crisis passes. Activities with the highest intent to continue across countries include using contactless checkout services like self-checkout or in-store pickup, and digital wellness and exercise solutions. Germans also intend to continue using telemedicine for physical health, while Chinese consumers intend to stick with video chat for personal use and remote learning for themselves. Intent to continue is lower for other growing categories, including restaurant curbside pickup, professional videoconferencing, mental telehealth, and remote learning for children.

Even though many countries have lifted stay-at-home restrictions, most consumers still feel the pull towards a “homebody economy.”

As countries reopen and restrictions are lifted, consumers plan to resume some of their out-of-home activities. In countries that have started re-opening, half of consumers plan to shop outside the home for non-necessities. Consumers also intend to get together with friends and family, spend more time in crowded outdoor venues, visit hair or nail salons, and dine at restaurants or bars.

Now several weeks into reopening, Chinese consumers plan to leave home for a wider range of activities than in other countries measured. Almost all plan to work outside their homes, use public transportation, and even use ride-sharing services—all activities that most consumers in other countries do not yet plan to do. Many South Korean consumers are leaving home for work and dining out as well. Consumers remain hesitant to return to some of the in-person activities that were part of their daily lives before the start of

the pandemic. Across countries, net intent to visit the mall is negative, as are future plans to return to domestic and international travel. Only in Germany and France are consumers planning to resume domestic travel once COVID-19 has passed.

Consumers want extra reassurance to resume day-to-day activities outside their homes.

More than four-fifths of consumers in most countries have not yet engaged regularly with out-of-home activities and are waiting for milestones beyond the lifting of restrictions before doing so. More than three-quarters of the 80 percent not yet regularly leaving home want to see various milestones met beyond a government go-ahead before fully engaging, particularly the endorsement of medical authorities or the presence of visible safety measures.

Consumers also want to see an ongoing emphasis on cleaning and safety.

As consumers choose where to shop in-store, cleaning and sanitization as well as masks and barriers are priority selection criteria across countries. Physical distancing, while important, is only a core consideration for a smaller subset of consumers, although this has more importance in France, Germany, and India. No-contact purchasing, store regulations, and health checks are also lower on the priority list. ■ *Source: www.mckinsey.com*

