THE ONGOING IMPACT OF COVID-19 AND WHAT IT MEANS FOR RETAIL

WHAT CONSUMERS BUY IS RETURNING TO “NORMAL,” BUT *HOW THEY SHOP* MAY BE FOREVER CHANGED.

ONLINE SHOPPING CONTINUES TO RISE, WITH COVID-19 EXPEDITING THE E-COMMERCE TREND ALREADY IN MOTION. WHAT'S MORE, BEHAVIOR IN STATES ALREADY OPENING SUGGESTS IT MAY BE HERE TO STAY POST-PANDEMIC.

As states begin their – perhaps temporary – reopenings, a look at early openers gives insight into what a post-pandemic reality might hold. **Even in states where in-store shopping is becoming more widely available, online shopping was near-universal last month.**

Not surprisingly, younger consumers purchased packaged goods online at higher rates than their older counterparts; however, **still over four-in-five consumers in the 55+ cohort purchased at least one product category online in the past month**.

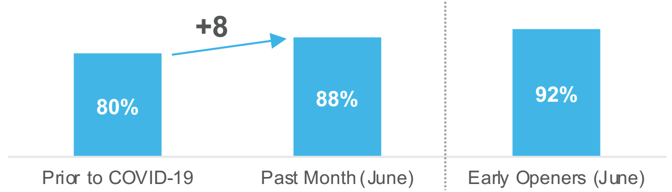
Consumers – particularly those ages 18-34 – purchased health and beauty products online at particularly high rates, perhaps as specialty retail stores such as Sephora and Ulta – where many consumers purchase beauty products – closed, while grocery stores across the country remained open.

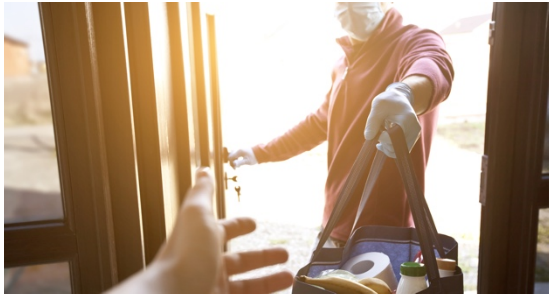
Across age cohorts, **consumers still predominantly purchased grocery, household, and paper products in-store only**, though over half of younger consumers purchased grocery online last month.

ORDERED ONLINE FOR DELIVERY OR CURBSIDE PICKUP

(Any CPG + Grocery)

Source: Burke COVID-19 June R&D, sample sizes: March n=303, June n=304, Early Openers n=66
Q: Thinking about your purchases in the past month, please select how you usually purchased each product category.





PURCHASED AN ITEM ONLINE *(Past Month)*

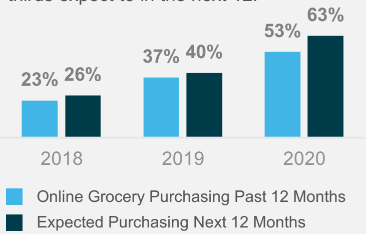
Source: Burke COVID-19 sample sizes differ by category: min n=53, max n=304
Q: Thinking about your purchases in the past month, please select how you usually purchased each product category.

	Total	Millen/Z (M)	Gen X (X)	Boom/Mat (B)
Any CPG + Grocery	88%	91%	91%	84%
Grocery	31%	49% XB	23%	21%
Health & Beauty	49%	69% B	51% B	32%
Household Cleaning	24%	36% B	20%	16%
Paper Products	23%	35% B	19%	16%

Early Openers defined as states with mostly to fully reopened at the time of research: Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Georgia, Hawaii, Indiana, Mississippi, Missouri, Montana, North Dakota, Oklahoma, South Dakota, Texas, Utah, West Virginia
Statistically Different at 95% confidence level: * or M/X/B

COVID-19 EXPEDITED THE ONLINE GROCERY TREND ALREADY IN MOTION.

Now, **over half of American consumers** have purchased groceries online at least once in the past 12 months, and two-thirds expect to in the next 12.



Source: Coresight Research

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THE TREND TOWARD ONLINE GROCERY ORDERING IS DRIVEN BY CONSUMERS ON EITHER END OF THE AGE SPECTRUM: AGES 18-34 AND 55+, ALBEIT LIKELY FOR DIFFERENT REASONS.

While roughly two-in-three consumers still purchase grocery items in-store exclusively, consumers state a **notable increase in online grocery purchasing now** versus pre-COVID.

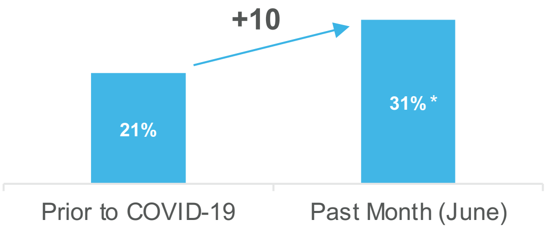
With those 18-34 slightly concerned about personally contracting the virus, the pandemic perhaps simply served as a catalyst in promoting online grocery purchasing among this group that was already open to moving away from the store. So we may expect that **as the pandemic subsides, this group will continue in the online grocery shopping behavior.** That said, some of this group's behavior shift could be driven by social responsibility and concern for *others'* health. Still as the pandemic continues and online grocery shopping becomes more ingrained in this group's habits, online ordering is likely to continue.

Conversely, **those 55+, with higher perceived risk of contracting COVID-19 have perhaps moved away from in-store shopping** out of necessity rather than openness. And we may expect that as the pandemic subsides, this group will return to their nearly universal in-store grocery shopping behavior.

ABOUT A THIRD OF CPG CONSUMERS PURCHASED GROCERY ONLINE LAST MONTH, UP 10 POINTS VERSUS PRE-COVID.

% CONSUMERS ORDERING GROCERIES ONLINE

Source: Burke COVID-19 June R&D, sample sizes: March n=303, June n=304
Q: Thinking about your purchases in the past month, please select how you usually purchased each product category.



ONLINE ORDERS ARE EVENLY SPLIT BETWEEN DELIVERY AND CURBSIDE PICKUP.

% CONSUMERS ORDERING GROCERIES BY CHANNEL

20%
% Online for Delivery

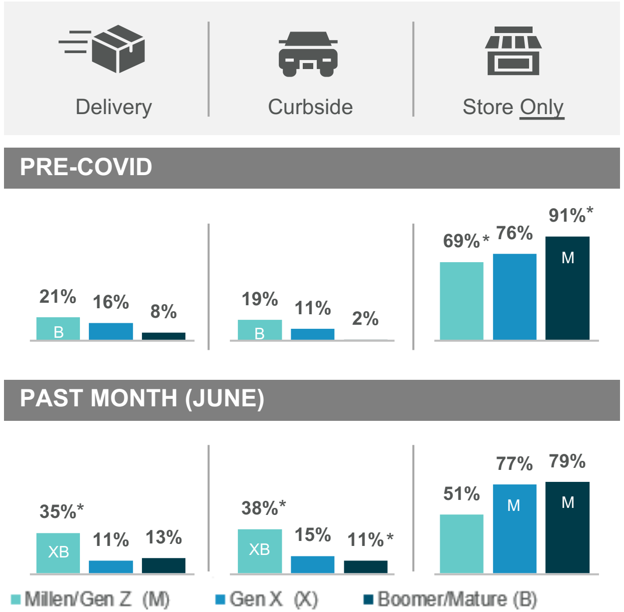
21%
% Online for Curbside

69%
% In-Store Only

WHILE MILLENNIALS ARE STILL MOST LIKELY TO ORDER ONLINE, BOOMERS SHOW SUBSTANTIAL GROWTH IN DELIVERY SPECIFICALLY.

% CONSUMERS ORDERING GROCERIES BY CHANNEL

Source: Burke COVID-19 June R&D, sample sizes: Mill/Gen Z n=104, Gen X n=65, Boom/Mat n=133



Statistically Different at 95% confidence level: * or M/X/B

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LESS FREQUENT PHYSICAL INTERACTION WITH PRODUCTS IN THE STORE COULD BE FURTHER EVIDENCE THAT E-COMMERCE IN PACKAGED GOODS AND GROCERY IS HERE TO STAY POST-PANDEMIC.

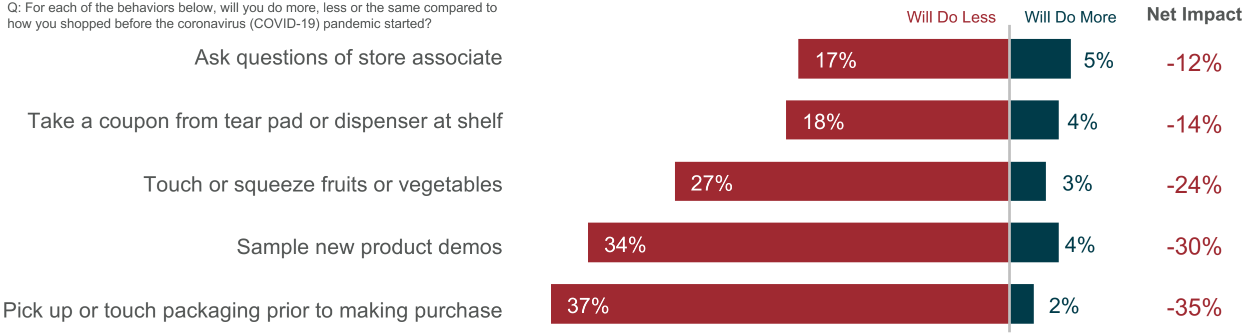
This less frequent physical interaction in the store could be an early signal of the removal of e-commerce barriers, especially in grocery – namely, the desire to shop in-store in order to tactilely interact with items before purchase. Paired with already elevated online shopping levels, the removal of key in-store levers is further evidence that e-commerce in packaged goods and grocery may remain post-pandemic.

Still, large portions of consumers cite no change to these behaviors – especially asking questions of store associates and taking coupons from a tear pad – suggesting that while the pandemic may have expedited online ordering trends, large-scale shopper transformation may still be a long-term phenomenon, and there may be continued opportunity to optimize the in-store experience and ramp up traditional POS.

A THIRD OF CONSUMERS ARE LESS OFTEN PICKING UP, SQUEEZING, OR SAMPLING PRODUCTS PRIOR TO MAKING A PURCHASE.

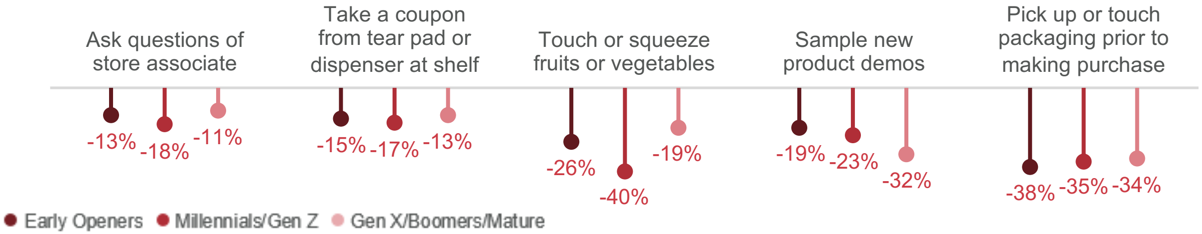
IN-STORE BEHAVIOR CHANGES VS. PRE-COVID

Source: Burke COVID-19 June R&D, sample size: n=304
Q: For each of the behaviors below, will you do more, less or the same compared to how you shopped before the coronavirus (COVID-19) pandemic started?



SHOPPER BEHAVIOR CHANGES SPAN AGE COHORTS AND HOLD TRUE AMONG EARLY OPENERS.

IN-STORE BEHAVIOR CHANGES VS. PRE-COVID: NET IMPACT



Early Openers defined as states with mostly to fully reopened at the t.me of research

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WHAT'S MORE, WHEN CONSUMERS DO SHOP IN-STORE, THEY ARE MORE OFTEN LEVERAGING TECHNOLOGY, FURTHER SUGGESTING SHOPPER WILLINGNESS TO TAKE RETAIL ONLINE.

Additionally, when consumers do shop in-store, they are more likely to use their mobile phone for information lookup. As consumers return to stores for a majority of trips – among cohorts for whom this is the desired channel – there is opportunity to **optimize the omnichannel experience**, through integration of in-store and mobile app experience and more.

Shoppers are also making changes to their trip planning, citing heavier use of written shopping lists. As consumers move away from on-the-fly product assessment through physical touch and move toward trip planning, there is opportunity to engage with shoppers in new ways, before they set foot in-store. However, use of shopping lists is likely driven in-part by a desire to keep trips shorter given concerns over prolonged exposure to others, so this behavior may not extend past the pandemic.

Still as with changes to physical interactions with products in the store**, large portions of consumers cite no change to trip planning and information-seeking,** further suggesting reason to optimize for the current in-store shopper experience while looking ahead to omnichannel and trip-planning innovations.

CONSUMERS ACROSS AGE COHORTS AGREE: MOBILE IS KEY TO THE FUTURE OF SHOPPING.

IN-STORE BEHAVIOR CHANGES VS. PRE-COVID

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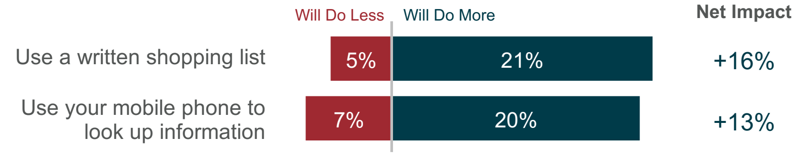
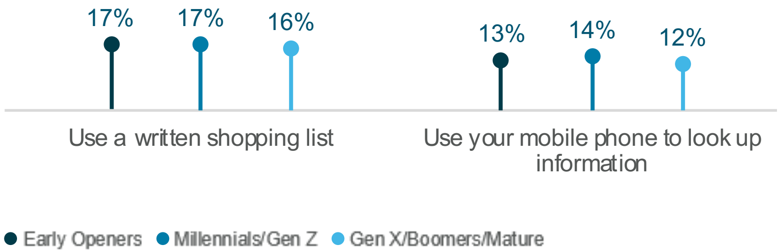


SHOPPERS ACROSS AGE COHORTS WILL USE MOBILE MORE IN-STORE POST-COVID.

IN-STORE BEHAVIOR CHANGES VS. PRE-COVID: NET IMPACT



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KEY TAKE-AWAYS AND OPPORTUNITIES

TAKE-AWAY / OPPORTUNITY

01.

Take-away: Uncertainty about the length of the pandemic, the trials of balancing reopening the economy with controlling outbreaks, and the difficulty in divining the long-term impact COVID-19 will have on consumer and social behavior makes it difficult to plan for both the short- and the long-term.

Opportunity: ***Hope for the best but plan for the worst.*** Strategize what changes need to be in place to best manage and even thrive in the ongoing crisis. Rather than look at these measures as temporary, consider what pandemic-based behaviors could be here to stay in the "new normal" (social distancing, more time at home, explosive growth of online) and be prepared to lean into and even leverage those behaviors.

02.

Take-away: The pandemic has expedited the already-in-motion trend toward e-commerce in retail and grocery; what's more, when consumers *do* shop in-store, they're moving away from in-the-moment, physical product assessment through touch and toward pre-trip research and planning while still leveraging key POS touchpoints.

Opportunity: ***Ramp up investment in pre-trip planning, store associate training, traditional POS, and engage through mobile experiences***. Comfort with touching and trying out products in-store will continue to be a difficult challenge so getting on the list is more critical than ever. Shoppers will likely continue to engage with traditional POS such as shelf talkers, tear pads and coupon machines, but brands and retailers should focus on creating new experiences on mobile devices to help re-engage.

03.

Take-away: Despite evidence of modest improvements to issues such as out-of-stock seen so frequently in the early pandemic, the retail experience remains poor for many. Consumers still cite in-store frustrations such as continued stocking issues, shipping delays, crowds and long lines at checkouts.

Opportunity: ***Don't ignore improvements that still must be made to both the in-store and online experience.*** While high demand can make it tempting to focus only on supply chain, brands and retailers that provide a superior experience will build loyalty for the long term. Shoppers who have shifted stores and channels out of necessity during COVID will likely move back to old behaviors if existing barriers are not improved.