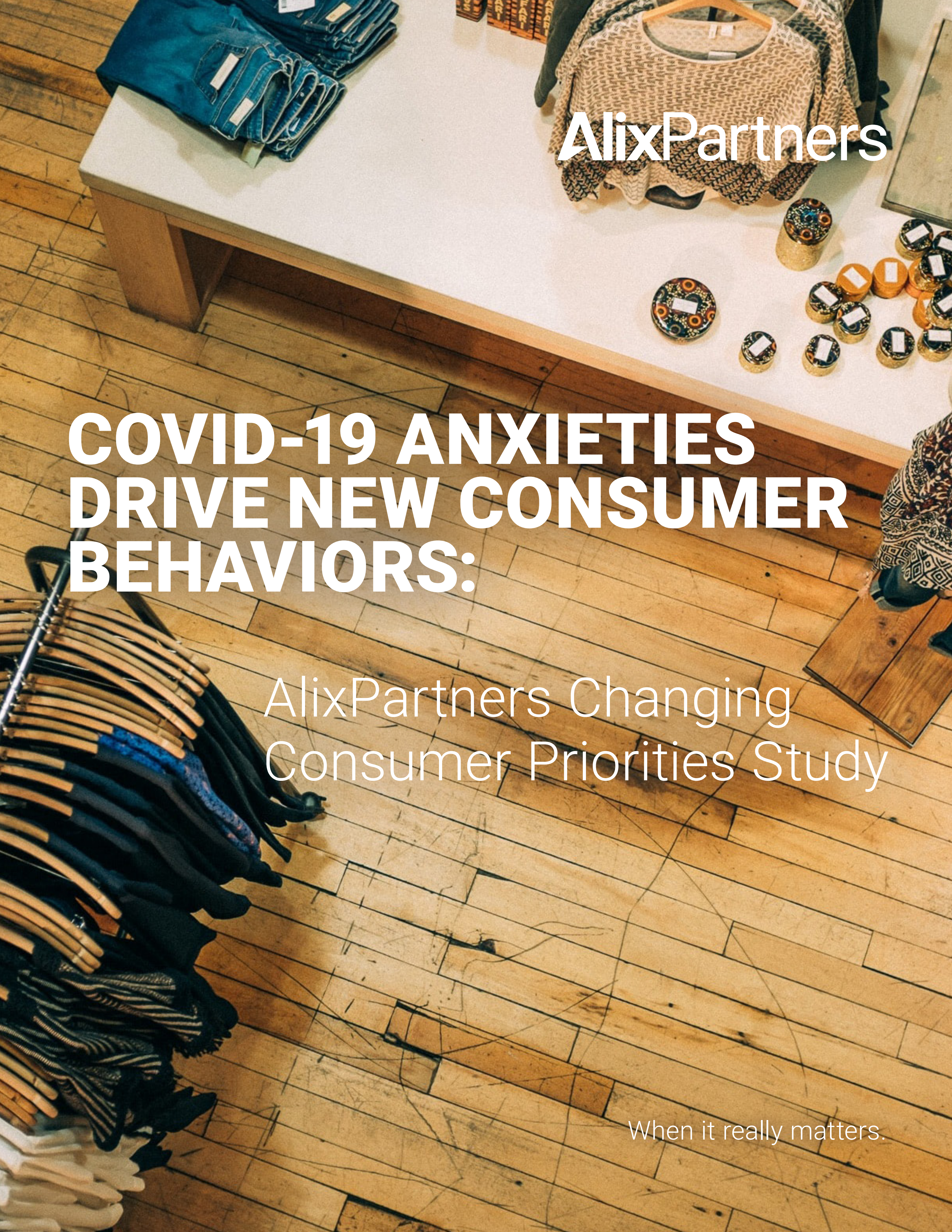


COVID-19 ANXIETIES DRIVE NEW CONSUMER BEHAVIORS:

AlixPartners Changing Consumer Priorities Study

When it really matters.

As a result of the ongoing COVID-19 crisis, consumer behaviors around the globe are being driven, and increasingly segmented, by varying degrees of concern over health and financial matters. These concerns differ country to country and person to person based both on the prevailing macro environment – infection rates, the status of lockdowns, economic performance, and social supports – and on individual factors, including financial well-being, physical and mental health, and concern for the health of others. These anxieties, in turn, are causing meaningful changes in consumer behavior.

At a glance

1. Financial health is the highest reported concern.
2. Older consumers are feeling less anxious than younger consumers.
3. Distinct pandemic-driven consumer profiles are emerging which transcend demographics.
4. Consumer-facing companies will be well-served to better understand these customer types and determine how best to approach each group.

Consumers have dramatically differing outlooks

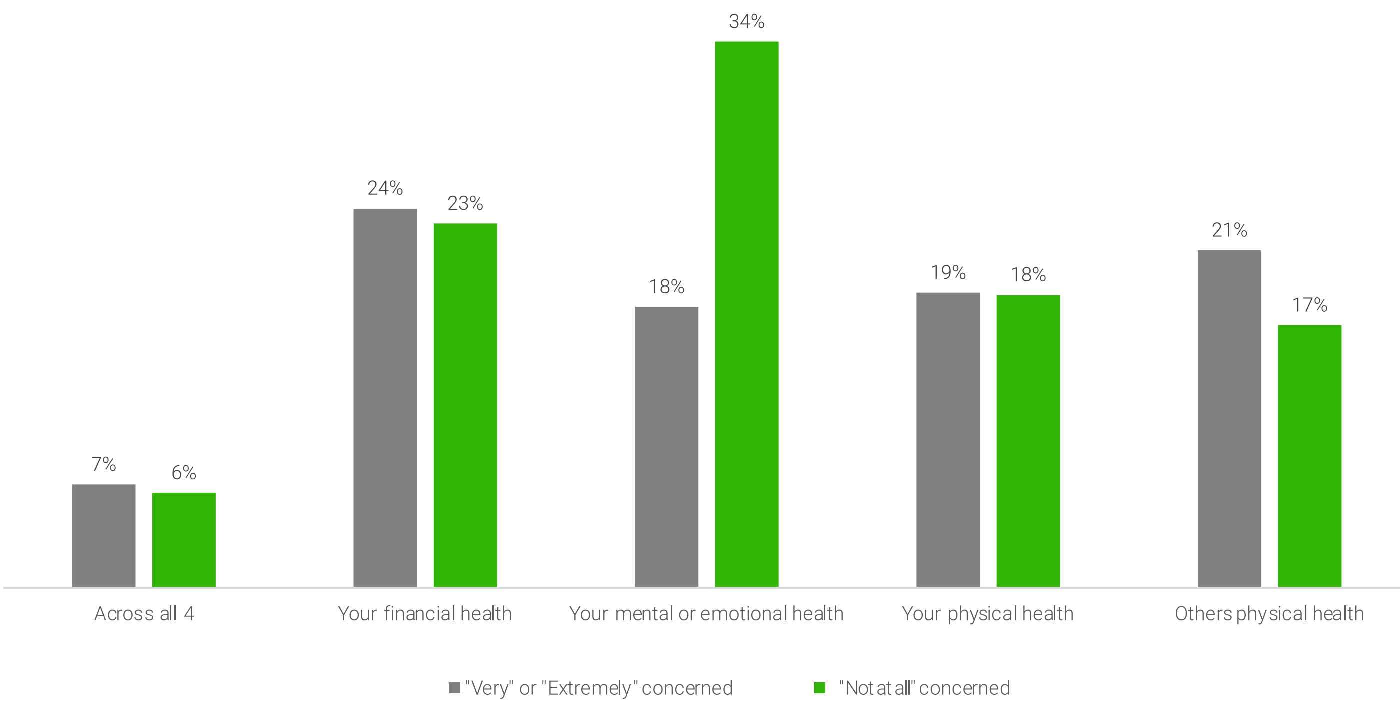
- At either end of the spectrum, nearly equal numbers of consumers (~20%) are either feeling "extremely/very" concerned or are "not at all concerned" about their physical, emotional, or financial health.
- But those who are concerned are not concerned about the same things, with only 7% of consumers reporting feeling "extremely/very" vulnerable on all fronts.
- Consumers are more concerned about financial health (24% across all countries surveyed) with the exception of those in Germany and the United States where concerns for others predominated.
- Those in the United States are feeling the most concerned in every aspect surveyed.
- Younger and urban consumers are feeling more anxious.

Consumers are being impacted differently by the pandemic

PANDEMIC-DRIVEN CONCERN LEVEL, BY TYPE; ALL COUNTRIES, AVERAGES

Question:

How concerned do you currently feel, regarding: your physical health, your financial health, you mental or emotional health, the physical health of those closest to you?

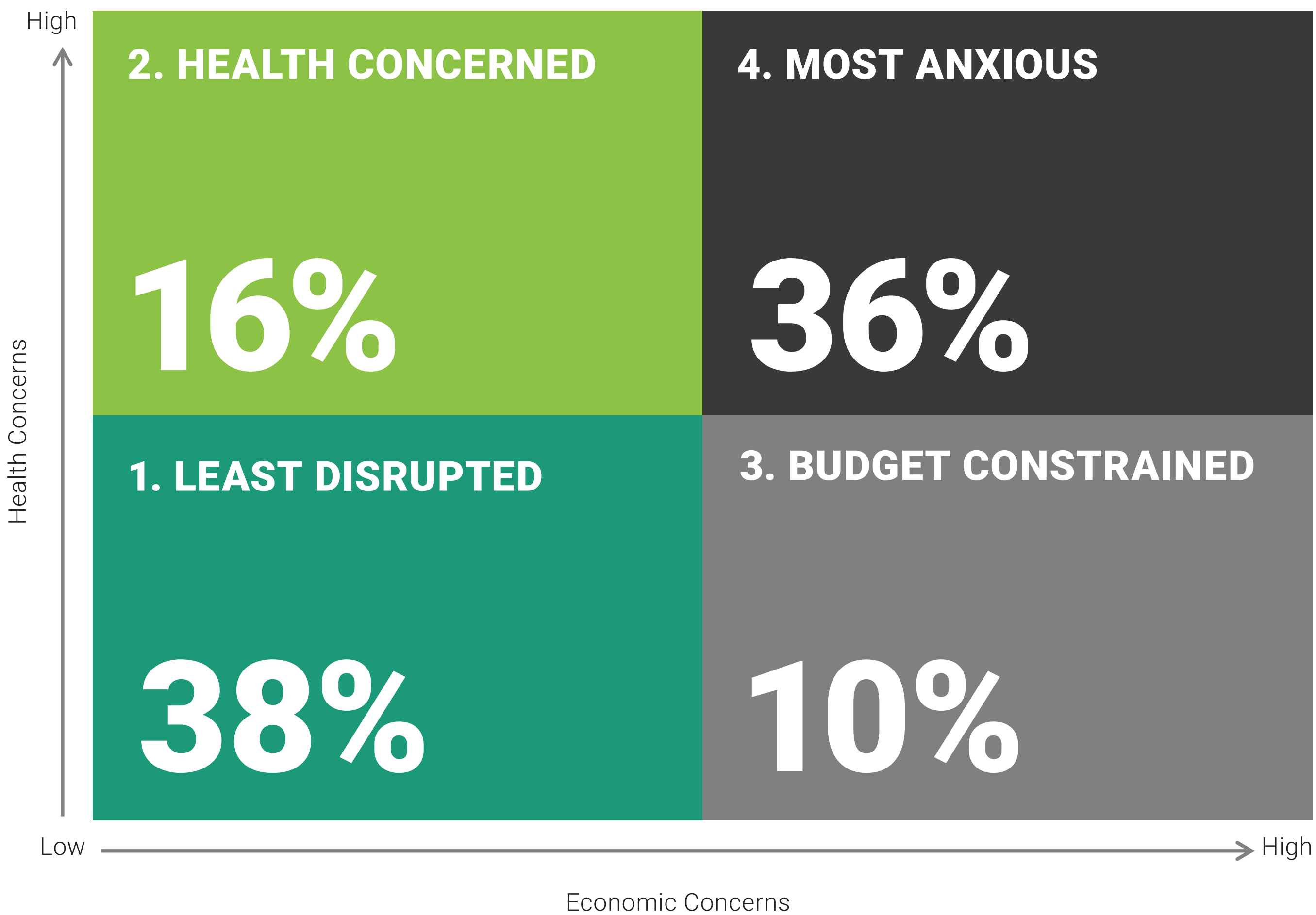


CONSUMERS ARE SPLIT:

Nearly equal numbers ”very” or “extremely” concerned to those that are “not at all concerned” across many categories.

Consumers increasingly segmented based on anxieties

New consumer segments are emerging as a result of the pandemic, which will drive new behaviors and priorities. We identified four distinct groups of consumers, which were broadly consistent (with some minor variation) across countries:



Health concerns:

Top row equals consumers either emotionally, physically concerned about self (i.e. somewhat, very and extremely)

Financial concerns:

Right column equals consumers financially concerned about self (i.e. somewhat, very and extremely)

Behaviors are changing across all consumer groups...

- Each type of consumer has dramatically changed their behavior over this period.
- They are staying home more, streaming more television, and talking more to family.
- They're also wearing face masks, using hand sanitizer, and practicing social distancing.
- Across all four groups, consumers are about 40% more likely to decide where to shop based on sanitary practices than before the pandemic.
- Grocery habits have shifted, with more people buying healthier foods.

...But there are some key differences

1. LEAST DISRUPTED — 38%

- Higher financial savings behaviors
- Out there en masse – shopping in person, dining out, staying at hotels, etc.
- For home activities, ordering takeout for pick-up and ordering retail products lead
- Least interested in many consumer activities
- Higher financial savings behaviors

2. HEALTH CONCERNED — 16%

- Highest financial savings behaviors
- But, most reserved towards out-of house consumption overall
- Willing to pay more to feel safe
- Least likely to order restaurant delivery (exposure) but most likely to order grocery delivery

3. BUDGET CONSTRAINED — 10%

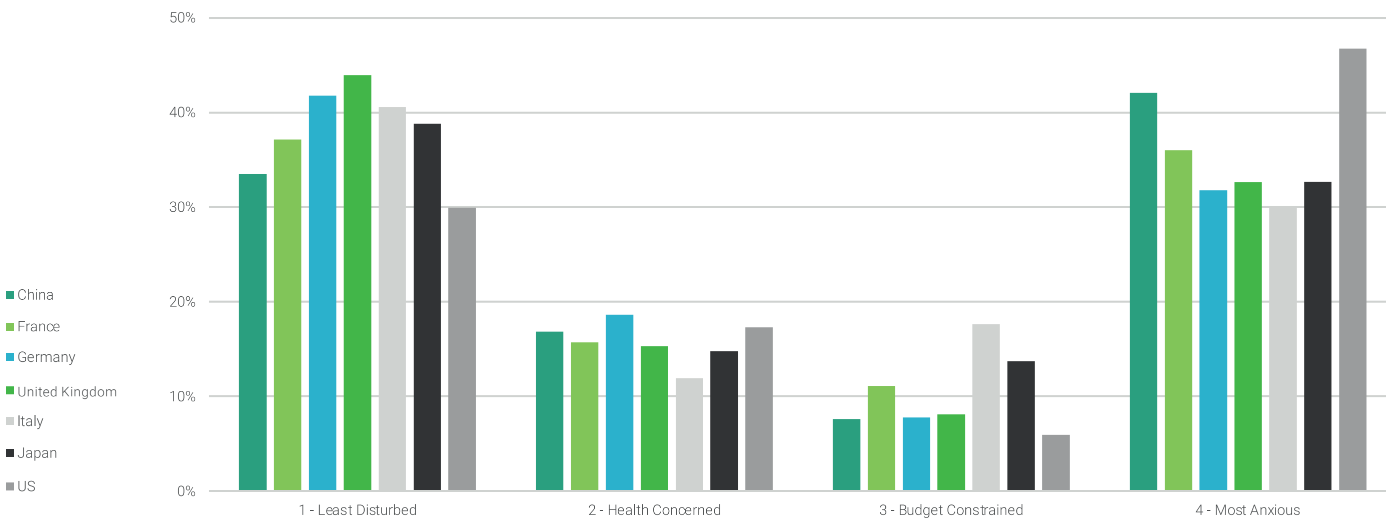
- In search of discount offers
- Likely to shop in person and try on clothing/footwear
- Likely to order take-out but not restaurant or food delivery (fees)
- Will order retail delivery and engage online
- Making stock-up trips

4. MOST ANXIOUS — 36%

- Least likely to shop in person or dine-out
- Most prominent online – whether ordering delivery (restaurant/grocery) or online clothing services (rental, subscription, etc.)
- But least likely to order retail products online for delivery
- Making stock-up trips
- Disproportionately interested in travel
- Most interested in all consumer activities

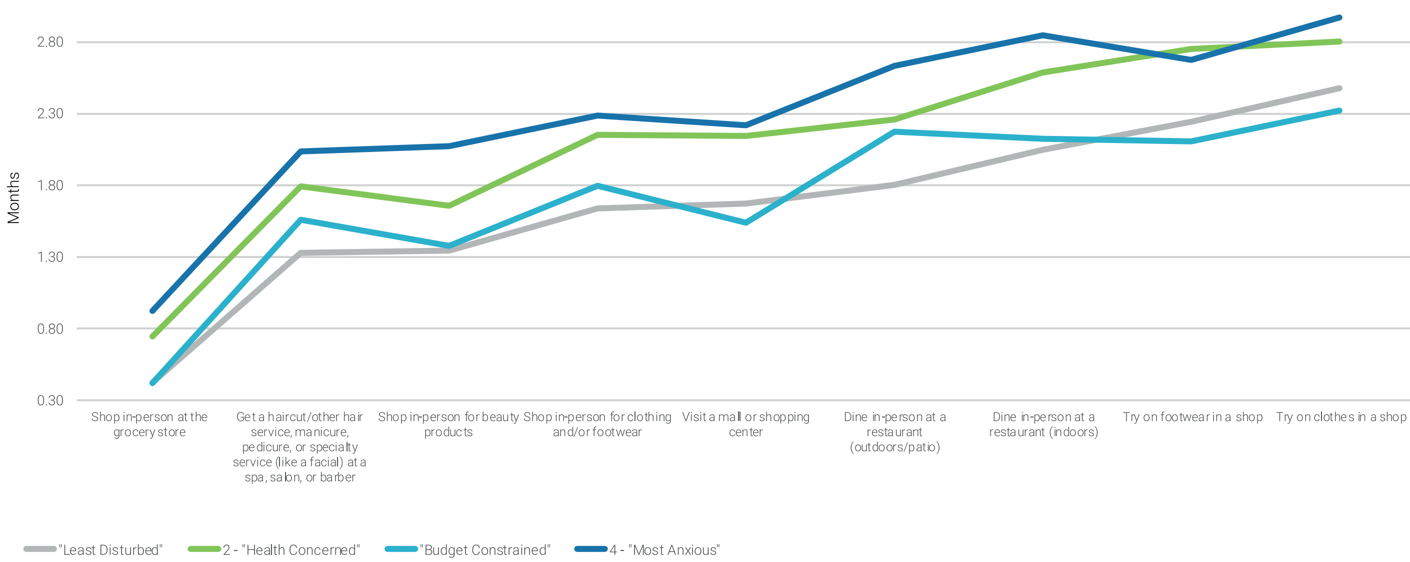
These consumer types are found in every country

How At the time of the sampling, Western Europe had a slightly higher percentage of “least disturbed” consumers while China and the US had more “most anxious” consumers



But overall, “Most Anxious” consumers are the most reserved

Average months consumer expects to return to activity by group (for those interested)



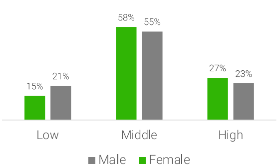
1. LEAST DISRUPTED — 38% of the total

Highlights

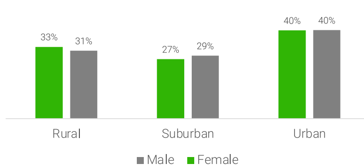
Disproportionately older Least likely to have:

- Kids in house
- Self-isolated
- Employment disruption during COVID-19 (i.e. loss of work, wages, etc.)

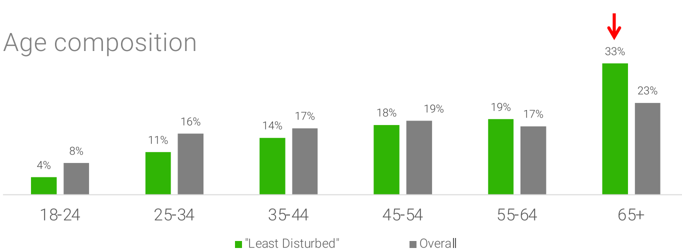
Income



Location



Age composition

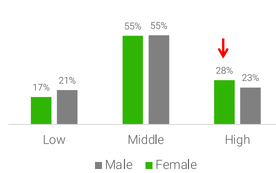


2. HEALTH CONCERNED — 16% of the total

Highlights

- Slightly more females
- Skews towards higher income
- Skews slightly older
- More likely to have self-isolated
- Less likely to have employment disruption during COVID-19

Income



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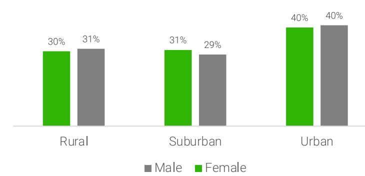
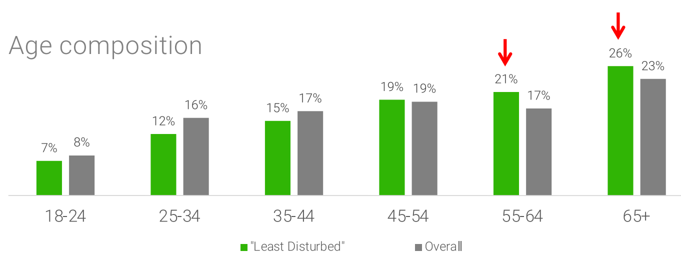


Age composition



3. BUDGET CONSTRAINED — 10% of the total

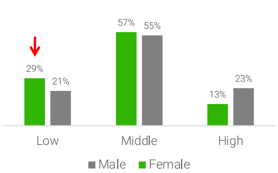
Highlights

- Skews towards females
- Skews lower income

Most likely to have:

- Worked on-site during COVID-19 (i.e. essential worker)
- Employment disruption

Income



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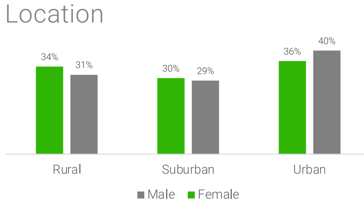
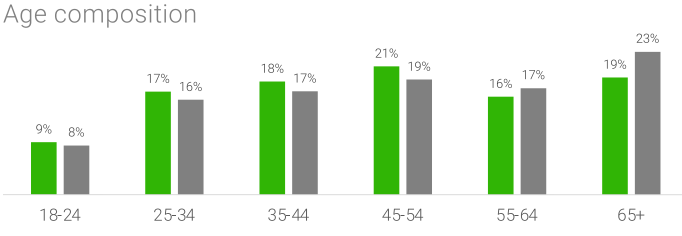


Age composition



4. MOST ANXIOUS — 36% of the total

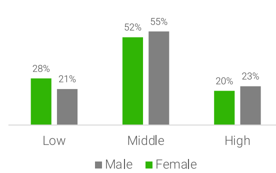
Highlights

- Disproportionately younger
- Skews lower income

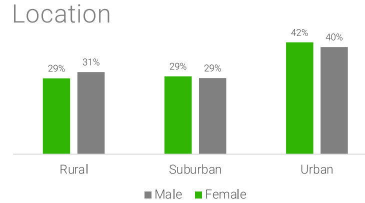
Most likely to have:

- Worked remotely and self isolated
- Have kids/distance learning
- Employment disruption

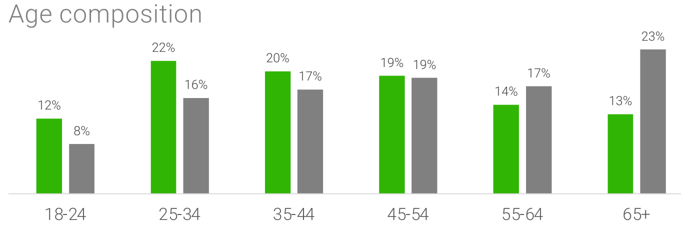
Income



Location



Age composition



Key takeaways for companies

- Know your customer. New consumer segments are emerging that transcend demographics and countries.
- Value products and services have taken on greater importance, especially for budget-constrained consumers. This segment is likely to have enduring and increasing significance as a result of longer-term economic impacts from the pandemic.
- Health safety is table stakes across all consumers but especially critical for some.
- The “most anxious” consumer group is the one to watch. They are younger, sizeable, and interested in spending, particularly on experiential activities such as restaurants, entertainment, and travel.
- The need to invest in digital customer engagement and predictive capabilities is accelerating.

What’s to come

- The AlixPartners Changing Consumer Priorities Study is an ongoing longitudinal research project analyzing shifting consumer behaviors and providing insights into corporate responses.
- The next consumer survey will be conducted in the 1st quarter of 2021.
- With this additional data, we will be providing further insights on the battle for share of wallet by consumer group as the pandemic enters its next (and hopefully final) phase.

And we will define tactics to engage customer groups through:

- Loyalty approaches
- Value attributes
- Promotional strategies
- In-store vs. online channel shifting
- Shipping and delivery approaches
- Tactics for packaging
- Digital customer engagement

Look for these insights in March 2021

About the AlixPartners Changing Consumer Priorities Study

Survey focus

- Better understand consumer concerns tied to health and finances for themselves and others
- Investigate emerging behaviors and sentiment since COVID-19 stay-at-home orders began

Understand traits and buying patterns related to key sectors of the economy:

- Restaurants
- Travel
- Leisure and Entertainment
- Retail
- Consumer Products
- Grocery

Date: July 20-29, 2020

Population: 7,006 adults, age 18+

Demographics: Balanced across countries - e.g. Gender, Age, Income, Education, Location (City/Rural/Suburban) Positioned to be an inaugural study with more polling's to come

AlixPartners conducted an online survey July 20-29, 2020 among consumers in seven countries: the United States, the United Kingdom, France, Germany, Italy, China, and Japan. For this survey, we received responses from 7,000 adult consumers, age 18 or older. The results were reweighted by age in order to provide representative samples by country. Respondents were asked about their spending, behaviors, and activities since the COVID-19 stay-at-home orders began in their area. This is an inaugural study with more polling to come.

Note that the COVID-19 pandemic has peaked at different times and durations in these countries so far in 2020. China reached its peak earliest in mid-February, followed by France, Germany, and Italy in late March, and the UK in mid-April. However, the pandemic peaked in July in the US and is still at a very high level, while cases were rising sharply in Japan at the time of fielding (late July). Peak time periods and the extent and length of COVID-19 related lockdowns in each country may (or may not) have an effect on possible differences in spending, behaviors, and the resumption of activities across countries during this first wave of analysis.

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ABOUT US

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.