

COVID-19 ANXIETIES DRIVE NEW CONSUMER BEHAVIORS

Half of all global consumers say their spending habits have changed permanently due to the pandemic. Our new methodology finds out which ones will endure



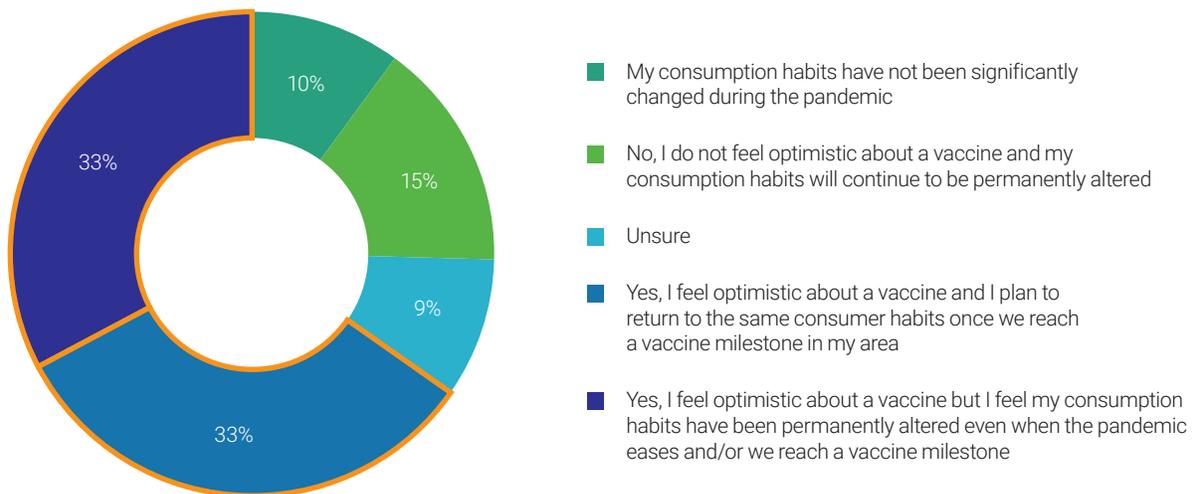
ALIXPARTNERS CHANGING CONSUMER PRIORITIES STUDY

A year and counting of profound disruption to normal life has had a lasting impact on how people around the world live and act. One in two consumers around the globe says their consumption habits have changed permanently due to the pandemic, according to our ongoing research on changing consumer priorities.

While restrictions prompted by COVID-19 varied across geographies in their scope and severity, consumers widely have had to learn new behaviors and adopt new habits in their daily lives. Moreover, many consumers have been riddled with anxieties about finances and physical as well as mental health. This far-reaching feeling of vulnerability will cause many of these new behaviors to outlast the pandemic.

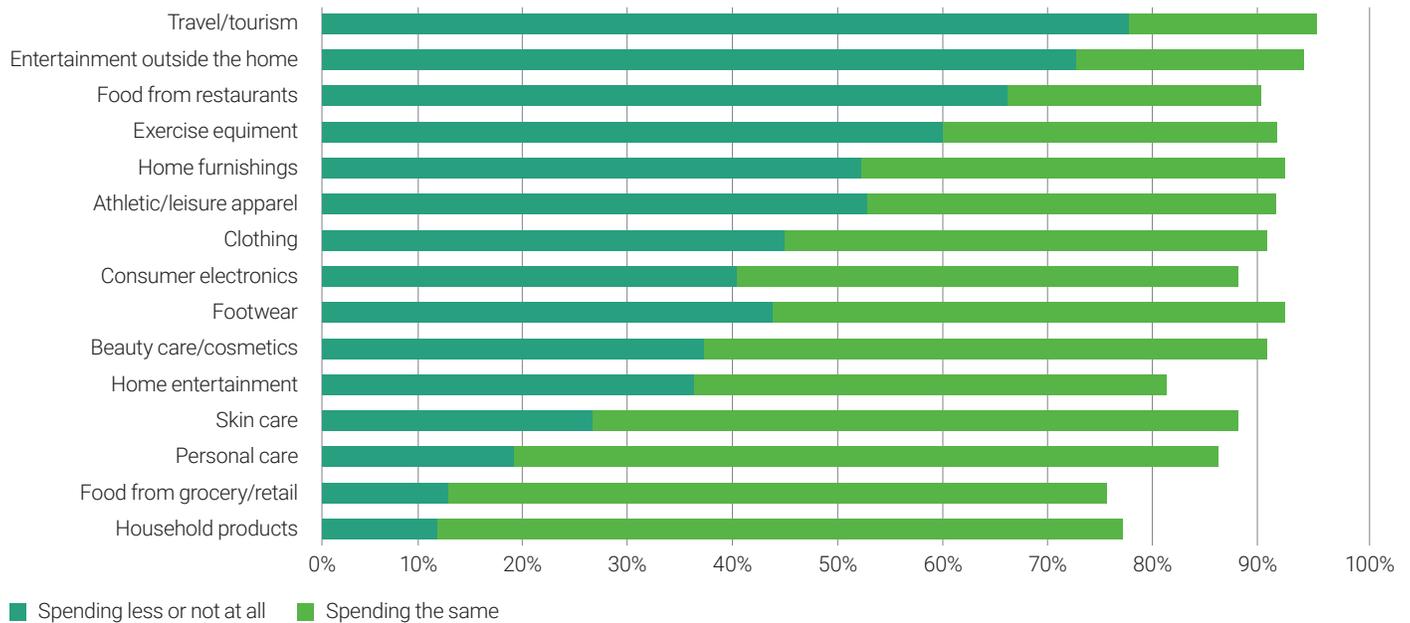
Our survey suggests that two-thirds of consumers are optimistic about a vaccine. However, spending patterns have consistently and strongly favored home consumption over the last several months, and trends toward a more online future have accelerated. This shift to online engagement is led by clothing and footwear and consumer electronics, according to our survey conducted in January across more than 7,000 consumers in nine countries. However, many consumers have also found the forced shift to online challenging, especially when it comes to restaurants and grocery shopping.

Globally, vaccine optimism is high



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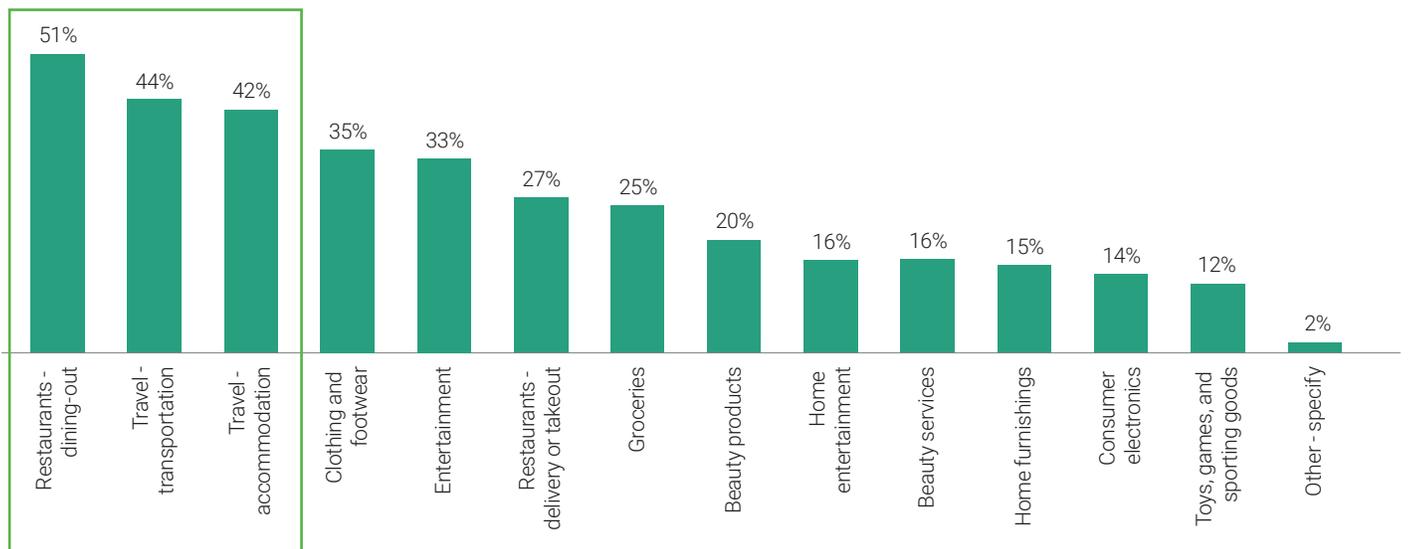
Spending patterns are favoring consumption at home



Question: Since the start of COVID-19 stay-at-home orders, are you spending more/the same/less on each of these categories?

For most consumers indicating permanently changed habits, the biggest changes over the past several months have come in restaurant dining (51%) and travel and transportation (44%). Consequently, these areas will likely also be the slowest to spring back even after the most acute threat of the pandemic passes. On average, 36% of those with permanently changed habits say they will continue to spend less across the travel sector.

Dining out and travel are likely to stay deflated for a while



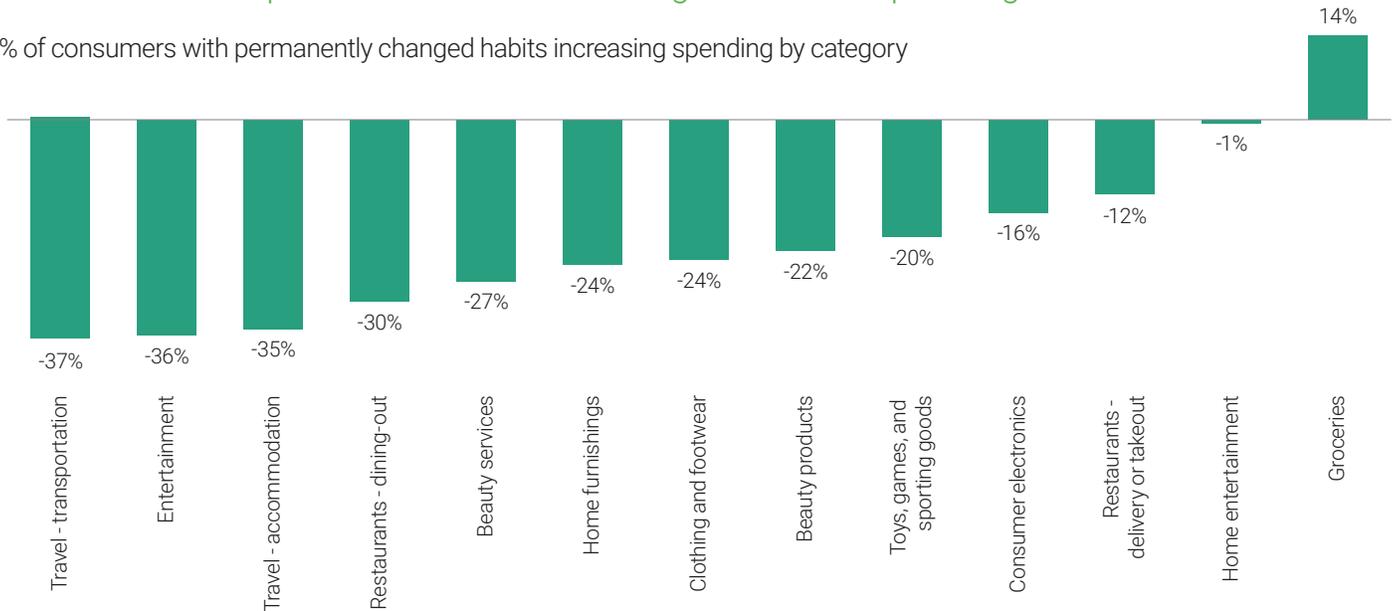
Question: Which categories do you feel your consumption habits have been permanently changed?

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While it's no surprise that consumers around the world spent more on groceries over the past year, remarkably, they expect to continue spending more even after the pandemic ends.

Groceries are expected to continue seeing increased spending

% of consumers with permanently changed habits increasing spending by category



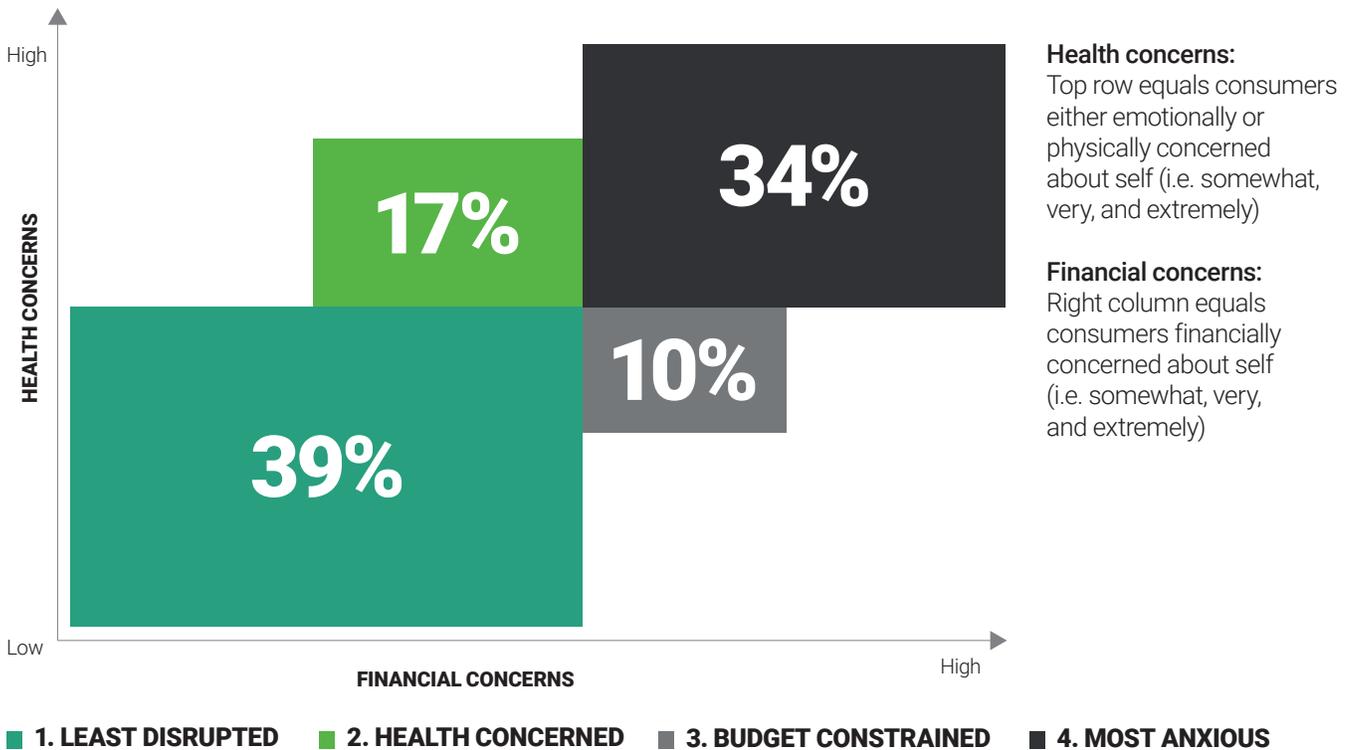
Question: How do you expect your spending will change in each category from pre-COVID-19 times to post-vaccine, if at all?

Significantly, the survey found that behaviors are shifting within every age group, gender, income level, and location – but not in the same way. Put another way, identifying consumers who anticipate permanently changed buying habits is more difficult than relying solely on traditional demographics. For instance, those consumers who report being more anxious about their vulnerabilities are more likely to hold onto practices they adopted during the pandemic, but these more anxious consumers appear in every age group.

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So, how can we identify the overwhelming percentage of consumers who are leaning toward long-term changed behaviors? When mapped by the two main vulnerabilities – health (this includes mental and physical) and finances – consumer behaviors take on four distinct dimensions that companies must consider going forward in addition to traditional demographics. According to these dimensions, Health Concerned and Most Anxious consumers report experiencing both the largest and most lasting changes in behavior.

Consumers are taking on four distinct behavioral dimensions



Let's find out more about each of the four dimensions, which show up in every surveyed country

1. LEAST DISRUPTED – 39%

Who are they?

These consumers are disproportionately older, with 30% of this group composed of consumers 65 years or older. They are least likely to have children currently at home. They are also least likely to have self-isolated or to have faced breaks in employment during the pandemic.

How are they reacting during the pandemic?

- Vaccine optimism features high for these consumers.
- They are more likely to have been shopping in person and dining out at times when their geographic location was not under mandated lockdown.
- These consumers are displaying increased financial saving behaviors.
- This cohort shows the least interest in online channels overall.

How is this likely to influence their behavior in the future?

- These consumers are less likely to retain habits picked up during the pandemic.
- Their most likely behavior will be to reactivate the use of disposable income through traditional spending mechanisms.

2. HEALTH CONCERNED – 17%

Who are they?

These consumers skew toward higher income groups and older age groups. These consumers are more likely to have self-isolated and have generally not faced any loss of job or wages during the past year.

How are they reacting during the pandemic?

- Vaccine optimism levels are highest among this cohort, with 68% saying they were optimistic.
- These consumers are most reserved toward out-of-house consumption in retail, restaurants, travel and leisure – except when it comes to grocery shopping.
- They have learned how to grocery shop more efficiently, including making stock-up trips, and have reduced their use of restaurants the most.
- Because of health concerns, they are willing to pay more to feel safe, such as ordering grocery delivery with fees, and they value quality and service over price and portion size.

How is this likely to influence their behavior in the future?

- Their willingness to pay to be more secure about their vulnerabilities may translate into willingness to pay a premium for convenience.
- Health safety protocols will influence this group for the longest period after the pandemic.

3. BUDGET CONSTRAINED – 10%

Who are they?

These consumers skew lower income. They are most likely to have worked outside of their home during the pandemic, for example, as an essential worker. But they are also most likely to have faced disruption in their employment status, such as loss of job or wages.

How are they reacting during the pandemic?

- These consumers have the lowest level of vaccine optimism.
- However, they are less likely to be able to pay for services to feel secure, such as home delivery.
- Consumers within this bracket are in search of discount offers and in-store value options.
- They are likely to order takeout, but not restaurant delivery as they do not want to pay delivery fees.
- While they are relatively interested in online channels, they may not be fully utilizing them due to their search for value.

How is this likely to influence their behavior in the future?

- They have a heightened focus on value and will be searching for value in alternate channels.

4. MOST ANXIOUS – 34%

Who are they?

This dimension is disproportionately younger and skews lower income. They are most likely to have worked remotely and self-isolated. They are also most likely to have children at home who are distance-learning. They are likely to have faced employment disruption.

How are they reacting during the pandemic?

- Most Anxious consumers are prominent online and leading the transition to online channels. Around 70% of this cohort reports being interested in ordering groceries online for home delivery, a similar percentage leans toward wanting to buy food from a restaurant for delivery.
- They are disproportionately interested in travel and other experiential activities, much more than products.
- Concern for the environment is high, and 43% say their buying decisions have been impacted by this since the start of the pandemic.

How is this likely to influence their behavior in the future?

- These consumers expect convenience and speed but choose to be more discerning on when they will pay for it.
- They will have emerging concerns over packaging and sustainability.
- This type of consumer is figuring out how to live with less and is likely to display the biggest shift from hard goods to experiential consumerism as well as toward renting over buying.

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Because consumers falling within traditional demographic groups have taken on different dimensions, the view of the consumer needs to become much more nuanced. Within a single demographic group, such as age or income level, different consumers may have adopted different lasting behaviors. For instance, a consumer from the Most Anxious dimension may now have increased awareness about environmental concerns and, so, will prefer spending on experiences rather than products. On the other hand, a consumer from the same age group may fall within the Least Disrupted dimension and consequently would be keen to return to consumption habits of old.

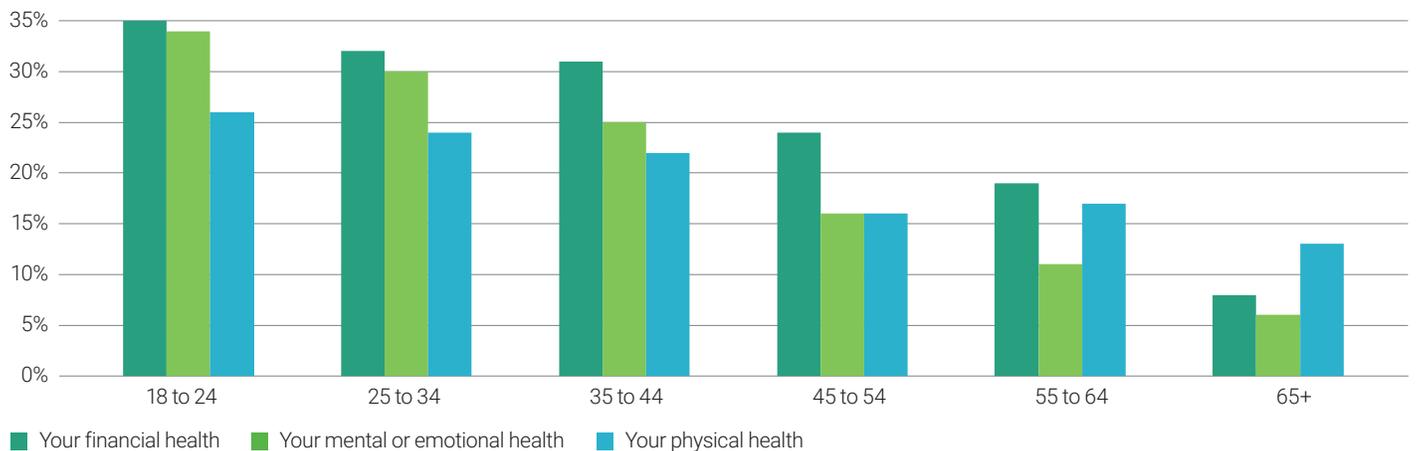
There are several other significant takeaways that reflect how consumers are reacting to the pandemic and how it has changed spending and consumption patterns:

1. YOUNGER PEOPLE ARE FEELING MORE VULNERABLE

The age groups between 18 to 24 years and 35 to 44 years are reporting being increasingly concerned about physical as well as mental and emotional health. Almost 35% of those in the 18 to 24 age group report being extremely or very concerned about their mental health. Even more strikingly, financial health is the biggest source of worry for everyone under the age of 65.

Financial health is the biggest concern for everyone under the age of 65

Pandemic-driven concern level, by age group, 'extremely' or 'very' concerned

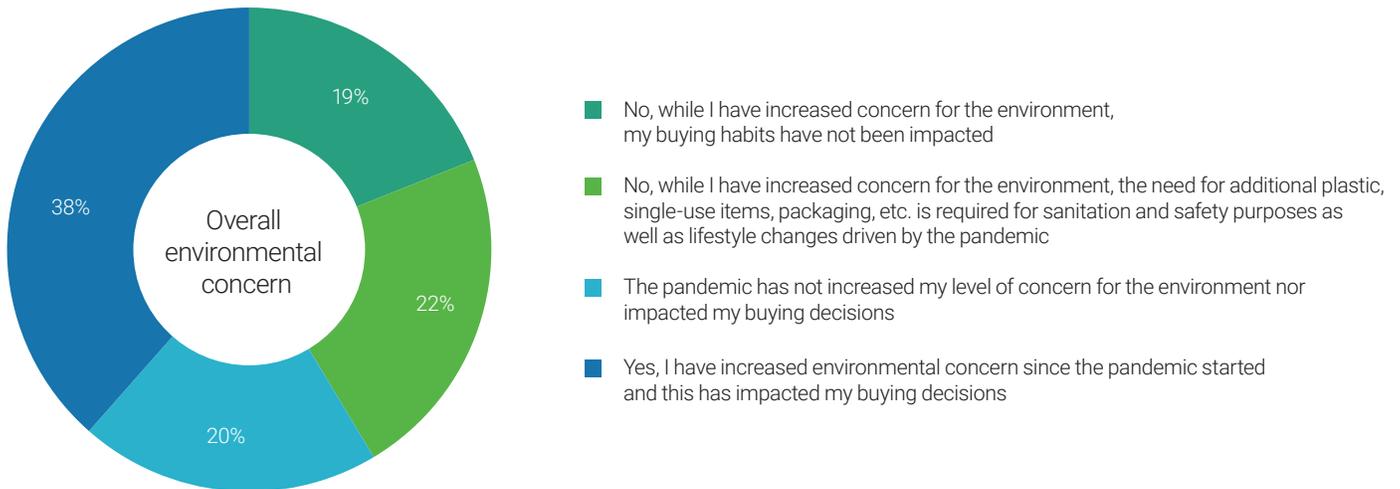


Question: How concerned do you currently feel, regarding: your physical health, your financial health, you mental or emotional health, the physical health of those closest to you?

2. ENVIRONMENTAL CONCERNS HAVE GROWN SUBSTANTIALLY, ALTHOUGH THE US AND THE UK ARE OUTLIERS

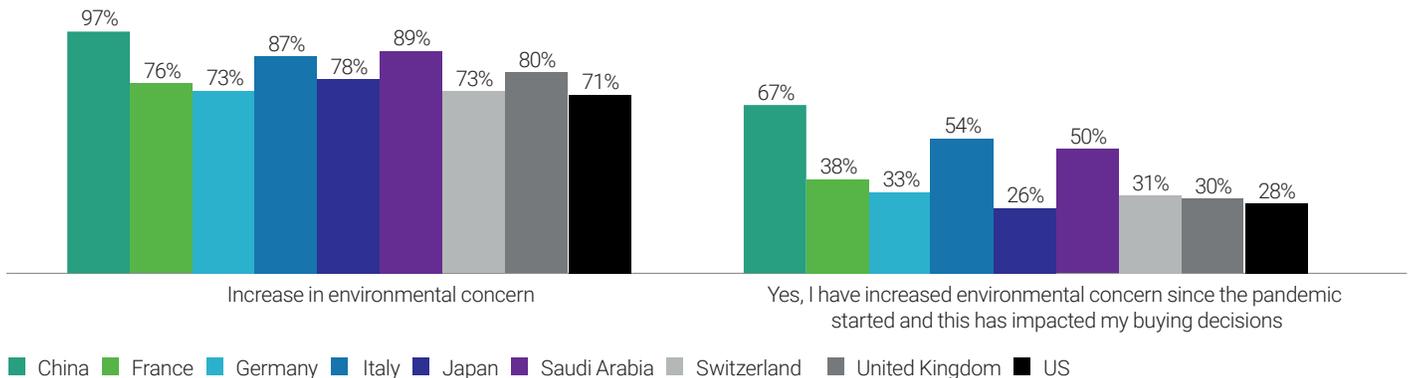
As many as 80% of consumers have grown more concerned about the environment during the pandemic, and 38% of consumers report having changed behaviors due to these concerns. Digging deeper, 67% of consumers in China, 54% of consumers in Italy, and 50% of consumers in Saudi Arabia say their buying decisions have been impacted by these new environmental concerns. This concern is not similarly front of mind for those in the UK and the US, with only 30% and 28% of the consumers, respectively, saying it would affect purchase decision-making. Most Anxious consumers are more likely to change their buying decisions because of rising environment concerns.

Environmental concerns are increasing for most consumers



Question: Has the pandemic increased your level of environmental concern and impacted your buying decisions?

China and Italy are experiencing the largest behavioral changes due to environmental concerns



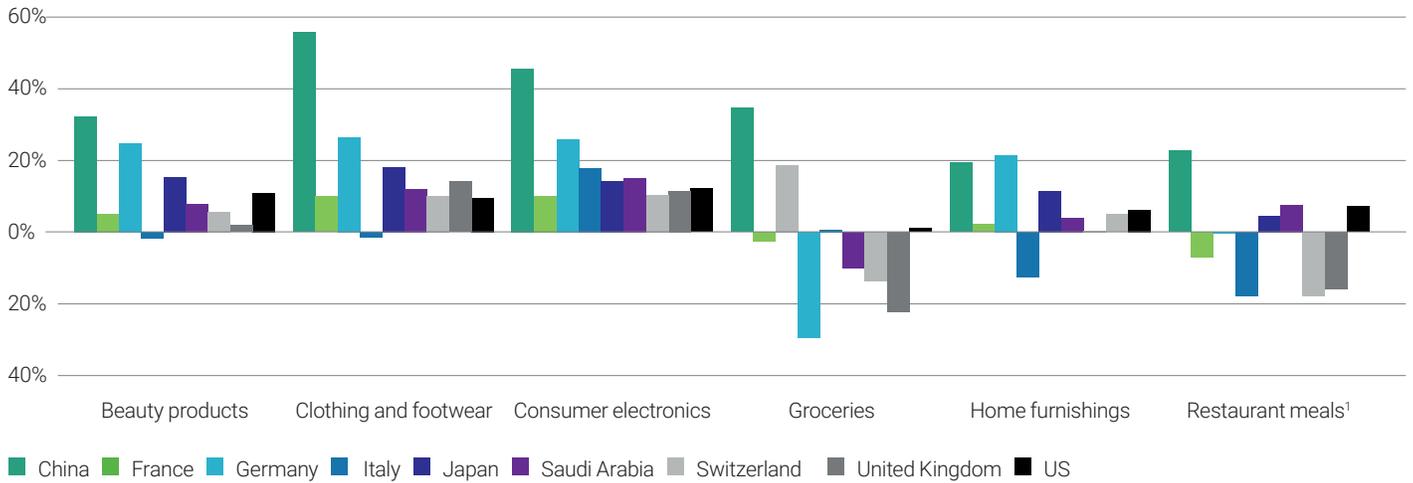
Question: Has the pandemic increased your level of environmental concern and have your buying decisions been impacted?

3. CHINA IS LEADING THE TRANSITION TO ONLINE, BUT THESE CHANNELS ARE NOT FOR EVERYONE

While China has been a frontrunner in ecommerce and a more seamless view of the online consumer for a few years now, the pandemic has exaggerated this trend even more. Consumers in China report shifting net more to online channels in very high numbers – even after a vaccine becomes widespread. Almost 55% of Chinese consumers who say they will have permanently changed habits plan to shift net more of their clothing and footwear purchases to digital channels, and more than a third say the same for groceries. However, a significant percentage of consumers around the world are learning through this forced experiment that online channels do not work for them, especially when it comes to grocery and restaurant delivery.

Consumers in China are shifting more online across all categories

Consumer channel shift net 'more online' (of consumers with permanently changed habits)



Question: How do you expect the way you purchase certain products will change from pre-COVID-19 times to post-vaccine, if at all?

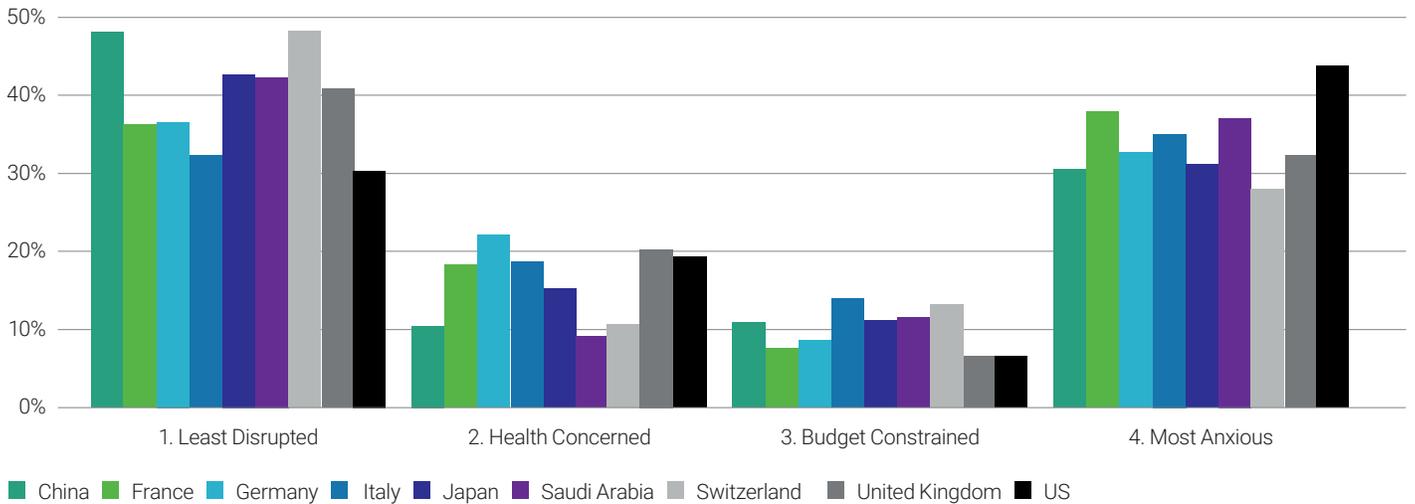
1. Restaurant meals is net 'more at home'

4. CONSUMERS IN THE US ARE REPORTING BEING MOST ANXIOUS

In the US, 44% of the surveyed consumers fall in the Most Anxious dimension. This trend first appeared in a version of this poll we conducted in summer 2020, when 47% of the surveyed consumers in the US were Most Anxious. Conflicting recommendations around mask usage and social distancing may have played a role, especially as this overlapped with a period of deep political divide and uncertainty related to the federal elections. In the January survey, almost 30% of US consumers reported being extremely or very concerned about physical health and about a quarter said they were extremely or very concerned about mental health. The US approach to stimulus payments despite high numbers of job losses and furloughs during the pandemic as well as concerns about **growing wealth inequality** could also be key factors.

US consumers consistently indicate being concerned about health and finances

At the time of the sampling, Western Europe had a slightly higher percentage of ‘Least Disrupted’ consumers while China and the US had more ‘Most Anxious’ consumers



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As the world prepares to emerge from the pandemic, our collective experience over the past year has imprinted on us all and will affect how we behave and respond going forward.

While many consumers will prioritize going back to spending through familiar pre-pandemic mechanisms, others will focus on finding the best value for their money either through experiences or through better deals, and some may choose to splurge. It is imperative for consumer-facing companies to understand what has, and is continuing to cause, these changes – many of which have developed into habits that will not be renounced any time soon.

How can companies prepare for this changed world?

- Recognize that value has taken on a much greater importance. However, there are subtle but significant differences among consumers on what exactly it means to them now.
- Prepare to meet new consumer expectations around sustainability and concern for the environment.
- Make digital engagement a priority to both capture those consumers who are showing an inclination toward these channels and to improve the experience for those who are currently dissuaded by it. While many consumers have enthusiastically converted to online channels, a large faction is not embracing long-term adoption for reasons including the impact of shipping and packaging on the environment, a perceived lack of value for money, or a disappointing overall experience.
- Pay attention to the Most Anxious consumer dimension going forward, as it both skews younger and is showing significant interest in new consumption patterns.

About the AlixPartners Changing Consumer Priorities Study

Survey focus

- Better understand consumer concerns tied to health and finances for themselves and others
- Investigate the changes in sentiment and behavior since COVID-19 stay-at-home orders began and how consumers will respond going into the future

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

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

Date: January 11-30, 2021

Population: 7,164 adults, age 18+

Demographics: Balanced across countries - e.g. gender, age, income, education, location (city/rural/suburban)

AlixPartners conducted an online survey January 11-30, 2021 among consumers in nine countries: China, France, Germany, Italy, Japan, Saudi Arabia, Switzerland, the United Kingdom, and the United States. For this survey, we received responses from 7,164 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.

Note that the COVID-19 pandemic has peaked at different times and durations in these countries. 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 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.



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