



Covid-19 Impacting Consumer Purchasing Decisions



The challenges facing the world due to the coronavirus are impacting global economies, pushing health-care systems to the breaking point and fundamentally changing how we live our daily lives.

One of the more noticeable impacts of the pandemic has been its effect on consumer purchasing behaviors. In the early days of the outbreak, when the World Health Organization (WHO) raised the global coronavirus risk level to “very high,” consumers began actively stockpiling emergency supplies, followed by basic foodstuffs such as canned goods, flour, sugar, milk and bottled water. Concerns about the pandemic created a ripple effect into non-food essentials, too. In the U.S., sales of supplements, fruit snacks and first aid kits, for example, have all been on the rise.

An investigation across many countries by Nielsen has detected spikes in the hoarding of emergency supplies in China, the U.S. and Italy, where consumers have been rushing to build what some are calling “pandemic pantries.” This rush on essentials has had an immediate impact on supply chains for manufacturers. In some countries, stocks of hand sanitizer and medical facemasks have already dried up. According to Nielsen, San Francisco drug stores exceeded an entire year’s supply of medical facemasks in a single week in February.

Not surprisingly, the COVID-19 pandemic is causing a dramatic shift in short-term decision making. While some of the changes in consumer purchasing behavior are clearly temporary, others are expected to linger or become the new norm once the risk of infection drops to acceptable levels and the economy stabilizes.

While a variety of reports have been following the impacts of COVID-19 on consumer purchasing behaviors, a recent study by Wells Fargo highlighted several key trends, including the following:



1. Stocking Up to Stick It Out

On Feb. 26, 2020, President Donald Trump held a press conference on COVID-19, which became a catalyst that shifted public concern from “reactive health management” to full “pantry preparation” mode. News from the press conference included guidance to stock up on essentials.

According to Nielsen, who was measuring sales that week, the event sparked an immediate demand for shelf-stable food essentials, as well as a variety of health and household safety products. In the month that followed the press conference, pantry preparations among U.S. consumers fueled record sales for masks, hand sanitizers, antiseptics, cleaners, over-the-counter cold remedies and emergency essentials such as bottled water, toilet paper and other paper products.

Two months later, while overall CPG sales appear to be settling down, many CPG categories are continuing to see elevated demand.

1. Stocking Up to Stick It Out continued

The pantry loading trend is expected to be relatively short-lived, as supply chains stabilize and fear of “running out” subsides.

While the edible, non-edible and fresh food categories highlighted above continue to show impressive YOY growth, sales are down significantly since pantry loading peaked in mid-March. Demand is forecasted to remain flat in second quarter as consumers begin to work through their stockpiles. Post pandemic, consumers are expected to resume their normal purchasing patterns, with the possibility of a few exceptions that have yet to be defined.

April 26 YAG, IRI CPG Demand Index

Edible

Frozen Snacks:	+56%
Frozen Meat/Poultry:	+67%
Frozen Meals:	+36%
Frozen Desserts:	+43%
Frozen Beverages:	+57%
Shelf Stable Vegetables:	+60%
Baking:	+74%
Breakfast:	+37%
Condiments/Sauces:	+44%
Ethnic:	+54%
Refrigerated Foods (Overall):	+33%
Refrigerated Dough:	+75%
Refrigerated Beverages:	+24%
Dairy:	+36%
Alcohol:	+31%

Non-Edible

Small Appliances:	+59%
Paper Products:	+38%
Foils, Wraps, Bags:	+28%
Electronics:	+30%
Barbecue:	+29%
Household Cleaning Supplies:	+48%
Air Fresheners:	+27%
Laundry:	+10%

Fresh Food

Deli Cheese:	+31%
Deli Meat:	+17%
Meat:	+49%
Pork:	+61%
Bacon:	+67%
Sausage:	+52%
Hot Dogs:	+41%
Chicken:	+38%
Beef:	+58%
Produce:	+22%
Seafood:	+38%

-IRI CPG Demand Index™ for Week Ending April 26 YAG



2. Return of the Home-cooked Meal

With shelter in place orders impacting most of the population, consumers are becoming more accustomed to cooking, or at least partially cooking, at home. According to data from any number of sources, many of us are learning to make certain types of food for the first time. Whether it's making rice and beans, or something a little more complicated like baking bread, interest in cooking has spiked to all-time highs. The popular social media app TikTok is even teaching millennials how to cook – in as little as 30 seconds!

The last two months have been unique in many ways, but experts believe a couple of recent consumer

trends will last long after the pandemic recedes. One of these trends is fast-casual cooking at home. While there's no reason to believe people will reallocate their former commuting time to cooking elaborate three-course meals, many individuals and families who turned to home cooking out of necessity are apt to stick with it for a while, and some of those people will adopt it as the new norm.

When it comes to ingredients, some shoppers will come out of the pandemic with less of an aversion to frozen food options. This may open the door to products and brands that previously struggled to establish a foothold in the fresh-

food space. Instead of leaving the store empty handed when a certain item is unavailable, shoppers may be more willing seek frozen alternatives after the pandemic.

Another trend that might outlast the virus is the renewal of personal and community connections. To counter the effects of isolation, friends, families and coworkers are turning to new methods of engaging with each other. While virtual happy hours and online get togethers will fade as the pandemic subsides, communities are expected to emerge more connected than before. Brands who recognize and celebrate this new sense of connectedness and freedom will undoubtedly benefit.



3 • Online Shopping Growing Off the Charts

Even before the pandemic, the shift to digital shopping was widely considered the most profound behavioral change in commerce. Many product categories (e.g., books, entertainment, consumer electronics and apparel) had already gone digital over the past two decades. The grocery industry, in contrast, was still a fledgling adopter before the arrival of COVID-19, attributing just 4% of its sales to e-commerce, according to Nielsen.

As consumers began to comply with mandated social distancing, curfews and stay-at-home orders, however, shopping for groceries online rapidly became a primary

survival tool for American families.

According to the mobile application tracking company Apptopia, the use of online shopping apps has surged in the U.S., particularly for essential services like groceries, milk and medicine. In fact, one popular grocery app has experienced a 700% increase in active users since mid-March.

According to Content Square, online traffic for the supermarket industry was up 135% for the two-week period ending April 26 compared to the two-week period ending Feb. 20. The impact of the pandemic on global online traffic and behaviors for the same time period has been significant (Fig.

3 • Online Shopping Growing Off the Charts continued

Fig. 1

Metric	2-week period ending Feb. 20	2-week period ending Apr. 26
Traffic	-2.2%	+25.4
Page views	-2.6%	+28.9%
Transactions	-1.7%	+42.8%
Conversions	-3.5%	+15.1%

Source: The COVID-19 E-commerce Impact Hub, Content Square, May 3.

The growth of e-commerce since mid-March has been explosive for many retail categories. As more people become accustomed to shopping online, researchers continue to chart a major shift to e-commerce in major markets around the world. According to Emarsys, 43% of all online purchases since mid-March were made by first-time buyers, while the remainder of sales were made up of second-time buyers (5%), active repeat customers (23%), defecting customers (14%) and inactive customers (8%).

Post pandemic, people are expected to emerge from their homes and, for the most part, return to their normal routines. Based on current trends, however, e-commerce appears to be here to stay. While many people simply increased their use of e-commerce during the pandemic, millions more made their first online purchases and rapidly came to appreciate the accessibility, safety and convenience of shopping online. Brands have responded in kind by taking steps to engage and satisfy their customers in new and exciting ways, further increasing the likelihood that consumers continue buying online.



4.

Good Hygiene Becoming Hardwired

For those who may not have been frequent hand-washers before the pandemic, COVID-19 has been an alarming wake-up call. With a heightened awareness about viruses and germs living on surfaces, consumers will be more open to sampling products designed to minimize exposure to microbial and viral threats. “Touchless” cosmetic and facial skincare products, for instance, are well positioned to capitalize on this trend because their packaging eliminates the need to touch one’s face.

Not surprisingly, manufacturers and retailers are keeping a close watch on products aimed at keeping consumers healthy. Sanitizers, vitamins and medical products like masks and gloves have been flying off the shelves since the first mention of COVID-19. Some consumer-health companies have reported

4.

Good Hygiene Becoming Hardwired

continued

an uptick in prevention- and immunity-oriented products as well, including a more than 40 percent year-over-year increase in the sale of multivitamins.

Despite the news that many states are either relaxing COVID-19 restrictions or finalizing their plans to do so when CDC guidelines permit, Statista's COVID-19 Daily Barometer for May 3 indicates that Americans continue to stay at home more (81%), practice social distancing (79%), wash their hands more (77%), go to shops less (67%), avoid public places (67%) and wear protective face masks outside (65%).

As of May 3, Statista's COVID-19 Daily Survey reports that some 42% of survey respondents in the U.S. stated that they are currently spending more time than usual on health and hygiene (e.g., medicine, hand sanitizers, wipes). While this trend is expected to level off to some degree post-pandemic, consumers are not likely to give up the progress they've made towards living a healthier lifestyle.



5 • Back to the Basic Brands

With respect to brand preference, consumers are buying what is available and trading down to lower cost choices based on value. This trend will benefit private label and low-end CPG brands, while premium and ascending brands will be at a disadvantage due to lack of accessibility and less nimble supply chains. Large manufacturers that can quickly make and move products at scale will also continue to gain share, reversing years of gains by small manufacturers.

As retail shelves for popular items sit empty, consumer

brand preference will continue to erode. You may prefer Charmin toilet paper, but when confronted with the reality of not having toilet paper, any brand will do. In this way, COVID-19 is forcing consumers to try alternate brands. These shoppers could emerge from the pandemic with entirely new brand preferences or a higher tolerance for lower overall brand quality. This trend was already gaining momentum before the pandemic, with exclusive store brands gaining market share, but the pandemic is amplifying it significantly.



6.

Sustainability Survives

While some consumers have opted for single-use products and packaging during the health crisis, this behavior is expected to be largely temporary. Once mainstream confidence is restored, consumers are expected to once again make environmental responsibility a top priority.

Nevertheless, the COVID-19 pandemic has highlighted the value of packaging, especially single-use, in fighting and preventing the spread of bacterial and viral infections, prompting brands to further scrutinize what packaging materials are and are not necessary to ensure food safety.

Brands who have adopted waste management and other sustainability initiatives at the core of their business are expected to continue making sustainability a top priority post-pandemic. In contrast, brands who have been using sustainability as a marketing tool, rather than adopting it as an integral part of their business, are not likely to make progress in this area. An article published by GreenBiz recently confirms this viewpoint.

The GreenBiz article is based on commentary submitted by dozens of companies, including some of the world's leading brands, in response to an invitation from GreenBiz to comment on corporate sustainability amid the COVID-19 pandemic. Their responses, which were published as part of the GreenBiz article (with light editing for clarity) on April 21, 2020, unanimously confirmed that sustainability is very much alive and well, despite the current pandemic. As several respondents made clear, there's no going back once sustainability becomes part of your corporate DNA. Case in point, GreenBiz reported just this week (April 21) that more than 70 companies became officially certified under the ClimateNeutral labeling system by completing a carbon footprinting exercise and buying offsets to counteract their impacts.



Where will we be in six months,

a year, ten years from now? No one knows for certain. Several months into the COVID-19 epidemic, America is still in the response phase of the crisis. While the recovery phase seems imminent, the impact of the pandemic on consumer purchasing behaviors will undoubtedly be long-lasting, requiring supply chains and distribution cycles to adapt to the new normal – just as they have throughout history.

<https://www.sonoco.com/contact-center>

