



HOW THEY'LL SPEND IT

The shopping priorities
of UK consumers
post-pandemic

RWRC[^]
BY ASCENTIAL

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AT A GLANCE

The global pandemic is an event that changed everyone's lives in ways that could not have been imagined. The huge changes to our lifestyles during this time limited our freedoms and turned our view of the world on its head.

From hand sanitiser and masks to queues and stocking up on pasta and toilet roll, consumer priorities and spending habits changed fundamentally, and so did the retail landscape.

With the exception of key workers, the majority of us were forced to work from home, with restrictions on movements impacting our usual daily routines. Many were furloughed and unable to work owing to enforced closures of businesses. The way that we viewed the world during this time and our individual needs and priorities have been shaken up.

Retailers remaining open during the Covid-19 crisis lived up to their government-mandated status as 'essential' in many different ways as the pandemic unfolded, being exceptionally quick and agile to adapt to serve customers, coping with increased demand for online services and prioritising vulnerable shoppers in the new environment.

And the retailers deemed non-essential, which were ordered to close stores to help prevent the spread of the virus, also played their part by repurposing shops, ramping up online services and helping to keep staff and customers safe.

But what impact has all this had on customer behaviour during this time and, with stores now reopening, will these new shopping habits stick? What will the seemingly inevitable deep recession do to UK consumer sentiment, and how will shopping priorities change in the months ahead?

The exclusive research in this report, conducted by RWRC and Openpay, explores the key spending considerations for consumers in the coming months in terms of their willingness to part with their money and how they expect to behave.

It looks at what has occurred in other countries, such as China and Germany, where Covid-19 lockdown measures were lifted earlier than in the UK, and suggests some ways forward for how retailers must stay relevant in the 'new normal'.

Over recent years, many retailers have spoken about getting as close to the customer as possible to ensure they are delivering the most relevant services and products. To aid this process during a unique time in history, the following four chapters give an indication of what the post-pandemic customer looks like, and what they will expect of the businesses that serve them.

CONTENTS

Chapter 1

THE IMPACT OF THE CORONAVIRUS PANDEMIC ON CONSUMERS

How Covid-19 has defined the 2020 shopper

Chapter 2

CHANGING CONSUMER MINDSETS

Shifting spending plans and behaviours

Chapter 3

THE CONSUMER TRENDS THAT WILL DEFINE THE POST-CORONAVIRUS ERA

From low prices to new shopping experiences

Chapter 4

HOW THEY'LL SPEND IT AND WHAT THAT MEANS FOR RETAIL

Key considerations for the post-Covid retail environment

WHAT DOES THIS RESEARCH UNCOVER?

The immediate impact of Covid-19 on consumer spending habits and finances

Consumer spending expectations for the coming 12 months

RWRC: HOW THEY'LL SPEND IT

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PARTNER VIEWPOINT



ANDY HARDING
UK MANAGING DIRECTOR, OPENPAY

As an industry, retail has been one of the hardest hit by the coronavirus pandemic and, with so much uncertainty still ahead, we must adapt and prepare for recovery – whatever form that may take.

Lockdown has resulted in the closure of many bricks-and-mortar stores, driving consumer spending online and bringing with it a whole new set of purchasing habits and attitudes – many of which look like they could be here to stay, as this report demonstrates. Taking heed of these new spending habits is vital. The best retailers have always been able to pre-empt what the consumer wants, and I believe that has never been more important as we enter a post-pandemic world.

For those retailers who have relied heavily on physical stores, there is likely to be a shift in strategy towards a multichannel offering as more and more British consumers experience the benefits of online shopping first-hand.

Meanwhile, inspiring consumer confidence will be key to breathing life back into the high street. Retailers will need to be thinking beyond standard social distancing

measures, like limiting the number of people in stores, and start thinking about touchless shopping experiences and moving towards wholly cashless transactions.

Another key area will be spending itself. With millions out of work or furloughed, the same levels of spending are not likely to return for some time. Payment solutions that help customers with cash flow, such as buy now, pay later, can give cautious consumers the ability to budget and spread the cost of items in a responsible way.

Services such as Openpay can help consumers with monthly interest-free repayments and retailers with increased ATV and lower returns.

In spite of all of the nervousness and caution, an important and positive insight from this report is that consumers have missed shopping and the interaction that comes with it. And, just as retailers adapted, evolved and reimagined themselves during this time of crisis, we will undoubtedly see the same levels of innovation applied in a post-pandemic world.

We know it's going to be a long road ahead, but it's important to remember that we're all in it together.



The best retailers have always been able to pre-empt what the consumer wants, and that has never been more important

OPENPAY

Founded in Australia, Openpay is a next-generation interest-free payment solution that helps customers responsibly manage their purchases. The mission of the company is to change the way people pay for the better, offering a flexible alternative to expensive overdrafts and credit cards. In 2019, Openpay entered the UK market bringing UK consumers interest-free monthly payment plans, typically over three to six months, helping them manage their finances more easily. Customers pay no interest ever and there are no hidden fees. Sign-up is simple with a quick ID and credit check, and customers are able to purchase through Openpay in up to 90 seconds. Today, Openpay works with many major brands, including JD Sports in the UK and Bunnings, Bupa, Nike, Smiggle and French Connection in Australia.

openpay.co.uk

METHODOLOGY

To compile this report, Retail Week surveyed 1,000 consumers

SURVEY RESPONDENTS

48% 52%
male female

From a spread of ages and regions of the UK

Survey conducted in May 2020



SURVEY SNAPSHOT

WITHIN YOUR HOUSEHOLD, IN WHAT WAYS HAS THE PANDEMIC CHANGED YOUR FINANCIAL SITUATION?

Earning less than before	27%
Earning more	3%
I have been furloughed/my partner has been furloughed	16%
I no longer have a job/my partner no longer has a job	4%
Shopping for additional family members	6%
Saving money by working from home	9%
No change	47%

DURING LOCKDOWN

53%	missed the experience of going shopping
69%	really missed the experience of going out to eat or drink with friends
53%	said it made them realise how much they spend each month on non-essential shopping and dining
54%	said stores being closed made them re-evaluate their spending priorities
51%	were able to save more money



CONSUMER EXPECTATIONS FOR THE COMING 12 MONTHS

Only 37% say they expect to continue to shop as they did before

55% expect to reduce their spending

56% agree that uncertainty about the future and the economy has made them reconsider purchasing habits

60% say 'I need to be very careful how I spend money'

40% are looking forward to going out and spending money (vs 23% who are not)

72% would like to save more money (20% expect to do so in the coming 12 months)

HOW HABITS CHANGED

76% are making fewer shopping trips

41% plan to continue shopping less frequently after lockdown

36% have started shopping with independent retailers

42% have started buying from local businesses

20% have signed up for online food subscriptions

33% shopped more sustainably

35% switched to shopping with other retailers/brands during lockdown





THE IMPACT OF THE CORONAVIRUS PANDEMIC ON CONSUMERS

From panic buying and stockpiling essentials, to certain shops and products being off-limits because of restrictions on movement and enforced temporary store closures, UK consumer behaviour during the coronavirus crisis has been like no other period in history.

While essential goods such as groceries have been in high demand, other sectors such as fashion have seen sales plummet as most consumers reined in their spending on discretionary items.

And all of this is playing out against the backdrop of an uncertain economic environment, with unemployment on the rise as firms struggle financially during the

pandemic and huge swathes of the nation – almost 9 million people at the time of writing – supported by the UK government furlough scheme while unable to work.

First-quarter figures and trading updates from a range of retailers show that many businesses continued to grow online sales during the period. However, any growth in online could not be expected to compensate for the shortfall created by the 12-week closure of non-essential retail stores. A strong dip in overall retail spending has therefore been unavoidable.

Indeed, RWRC and Openpay's research confirms 76% of respondents were making fewer shopping trips during the government-enforced lockdown period.

ESSENTIAL SHOPPING

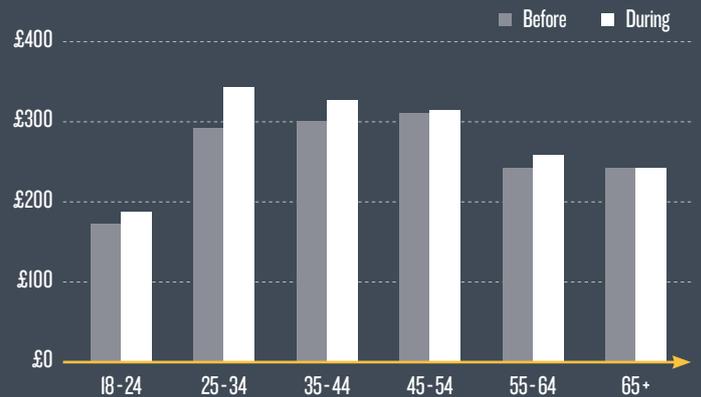
FOOD AND GROCERY SHOPPING

55% were shopping less often/much less often during lockdown than they were before the pandemic

47% were spending more/much more when they shopped for groceries

39% were shopping for groceries online more during the pandemic

CHANGING MONTHLY SPEND BY AGE GROUP DURING THE PANDEMIC – GROCERY



NEXT 12 MONTHS GROCERY SPENDING

36% plan to continue shopping online for groceries



25% have discovered new local food suppliers and plan to continue to shop with them

37% expect to shop more within their local communities

23% would like to sign up for new subscriptions (food delivery, recipe boxes, food boxes)

22% have switched to other retailers and plan to continue using them

NEXT 12 MONTHS HEALTH & BEAUTY SPENDING

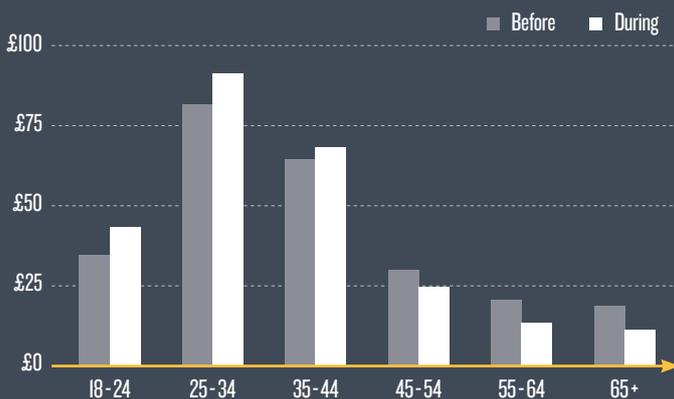
Expect to spend less

28%

Expect to spend more

11%

CHANGING MONTHLY SPEND BY AGE GROUP DURING THE PANDEMIC – HEALTH & BEAUTY



ACTION POINTS

- 1 Spend on essential items remains a priority for consumers
- 2 Price and value for money will be a key focus as shoppers aim to reduce spend
- 3 Retailers will need to work hard to acquire and retain shopper loyalty
- 4 Opportunities to benefit from continued eating at home
- 5 Online, convenience and local will be key drivers of spend

Essential shopping

One sector that has been in great demand is grocery. In mid-March, many major supermarkets reported significant levels of stockpiling – for items ranging from toilet rolls and pasta to hand sanitiser and soap – as consumers prepared for lockdown.

Grocery bosses urged consumers to shop sensibly and be considerate of others who might not have the money to stockpile. The short period of panic buying resulted in several supply issues, which overall were resolved quickly when limits were placed on certain items, but it was indicative of a change in consumer behaviour.

Asda chief supply chain officer Mark Simpson described those mid-March scenes as “something like I’ve never seen in my 23 years in retail”, adding that it heralded a new pattern of buying.

In terms of grocery shopping, our study suggests 55% of people began shopping less often than before the pandemic, but 47% were spending more on each trip.

Some 6% say they were doing shopping for other people as well as their own household, which is one of the reasons for the rise in grocery basket values, along with fewer trips being made.

Online grocery shopping has reached unprecedented levels of demand during the

pandemic, signalling a potential tipping point for the channel.

Major supermarkets have reacted, increasing capacity. Tesco has added 4,000 additional drivers and 12,000 pickers, and has been working to deliver more than 1.2 million orders in a single week during the pandemic.

Its chief operating officer Tony Hoggett talked about the surge in demand for online and the importance of having a flexible strategy in place to deal with it.

He told Retail Week that online demand was expected to remain elevated: “We don’t expect grocery home shopping to drop back to the numbers it was before. We’ve seen the shopping pattern change... we anticipate the capacity definitely staying high.”

Luke Jensen, chief executive officer at Ocado Solutions, told Retail Week that a huge surge in demand was created by “a lot of people who were not [previously] online shoppers”.

More than a third (39%) of those surveyed say they bought more groceries online, as people limited their trips out of the house and sought convenience and safety when shopping for essential items.

And these suggestions play out in the grocers’ figures during this period, with several supermarket chains reporting

42%

OF THOSE SURVEYED
BEGAN SHOPPING WITH
LOCAL BUSINESSES
DURING LOCKDOWN

40%

SAY THEY PLAN TO
CONTINUE SHOPPING
WITH THESE BUSINESSES



Christmas-like demand in stores and on their websites in the days leading up to and following the start of lockdown.

“Customers are coming to our stores less often but buying significantly more when they do come in,” Simpson noted.

The value of online shops at the major UK supermarkets spiked, too, and Simpson added: “[Customers] are really stocking up on weird and wonderful things.”

New behaviours

Some 36% of consumers began shopping with independent retailers in lockdown and, perhaps inevitably given the restrictions on movement, a significant number (42%) have been buying from local businesses.

The over-40s are particularly supportive of local retailers, and there are indications that this trend is set to continue.

Across discretionary retail categories, the main trend among consumers is that of a reduction in spending habits compared to before the pandemic.

However, spending more time at home has also led to heightened interest in certain categories, including electricals, home office and home and garden. This can be seen by the sharp increase in volume of web traffic to retailers such as Amazon, B&Q and Wickes.

The most notable changes to consumer attitudes are evident in the fashion sector, where the picture is far starker.

Here 58% of consumers tell us that they are spending less on clothing, footwear and accessories as a result of lockdown – and this trend could be seen across all age demographics.

Despite most UK fashion chains keeping online operations running, there was little evidence from our study to suggest that spending in this category was being heavily redirected online, as consumers were not going into the office and had very few reasons to dress up.

These findings are in line with figures from the British Retail Consortium (BRC), which has reported that clothing sales have been “particularly hard hit by lockdown”, declining by almost 70% between February and May.

Meanwhile, some 20% of those surveyed say they signed up for grocery and veg box subscriptions during lockdown, 33% were shopping more sustainably, and 35% switched to different retailers and brands in order to get what they needed.

Some of the consequences of these decisions are discussed in chapter four.

“We don’t expect grocery home shopping to drop back to the numbers it was before. We’ve seen the shopping pattern change... we anticipate the capacity definitely staying high”

TONY HOGGETT, CHIEF OPERATING OFFICER, TESCO

DISCRETIONARY SPEND BY CATEGORY

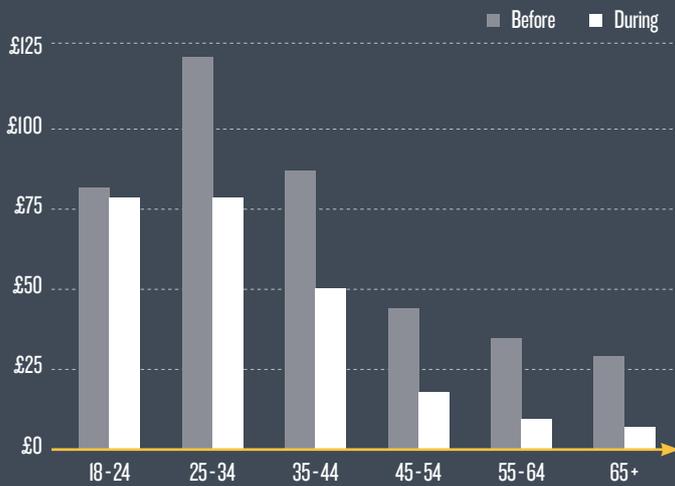
NEXT 12 MONTHS FASHION SPENDING

Expect to spend less **42%**

Expect to spend more **9%**

Expect to spend less on luxury clothing **46%**

CHANGING MONTHLY SPEND BY AGE GROUP DURING THE PANDEMIC – FASHION



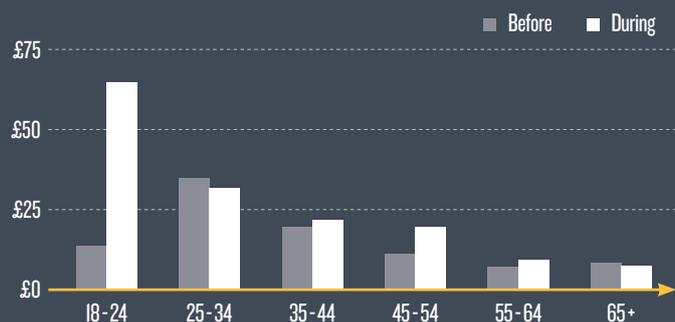
NEXT 12 MONTHS HOME AND GARDEN SPENDING

Expect to spend more **17%**

Expect to spend less **27%**



CHANGING MONTHLY SPEND BY AGE GROUP DURING THE PANDEMIC – HOME AND GARDEN



NEXT 12 MONTHS ELECTRICALS SPENDING

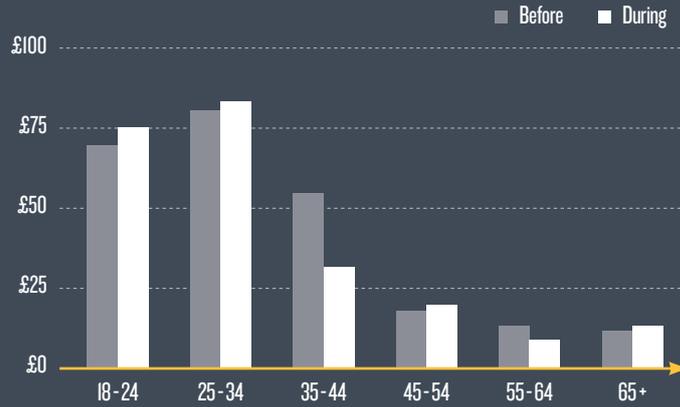
Expect to spend less

33%

Expect to spend more

7%

CHANGING MONTHLY SPEND BY AGE GROUP DURING THE PANDEMIC - ELECTRICALS



NEXT 12 MONTHS ENTERTAINMENT/DINING OUT SPENDING

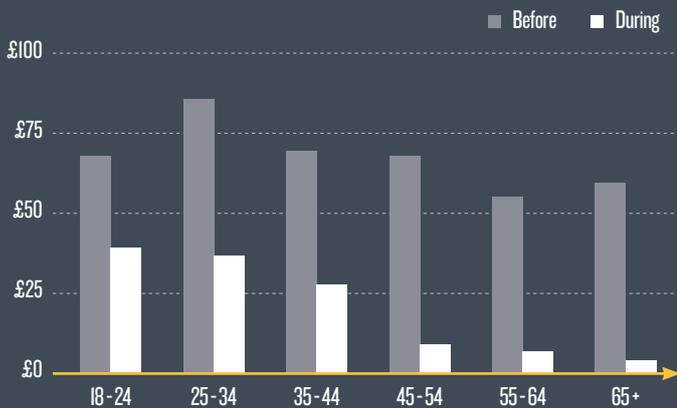
38%

expect to spend less on eating out compared to before the pandemic

41%

say they will cut back spending in coffee shops

CHANGING MONTHLY SPEND BY AGE GROUP DURING THE PANDEMIC - ENTERTAINMENT/DINING OUT



NEXT 12 MONTHS SPORT AND LEISURE SPENDING

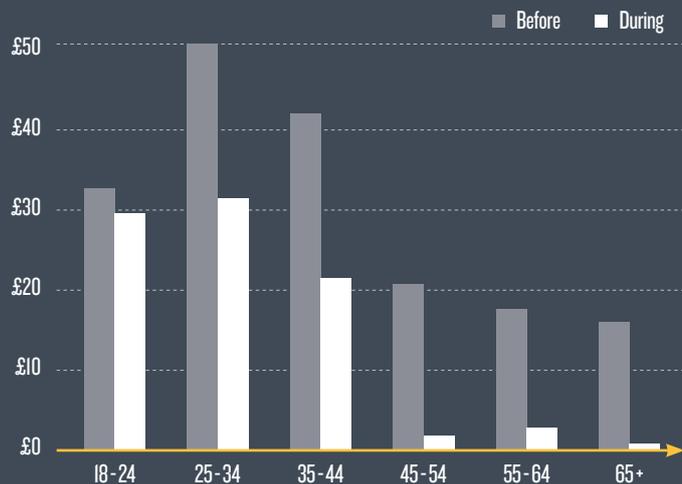
Expect to spend less

33%

Expect to spend more

9%

CHANGING MONTHLY SPEND BY AGE GROUP DURING THE PANDEMIC - SPORT AND LEISURE



NEXT 12 MONTHS BIG-TICKET ITEMS SPENDING

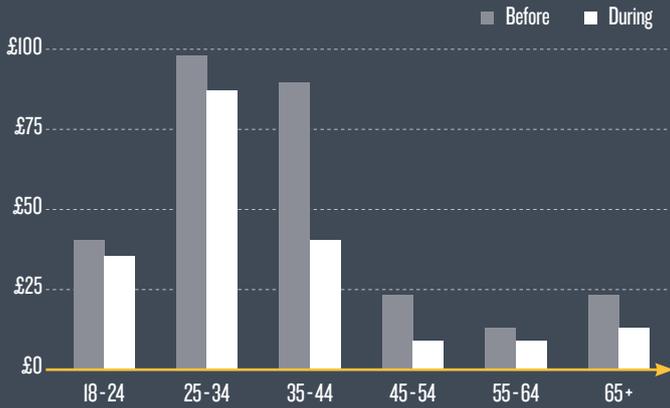
Expect to spend less

37%

Expect to spend more

8%

CHANGING MONTHLY SPEND BY AGE GROUP DURING THE PANDEMIC – BIG-TICKET ITEMS



NEXT 12 MONTHS TOYS AND GIFTS SPENDING

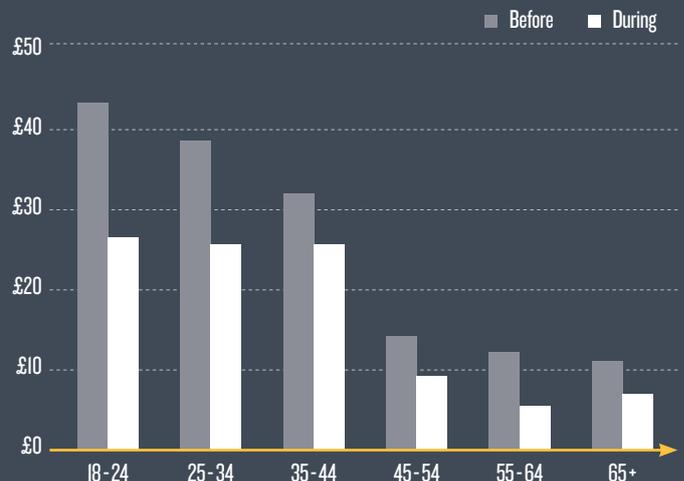
Expect to spend less

30%

Expect to spend more

8%

CHANGING MONTHLY SPEND BY AGE GROUP DURING THE PANDEMIC – TOYS AND GIFTS



ACTION POINTS

- 1 Opportunities to increase discretionary spend through piqued interest in home, garden and electricals
- 2 Fashion and luxury brands are likely to face a slow recovery – effort will be required to inspire customers and tempt them back to pre-Covid spending habits
- 3 Under-35s are the most likely to spend on big-ticket items, fashion, sporting goods and electricals

Economic matters

Personal finance directly impacts consumer spending, and 27% of our respondents say they are earning less than before the pandemic.

Retailers must come to terms with the fact that many people will have less cash to spend in the months ahead and those that do spend will be far more considerate.

Particularly in discretionary categories such as home and fashion, retailers may need to consider helping their customers to spread the cost of items in a responsible way by offering cash flow management tools and buy now, pay later solutions.

Some 16% say they or their partner have been furloughed, although 47% report no change to their financial situation as a result of Covid-19.

Under-35s are most likely to be impacted by earning less or being furloughed, according to our research.

Those in the 25- to 34-year-old age group are most likely to have noticed during lockdown how much they usually spend on non-essential items, and this period of financial introspection could have consequences on how they spend in future months.

Many UK retailers in fashion began discounting online during lockdown and are introducing special offers and incentives to encourage spending as stores reopen.

However, the wider retail industry should be preparing to serve customers with severely tightened purse strings in the medium term.

SQUEEZED 25-34 AGE GROUP

37%

are earning less since the coronavirus crisis

20%

say they or their partner have been furloughed

9%

say they or their partner no longer have a job

61%

now realise how much they were spending on non-essential shopping and dining

61% say uncertainty about the future and the economy is making them reconsider their purchasing habits



36%

have signed up for online subscriptions

44%

are prioritising shopping more sustainably

49%

have started shopping with independent retailers

35% are shopping more online for fashion



CHANGING CONSUMER MINDSETS

Our research points towards significant change in consumer spending during the pandemic, but what new habits are likely to stick and to what extent are consumers planning to spend on discretionary items as stores reopen?

Our findings present an opportunity to start mapping out what retailers can expect from consumers post-lockdown.

As we saw in the previous chapter, many of the changes in shopping behaviour could come from the key 25- to 34-year-old demographic, who are the most likely to have noticed how much they spend on non-essential items since the pandemic. It is this age group that is also the most likely (65%) to

re-evaluate spending priorities, and retailers will need to work harder to persuade these consumers to make discretionary purchases.

A considerable 54% of 25- to 34-year-olds have been able to save more money than usual during lockdown and this appears to be a continuing goal, with this group more likely than any other to carry on saving in the next 12 months.

In total, 41% of respondents expect to make fewer shopping trips in the future, continuing a trend started during lockdown.

Overall, retailers will have a challenge on their hands to convince consumers to spend again, particularly in discretionary categories such as fashion, as stores and the wider economy cautiously reopen.

51%

of respondents were able to save more money during lockdown

54%

say the temporary store closures made them re-evaluate their spending priorities



ACTION POINTS

- 1 Retailers should consider targeting older shoppers with inspirational marketing and a focus on quality
- 2 Convenience and local sourcing are key considerations for this age group
- 3 Many are newer to shopping online but are now seeking multichannel convenience

Are new ways here to stay?

Only 37% of consumers said they expected to continue shopping and spending just as they had before the crisis.

Some 72% said they would like to save more money going forward, suggesting more scrupulous budgeting is on the horizon for many. And research highlighted in chapter three suggests there could be a real medium-term shift towards value retail – especially in fashion – as bargain hunting persists.

With chancellor of the exchequer Rishi Sunak already indicating the UK economy is likely to be in significant recession as a result of the pandemic, signs of a rebound in spending as lockdown ends could be temporary.

Similar social distancing and lockdown measures were imposed in Germany, and its economy slipped into recession by mid-May.

As a leader in *The Economist* eloquently posed in April: “After the disease, the debt.”

GOLDEN OPPORTUNITIES AMONG OLDER SHOPPERS

Older shoppers felt significantly less likely to be financially impacted post-Covid 19

78% of over-65s anticipate their income will remain the same
(average* 48%)

38% of over-65s say they were shopping more online for groceries and they were less likely than others to visit a store during lockdown

32% of over-55s

40% will re-evaluate spending priorities, less than any other age group
(average 54%)

33% are happy to manage without if they can't get what they want
(average 25%)

They were the most likely among all age groups to:

shop with local businesses	switch to different retailers
50%	30%

65% say quality is a key purchase consideration
(average 55%)

38% say convenience is also a key driver of spend
(average 27%)

*average percentage across all age groups

WHAT DID YOU MISS MOST ABOUT SHOPPING DURING THE LOCKDOWN?

Just going out to browse

Trying on clothes

Going to Primark

Buying what I need online, in my usual paid slot

Being able to go into the store to buy what I want, as I am an impulse shopper

Being able to browse for bargains

Going out with my daughter for a fun day shopping

I am retired and missed the social interaction

Waitrose free coffee

Getting out, browsing and meeting people

Not being able to shop. My daughter has to do it. Miss it dreadfully

I missed out on some purchases as I wasn't prepared to queue for just one or two items

Feeling safe to browse

Seeing and handling products that I might want to buy

Charity shops

Browsing in John Lewis

Not having to rush

Hunting for bargains in TK Maxx

Not a lot. I will spend more money online when this is over

Visiting Aldi

Freedom to go out whenever to do a top-up shop

The chance to spend time browsing in book shops

Being able to go to a shop and just walk in

Garden centres

Going to shopping centres

WHAT IS THE FIRST ITEM YOU PLAN TO BUY AFTER LOCKDOWN ENDS?

A haircut

A meal out

Summer clothes

A freezer

Champagne

Clothes

A barbecue from Argos

A pair of shoes

A new phone

Birthday cards

Make-up

Bedding plants

No plans, looking forward to browsing

Skincare products

Trainers

Wallpaper

Trousers that fit

Jeans

A pint of real ale in the pub

Theatre tickets

Probably a train ticket to get back to work

New work clothes

CHANGING HABITS OF YOUNGER CONSUMERS AGED 18-24

57%

are looking forward to going out and spending money again, the highest of any age group

45%

expect to spend as they did before

61%

say they are shopping more online

67%

have saved money during lockdown

21%

expect to spend more on fashion than they did pre-Covid 19

17%

expect to spend more on luxury clothing

21%

expect to increase spending on sports and leisure



ACTION POINTS

- 1 Younger consumers are likely to be among the first shoppers as non-essential stores reopen
- 2 They are also the most likely to shop online
- 3 Sustainability remains a key consideration, in addition to value for money

“Either we become more indulgent and impulsive – and slightly more selfish – or we become more moral and pro-social”

KATE NIGHTINGALE, CONSUMER PSYCHOLOGIST

Despite their caution and thriftiness, 53% of consumers admitted they missed the experience of going shopping, and 69% really missed the experience of going out to eat or drink with friends.

Those figures suggest some pent-up demand, and it will be up to retailers to capitalise on that as the opportunity arises. Advice and guidance for retailers and brands as the industry works out its new normal can be found in chapter four.

Psychology perspective

However, this is an unprecedented situation for UK consumers, so it's impossible to be sure which new habits will stick. There are some theories from the field of psychology.

Kate Nightingale, consumer psychologist and founder of the Style Psychology

consultancy, suggests that when consumers face up to their mortality during seismic events, such as this pandemic, it has one of two polarised effects on their behaviour.

“Either we become more indulgent and impulsive – and slightly more selfish – or we become more moral and pro-social,” she explains, adding that often behaviour plays out as a journey from one of these extremes to the other.

It is a principle of the relatively recently mooted Terror Management Theory, and Nightingale argues this has been evident in lockdown. It could also ring true as the UK experiences a demand spike for certain categories when shops reopen.

However, this will rely on shoppers feeling safe visiting stores and will also be dependent on their disposable income and

willingness to spend. “We’ve definitely been denying ourselves fashion, so once we come out of lockdown, I do see a very initial spike in that category and, like China, we will see more luxurious things bought – probably using credit cards or buy now, pay later platforms to manage costs,” says Nightingale.

In the short term, perhaps consumers may be eager to get out and spend on items that they have missed. However, they will also be conscious of financial pressures and require incentives such as offers and discounts, as well as the ability to spread payments for larger purchases.

Our research shows that over the next 12 months 41% expect to spend less in coffee shops than before the pandemic, while 42%, 46% and 37% expect to spend less on fashion, luxury clothing and big ticket purchases, respectively.

Even at the start of 2020, retailers were facing a battle to encourage people to shop for discretionary items. It would appear, now more than ever, that they are going to have to adopt new tactics and offer a variety of payment methods, experiences and incentives to keep them spending.



THE CONSUMER TRENDS THAT WILL DEFINE THE POST-CORONAVIRUS ERA

Whereas chapter two gauges whether or not consumers will be spending post-coronavirus, this chapter aims to point to where that spending might be directed.

Pent-up demand for hairdressing services, the first post-lockdown pint at a local pub and a coffee from a favourite establishment aside, our survey shows that there will be certain overall influencing factors on spend in the coming 12 months.

Low prices, product quality and level of discount are the overarching consumer priorities in regard to spending – with 61%, 55% and 46% of respondents respectively saying these will influence their decisions.

WHICH OF THE FOLLOWING WILL INFLUENCE YOUR DECISION TO SPEND IN THE COMING 12 MONTHS?

1	LOW PRICE		61%
2	PRODUCT QUALITY		55%
3	A DISCOUNT		46%
4	CONVENIENCE		27%
5	GREAT CUSTOMER SERVICE		26%
6	A LOYALTY SCHEME		24%
7	SUPPORTING LOCAL BUSINESSES		19%
8	SUSTAINABLE PRODUCTS		14%
9	THE RETAILER/BRAND NAME		10%
10	ETHICAL PRACTICES		9%

ACTION POINTS

- 1 Customers spending post-pandemic will clearly be seeking value for money
- 2 But quality also ranks high among post-pandemic purchase decisions
- 3 Sustainability and ethical practices rank highly, particularly with those aged 18 to 24

Traditional consumer demands of retailers such as convenience (27%), great customer service (26%) and a loyalty scheme (24%) trump sustainability (14%) and ethical practices (9%) as the top drivers of spend in the post-lockdown environment.

The buy-local trend noted in chapter one seemingly has longevity, too, particularly for groceries. Those enterprises that served their communities during the pandemic can expect to see loyalty and demand persisting, and this could also present an opportunity for larger retailers that can demonstrate more local sourcing, too.

Some 40% say they plan to continue buying from local businesses post-lockdown, with 25% noting they had discovered new local food suppliers in the crisis and plan to continue to shop with them. And 29% said they expect to spend more at local and independent stores selling groceries than they did before.

Of all the sectors analysed, local and independent grocery presents the main area in which consumers expect to up their spend over the coming 12 months.

These findings are in line with predictions made by Asda's Simpson, who says "local shopping and localism will come to the fore again". Asda has been doing more work with local supply chains in preparation, he adds.

"People will probably do a lot more preparing food at home," he says, suggesting the expected initial wave of pub and restaurant visits post-lockdown could flatten in the medium term as consumers move with caution in terms of public gatherings.

Meanwhile, with many of those surveyed saying they miss shopping for bargains, and in cheaper retailers such as Primark, value-led businesses could be in for an immediate spending splurge as lockdown rules are loosened and shops reopen.

But, more broadly, looking at what happened in China and parts of Europe when stores reopened, it would seem that UK operators should brace themselves for a cautious market in the coming months.

Footfall data from markets in mainland Europe showed that shoppers in France,

Germany, Spain and Italy followed a similar pattern as they cautiously returned to stores after lockdown. Two weeks after restrictions ended, footfall was tracking at around 40% below normal levels in Germany and Italy, according to the BRC-ShopperTrak footfall monitor, but growing week on week.

Non-food retailers in Austria and Germany report that people are still staying away, and footfall is down by between 60% and 80% in stores, according to World Retail Congress's *Retailing in a Time of Crisis*.

Commenting in the report, Christian Verschueren, director-general of EuroCommerce, a group representing retailers and wholesalers across Europe, says: "This may be in part because of the continued closure of cafes and restaurants making it less attractive to travel into town, and also because people are still focused on buying essentials."

China's retail sales of consumer goods declined by 7.5% year on year in April, according to the country's National Bureau of Statistics. Sales had fallen by 15.8% in March, so there are signs of some forward momentum in what is clearly a challenging economy, but overall it paints a picture of depressed consumer sentiment.

More positively, the country has reported pent-up demand for cosmetics and skincare products, as well as household items – and an already entrenched ecommerce market has reportedly strengthened.

Asda's Simpson says that being part of the multinational Walmart organisation has given each regional business within the group an opportunity to understand that consumer behaviour patterns in the pandemic have followed a similar path globally. The countries that reopened stores first will provide some evidence of what awaits the UK.

"What astounds me is how similar the journey has been in each of the markets around the world – China being the first to go through this," he explains. "Every market has pretty much gone through exactly the same cycle."

Of all the sectors analysed, local and independent grocery presents the main area where consumers expect to up their spend over the coming 12 months



New shopping experiences

Consumers in the UK will have to get used to some new practices when returning to the shops, with retailers opting for different hygiene strategies.

Apple, for example, issued face masks to customers as it opened stores in the US and took visitors' temperatures at the door. It also allowed customers to collect goods from outside stores and placed strict limits on the number of people entering at any one time – a strategy that many expect businesses in the UK will adopt.

These additional measures make shopping a less frictionless experience than before the pandemic, and retailers will need to coax shoppers into stores by managing queues and ensuring that customers feel safe.

In the UAE, shopping malls installed thermal cameras to scan visitors as they entered, as a way of monitoring people's health. This could become the norm across the world, as the retail sector works to ensure shoppers feel secure enough to visit.

It is, as yet, too early to assess the exact impact these individual measures deployed by retailers and authorities will have on consumer willingness and confidence to shop, but they will certainly be essential considerations across the sector.

With the additional safety measures in place, some retailers have seen encouraging signs of recovery as shoppers return to stores. In the US, department store Macy's upgraded its first-quarter forecast after reporting a "strong digital business sales trend" throughout May and encouraging results from its 450 reopened stores, which were trading better than expected.

At the time of writing, Nike had reopened all stores in China and South Korea and around 40% of stores across Europe, the Middle East and Africa. The brand reported high levels of conversion, despite lower footfall.

“Every market has pretty much gone through exactly the same cycle”

MARK SIMPSON, CHIEF SUPPLY CHAIN OFFICER, ASDA



HOW THEY'LL SPEND IT AND WHAT THAT MEANS FOR RETAIL

Once the demand shock is over, what should retailers expect from consumers during what the UK government predicts will be a “severe recession”?

Despite the government’s efforts to keep businesses afloat by launching various schemes to help support them and their people – including the coronavirus job retention scheme, which covers a significant percentage of people’s wages – huge financial challenges await.

Mortgage and credit-card repayment freezes will have helped many people, and at the time of writing there were suggestions these ‘payment holidays’ could be extended for some, but in the longer term a global economic downturn is on the horizon.



FINANCIAL CONSIDERATIONS

55% expect to reduce their spending

60% say they will need to be very careful how they spend money

37% expect to shop as they did before the crisis

72% would like to save more money

Unemployment and the number of universal credit claims in the UK are on the rise – two key contributing factors to negative consumer sentiment.

David Sturrock, a senior research economist at the Institute for Fiscal Studies, says prior to the crisis up to a quarter of UK households in some relatively high-income brackets were spending more than 10% of their income on repaying unsecured debts. “Significant numbers”, he adds, were spending more than a fifth of their income on such repayments.

“Some of those households will struggle to return to pre-crisis income levels,” Sturrock explains, adding that many are likely to find it a struggle to cope and will borrow more as a result.

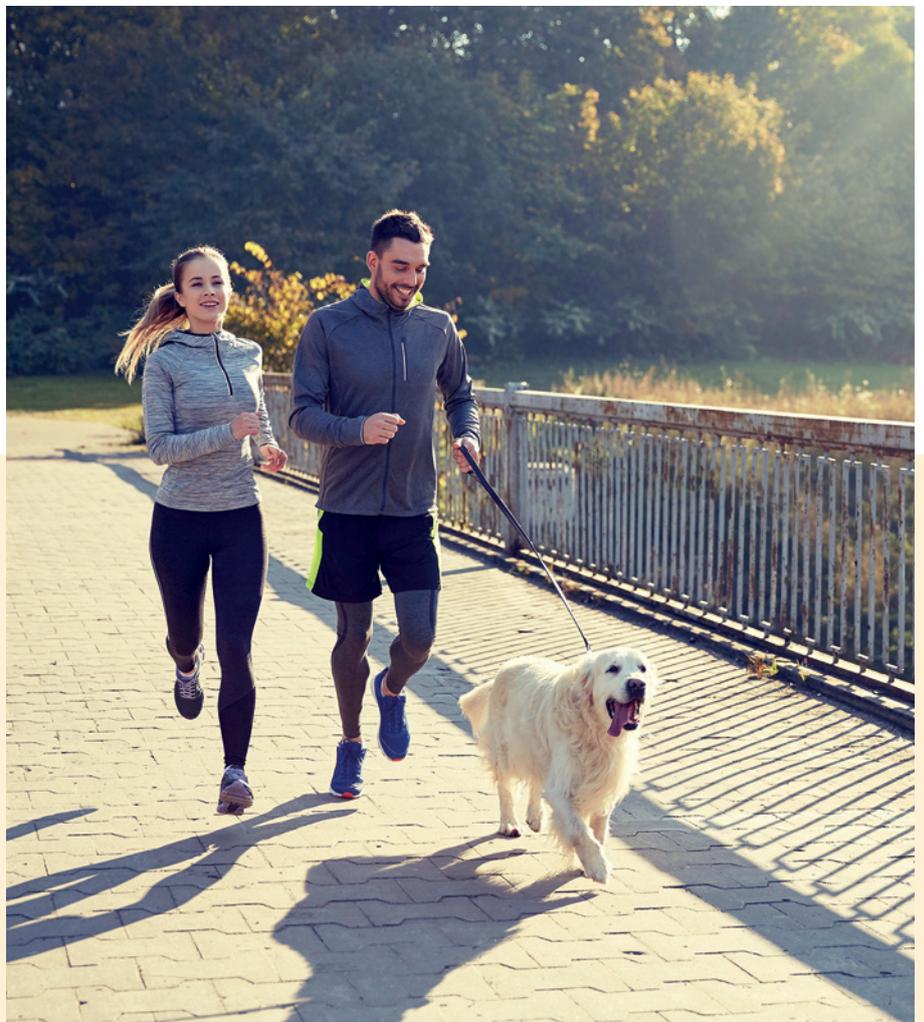
This will have a serious impact on consumer spending power. Indeed, 56% of our survey respondents say that uncertainty about the future and the economy is making them reconsider their purchasing habits.

More than half (55%) expect to reduce their spending, and 60% say they need to be very careful how they spend their money from now on.

Scenario planning

Retailers are already preparing for depressed levels of demand – that is evident in the scenario planning, new banking and credit facilities and business outlooks announced in many listed companies’ trading updates.

As a case in point, online fashion retail group N Brown has mapped out several eventualities over its financial year, including a “severe but plausible” scenario that assumes product sales fall 50% year on year in April, May and June, before experiencing a gentler decline in sales for the remaining months. This demonstrates



the extent to which businesses are planning for a downturn and having to ensure resources are in place to cope with it.

Commenting in late April, John Lewis Partnership chair Sharon White said that its department store division had been “significantly affected” through temporary store closures during the pandemic, despite an 84% surge in online orders, and was working to a worst-case scenario of up to a 35% decline in sales at department stores this year.

Meanwhile, Primark, which does not have a multichannel strategy in place, is expecting trading during the second half of 2020 to be “radically different”.

Early indications from the retailer as it has been permitted to reopen stores in Austria and the Netherlands suggest that the fashion store could expect to experience lower footfall, spread more evenly through the week, but with larger basket sizes.

Retailers will perhaps want to focus on the 40% of consumers that claim to be

looking forward to going out and spending money once shops reopen.

And from our research, there are positive signs that spending levels will increase for some businesses.

For instance, of those consumers unable to shop with their favourite retailer during lockdown, 32% say they have shopped with a different retailer or online. A third (34%) of people say they have either signed up for subscription services (and plan to keep these after lockdown is lifted) or that they would like to sign up for such a service.

Food delivery, veg boxes and recipe boxes are examples of new channels for companies such as Asda, Marks & Spencer and Morrisons, but the concept also works for health and beauty, arts and crafts and other retail sectors.

Online, digitally led and convenient services such as these look like one area of growth in the new era, continuing on from trends seen prior to Covid-19.

In general, though, the research indicates there may be a shift away from sectors selling more discretionary items in the medium term, especially while concerns around the economy permeate.

Flexible payments

The clearest change of behaviour expected in the 12 months ahead is the reduction in the use of cash to pay for items.

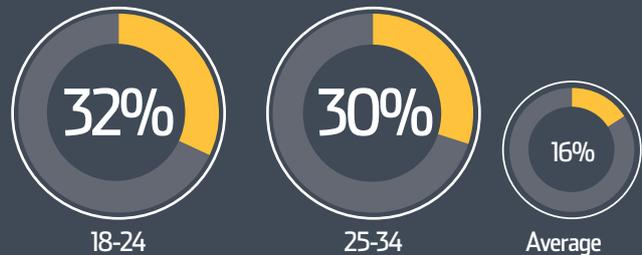
Although no official guidance during the pandemic suggests the virus is particularly likely to be passed via exchanging coins and notes, many retailers have opted to reduce person-to-person contact at the point of sale and only accept card and mobile payments.

While 63% of those surveyed say they preferred to pay with cash before the pandemic, only 27% say the same post-

Covid-19. While sentiment around all other payment methods remained consistent, this 36 percentage-point drop in willingness to pay by cash signals a speeding up towards a more cashless society – accelerating a trend that has already been in motion for some time.

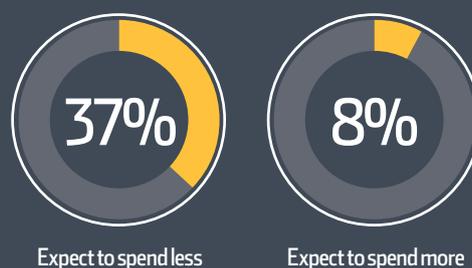
Flexible payments and solutions such as buy now, pay later will be a key consideration for retailers as they support shoppers to return to stores, particularly for fashion, home and big-ticket items.

SPENDING ON BIG-TICKET ITEMS



During lockdown, those in the 18-24 and 25-34 age groups were twice as likely as older customers to spend money on large purchases, such as for the home

55% expect to spend the same on big-ticket purchases post-lockdown. These shoppers were mostly in the 25-34 age group



HOW THEY'LL PAY

The highest usage of buy now, pay later payments is the squeezed 25-34 age group

10%
of 25- to 34-year-olds

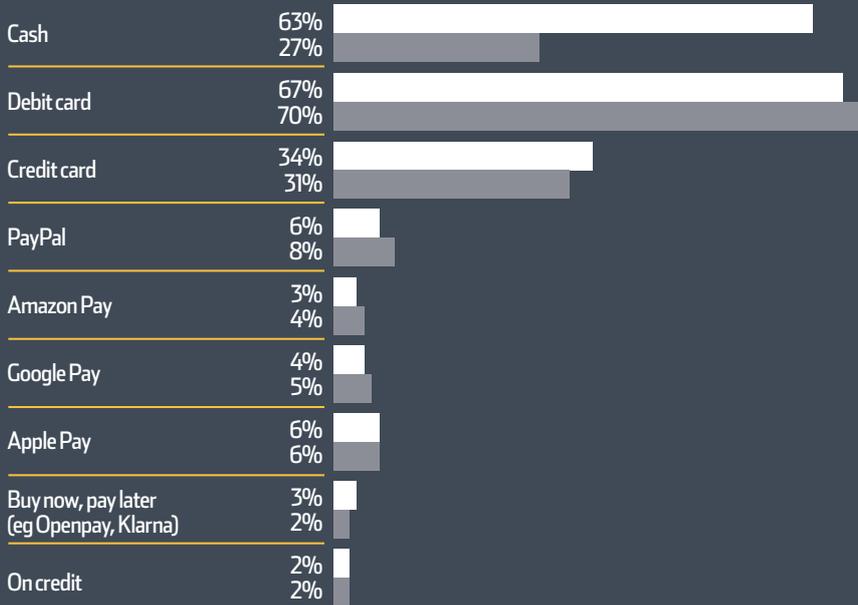
6%
of 35- to 44-year-olds

against an average of 3% expect to use buy now, pay later services in the coming 12 months

IN STORE

- BEFORE THE PANDEMIC
- SINCE CORONAVIRUS

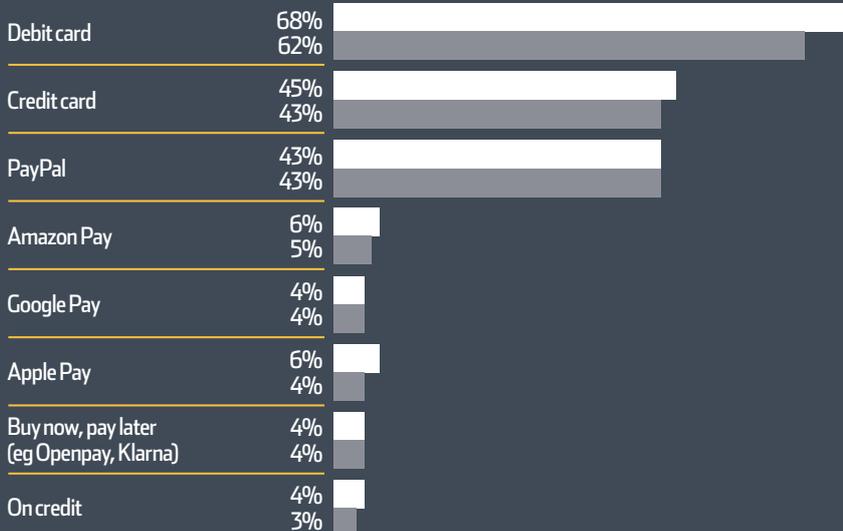
PAYMENT METHOD



ONLINE

- BEFORE THE PANDEMIC
- SINCE CORONAVIRUS

PAYMENT METHOD





“Fear has been shown to reduce satisfaction and willingness to buy – brands will be saving customer relationships by alleviating this... retailers’ responses have been functional, but they must think about the overall experience”

KATE NIGHTINGALE, CONSUMER PSYCHOLOGIST

ACTION POINTS

- 1** There is a clear increase in demand for digital payments as use of cash declines
- 2** Retailers aiming to appeal to squeezed shoppers should consider buy now, pay later options, both in stores and online

Indispensable retail

If consumers, for the foreseeable at least, are only going to spend on items they deem necessary, retailers will need to work hard to make themselves indispensable.

The consumers that missed shopping most during lockdown were those in the younger and older age categories (18-24s and 65+). Many cite the social aspect of shopping, and spending time at shopping centres with friends and family, as the thing they missed more than anything else. Retailers may wish to play on this sentiment by focusing on delivering great, personalised, experience-driven retail for those that make the effort to come into stores.

Loyalty to certain retailers is more prevalent in the older demographic, with our study showing they have been less inclined to switch shops during lockdown than younger consumers. Appealing to and not forgetting their most loyal followers will be crucial for retailers getting back on their feet in the year ahead.

Creativity will be important, too, and UK retailers may wish to look to China for inspiration, where a Shanghai Commerce Commission initiative encouraging merchants to offer vouchers to boost consumer spend proved popular.

The scheme involved more than 600,000 businesses handing out a total of 24 billion yuan (£111.4m) in coupons as part of the Double Five Shopping Festival, and it stimulated huge demand.

Mitigating the negatives

With health and safety measures the priority in reopened stores, the best retailers will find a way to ensure new messaging and processes are in keeping with their brands, according to Nightingale.

She suggests putting hand sanitisers in neatly designed bottles, engaging with customers in queues outside stores with Hamleys-esque pavement entertainment or gamifying the two-metre distance warnings by making them scavenger hunts.

“It’s counteracting the negative emotions consumers are likely to feel as they return to shops amid a health crisis by engaging them in an activity or community – but in line with their brand,” she says.

“Fear has been shown to reduce satisfaction and willingness to buy – brands will be saving customer relationships by alleviating this. At the moment, retailers’ response has been functional, but they must think about the overall experience.”

As they emerge into the post-pandemic landscape, it is certain that consumers will be more mindful of how they spend, particularly in discretionary categories. They will also be nervous about financial security and keen to reduce unnecessary outgoings where possible.

Retailers that can engage with consumers in a creative way will be those most likely to persuade shoppers to part with their cash.

This will most likely be a combination of factors, including providing a safe and pleasant experience to inspire shoppers to visit stores. It will also require agility, innovation and an increased focus on online and flexible multichannel solutions.

Agility and adaptability

Retailers will need to demonstrate agility in understanding and adapting to changing consumer needs and offer convenient, frictionless experiences, while at the same time inspiring and rewarding customers as they venture back into stores.

The coronavirus pandemic has without a doubt changed the retail landscape in ways we could not have imagined, and accelerated the need for retailers to demonstrate innovation and agility.

The next 12 months will require just as much innovation, flexibility and creativity as retailers showed during the crisis itself.

However, consumers have missed the interaction and social activity of shopping, and there are opportunities for retailers that can engage with and inspire shoppers safely as they venture back into stores.

KEY CONSIDERATIONS FOR RETAILERS

With just 37% of consumers expecting to shop in the next 12 months as they did before, understanding your customers and their changing needs has never been more critical.

Investment in online and multichannel growth strategies will be a priority, allowing retailers to build on continued high demand from the huge number of consumers who relied on online shopping during the pandemic.

The social aspect of shopping and the in-store browsing experience were cited by shoppers as things that they missed most. As they return to stores, a safe but inspirational experience will be key.

Shoppers have evidently become more mindful of how they spend and will be seeking value for money. But other aspects, such as sustainable products and local sourcing, are important differentiators.

With the accelerated move to cashless payments, we anticipate the introduction by more retailers of buy now, pay later solutions to support squeezed shoppers.

Retailers have demonstrated incredible agility and innovation to deliver for customers during the pandemic. Building on this momentum will be a huge differentiator for future success.



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