



THE PANDEMIC'S FINANCIAL IMPACT ON SHOPPER BEHAVIOR

When the COVID-19 pandemic hit the United States, stay-at-home guidance, supply chain disruptions fueled by panic buying and pantry filling, and a fear of contracting the virus caused rapid change in the way Americans shop, where they shop and what they bought.

Less studied has been how the pandemic's economic impact on Americans at all income levels and continuing uncertainty have spurred new shopper attitudes and buying behaviors.

Though the early stimulus package passed by the federal government blunted the full economic consequences of the sudden surge in unemployment, COVID-19's financial impact has had a measurable effect on Americans' shopping habits, according to the responses of 1,804 primary household shoppers and those who shared shopping responsibility surveyed by Advantage Sales' Analytics, Insights & Intelligence team between May 13 and May 18, 2020.

Income and Financial Outlook Definitions

Income Levels

Affluent

Households that have an income more than \$100,000

Middle Income

Households that have an income between \$50,000 and \$99,999

Low Income

Households that have an income below \$50,000

Financial Outlook

Financial Struggle

Respondents who have lost a job, been furloughed or had their wages reduced

Financial Worry

Respondents who expect their financial situation to be worse in the next 3 months

Financial Optimism

Respondents who expect their financial situation to be better in the next 3 months

Four in 10 survey respondents reported their financial situation has been negatively affected since COVID-19 has hit the United States. One-fourth of Americans surveyed have lost their job or have been furloughed in the last few months.

One in three Americans expect their financial situation to worsen in the coming months, while nearly the same percentage expect it to improve. (See “Financial Impact of COVID-19.”)

Financial Impact of COVID-19

Close to half of survey respondents have either lost their jobs or seen their wages reduced since COVID-19.

	Affluent	Middle Income	Low Income
13% Lost job			
11% Wages reduced due to furlough			
22% Wages reduced partially			
4% Changed job			
4% Wages increased			
56% None of these			
	8%	11%	17%
	9%	12%	9%
	22%	22%	18%
	6%	2%	4%
	5%	5%	3%
	50%	48%	50%

Looking ahead three months, I expect my finances to be:

	Affluent	Middle Income	Low Income
23% Somewhat worse than before the crisis			
7% Much worse than before the crisis			
15% Somewhat better than before the crisis			
12% Much better than before the crisis			
43% Unchanged			
	26%	23%	22%
	3%	5%	10%
	13%	17%	15%
	17%	12%	11%
	40%	43%	41%

Source: Advantage Sales' Analytics, Insights & Intelligence shopper survey, May 2020

Low-income households have been most likely to have lost a job during the crisis and middle-income households are most likely have been furloughed. The primary financial impact experienced by affluent households has been a reduction in wages.

As the pandemic has put low-income households under great strain, a third (32%) of these shoppers are pessimistic about their financial outlook, expecting their finances to continue to worsen. Not surprising, more than half (53%) of these shoppers say they will be looking for ways to save money. They plan to spend less on all categories across the store compared to the other groups, except for packaged meat.

On the other end of the financial spectrum, affluent Americans are experiencing financial anxiety, too, which is affecting how they shop and what they buy. Compared to other income groups, more of these shoppers plan to increase their purchases of store brands in the next three months. ("Planned Buying Behavior by Income," Page 4.)

Affluent shoppers also are most likely to care more about promotions in the next three months. This could be that low-income shoppers are already very aware of promotions, while affluent shoppers may just be beginning to look for opportunities to ease financial anxiety.

Similarly, changes in shopping behavior have been impacted by individuals' financial outlook, but not necessarily in predictable ways. The pandemic's fallout spurred six in 10 survey respondents to switch retailers, either choosing another retailer's brick-and-mortar store or online platform or a pure-play online player like Amazon. An analysis of those who switched shows financial optimists were most compelled to switch stores because of price considerations. (See "Reasons for Switching Retailers During the Pandemic," Page 4.)

Financial Outlook by Community Size

The impact of COVID-19 on shopper's finances and financial outlook differs significantly between rural and small town dwellers, small and midsize city shoppers and metro area shoppers.



Rural/small town shoppers

63%

Didn't have any work changes since COVID-19

49%

Don't expect any change in their finances after the crisis



Small and midsize city shoppers

14%

Had their wages reduced due to furlough

30%

Expect their finances to be in worse shape after the crisis



Small metro area shoppers

28%

Had their wages partially reduced

32%

Expect their finances to be in better shape; the most optimistic group



Large metro area shoppers

25%

Had their wages partially reduced

33%

Expect their finances to be in worse shape after the crisis

Planned Buying Behavior by Income

In the next three months compared to pre-pandemic

Affluent shoppers are most likely to say they plan to spend more online, purchase more store brands and care more about promotions.

1. Combines "Care much more" and "Care somewhat more" responses
Source: Advantage Sales' Analytics, Insights & Intelligence shopper survey, May 2020

	Low Income	Middle Income	Affluent
Purchase more online food products	22%	26%	32%
Purchase more online non-food products	36%	32%	38%
Purchase more store brands	32%	30%	36%
Care more about promotions ¹	45%	48%	56%

Reasons for Switching Retailers During the Pandemic

Financial optimists who changed stores pointed to price considerations, out-of-stocks and product quality as their primary reasons for making a switch.

	Financial Struggle	Financial Worry	Financial Optimism
Out-of-stocks at my preferred location	22%	22%	20%
Safety reasons	20%	20%	16%
Price	17%	13%	21%
Buy everything at one store instead of shopping around	12%	14%	8%
Delivery	12%	10%	14%
Product quality	11%	4%	18%
Location (closer to home)	9%	8%	7%
Store cleanliness	6%	3%	6%
Product assortment	5%	2%	9%
Sales or promotions	2%	1%	2%
I did not change where I shop	36%	45%	34%

Source: Advantage Sales' Analytics, Insights & Intelligence shopper survey, May 2020

Compared to other groups, these financially optimistic shoppers also are most likely to have changed their store because of product quality or assortment — and were least likely to change because of safety concerns or the ability to make a one-stop shop.

The combination of out-of-stocks, shoppers switching retailers and new financial concerns put pressure on brand loyalty and prompted widespread trial of alternate brands and products. More than half (55%) of shoppers surveyed tried an alternate brand and 28% of respondents who switched brands said they expected to make the switch permanent.

Low-income and affluent shoppers were slightly more likely than middle-income shoppers to report switching food brands during their pandemic shopping trips, with affluent shoppers and financial optimists most likely to expect to make a food brand switch permanent. (See “Brand Switching.”)

Brand Switching

	Low Income	Middle Income	Affluent
Switched food brands	54%	50%	53%
Expect to switch permanently	26%	24%	29%
Switched non-food brands	38%	40%	39%
Expect to switch permanently	18%	19%	22%

	Financial Struggle	Financial Worry	Financial Optimist
Switched food brands	61%	52%	63%
Expect to switch permanently	35%	34%	40%
Switched non-food brands	48%	39%	53%
Expect to switch permanently	27%	16%	34%

Source: Advantage Sales’ Analytics, Insights & Intelligence shopper survey, May 2020

In non-food categories, middle-income shoppers were slightly more likely to report switching brands; but, again, affluent shoppers and financial optimists were most likely to expect to make their brand switch permanent.

Financial outlook also influences likelihood of using online food services. (See “Online Services Used Since COVID-19.”) Financial optimists are more likely to embrace online services while those who expect their personal finances to worsen in the near future are least likely to have used online grocery pickup or delivery service.

Online Services Used Since COVID-19

Financial optimists are embracing online services.

They’re most likely to have used an online order or delivery service, especially a grocery-related service.

	Financial Struggle	Financial Worry	Financial Optimism
Grocery store delivery to home	32%	26%	38%
Grocery store curbside pickup	29%	21%	36%
Third-party restaurant delivery	32%	28%	30%
Mass merchandiser ¹ delivery to home	25%	25%	28%
Mass merchandiser ¹ curbside pickup	24%	18%	26%
Instacart delivery	15%	14%	16%
Club store delivery	11%	5%	16%
Club store curbside pickup	10%	5%	14%
Drug store delivery	12%	9%	14%
Drug store curbside pickup	8%	6%	9%
I haven't used any online order option	27%	34%	22%

¹ Walmart, Target
 Source: Advantage Sales’ Analytics, Insights & Intelligence shopper survey, May 2020

INTEREST IN SAVING MONEY AND SEEKING PROMOTIONS

As the pandemic's financial impact spreads, nearly half of survey respondents say when looking ahead three months, they will be seeking ways to save money (48%) and will seek out more promotions (46%). (See "Savers and Promotion Seekers.") About half of these two groups plan to buy lower-priced brands.

A majority of these shoppers plan to continue cooking more at home and from scratch.

Savers and Promotion Seekers

Looking three months ahead

More than half of those wanting to save money and 44% of those seeking promotions plan to buy more in bulk.

	Want to Save Money	Seek Promotions
Cook more at home	78%	74%
Eat at restaurants less frequently	72%	64%
Cook/bake more items from scratch	58%	53%
Buy more lower-priced brands	55%	48%
Buy more in bulk	51%	44%
Eat more healthy foods	49%	43%
Spend more on groceries	49%	45%
Cook more prepared meals	46%	43%
Do more hair care at home ¹	36%	31%
Do more nail care at home	33%	29%
Buy more better-quality items	31%	29%
Shop less frequently	41%	36%

¹ Cut and color
Source: Advantage Sales' Analytics, Insights & Intelligence shopper survey, May 2020



IMPLICATIONS FOR RETAILERS AND BRANDS

What do these findings mean for retailers and consumer goods makers? The Advantage Sales Analytics, Insights & Intelligence team offers key takeaways and guidance.

“ Don’t expect affluent households to continue their pre-crisis or current shopping patterns.”



RETAILER PRIORITIES

- Prior to the health crisis, shoppers were increasingly willing to browse and buy grocery products at multiple locations. Now, they’re looking for safe options, buying more in one physical location and shopping online. Stores that have been secondary choices will lose market share unless they provide unique choices shoppers want in an environment perceived as safe, clean and convenient.
- While many Americans have experienced financial struggles during COVID-19, price and saving money are not primary factors when choosing where to shop. Focus resources on having the needed items in stock and providing a safe environment.
- While not their primary reason for choosing where to shop, low price is the most important attribute across 13 of the 27 product categories assessed. Assortment across categories should include low-price options. Plan promotions accordingly and minimize unnecessary product duplication.
- Affluent and middle-income households are embracing online delivery services; 14% changed retailers because of delivery offerings. Stay with delivery options, even as brick-and-mortar locations open. Online shopping is poised to become a regular routine for these households.

- Don't expect affluent households to continue their pre-crisis or current shopping patterns; they're shifting their habits to prepare for a worse financial future. These shoppers have been most likely to change their retailer because of price during the pandemic and plan to purchase more store brands and look for more promotions. They're planning to spend more on their grocery budget in the coming months but make fewer trips. Maintain these shoppers by helping them feel they are staying on budget, offer promotions of pantry staples and feature store brands.

BRAND PRIORITIES

- Affluent households have had the highest likelihood of switching brands during COVID-19. They're also the most likely to say their brand switch was permanent. These households are anxious financially and are looking for ways to cut costs, especially by purchasing more store brands and looking for more promotions. Still, they want brands they can trust (57%). Compete by emphasizing effectiveness and reliability of your product. Use promotions to draw in shoppers looking to save money, then assess promotional effectiveness.
- Low prices and availability are especially important in the current climate; consider price drops to help your brand compete with private-label's value offering.
- As shoppers visit stores less frequently, they may be interested in larger sized packaging or bulk items. Consider offering discounts on multipacks and family-size products. Ensure shoppers see the value with at-the-shelf messaging.
- Survey respondents in low-income households have been most likely to have lost a job during the COVID-19 crisis. They expect their financial situation to continue to worsen and plan to continue looking for ways to save money over the coming months. They also plan on purchasing less. It's important to stay on these shoppers' radars. Use social media and digital promotions to remind shoppers of your presence.
- Regardless of financial circumstances, a significant number of shoppers are embracing online services. With safety, availability and delivery continuing to be primary drivers for shoppers, online shopping will likely become a new part of their routine long term. Promote on online grocery platforms and remind shoppers to put your brand in the cart. ●

“Consider offering discounts on multipacks and family-size products.”





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