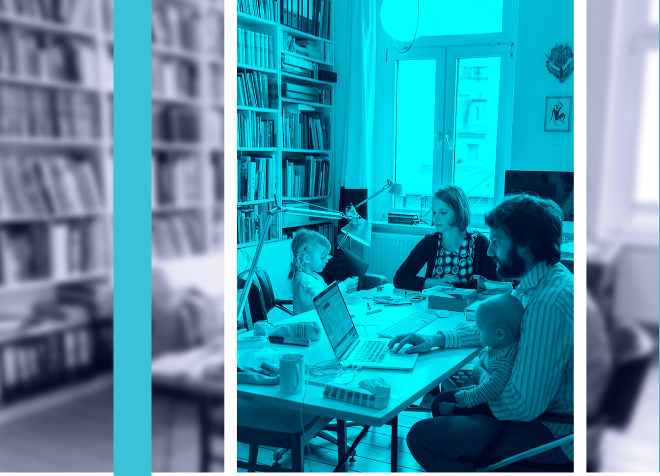

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Oli Freestone
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The New Normal Consumer Behaviour

Lockdown, self-isolation, social distancing – all words that only a short time ago would have been greeted with confusion by the average person living and working in the UK.

Unfortunately, we are now intimately familiar with what each of these phrases mean. For the majority of us this is an unprecedented period of rapid adjustment as our routines are fundamentally changed.

How has the UK consumer been impacted in the short-term?

Whilst our primary concern is undoubtably for the safety and well-being of family, friends and colleagues, as consumers we've seen a number of immediate impacts on our behaviour as a result of the unfolding pandemic.

Stockpiling

Stockpiling of staples has perhaps been the most visible manifestation of the uncertainty people are experiencing. Anxiety and fear are programmed human responses to uncertainty, and **panic-buying** as a reaction to economic disruption is a frequent side-effect. Despite the assurances of many in the retail sector that demand can be fulfilled if panic-buying is averted, we continue to see the irrational side of consumption significantly impacting an entire system.

UK data from **Kantar** reported sales of toilet tissues rose by 60% year-on-year for the week ending 8th March, with dry pasta sales up 55% and baked beans by 48%. Sales of **hand sanitiser** have also ballooned, up over 200% year-on-year in February alone.

As a result of this abnormal demand in certain categories, grocers are suffering from supply-side issues – simply put many supply chains cannot cope with the unprecedented surge in demand, coupled with the operational challenges of a depleted workforce and remote working.

It's highly unlikely that automated buying and merchandising systems would have been set up with 'pandemic' scenarios on this scale, and so stock-outs and delays have been widespread for lines such as personal hygiene and perishables. Add to this, the challenge of staffing stores, distribution centres and contact centres to deal with an escalating number of customer queries, and there is massive operational pressure on those experiencing surge demand. According to **data** from Retail Economics and law firm Squire Patton Boggs over half of retailers are now experiencing supply chain disruption.

However, there are positive points to note. One knock-on effect is that there are many supermarkets chains hiring, with recent estimates suggesting there are over **30,000 new jobs** in the sub-sector.

We're also seeing first-hand a significant number of retailers showing up as responsible businesses, introducing **quotas** for in-demand products, running **reserved hours** for the vulnerable and key workers, protecting their own vulnerable employees and helping employees adjust to new working conditions, and whilst this isn't universal, it sends a strong message and will be remembered when normality returns.

When the definition of key workers includes some of the lowest paid employees working in food supply chain it will be interesting to see how perceptions, reward and recognition shifts post pandemic.

Cutting discretionary spend

Whilst the uptick in spend brought about by consumers staying at home has been good for grocery, it is not being felt across many other categories. In more discretionary areas, such as fashion, the impact has been brutal. Not only is supply chain disruption biting, but at just the time clothing retailers expected to be ramping up sales of summer season collections, people are being forced to cancel holidays and hunker down. As **Lord Wolfson** of Next succinctly put it, “People do not buy a new outfit to stay at home”. Some estimates have suggested that the fashion industry stands to lose **£11.1bn** in 2020, a 20% slump in year-on-year sales.

Despite rapidly rolled out schemes such as the **moratorium** on evicting commercial tenants, and support for **businesses and employees**, in this environment cash is king and a fall in demand on this scale will be difficult for many operating in general merchandise. Expect more restructuring, and unfortunately further closures on the high street.

Economic uncertainty has also pushed consumers to re-evaluate other aspects of their finances. According the **ONS**, spending on food and housing make up 42% of total expenditure for households at the bottom decile of the income distribution, compared with 26% for those in the richest 10%. Many mortgage lenders have agreed to support customers experiencing financial difficulties with **payment holidays**, whilst the government has also announced emergency **legislation** to protect renters and landlords whilst we are in a national emergency.

What’s clear is that in the short-term we’re seeing discretionary spend reigned in. This raises the question of how consumers will emerge post-pandemic. Will there be a surge once we’re allowed to return to ‘normal’ routines? Or could we see the emergence of a more risk averse consumer in the longer term?

Shift to online

Many consumers are significantly increasing their use of online channels. Online grocer Ocado has seen both higher basket values and more frequent order demand, resulting in **sales doubling** since the end of the first quarter of 2020. Tesco and Sainsbury’s have also recorded increases in year-on-year sales, and online giant **Amazon** is looking to hire over 100,000 new employees globally.

Outside core grocery, online sales at **Majestic Wine** have increased by over 200% on their usual trading base, resulting in challenges in keeping the website operational. **DIY** is also doing well, with a reported 47% week-on-week increase.

The knock-on effect of consumers relying on home delivery is also seeing logistics companies scrambling to recruit drivers. Home meal delivery has also surged as many switch from dining out to dining in. Revenues in the **online food delivery** segment are up 11% year-on-year, with reported users up almost 10% compared to 2019.

Increased levels of self-isolation are also driving increased time online for both work and leisure activities. Estimates suggest that in the UK internet traffic has grown by at least 30% in the last two weeks, potentially causing challenges for broadband providers if the trend continues to increase. Interestingly, the **biggest spike** in data downloads in March so far was attributed to the release of online game ‘Call of Duty’, rather than home working. Perhaps a side-effect of school being out?

Blurring of home and work

Historically many of us have been able physically segregate our work and home lives. An estimated **6%** of the workforce worked from home up until two weeks ago. If the impact of a significant shift to remote working continues beyond the end of the lockdown period, we could see additional changes in how we behave as consumers as the boundaries between home and work blur.

If we no longer travel to our place of work, could we see a ramp up in local amenities? Will there be changes in consumption patterns to reflect a more flexible way of working, and might retailers and others respond with different formats (**direct-to-consumer** businesses are already seeing growth) or opening hours? Will the post-office, **milk delivery** services and other community models see a resurgence in popularity?

What will happen in the longer term?

As new ways of living bed in there will be increased uncertainty about what this means for the longer term.

It looks likely that we will see a period of **recession**, and an increase in unemployment, so what state will the economy emerge in? How will these impact our attitudes to spend? Will we see a short-term surge in ‘celebratory spend’ once the pandemic has passed? Or will we emerge more risk averse?

Undoubtably it’s a question of when, not if, there will be an economic bounce back. Whilst it’s estimated that some countries took over a decade to recover from the Great Depression of 1929, post the 2008 financial crisis the shoots of recovery, from a **GDP** perspective, began a little over 15 months from the start of the crisis.

From a behavioural perspective, established thinking, based on research from University College London (UCL), is that a ‘habit’, that is an action we perform automatically based on a cue, typically takes **66 days** to form. The big question here will be how quickly, if ever, consumer behaviour returns to pre-pandemic levels, or are we at the very beginning of a marked shift in how we spend our time, not just at work and socially, but as consumers?