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#MasterTheCrisis

## GfK Coronavirus Recovery Pilot

Back to the shops: Decoding the next phase of consumer behavior

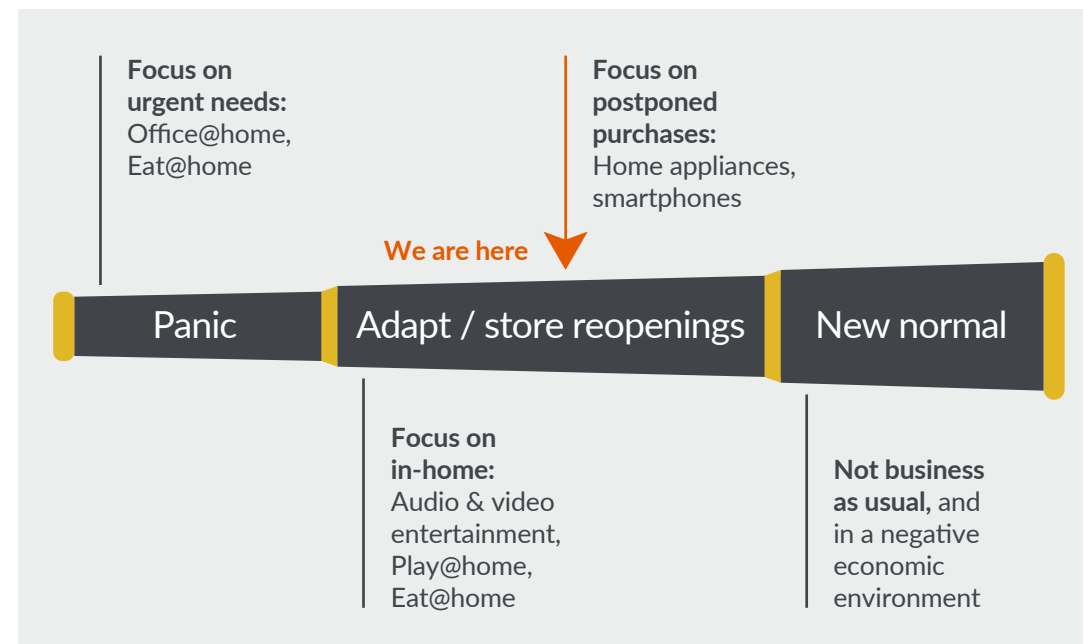


# COVID-19 - THE CATALYST FOR CHANGE

## IS THE END IN SIGHT?

COVID-19 has changed everything. Consumers are challenged by constantly evolving scenarios of how to live, work and socialize. This has driven new needs and demand patterns in every phase of the crisis. The constant flux is here to stay, at least in the short term.

This crisis has several stages, starting with Panic, moving to Adapt, then to Recovery – or what GfK and many other commentators are calling the “new normal”. In our current phase, plans are in place across the world for a gradual and phased lifting of the lockdown. That’s why this report is titled “Pilot” as we actively navigate towards the future, just like a ship’s captain piloting his vessel to land after an extended time at sea.



During the **Panic phase**, the urgency of meeting specific **basic needs** is extremely high. Unlike usual shopping patterns, consumers need to prioritize fast. Urgent purchases to survive in a new reality come first, and everything else is postponed.

In the **Adapt phase**, consumers turn their attention to enhancing the **in-home experience** – simply because they must stay in. There is more consumption of media content through electronic devices, be it games consoles, gaming notebooks, or streaming sticks. In the Adapt phase, comes the **reopening of stores** – the next milestone with the potential to change dynamics. For retailers, it is a crucial time to attract customers, and there are many opportunities for them to differentiate, be it with hygiene and security concepts, the right product assortment, innovations, or promotions.

Early indicators from Germany, the first amongst Europe’s big five markets to open shops, are that sales in physical stores have increased significantly, pushing the market back to positive growth. **Loyalty towards well-known and trusted retailers** has been very visible throughout this crisis. During lockdown, the online shops of these traditional retailers boomed. When they reopened, we saw customers returning to their physical stores.

In tomorrow’s **new normal**, economic constraints and tight budgets will impact all markets – including tech and durables. Consumers want to return to how things were before, but attitudes are moving in favor of increasing levels of online purchasing.



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# COVID-19 - THE CATALYST FOR CHANGE

## IMPACT ON TECH AND DURABLES REVENUES VARIES SIGNIFICANTLY BY COUNTRY

The economic impact of COVID-19 is currently the number one concern in all major European countries according to **GfK's Consumer Pulse**. But does it mean that the tech and durables markets will collapse during the shutdowns in Europe?

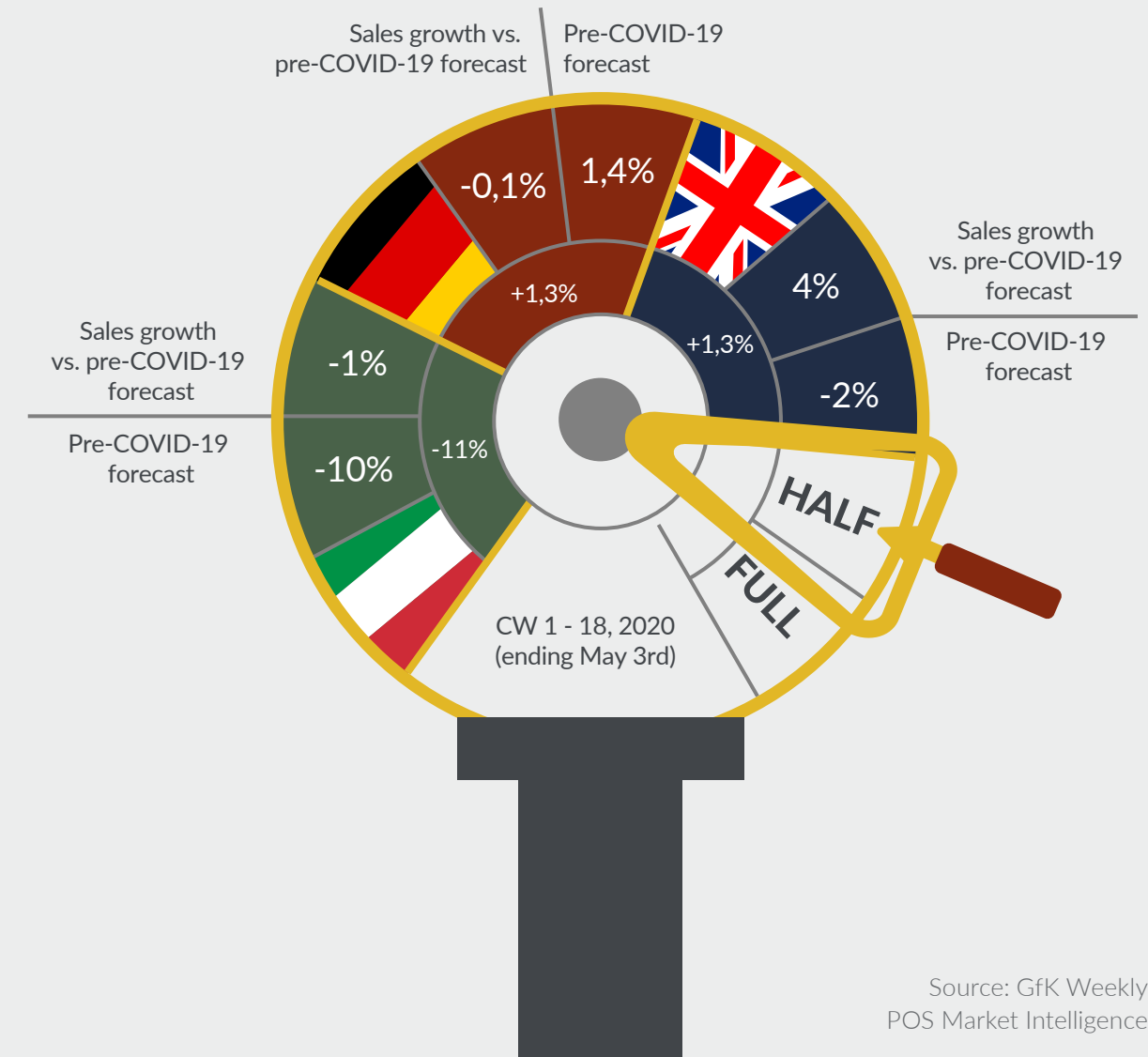
Our **POS Market Intelligence** shows that there is a clear line to draw between Northern and Southern Europe. In fact, the markets in both Germany and Great Britain are **coping surprisingly well** with this crisis. Looking at performance in 2020 to May 3rd (week 18), Great Britain and Germany are growing at a rate of 1.3% compared to the same period last year.

By comparison, the markets in Italy, Spain and France have declined by -8% to -11% in the same period. A total decline of -2% for these five major European markets combined is perhaps not a shocking scenario, but it hints at uncertainties as we move to the new normal.

In fact, **some markets have grown**. This is because consumers' urgent needs are forcing shifts in purchasing patterns, and even creating additional demand in some cases.

Looking at the underlying reasons for changing consumer behaviors, we can identify the different phases people have endured during the crisis.

SALES PERFORMANCE COMPARED TO PRE-COVID-19 MARKET FORECAST



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# CONSTANTLY SHIFTING DEMAND PATTERNS

## PANIC PHASE: PREPARE TO EAT AND WORK IN-HOME

With urgent purchases taking priority, other products fell off the radar. In Spain, 88% of consumers confirmed that their shopping habits changed, and half stated that this was a significant alteration (GfK Consumer Pulse).

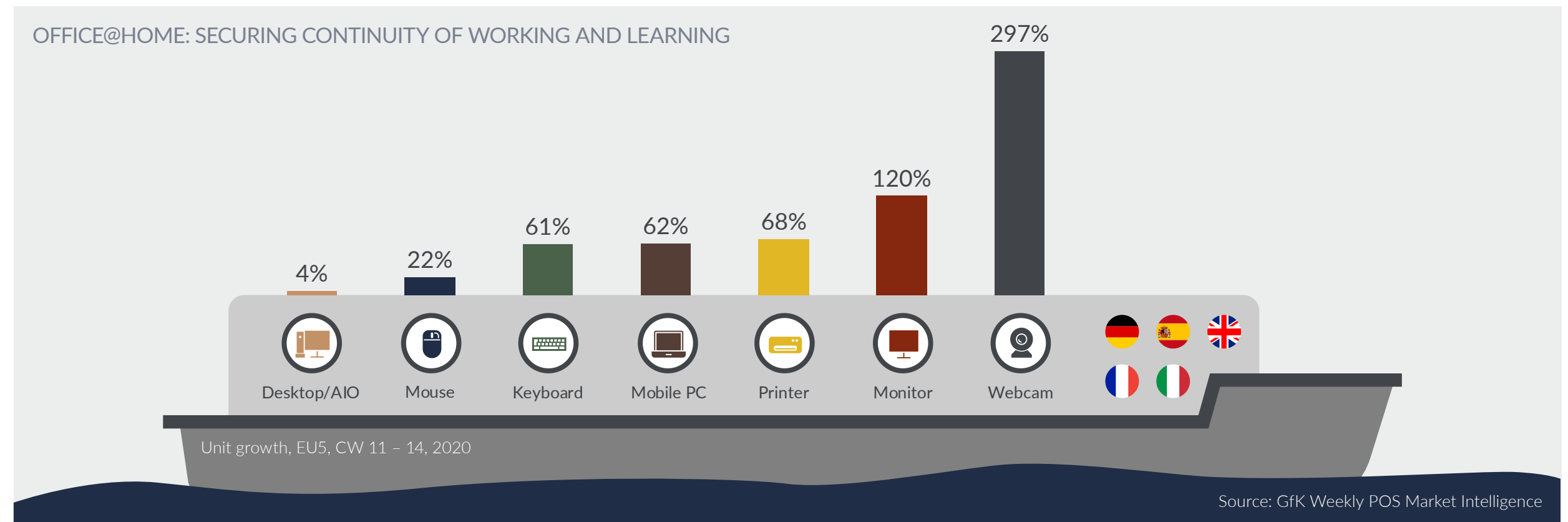
While office and IT-related products saw peak in demand, products such as washing machines, smartphones and even TVs often did not make it to tech and durables shopping lists.

It wasn't just the office that was moved into the home – eating at home triggered reactions. In many countries, shoppers stockpiling FMCG goods and emptied supermarket shelves. People quickly ran out of freezer storage capacity for the foods they'd stocked up on in anticipation of hard times ahead. Hence, in weeks 10 to 12, sales of freezers rose 185% in value in Germany. In Great Britain, unit sales of freezers quadrupled, growing 317% in the same period.



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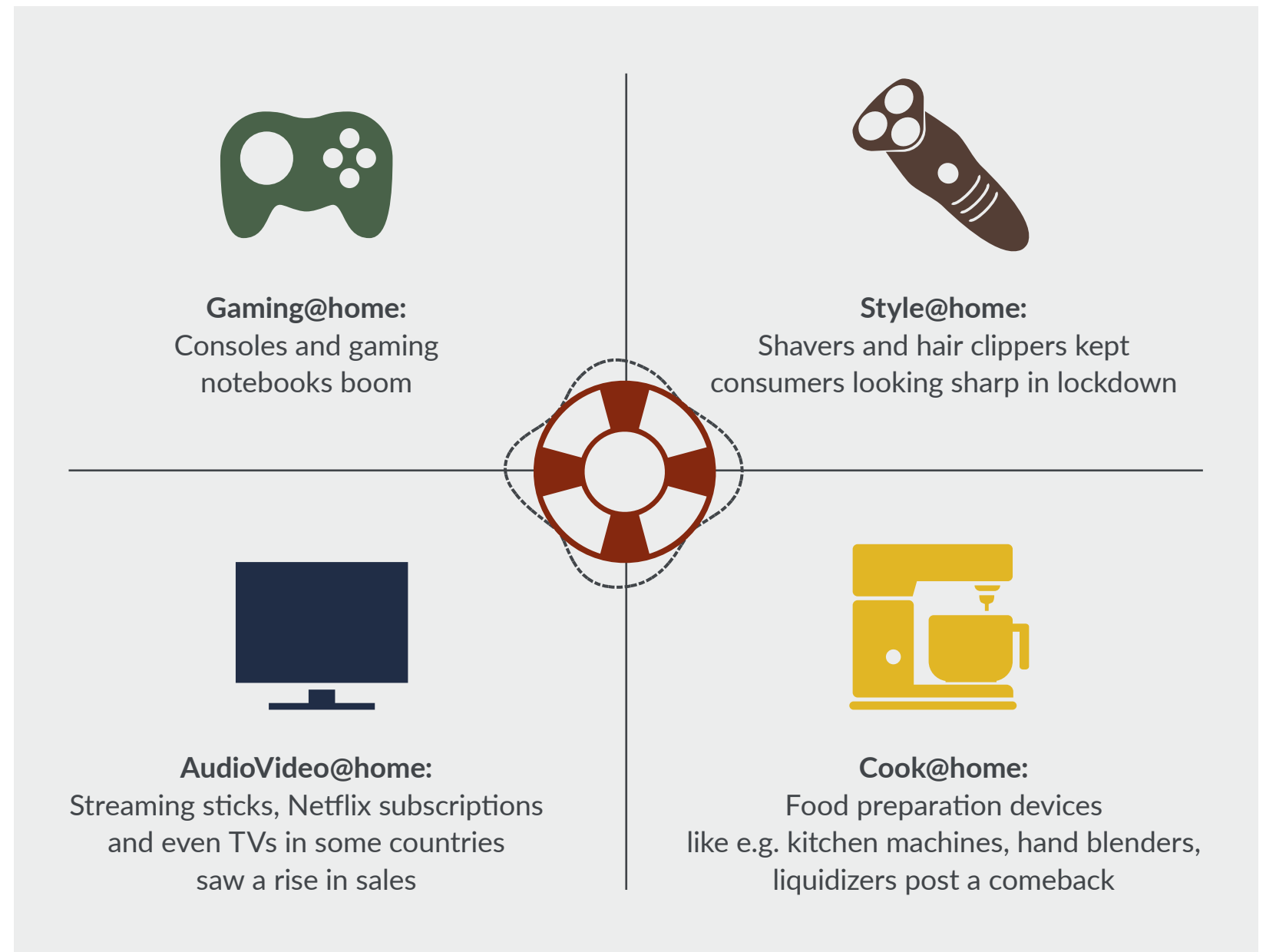


# CONSTANTLY SHIFTING DEMAND PATTERNS

## ADAPT PHASE: FOCUS ON IN-HOME EXPERIENCES

Consumers have proven to be resilient and creative during the lockdown. Prevented from going out to restaurants, cinemas, clubs and outdoor leisure activities, they turned to the tech and durables markets to find other ways to make the best of a life confined to home. Products that benefitted in this phase of adaptation are:

More details regarding this panic and adapt phase can be found in [this blog article](#) and our [webinar held](#) on this topic.



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# ENTERING THE NEXT STAGE

## INITIAL INSIGHTS ON STORE REOPENINGS IN GERMANY

Now we enter a new period – the phased exit from lockdowns. The first market to reopen stores up to 800sqm was Germany in week 17 (April 20 – 26). All federal states followed the next week.

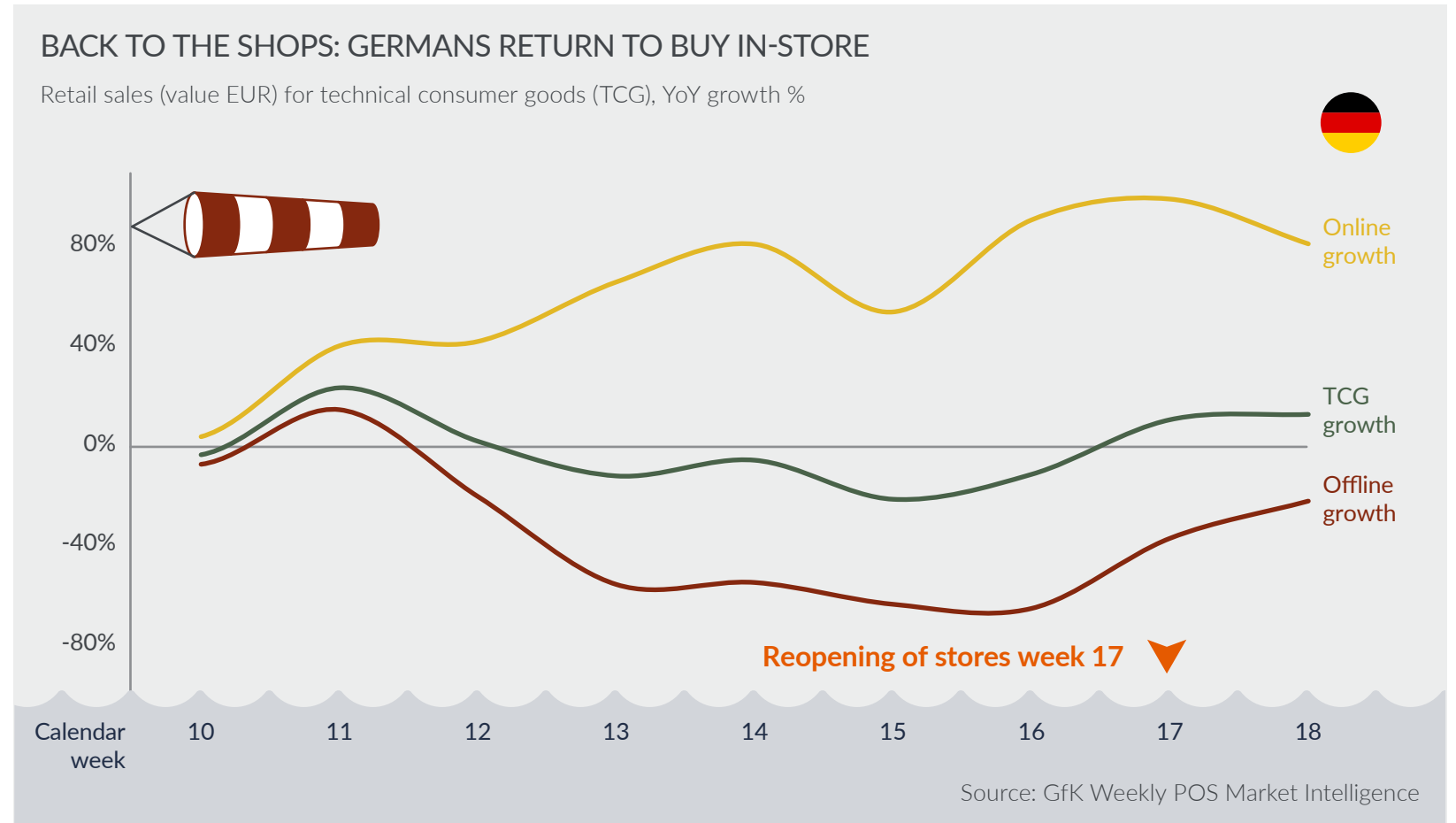
Long queues of people waiting to enter shops suggested that consumers had missed buying in-store, and of course, **in the new normal the shopping experience is different.** How have sales performed so far when only a limited number of customers can enter in order to adhere to social distancing measures?

The reopening in Germany had a significant effect on certain elements of shopping behavior, in particular, the channel mix and assortment. Brick and mortar growth rates improved from -64% during full lockdown (week 16 = April 13 to 19) to -22% in week 18 (April 27 to May 3).



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The market saw **positive growth in just a single week** for the first time since lockdown!

# ENTERING THE NEXT STAGE

## INITIAL INSIGHTS ON STORES REOPENING

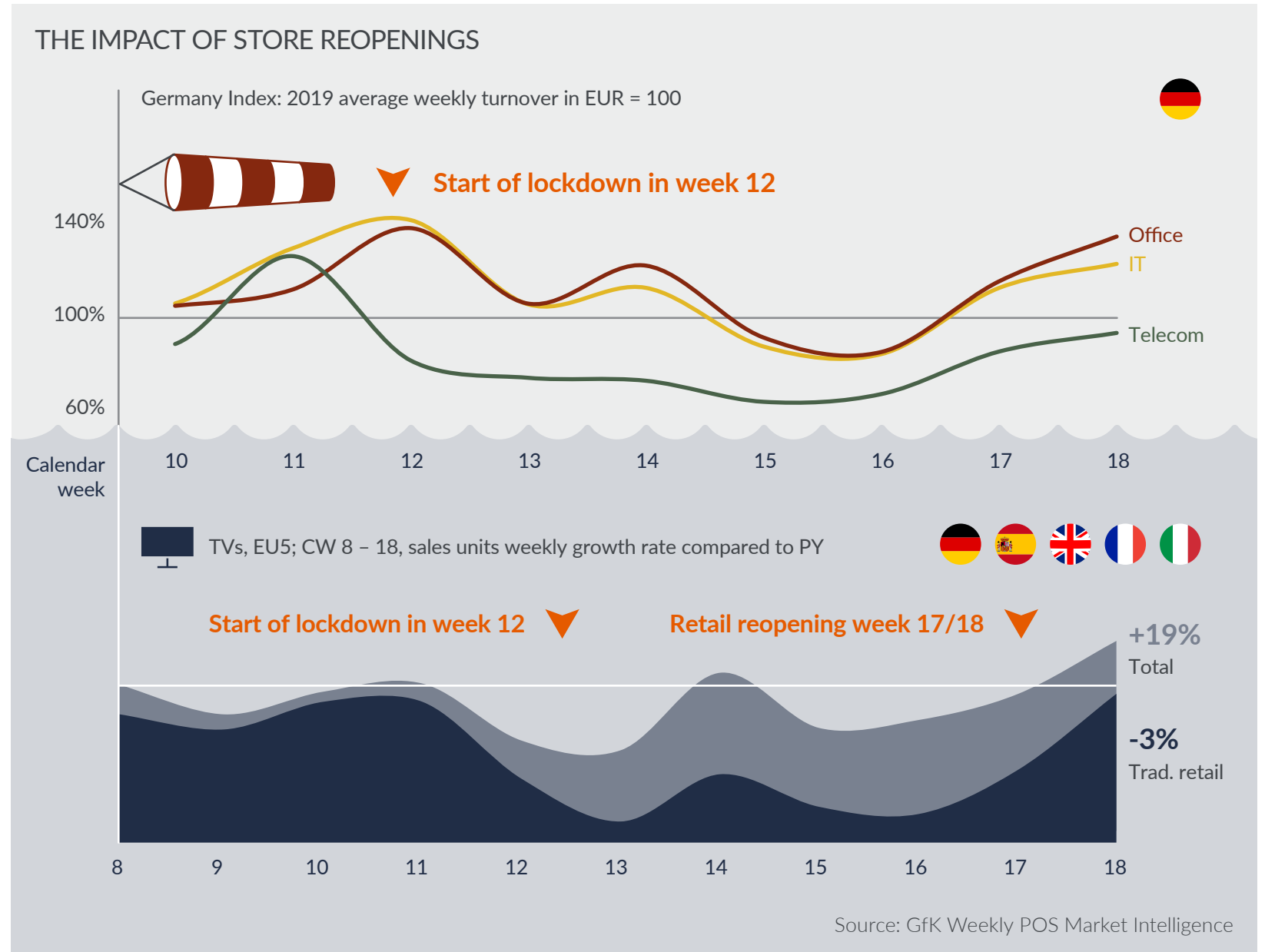
When the stores did reopen in Germany, IT and office products gained an edge over other tech and durable product sectors. For example, there was surging demand for inkjet printers and traditional retail has beaten sales YoY by 43%. This is surprising because we've already recorded a significant hike in demand for these products during the lockdown. **Clearly, the benefit of having the product immediately was decisive.** GfK also believes that a state of urgency is visible. Specific products may not have been available online, or the delivery time was too long.

For the first time, big ticket items like TVs experienced a substantial growth versus last year for combined sales online and offline, but it was traditional retail that gave the key push in the recovery. This is an example where consumers are making purchases they had postponed – and choosing to do that in physical stores where they can see and experience the items.



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# ENTERING THE NEXT STAGE

## LOYALTY PAYS: THE BREAKTHROUGH MOMENT FOR CLICK AND MORTAR

The striking finding from the analysis of the lockdown period is that retailer loyalty became highly visible. Many consumers who usually would spend their money at the brick and mortar retailers immediately switched to their online stores when the physical stores closed. We're calling this a breakthrough moment for click and mortar. Previously unseen triple digit growth rates fundamentally changed the balance of power in the lockdown markets. This is not a new trend, but COVID-19 accelerated the dynamics unexpectedly.

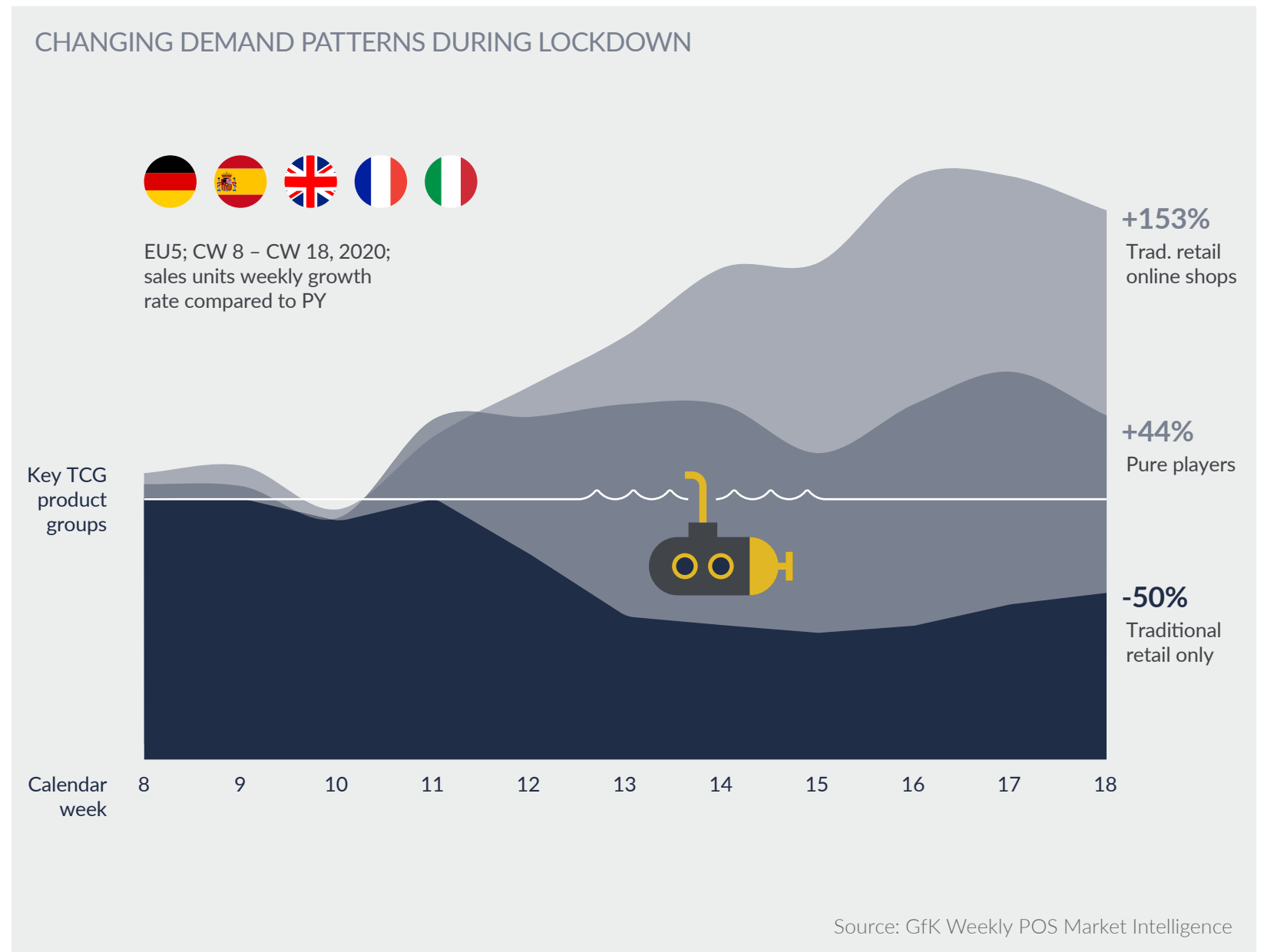
### What about e-commerce?

With the stores opening again, online growth witnessed a drop of almost 10% points, but still stands strong at 80%, which is much higher than the pre-crisis value. This suggests that a significant portion of consumers are committed to social distancing and will therefore stay away from retail stores.



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# TOWARDS THE NEW NORMAL

## CONSUMER EXPECTATION ON PURCHASE CHANNELS AFTER LOCKDOWN

The new normal is the phrase we use to describe the disruptions we all face almost daily, but it is important to recognize that we can never go back to what used to be considered “normal”. We will be living with the threat of the Coronavirus until a vaccination or cure is available.

Therefore, we need to continue to monitor consumer behavior so that all sectors – including tech and durables – can evolve to meet their changing behaviors and demand patterns. Among the major economies, to date only Germany has reopened stores.

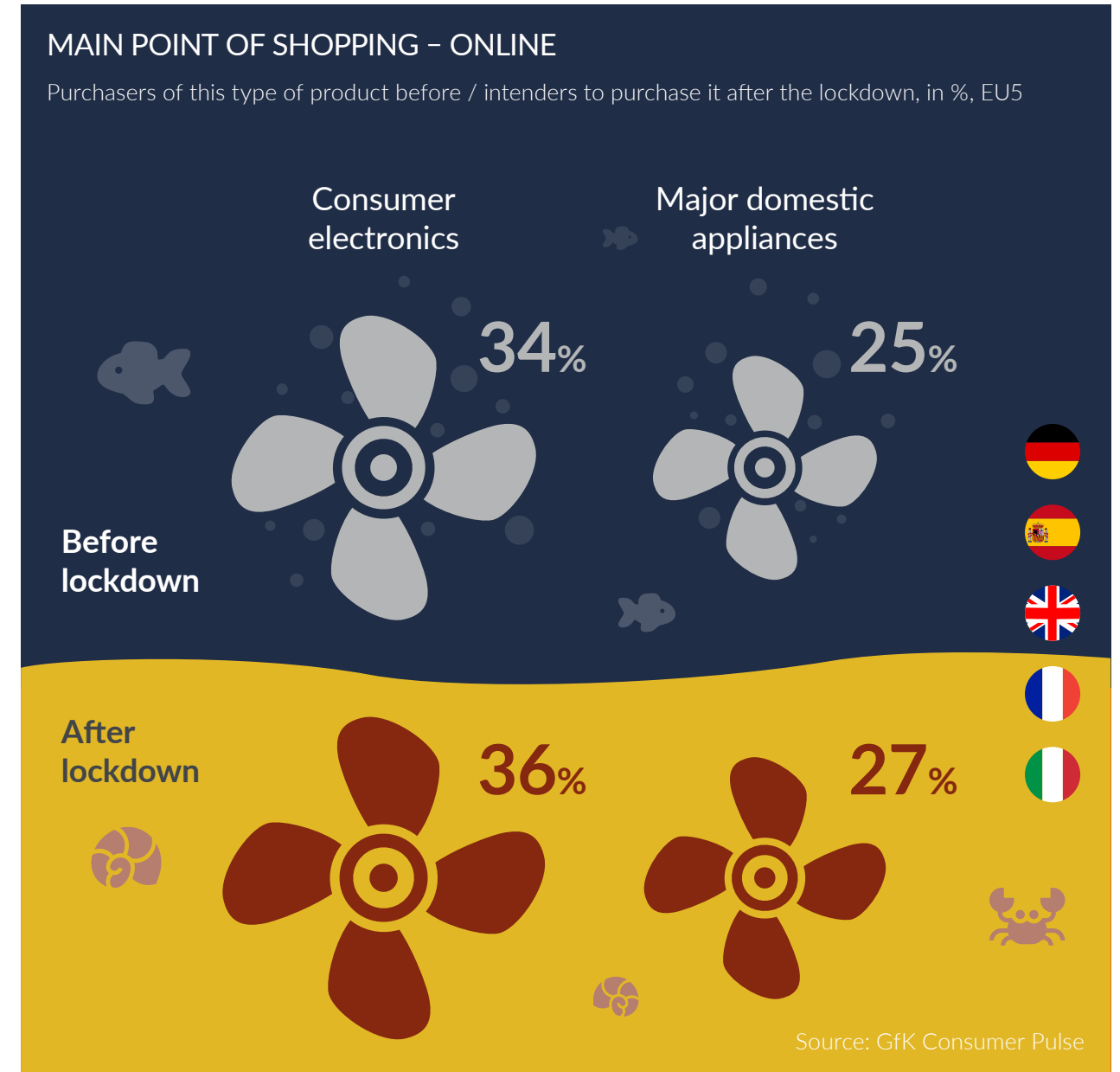
From our weekly consumer surveys, we are seeing that respondents expect their **shopping preferences to return to a similar level** compared to the pre-crisis status.

However, there remains a slightly increased preference in some markets for online shopping options. In particular, markets with lower online affinity like Italy and Spain are exhibiting a growing preference for e-commerce after the crisis. A good example is in home appliances in Italy. Pre-crisis, only 13% stated that online was their preferred purchase channel; after lockdown, 18% said that the online channel will be their preferred purchasing option.



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# TOWARDS THE NEW NORMAL

## LATEST DEVELOPMENTS IN CHINA AND EUROPE

China is the only reference point to understand what a new normal can be like for the tech and durable markets.

### We saw the following:

- Traditional retailers experienced difficult times – and even after the strict measures had ended, those retailers could not return to their pre-crisis business levels.
- The recovery has been slow and convoluted – indicating that consumers have still tried to avoid physical stores.

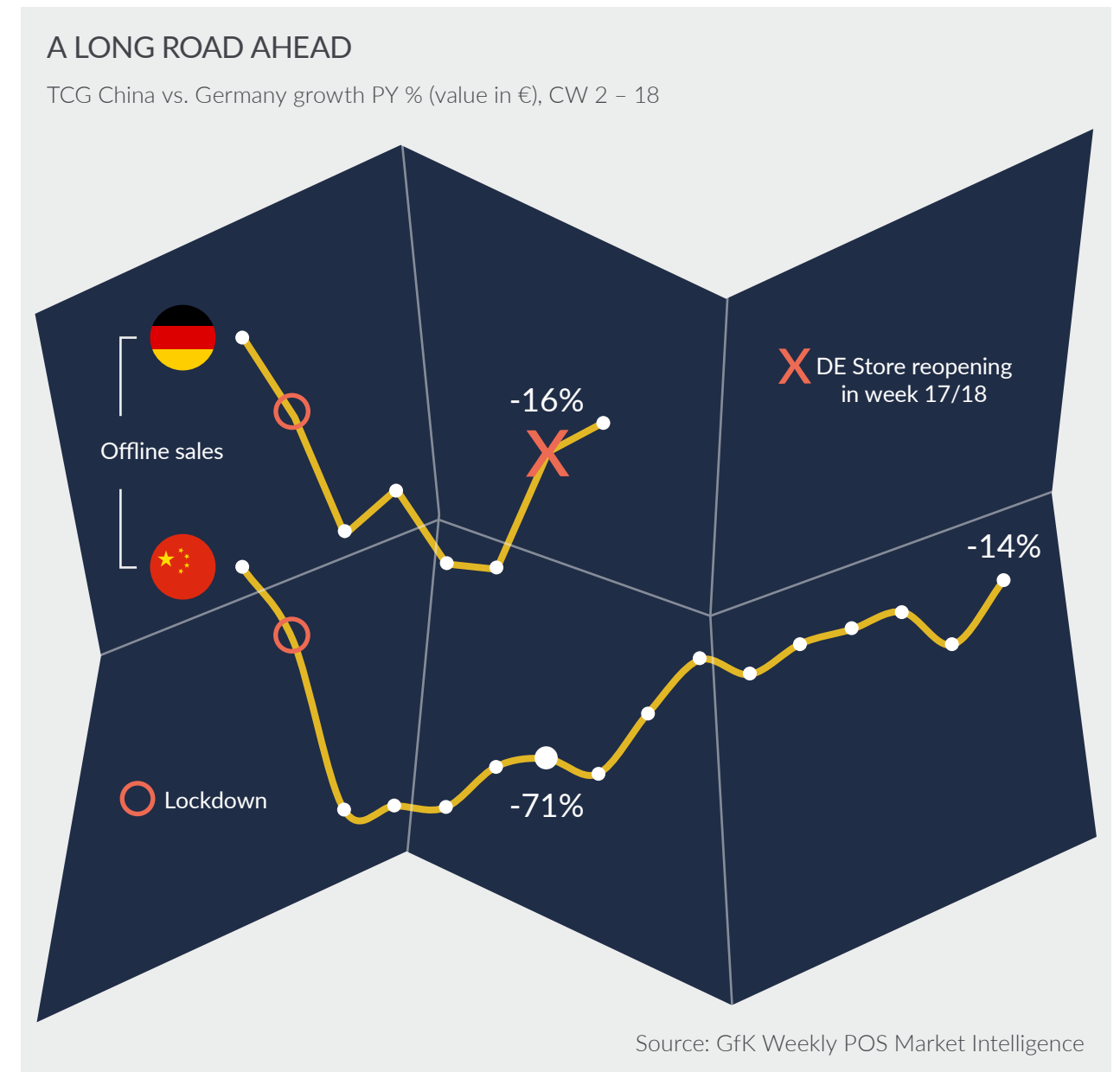
Comparing China with **European countries** has its limitations. Online sales shares are much higher and cultural and economic factors make like-for-like analysis challenging. Affluent countries like Germany or Great Britain, for instance, didn't see an immediate collapse in demand. For those consumers fortunate to be in full-time work, cancelled vacations and limited options to socialize has freed up significant budgets that can be spent elsewhere.

So, it may not come as a surprise that German traditional retail is recovering faster in terms of sales compared to China's experience to date. Online affinity for many products is still considerably smaller in Germany and as analysis of the sales figures has shown, the physical retail experience is valued in many purchase journeys.



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# TOWARDS THE NEW NORMAL

## WHAT'S NEXT?

What can we expect in Europe as the lockdowns begin to be lifted, which is happening now? The experience in Germany to date seems to point to the **real possibility of a sustainable recovery phase for the brick and mortar retailers.**

However, recovering from a very negative market does not guarantee business success. Some sectors which suffered significant losses during lockdown could see real returns from brick and mortar retailers: From smartphones to major domestic appliances, there are multiple examples of products that shoppers prefer to experience first-hand in-store.

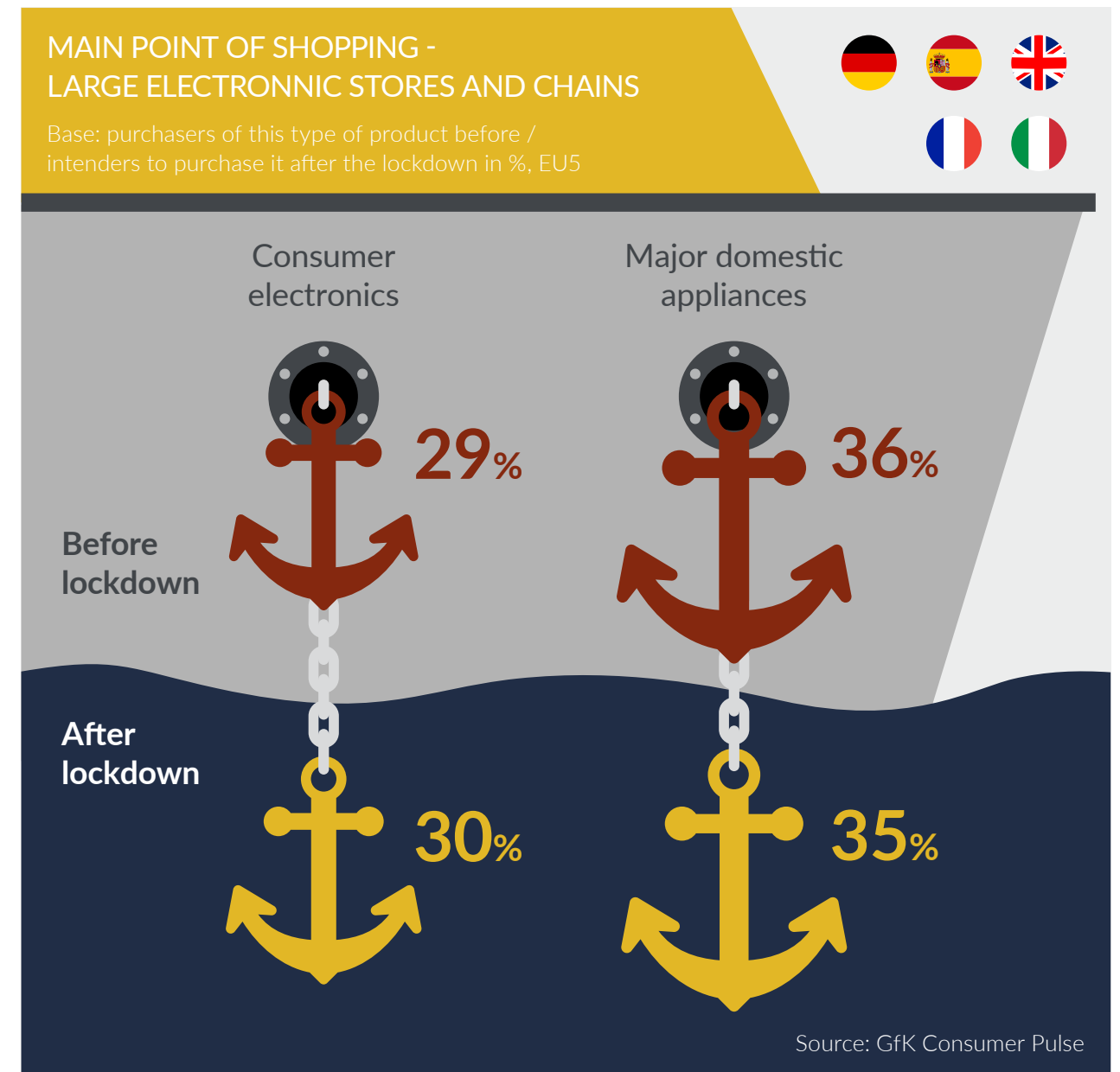
Still sales dynamics from the reopened shops in Germany indicate that **whatever sold well** online during the shutdowns **remains high in demand** in-store now.

Retailers can benefit from this opportunity as well as focus on converting postponed sales too.



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# OUTLOOK

## TECH AND DURABLES HAVE DELIVERED DURING LOCKDOWN

Based on the success that online shops of physical retailers have enjoyed, it's clear that omnichannel offerings have become more important than ever. Offering seamless experiences and service is the guaranteed route for retailers to secure their business. More importantly, it addresses customers' needs and wants to purchase from their retailer of choice at any time and from any channel.

The economic outlook is challenging and will intensify the pressure on prices. We anticipate a lower appetite to buy for the remainder of 2020. The magnitude of the decline of consumer climate outstrips the one in 2008/2009, and these impacts will be felt far and wide. Infection relapse scenarios and new lockdowns may further worsen the economic situation.

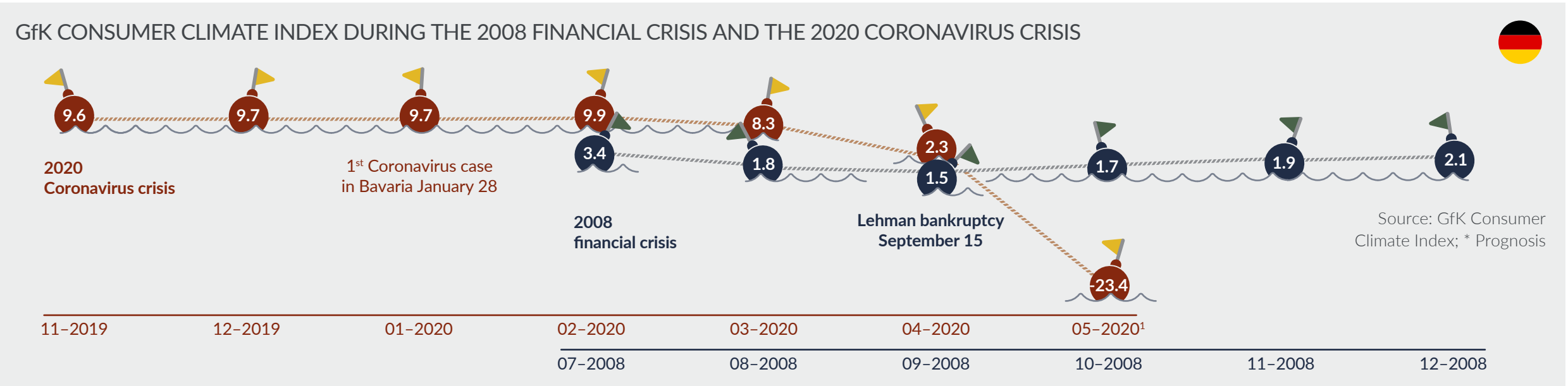
**Technology has offered respite – and can continue to in the future** Looking on the positive side, if this disruption is over soon, demand may stabilize on somewhat lower levels and consumer confidence return when the future economic situation looks brighter.

Technology has offered consumers very valuable solutions to cope during the crisis – helping families manage the severe restrictions of life at home during lockdown, from studying and working to eating, exercising, keeping in touch and entertainment. With so many products seeing an uplift in sales – there are many opportunities to secure a future relevance for the tech and durables market.



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# NAVIGATE THE CRISIS WITH A RELIABLE ALLY

NOW MORE THAN EVER, YOU NEED TIMELY AND ACCURATE DATA



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GfK's insights combined with our expertise developed over many years, plus advanced analytics and the latest data analysis techniques, can guide your decisions so you can take control, mitigate risks and secure business results.

This report is based on facts and insights drawn from our extensive and ongoing research on consumer sentiment, shopping behavior, retail markets and channel dynamics

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## GfK Consumer Pulse

Our weekly Consumer Pulse report is available in 30 markets and gives you insights into consumer attitudes, behavior, purchase intent, media consumption, and more. We help you understand what impacts demand for your goods and services, as well as which sectors and channels present risks and which offer opportunities so that you can respond with confidence and emerge from the crisis stronger, better positioned, and closer to your customers than before. [Find out more.](#)

## GfK Market Intelligence

Our Point of Sales (POS) Intelligence reveals week-by-week what is selling, where, when and for how much. Provided by models, brands, prices and channels, these fact-based insights will help you accelerate your tactical decision-making for production and sales management.

Our Distribution and Supply Chain Insights provides an accurate weekly view of the entire supply chain including distribution and product data as well as direct sales.

Combined, these solutions will give you the latest information on the entire supply chain, what distributors are selling to retailers, and what retailers are selling to consumers – exactly what you need to successfully manage disruption now and next. [Learn more](#) on our website and register for our free weekly [GfK Coronavirus Crisis Sales Radar](#).