

An abstract graphic of a globe composed of numerous triangles. The triangles are in shades of gold and dark grey, creating a faceted, crystalline appearance. The globe is set against a dark background.

KANTAR

Post-COVID Commerce

A four-phase recovery framework with
retailer and brand implications

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Executive Summary

The world is experiencing a dynamic and profound shift in the shopping journey. Even without the added layer of the current COVID-19 pandemic, digital commerce has been gaining traction as a preferred method of consumerism. Now, because of the pandemic, we have digitally jumped ahead by three to four years in the span of two months. Pre-pandemic, ecommerce was expected to account for 15% of US sales this year, but by the end of April 2020, 25% of all sales came through ecommerce channels — a 65% jump. Online grocery has soared from 3% before COVID-19 to 10%, according to Kantar data. And ShopperTrak states that in-store grocery traffic had decreased 48% in April.

With the widespread closing of retailers as part of the lockdown efforts and the likelihood of a viable vaccine 8 to 14 months away, this number is likely to rise even more as we all become accustomed to relying on ecommerce and omnichannel shopping. We can look to Walmart's unprecedented Q1 2020 numbers as a testament to what near-future trends will look like. The retailer's same-store sales rose 10% from last year while ecommerce sales surged an astounding 74%.

And these trends may become long-lasting habits, even as we emerge from the COVID lockdown. In fact, according to our most recent COVID-19





Commerce Snapshot, 64% of shoppers said they will likely continue curbside pickup, and 37% will continue to grocery shop using last-mile delivery platforms such as Instacart or Shipt. Layered on top of the shifting path-to-purchase journey, due to out-of-stock and inventory challenges, many shoppers have been forced to try store brands and lower-priced substitutes over brand-name products. And that could have long-term implications for key consumer packaged goods (CPG) brands.

As we consider what the great retail reawakening might look like, we must think about the new shopping habits and how they will impact retailers and branded manufacturers. From a brand perspective, it's shifted the idea of ecommerce from a state of not urgent or slightly urgent to now massively urgent and critical.

Four Phases of a Post-COVID World



Phase I

Acute

Non-Normal

Time Period:
Now–Early Summer 2020

Grocery and CPG industries have been front and center during the COVID-19 crisis. While US consumers have famously been slow to embrace online grocery shopping, the pandemic has led to a massive acceleration in first-time online grocery orders in addition to an unprecedented demand for grocery delivery and pickup options. Shopping preferences have also changed dramatically with many buying up food and household products in bulk with a stock-up mentality.

In Phase I, where we currently are in North America, social anxiety is high. People continue to report feeling concerned and fearful for the coming months. While we are starting to see some states and even some retailers open, more than 38 million people had filed for unemployment between mid-March and mid-May. The notion of a W-shaped recovery is gaining traction, where we experience economic growth, then a virus resurgence, and another fall.

Nesting at home is a key theme and staying in is the new going out. Once we start to see restrictions lift, we expect consumers to continue spending more time at home due to persistent safety concerns, a desire to conserve money, and the newly realized pleasures of nesting. Through this current phase, consumers have invested in upgrading their homes and gardens or bought equipment for new hobbies and routines such as fitness and cooking.



Shopper and Consumer



- Shoppers are still focused on **sheltering in place** with the hope of limited opening state by state.
- **Economic concerns** significantly outweigh health concerns.
- **Unrest** is occurring in some states and communities.

Retailers



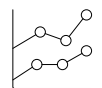
- Retailers are facing supply chain challenges. They are adjusting hours for worker and shopper safety, and limiting item quantities.
- Retailers that have not built best-in-class **omni/e-commerce** capabilities are feeling the pain.
- Spring buying will skip **directly to summer**.

Brands




- Brands are and should be building out **omni/e-commerce capabilities**.
- Advertise and invest in causes.
- Priorities are to ensure **in-stock** items and the **health** of workers.

Major Trends



- Contactless consumerism is here.
- Last-mile delivery platforms continue to accelerate.
- Direct-to-consumer (DTC) brands and omnichannel leaders will be first in line when the economy returns.



Phase II

Semi- Normal

Time Period:
Early Summer 2020–Fall 2020

During Phase II, we will begin to see more states open, especially those that have lower infection rates and successful containment efforts in place. According to our data, approximately 30% of people will maintain or increase in-store shopping, but it will continue to be more limited to household essentials. However, manufacturing and other key industries will begin to pick up as will outdoor dining at restaurants and some recreational activities. Retailers that wish to open will be forced to implement new social-distancing practices that ensure the safety of both workers and shoppers. In certain markets, retailers that force shoppers to wear masks may be applauded; in other geographies, a consumer backlash will emerge.

We will also begin to see schools, colleges, and universities respond in different ways and outline what their fall plans look like.

In terms of technology, we've all heard about drone and robot delivery; however, current conditions with FAA regulations clear the path to faster adoption as contactless consumerism is a long-term trend.



Shopper and Consumer



- **Masks in place.** Shoppers will slowly emerge from the shadows, curious about the state of their cities, towns, and communities.
- They will be eager to shop and explore, yet still **extremely cautious.**

Brands



- Brands will be trying to understand what semi-normal purchase behavior looks like. **Prime Day** is nearing; how are you prepared?
- **Holiday shopping** will look different. What will your messaging be?

Retailers



- **Safety first is the new “on sale” message.** Retailers will communicate how they clean and sanitize their stores daily, so shoppers can have peace of mind as they do their holiday shopping. The number of shoppers in the store will be limited. Omni is still winning.

Major Trends



- **Technology-to-consumer:** Drones, robots, click-and-collect, and online-to-offline (O2O) will gain traction (still early).
- Our learning from the early to mid-COVID phase will continue.
- Some parts of the economy like manufacturing will pick up.

Phase III

New Normal

Time Period:
Winter 2020–Spring 2021

In Phase III, COVID-19 treatments are underway and a vaccine is or will be shortly in place.

Based on category verticals, retailers may be overwhelmed with excess inventory. This will be particularly noticeable in the luxury and apparel business.

The thrifty consumer will emerge, seeking to do more with less. However, as countries progress along the contagion recovery curve, we are witnessing pockets of increased spending. It may be fair to observe what is happening in China, for example, where shoppers are beginning to spend more across a few categories outside of basic nondiscretionary items, such as pet care and grooming services, fitness and wellness, skin care, luxury beauty, and apparel.



Shopper and Consumer



- Shoppers cautiously shop. They will reward retailers that offer **store safety modifications**.
- Examples include extended hours, wider aisles, nightly cleaning, and a limited number of shoppers per store.

Retailers



- Workers are hopeful, but worry about their health.
- Key messaging to both workers and shoppers will be about continued **workplace sanitizing**.
- Safe shopping messaging is front and center.

Brands



- Brand communications should be different during this time, still.
- Consumers will want brands to talk with more **positivity, reassurance, and help** with life today.

Major Trends



- The major themes we saw previously will become stickier.
- Ecommerce will continue to accelerate. In-store shopping will begin to accelerate.
- The **thrifty consumer** will emerge, seeking to do more with less.



Phase IV

Totally Normal

Time Period:
Late Spring 2021–End of Summer 2021

To achieve “Totally Normal,” we must have a viable and ample supply of a vaccine, and likely multiple vaccine variations, that can meet global demand. At the end of the day, Totally Normal will look much different in a year than what it looks like today. Brick-and-mortar retail is here to stay, but the retailers that had a shopper-centric and omnichannel strategy pre-COVID will emerge post-COVID in a position of great strength. Retailers that understand the new rules of Totally Normal will gain shoppers’ trust.

What’s important to point out is that consumers will return to physical stores, though with adjusted expectations. For 77% of consumers, they will be more cautious about cleanliness, health, and safety when returning to stores after quarantine. Furthermore, consumers will be looking for brands that do the same. Fully 62% of respondents said they will “switch to brands that show higher levels of product safety.” And 46% of consumers said they now prefer to use digital payments in store, with 41% adding a preference for contactless self-checkout systems.

The "Great Awakening"

Shopper and Consumer



- Post-COVID-19 habits and expectations are now ingrained.
- **Speed, value, and convenience** are the new table-stakes in retail.
- Some shoppers will habitually include PPE. **Cleanliness, health, and safety** are paramount.

Retailers



- Retail just emerged from the most rapid and forced transformation in the history of the world.
- Those that rode into COVID-19 **with strength** remain leaders: Walmart, Costco, Target, Amazon.

Brands



- Messaging will convey **new hope, togetherness, and transparency**.
- Brands with higher levels of product safety will be the leaders.
- Brands that **made a difference** during the crisis will remain top of mind.

Major Trends



- **BOPIS, O2O, and technology-to-consumer are at 2025 levels.** Click-and-collect will dominate.
- Wider store aisles, more distanced seating, and every other seat will become normal.
- Caution: **Replacement brands may stay popular.**



Retail Is Transformed Permanently



Pandemic Raising the Online Stakes

Retail is going through a rapid transformation during this unusual period of home-confined buying. Consumer purchase drivers now favor speed, value, and convenience. These attributes are the new table-stakes in retail and a handful of the largest retailers, namely Walmart, Costco, and Target, can meet them. In general, clicks-to-bricks retailers are gaining share due to buy online, pick up in store, curbside, and delivery offerings from physical retail locations.

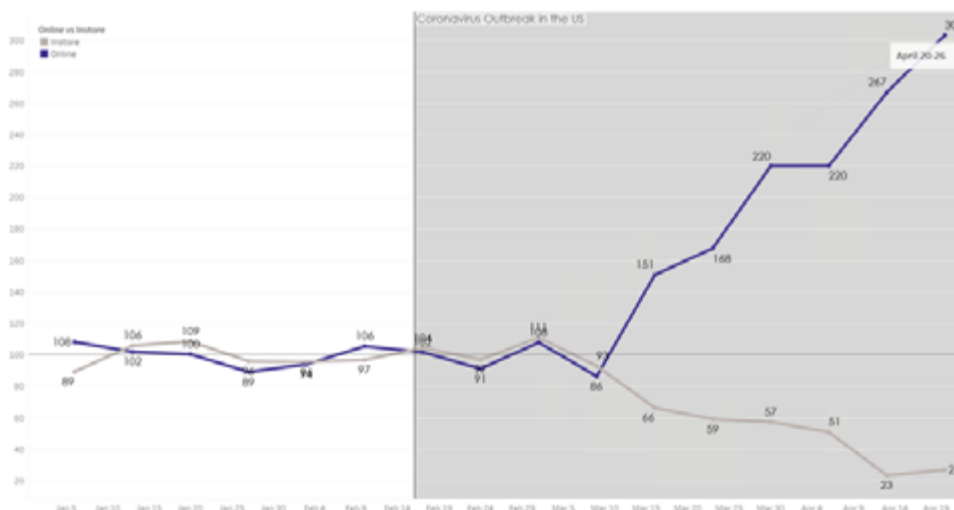
We've seen a massive drop in in-store purchasing with a 203% increase in online sales for the week ending April 26. The specific actions will depend partly on your posture and business model, but all consumer-facing companies should deepen their relationships with third-party ecommerce partners and work with them in new ways, such as category captaincy, deeper data exchange, or shared warehousing. At the same time, avoid overreliance on the e-marketplace giant. Strengthen your relationships with second-tier ecommerce retailers and owned ecommerce (such as direct-to-consumer websites, owned marketplaces or ecosystems, or partnerships in which you control your brand presence and own the consumer relationships and data).

Making Up the Loss of In-Store Sales

With customer decision journeys encompassing more digital touchpoints and getting more complex, shoppers will expect CPG companies to have a consistent presence online and offline. Capturing and managing data will be essential and can help deliver precision marketing at lower cost. Despite the uncertainty, consider actively recruiting otherwise hard-to-come-by digital talent.

Walmart experienced a 460% increase in app downloads versus January 2020. However, Amazon already had a high existing installed base when we headed into COVID-19; its app download rate is up 20% since January 2020.

Net retailers' online sales climbed 203% for the week ending April 26



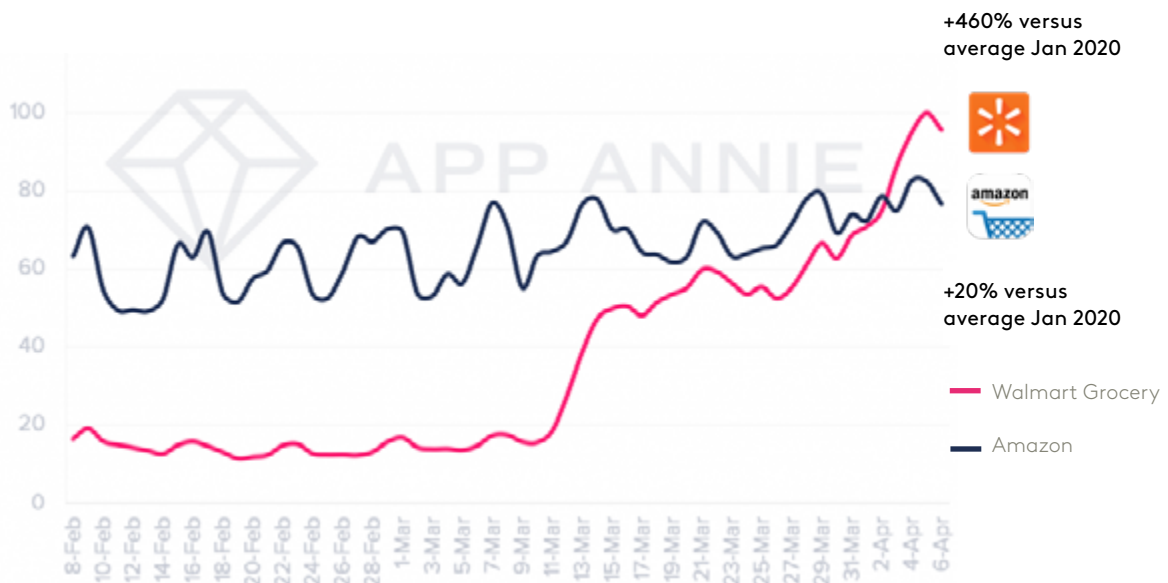
Note: US indexed weekly sales for omnichannel retailers compared with average in Jan. 1-28, 2020. Same set of retailers with stable in-store and online sales tracking in 2020

Source: Criteo

Mobile Shopping Surge Since March 11

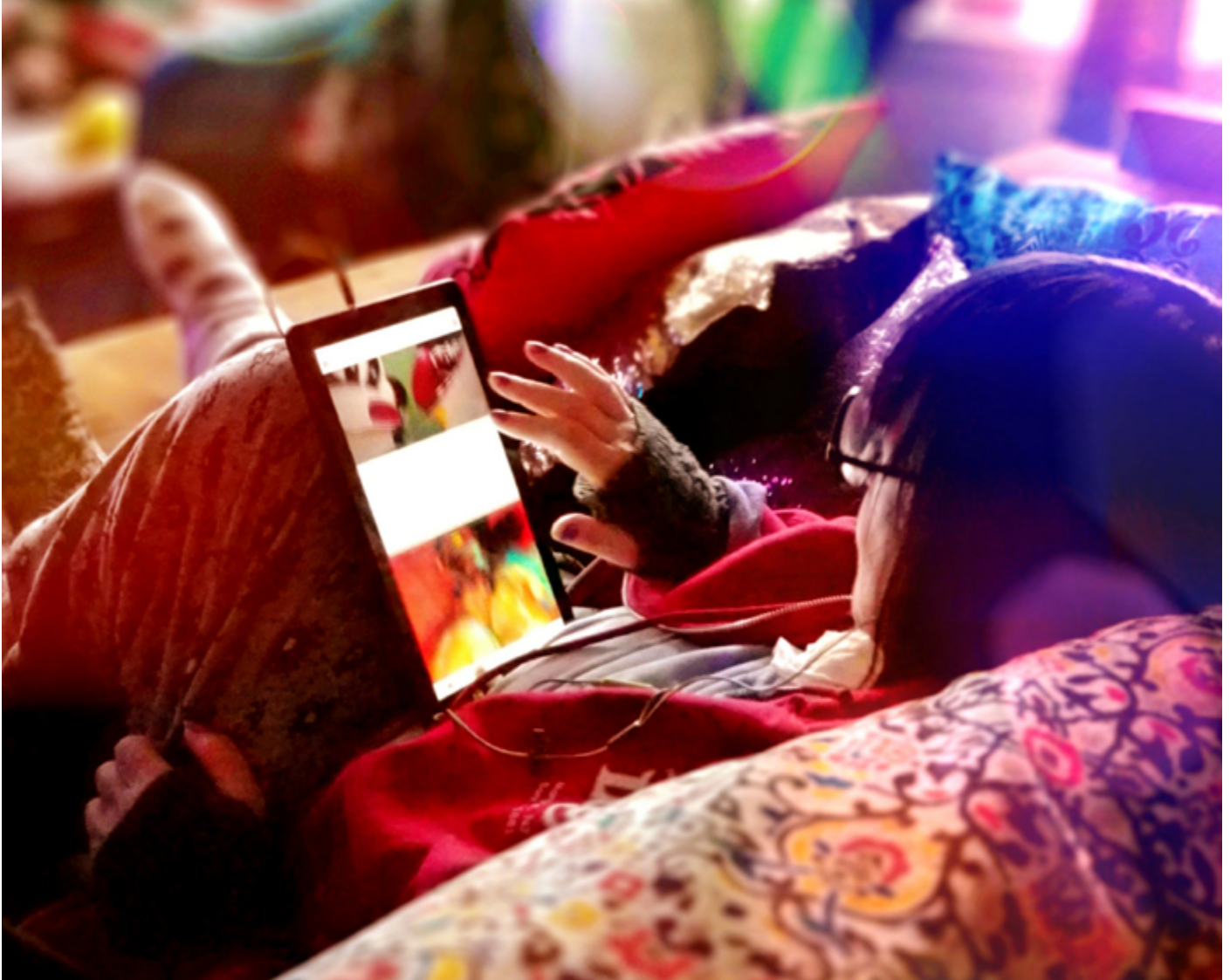
But this growth in Walmart's grocery app shows that mobile is a key component to the retailer's brick-and-mortar and digital strategy for addressing accelerated consumer demands in response to the ongoing coronavirus pandemic.

Indexed Daily Downloads During COVID-19 Pandemic in the US



Pandemic = Permanency

From our recent Kantar Barometer report, we've seen some potentially short-term behaviors that may become long-term trends. In particular, we think the post-COVID world will see a permanent shift in the way people shop for groceries, personal goods, and other essentials; the retailers that provide a tech- and app-enabled, multichannel approach will gain a larger share from competitors.

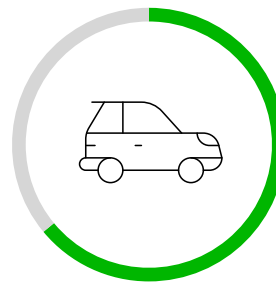


COVID-19 Shopping Shifts May Last

Physical-distancing rules have increased consumption of online media and significantly accelerated ecommerce, particularly in markets that already had a head start. In the United Kingdom, for example, where online's share of grocery shopping was 7% before the crisis, grocers are furiously increasing capacity to meet demand: The three largest grocers have added more than 500,000 new delivery slots — an increase of more than 30%. For many discretionary categories, ecommerce has become the channel as stores have closed. Click-and-collect and curbside pickup are here for good and currently at levels we expected in 2025.

With the enormous amount of both online and in-store out-of-stocks, shoppers are being forced to trial new brands. And key CPG brands may experience long-term implications. For example, 57% of diaper buyers would consider switching to the trial brand long term, and 63% of pasta buyers would consider remaining with the new brand post-COVID.

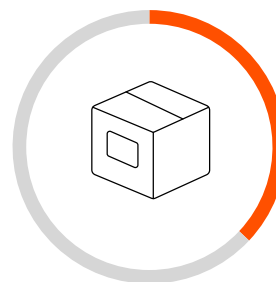
Post COVID, shoppers state they will continue ...



64%
Curbside



59%
In-store pickup

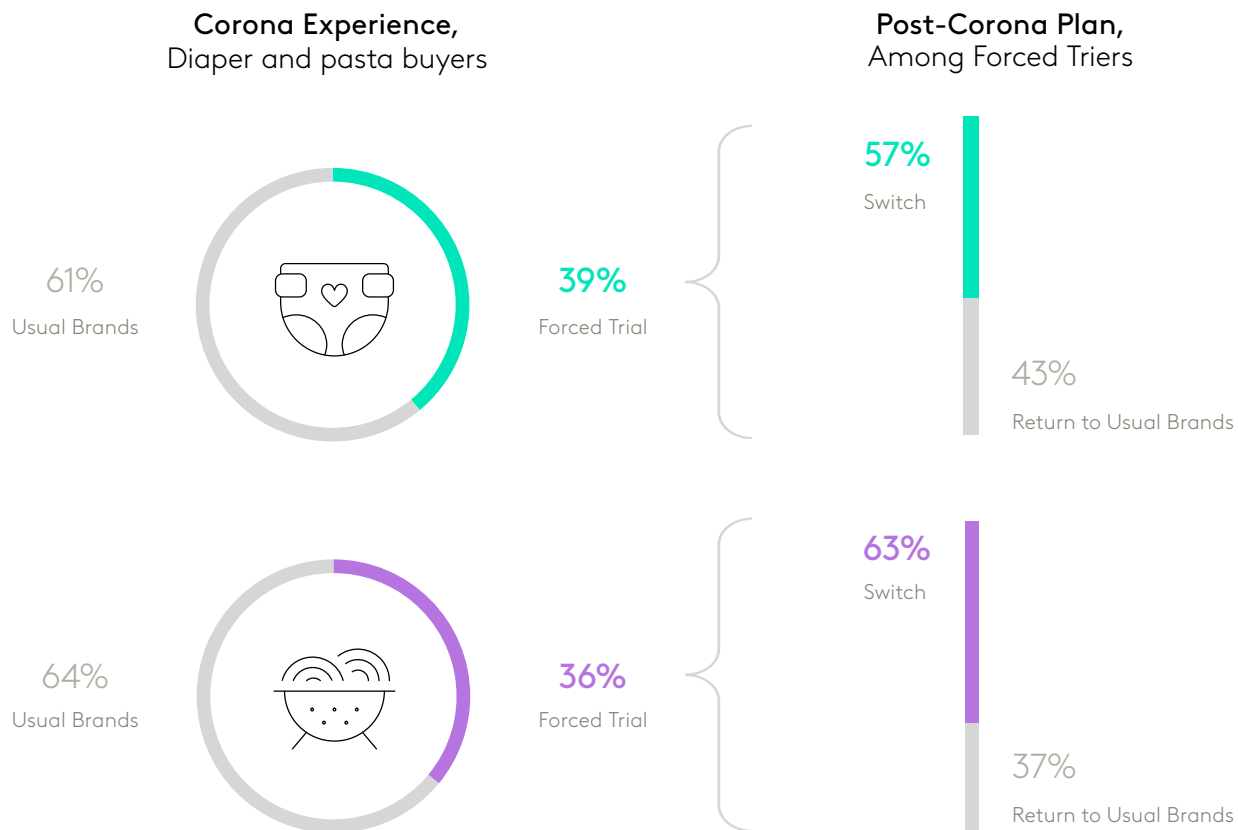


37%
Home delivery

Forced-Trial Categories in Danger of Long-Term Switchers

The implications for brands are to focus on in-stocks, marketing, and having a greater brand purpose.

COVID-19 forcing brand trial, with potential long-term impact



Pandemic Accelerating the Inevitable

The impact of COVID has forced a seismic shift in digital engagement. As we said earlier, we've experienced three to four years of digital transformation in the span of two months. If you entered the pandemic from a place of relative strength, you'll emerge even stronger. If you had inferior expertise and capabilities in ecommerce and omnichannel, it's really going to hurt as we transition through the recovery phases. Those brands and companies that were able to adapt and build will be strong as we emerge. The brands and retailers that spent the last two to three years investing in and building out digital centers of excellence have experienced tremendous loyalty and growth recently. Those that underinvested are facing tremendous headwinds that, frankly, may be too great to navigate through.

Digital Darwinism Is Upon Us

E-Superior



What does this mean? Now more than ever, brands need a multipronged approach to their sales channels, especially if COVID-19 re-emerges or a similar event takes place. Is it too late? For some yes. For others, no, but the time to prioritize is now:

Accelerate your existing shopper-centric and digital capabilities.

- Think through the filter of a channel-agnostic shopper. She doesn't care what channel she's in as long as she can buy your product. As an example, some of the once-darling digitally native vertical brands are feeling massive pain right now because they had a singular focus and only recently saw the value in an omnichannel strategy.

E-Inferior



Invest in profitable portfolio and channel rationalization.

- Have the right SKU, pack size, and pricing portfolio. This is especially critical as we roll into a recovery layered with tremendously cash-challenged shoppers.
- Streamline the supply chain and manufacturing process and focus on the brands that are providing volume to allow for capacity. Limit innovation and tests of uncharted line extensions and innovation ideas.

E-Adaptable



Have a go-to-market strategy in place that leverages all connection points with shoppers: experience, commerce, retailer, communication, and messaging.

HOPES Is a Strategy During COVID-19

We are all familiar with the statement “hope is not a strategy.” In this case, HOPES is a strategy. How has your brand “shown up” during the pandemic? COVID-19 created an inflection point for brands and retailers that had ideas around mission and purpose and what their brands stood for. From grocery retailers setting aside special hours for mature shoppers to apparel brands shifting production to make masks, companies sometimes moved faster to support employees and communities than governments could.

Health

Does your brand help ensure the health of your consumers and shoppers?

Optimism

Do you offer a positive outlook for the future?
How does your brand help this happen?

Purpose

Are you doing good for the sake of doing good, or are you simply just telling people you are doing good?

Empathy

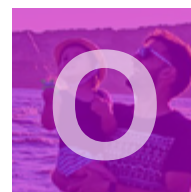
We are in this together (said with conviction and is believable). Understand that consumers will be scared, hesitant, anxious, and worn out.

Safety

What are you doing to ensure my in-store shopping experience is safe? My flight is safe? My visits to the movies and restaurants are safe? Walmart and many other retailers have altered their store hours so they can take time each day to disinfect stores in the off-hours.



Health



Optimism



Purpose



Empathy



Safety



In mid-May, for example, PepsiCo, in partnership with Ipsos, released results of a new survey that found empathy is growing among American consumers during the coronavirus pandemic. The survey also found that brands have a role to play in amplifying this sentiment. Manufacturers and retailers will need to evolve not only their consumer-facing communications around empathy, but also how they support workers, other businesses, and their communities. In fact, the most valued form of brand empathy PepsiCo identified was responding to workers and the community first.

For example, on John Krasinski's "Some Good News" show, PepsiCo donated \$3 million to Guy Fieri's Restaurant Workers Relief Fund without any type of solicitation. Nike donated 30,000 pairs of Air Zoom Pulse sneakers to medical personnel. How brands respond in this time will make a difference in how consumers respond post-pandemic.

We have seen the data showing how busy grocery stores are and their enormous stock-ups and out-of-stocks. More recent trends suggest a decline in

hoarding behaviors and that many retail inventories can keep up with demand somewhat. However, margins and demand have not offset the massive investments grocers have made to "keep the lights on," ranging from salary increases and bonuses to essential front-line workers.

Retailers are feeling pain and will likely ask brands to spend money in the form of trade spend, marketing, higher off-invoice discounts, subsidized click-and-collect fees, and contactless consumerism.

Profitability Pinch

Because COVID-19 has squeezed profits from retailers, customer partnerships will be paramount. This will force branded manufacturers to reconsider the entire investment strategy and be in a position to help retailers adapt to a new post-COVID assortment mix and overall category strategy. As an example, the center store, primarily made up of shelf-stable products, is driving enormous volume now but is not the most profitable section. How can you help it become more profitable?

We covered this earlier, but the importance of a shopper-centric omnichannel strategy bears emphasizing. Now more than ever, brands need a multipronged approach to their sales channels, especially if COVID-19 re-emerges or other large-scale events transpire. Think about which retailers, formats, and last-mile platforms are accelerating and strap your brands to these rockets. They will remain strong during the crisis and emerge even stronger afterward. Delivery, curbside, click-and-collect, ecommerce — are all surviving and thriving.



Assortment

Situation:

Most shopper baskets are lower margin and OOS

Implication:

Private label growth, stay in stock!

Opportunity:

Grow basket, make your brand irresistible (and stay in stock!)



Investments

Situation

Click-and-collect, delivery, cleaner stores, lifestyle experiences, human capital

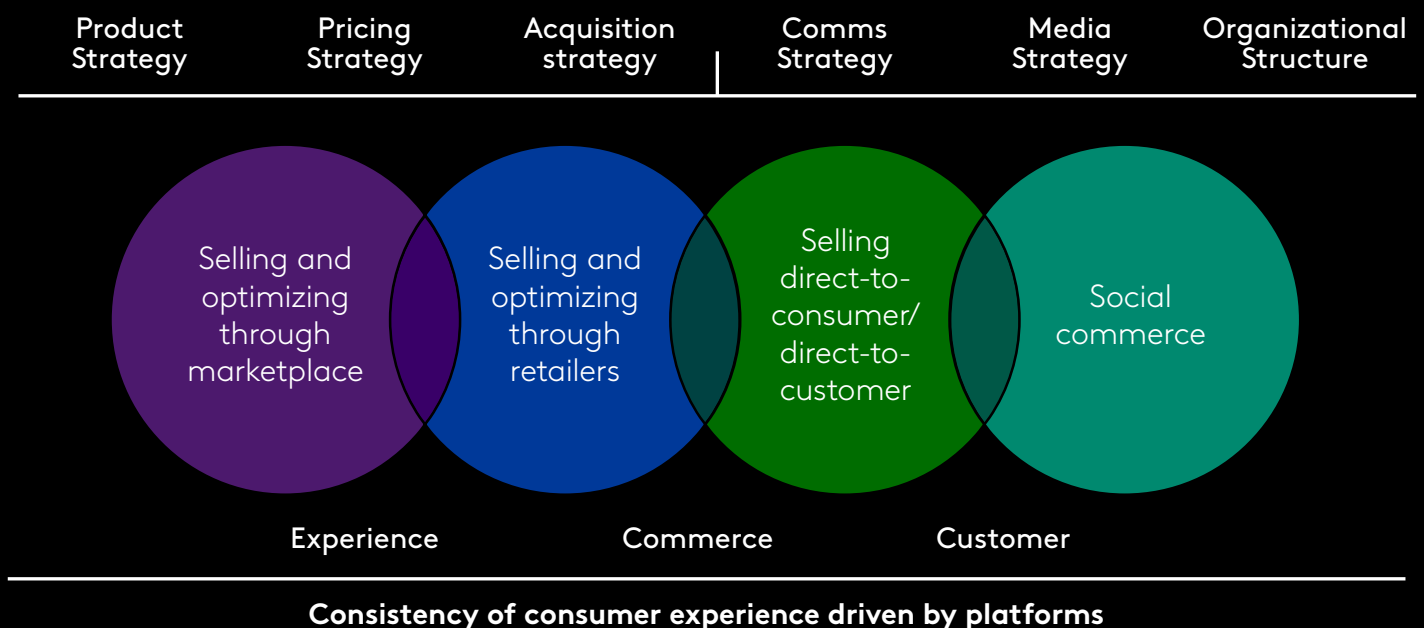
Implication

Need to find additional revenue sources (retailer media, merchandising opps, trade funding)

Opportunity

Focus on shopper, holistic retailer planning

Brands and manufacturers need a shopper-centric approach interwoven with omnichannel excellence



It is critical to have the right product, pricing, customer acquisition, communication, marketing, and media strategy supported by a best-in-class digital organization. And a multipronged route to the consumer, including marketplace, retailers, direct-to-consumer, and social commerce must be deployed. All of this, of course, must have a consistent consumer experience that is differentiated and natively optimized for each selling platform.

Predicting a Pac-Man-Shaped Recovery



While the economic recovery may look like an “L” or a “W,” the retail recovery may look very different. We’re now at a moment of retail Darwinism. As we mentioned in the introduction, a crisis will uncover your strengths or flaws. COVID-19 truly brings this situation to life. The upper right of the Pac-Man chart shows some retailers that had pre-existing outstanding capabilities. The bottom right is different story entirely. Apparel chain J.Crew Group and luxury department store retailer Neiman Marcus Group filed for Chapter 11 bankruptcy protection in the first week of May as they faced escalating losses due to store closures. Although both companies plan to remain in business, bankruptcy points to the clear possibility of permanent store closings or outright liquidation as COVID-19 throttles sales.

Of the 125 restaurant or retail companies tracked by S&P Global Ratings, approximately 30% are now facing credit ratings that indicate they have at least a 1-in-2 chance of defaulting on their debts. In most cases, this indicates future bankruptcy or likely liquidation.

The economic shutdown and long-lasting social-distancing behaviors will bring about a sweeping shakeout of retail as the industry will be forced to implicitly reduce its physical footprint and rapidly evolve to reach the post-pandemic consumer. This couldn’t be more relevant to US malls and the impact the pandemic will likely have on them.

New Commerce Key Takeaways

The new retailer dynamics: Capitalize on driving volume through the winners. Retailer profits are facing significant pressure in the assortment and overall investment space. Walmart, Kroger, Target, and other leaders will continue to invest in click-and-collect strategies that build basket size and category depth. As a supplier, you will need to help and partner with retailers to ensure you are building the right digital assortment and shelf.

The shopper HOPES strategy: Understand that shoppers are scared, hesitant, anxious, worn out, and financially challenged. Post-COVID fears will take years to dissipate, especially if a second wave of infections emerges. Nearly 60% of consumers said they are impressed by brands providing a necessary service, and 55% said they value brands that have made changes to help consumers during COVID-19. Be sure your messaging and communications prioritize and follow the HOPES framework.

Brands' omnichannel and shopper-centric approach: E-superiors and e-adaptables will continue to grow and accelerate. If you and your company fall into the e-inferior category as it relates to digital capabilities, now is the time to invest in building competencies. New habits will stick: 72% of consumers plan to shop more online and have items shipped directly to their homes.

Next Steps

No matter where you fall on the path to omnichannel excellence, Kantar can support you. Our team of experts can help you assess, plan, build, and launch a variety of initiatives that will enable you to reaccelerate and ignite your business as we journey through a COVID recovery retail landscape. Our capabilities include:

Retail IQ

Our [retail intelligence portal](#) provides you with access to market and retailer forecasts, retail industry analysis, thought leadership, and trends you need to know.

Planning for the future

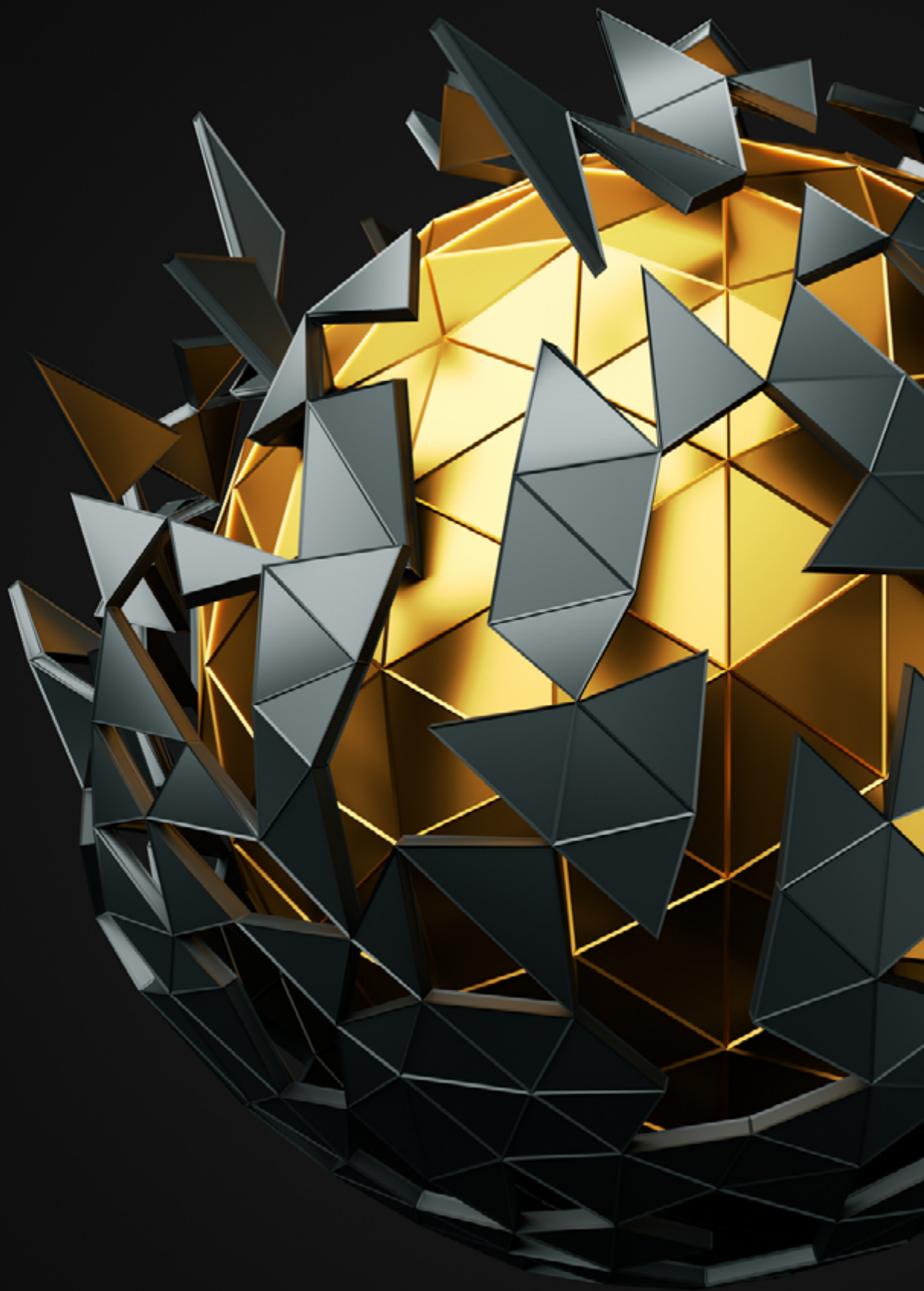
With our [ShopperScape® data](#), retailer insights, and e-assortment capabilities, we can help you and your team unlock future growth opportunities.

Team and capability building

We work with Fortune 100 and 500 companies to [build and train high-performing teams](#) with best practices that can drive your omnichannel goals.

Connected shopper journey

Due to COVID-19, the [path to purchase has changed forever](#). We can help you map the shopper journey from trigger to purchase and identify the new touchpoints that drive brand and category conversion and improve your category share.



KANTAR

About Kantar: Kantar is the world's leading evidence-based insights and consulting company. We have a complete, unique, and rounded understanding of how people think, feel, and act globally and locally in over 90 markets. By combining the deep expertise of our people, our data resources and benchmarks, and our innovative analytics and technology, we help our clients **understand people** and **inspire growth**.

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