LOCKDOWN LIFT-OFF

A study into consumer response to lockdown, and key actions for advertisers
Lockdown is slowly becoming yesterday’s news. But like any period of confinement, it has left its occupants changed and their behaviour transformed.

This report looks at how consumers are responding to the early stages of easing lockdown measures, the slow reversion to traditional behaviours, the behaviours they’ve decided to keep and the new ones that are emerging.

All of them have vital implications for brands; the way businesses are structured, the speed at which spend is increased, as well as where it should go.

Covering nine markets, ranging from Australia to China to Denmark and the USA, ‘Lockdown Lift Off’ is the first comprehensive look at how consumers respond to their new, if limited, freedoms, and the implications of these behaviours for different categories and industries.
Six Key Insights and Actions from Markets Exiting Lockdown

Drawing on data from a wave of markets, to see how behaviours have changed as they transition through the recovery phase, as well as looking at new markets emerging from outbreak, we’ve identified six key actions for advertisers when it comes to marketing in the “recovery” and ultimately post-crisis phase.

1. Income variations will lead to uneven changes in consumer spend

2. Hygiene will become a key purchase criteria

3. Consumers’ return to re-opened stores will be gradual and slow

4. Ecommerce will become the new normal, even for categories where adoption was slow

5. Sports’ loss will be streaming and gaming’s gain

6. Lifted lockdowns might only be a temporary reprieve to the crisis
1. Income variations will lead to uneven changes in consumer spend

Whilst the recovery is underway in most countries, the economic fallout will last a long time, with widespread financial distress amongst consumers.

Unemployment has risen – in the US, for example, more than 36m people have applied for benefits in the last two months, with 40% of low-income families losing a breadwinner during the crisis [The Guardian].

The government schemes set up to protect jobs by subsidising salaries will help, but those participating only receive a percentage of their regular pay. These schemes will have a limited shelf life and are no guarantee that jobs will ultimately be saved.

In every country surveyed by Kantar, at least half of consumers have either already had their income reduced or expect their income to be reduced during the pandemic.

We are also seeing signs of a recession economy emerging in recovery markets like Australia and Norway. ‘Buy now, pay later’ apps like Klarna (NO) and Afterpay (AU/NZ) are seeing huge spikes in usage after lockdown.

As Kantar’s J Walker Smith states, “anything we have known about these consumers is going to have to be reconsidered in light of their economic distress.”

This means, of course, that spending patterns will be irregular. Huge swathes of people simply do not have the disposable income they would have had, had COVID not struck. Those consumers who have kept their jobs will be less likely to spend frivolously – people will want a financial cushion in place.

This means that every advertiser should be reconsidering their future source of growth. Target audience segments will likely not yield the same volume of customers as would have been expected. We will need to look beyond the target groups we are comfortable with, understand their barriers to purchase, and create comms plans that address these needs. It also means churn rates will increase – brands with retained customers or subscription models should have a plan in place to mitigate wavering customers.

### Doubling of Afterpay Active Users over Lockdown/Recovery

<table>
<thead>
<tr>
<th>#</th>
<th>APP</th>
<th>March 2020</th>
<th>April 2020</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>eBay: Online Shopping Deals eBay Mobile</td>
<td>31.2%</td>
<td>22.2%</td>
</tr>
<tr>
<td>2</td>
<td>Wish - Shopping Made Fun Wish inc</td>
<td>26.5%</td>
<td>27.3%</td>
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<tr>
<td>3</td>
<td>Wish List Average</td>
<td>13.3%</td>
<td>13.7%</td>
</tr>
<tr>
<td>4</td>
<td>Afterpay Afterpay</td>
<td>12.6%</td>
<td>12.9%</td>
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<td>5.3%</td>
<td>5.3%</td>
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<tr>
<td>6</td>
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<td>3.9%</td>
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</tr>
<tr>
<td>7</td>
<td>Gumtree: Find Jobs, Buy &amp;... Gumtree UK</td>
<td>&lt; 0.1%</td>
<td>&lt; 0.1%</td>
</tr>
</tbody>
</table>

Source: Ogury Analysis: Online Shopping AU March/April 2020
2. Hygiene will become a key purchase criteria

In the middle of April, several weeks after some restrictions were initially lifted, Chinese consumers were more frightened of catching COVID-19 than at any other point since the lockdown began. Fear of infection led those consumers to avoid public spaces, public surfaces (e.g. ATMs, lift buttons) and reduce their use of public transport.

It’s clear from Kantar’s global study that, whilst health concerns are declining in most countries as people get used to the situation, they remain high. It’s also worth remembering that freedom of movement is returning very slowly to all countries.

HEALTH CONCERNS ARE STARTING TO DECREASE, WITH THE EXCEPTION OF BRAZIL

Source: Kantar COVID-19 Barometer

Since our last report, we’ve seen many Danish parents refuse to send their kids back to kindergarten or school, and the launch of a YouGov report which showed that only 17% of UK consumers want their kids to return to school now, with even less supporting the reopening of bars and restaurants, even as the government announce the first tentative moves to restart the economy. [The Guardian]

Kantar’s research shows that across all markets surveyed, fears of a second wave of infections run at over two thirds of the population.

Even if stores or venues are open, and staff can interact face to face with customers, that doesn’t mean that customers are going to be want to do so. The upside has to outweigh the perceived risk to health - this puts more friction into physical purchase journeys, especially for non-essential items.

 Reactivating demand is not as simple as reopening stores or venues or allowing engineers or tradespeople to visit private homes. It is crucial for brands to communicate to customers the measures they are taking to ensure customers are safe from COVID infection, with advertising playing a key role in communicating these measures to prospects in order to reduce friction in the purchase journey. As Kantar stated in their webinar on this subject last week, “we can do everything else perfectly but if we can’t signal to people that it’s safe to shop and buy again, then nothing else will work.”
Kantar also suggest that brands across a category work together to jointly signal hygiene measures critical to rebooting demand in that market sector – for example, food brands or supermarkets working together to communicate a simple unified message to consumers, rather than all brands communicating different measures leading to confusion amongst buyers. Innovation in the customer experience can pay dividends here. Denmark saw its first drive in concert (New York Post), whilst in the US auto market, test-drives are being reinvented for consumers on hygiene alert (MarketWatch).

3. Consumers’ return to re-opened stores will be gradual and slow

Retail and Grocery Footfall over Lockdown/Recovery

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Compared to Baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail &amp; recreation</td>
<td>-18%</td>
<td>Compared to baseline</td>
</tr>
<tr>
<td>Grocery &amp; pharmacy</td>
<td>+5%</td>
<td>Compared to baseline</td>
</tr>
<tr>
<td>Retail &amp; recreation</td>
<td>-84%</td>
<td>Compared to baseline</td>
</tr>
<tr>
<td>Grocery &amp; pharmacy</td>
<td>-38%</td>
<td>Compared to baseline</td>
</tr>
</tbody>
</table>

Source: Google COVID Mobility Report 2020

We continue to see a slow increase in footfall to retail in markets where lockdown has lifted, as opposed to an immediate snap back to previous mobility behaviour. Recovery continues to be slower in markets where the outbreak was most severe, but in markets where lockdowns were shorter, or the human death toll was comparatively low (e.g. Denmark, Germany) we have seen a near return to pre-COVID norms for essential shopping (e.g. grocery).

Like Denmark and Norway, New Zealand too has seen its consumers prioritise essential purchases or preparation for life under new normal, such as getting a haircut and visiting home improvement/ garden centres immediately post lockdown. The first day of ‘freedom’ for many markets often sees an immediate increase in interest in these categories, and brands who operate in these categories should be prepared for an immediate day one jump when lockdown lifts, followed by a slow week on week increase in traffic. Advertisers operating or relying on retail should plan promotions and drive-to-store activity at least a week post the relaxing of lockdown to match consumer behaviour.
New Zealand is a unique case study, with a very strict lockdown and a near complete eradication of the virus, so this sharp rise may be not be as extreme in other markets (many Kiwis are still not at work, school or using public transport), but the continued return towards the 'new normal' should be somewhat welcome news for hard hit retailers in markets yet to reopen.
There is also positive news for brands in non-essential categories, as we have also seen increases in interest for big ticket items such as cars in recovery markets. ComScore data tracked across EU5 (right) showed increases in traffic to car manufacturer sites during the second half of April, with a 50% increase in one week in Germany, Italy and Spain, although not back to pre COVID norms. We had previously seen similar behaviour in China where demand for private transport is growing due to people’s fears of catching the virus.

Visitations to travel (inspiration, not booking) real estate and ticketing websites are also up in recovery markets, so we expect to see non-essential recovery purchase planning continue (slowly) as we move towards the new normal. Brands should track demand as it increases and use appropriate ‘mid funnel’ tactics to build your pool of potential future buyers.

4. Ecommerce will become the new normal, even for categories where adoption was slow
We predicted that the digitalisation of commerce was a trend that would continue post lockdown and help shape the new normal. Early indicators from our tracked markets, as well as those new markets exiting lockdown, are showing some decline in eCommerce use, but traffic is still far above pre-COVID norms, particularly in less evolved eCommerce markets like Italy and Spain.

The rate of decline appears to be slowing as we move through the recovery phase, particularly for the largest eCommerce and retail chains, who have gained market share during the COVID outbreak. Large chains like Walmart/ASDA, Carrefour and Tesco have seen little to no drops in traffic when compared to smaller competition. People may be downloading alternatives, but are loyal to their favourites.

This is also particularly true for specialist or aggregator services like fashion sites and last mile delivery services, which saw booms during the outbreak phase as they were able to take business from physical stores during closure, but are quickly dropping back to pre COVID norms once lockdown lifts. The sole exception to this rule is Amazon, who have gained share across the board and seen only small drops in interest during recovery (Below: Google Trends for ‘Amazon’).

Whilst COVID fear remains high and there is a desire to avoid crowds, we expect to see a continued demand for online commerce across both grocery and big ticket. We do not expect these levels of activity to return to pre COVID norms. Opened accounts will not be cancelled and the newly-experienced customers will continue to enjoy the convenience of online services.

Brands should not pivot back to pre COVID approaches and see eCommerce as a new normal in the research and purchase process. Brands with eCommerce presences should ease into a more offensive approach to demand generation and adjust budget caps/bidding in line with ROI targets.

Brands without eCommerce presences should analyse eCommerce activity during COVID (searches, activity on third party sites, traffic to brand sites) to understand opportunity for eCommerce in the future.
Digital entertainment, such as streaming and gaming, have been popular activities during lockdown across all markets. Since the relaxation of rules and although there has been some drop-in consumption as markets look to return to work or school, this drop is very slight and still well above pre-outbreak norms. We expect that this trend will last.

Indeed, newly created accounts with Disney+, Netflix etc. will be active until Q1 2021, and we will continue to see these new companies push new content to new subscribers to encourage them to continue their subscription. Premium VOD services have not only grown their viewership during outbreak, but audiences continue to watch their services post lockdown, particularly in preference to terrestrial catchup tv.

The low volume of new content being produced is a concern for both live and terrestrial ad-funded TV, and we expect to see this reflected in a drop-in viewership over time. Brands should track impact on TV viewership and look to mitigate lost reach via the use of AVOD (e.g. OTT) or online video opportunities.

Ad-funded OTT services such as Roku have seen great success during outbreak (above), and similar growth levels to the leading PVOD services. ComScore showed US household reach has grown 11% since outbreak to 50 million, and 5% more audiences are now using more than one OTT service than before.
Ogury app usage data has also shown the impact marquee data has had on OTT growth, with the live-streamed Together at Home event being responsible for almost doubling Roku’s use in the US and reaching the similar household numbers to leading PVOD services like Netflix and Amazon Prime Video. This additional reach provides great opportunities for brands to invest in addressable connected TV opportunities, such as those offered by Finecast.

The loss of live sports is also causing linear and subscriber TV to be more creative with content to fill schedules. An increased interest in gaming during outbreak (noted in our last report) is being reflected in premiere sports leagues like the UK’s Premier League and France’s Ligue 1 recreating live ‘games’ via FIFA 20, often featuring star players and network commentators, as a substitute for cancelled matches. These matches are being both broadcast on TV channels such as Canal Plus and Sky, but also streaming platforms such as YouTube and Twitch.

Due to the drop in live sports content, and perhaps due to the shift in ‘sports’ event viewing by platform, we are seeing sports audiences quickly become gamers. Our research showed an almost immediate turnover in content consumption from sports audiences, who have ceased to use sports apps and are now spending more time in eSports and gaming applications (below).

As with the growth in AVOD inventory and eyeballs, brands should be looking at eSports and gaming streaming platforms like Twitch as a way to reach sports viewers in new environments, or potentially looking at shifting existing sports sponsorship to eSports such as FIFA, Fortnite, League of Legends and Rocket League.
6. Lifted lockdowns might only be a temporary reprieve to the crisis

Whilst the recovery has begun, the future is uncertain. The World Health Organisation speculated this week that COVID-19 could be here to stay. Lebanon has reinstated its lockdown after a new spike in infections, and the Wuhan authorities are testing every inhabitant of the city after a new spate of infections. *(The Economic Times)*

It’s highly likely that, as the recovery stage progresses, we will see spikes of new infections around the globe, some of which will lead to the reintroduction of isolation measures. This means it is critical for advertisers and their agencies to plan with flexibility in mind.

This means ensuring media plans can be adapted if lockdowns are reintroduced – changing the media mix to upweight in-home media, or flexing the message to one appropriate for the current situation. It means working with media owners to mitigate risk, and it means ensuring the ways-of-working are in place to be able to monitor the current situation and approve any necessary changes to the plan at pace.

We can however take heart from the fact that this same initial behaviour in China was followed by a gradual return to normal spending patterns over 6 to 8 weeks following the general relaxing of rules.
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