Coronavirus: Effects on Retail
Initial Observations from Around the Globe

March 2020
**Executive Summary**

<table>
<thead>
<tr>
<th>Domestic Sales Impact</th>
<th>Domestic US retail sales impact of COVID-19 has been minimal thus far, with most retailers noting they have not yet seen a decline in foot or web traffic. As more domestic cases and deaths are reported, we can examine consumer trends in China to understand the potential business impact as consumers concern around the virus increases.</th>
</tr>
</thead>
<tbody>
<tr>
<td>How Consumer Behavior is Changing</td>
<td>Time spent online, watching online video, and TV have increased as more citizens have gone into quarantine. As a result, Chinese retailers have seen large increases in ecommerce and decreases in physical store traffic. Manufacturing closings, transportation route changes, and quarantines are likely to affect (or have already) supply levels, resulting in numerous fulfillment challenges. Retailers with a diversified supply chain will be most insulated.</td>
</tr>
<tr>
<td>What To Consider Next</td>
<td>There are multiple potential implications across overall business strategy, planning, product, &amp; marketing. Consider how you can shift your strategy based on consumers new ‘at home’ engagement channels and adjust your messaging to ease concerns and focus on health benefits. Also, consider how you will prepare for a H2 rebound - which is what happened post-SARS in 2003.</td>
</tr>
</tbody>
</table>
Foot traffic in public areas and in stores is likely to decline in the short term.

58% of US respondents say they plan to avoid public areas, including stores.

US retail outlook remains strong

80%

...of US consumers say that even if the outbreak gets worse, they still plan to spend as normal.

Source: https://www.cnbc.com/video/2020/03/05/how-retail-feels-about-the-coronavirus.html
Time Spent Online and with TV Increasing as Consumers Fight Boredom at Home

6.1
...daily hours spent on mobile internet in early January

7.3
...daily hours spent on mobile internet in Feb & March, when self-quarantine imposed

Source: https://www.emarketer.com/content/coronavirus-china-us-covid-19-impact-retail-travel
Gaming, OLV, TV consumption increases

+80%

Increase in weekly game app downloads in China during February

Countries where quarantine is in place have seen significant increases in YouTube watch time across categories such as Health, Cooking, and Sports & Fitness

Nielsen data shows that TV viewership grew after Lunar New Year—when there would normally be a dip.

Sources:
Online shopping in Asia sees a high correlation with COVID-19

Source: Google Data, SG, HK, JP, TW
While ecommerce demand booms, the pressure is put on fulfillment

**Ecommerce Sales Rise...**

+215% Increase in sales of fresh food on Chinese ecommerce giant JD.com

+643% Increase in sales of health products on Chinese ecommerce site Suning.com

**But Fulfillment Becomes a Challenge**

Demand outweighing supply due to quarantines, factory closings, transportation route alterations, etc.

Source: [https://digiday.com/marketing/coronavirus-outbreak-grinds-e-commerce-operations-buckle-increased-pressure/](https://digiday.com/marketing/coronavirus-outbreak-grinds-e-commerce-operations-buckle-increased-pressure/)
“The emerging epidemic will be like adding jet fuel to an already exploding segment of retail...."

- Doug Stephens, author of "Reengineering Retail: The Future of Selling in a Post-Digital World"
The companies that are well positioned will be better positioned coming out

These companies all have:

- ...strong engagement strategies in place
- ...invested in digital
- ...put a premium on supply chain fulfillment & data
- ...right vision for their brand

Source: https://www.cnbc.com/video/2020/03/05/how-retail-feels-about-the-coronavirus.html
What to expect across different retail categories...

Demand fluctuates after an epidemic, but tends to follow one of three patterns:

- **Rapid stabilization**
  - Stable recovery soon after the outbreak ends, following a spike caused by panic during the crisis
  - Applies to daily necessities with regular purchases (fresh food, baby care, etc.)

- **Short-term pantry loading**
  - Relatively low demand after the outbreak due to pantry loading during the epidemic
  - Applies to daily necessities with pantry-loading behavior (health protection, home cleaning, etc.)

- **Dip and rebound**
  - A quick rebound after the crisis, releasing demand that was squeezed during the epidemic
  - Applies to discretionary purchases (apparel, personal care, etc.)

What you can do now...

**Product**

- If you are considering developing or launching new products to meet customer needs related to health - now may be a good time.

**Marketing**

- Modify creatives to meet consumer’s increasing demand/interest in health, hygiene, sterilization, etc.
- Leverage online video to show customers how you can help - YouTube search volume & watchtime were up in HK/TW/SE/JP, especially in wellness categories like Health, Cooking, & Sports & Fitness.

**Business Planning**

- Prepare well for bouncing back in H2 and onwards. Post-SARS, China’s economy rebounded in the subsequent quarters to register an annual growth rate of 10% — quicker than the previous year’s 9.1%
APPENDIX
What to expect...

Retail markets typically dip during a crisis, but eventually stabilize

**SARS outbreak**
- China
- 2003

**Fukushima disaster**
- Japan
- 2011

**MERS outbreak**
- South Korea
- 2015

Sources: China National Bureau of Statistics; Japan Ministry of Economy, Trade and Industry; South Korea government statistics
Articles

- Emarketer: Coronavirus' Impact on Consumers and Businesses in China
- WSJ: Retailers Confront Coronavirus Uncertainty
- Forbes: What Does Coronavirus Mean For Retail Supply Chains?
- The Sleep Doctor: Quality Sleep, Your Immune System, and the Coronavirus Outbreak
- Fortune: As coronavirus spreads, even furniture sellers in the U.S. are starting to feel the fallout
- Retail Dive: The Impact of Coronavirus on Retail
- Digiday: As coronavirus outbreak grinds on, e-commerce operations buckle under increased pressure
- LA Times: Are streaming and delivery services booming amid coronavirus?
- Bain: China’s Retailers and the Coronavirus Outbreak: Lessons from the Past
Initial US Consumer Search Behavior
Coronavirus queries are highest in states most affected

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Queries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hawaii</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Washington</td>
<td>90</td>
</tr>
<tr>
<td>3</td>
<td>California</td>
<td>78</td>
</tr>
<tr>
<td>4</td>
<td>Oregon</td>
<td>74</td>
</tr>
<tr>
<td>5</td>
<td>District of Columbia</td>
<td>74</td>
</tr>
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### What information are consumers looking for?

<table>
<thead>
<tr>
<th>General COVID-19 Queries</th>
<th>COVID-19 Queries with Shopping Intent</th>
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<tbody>
<tr>
<td>what is coronavirus</td>
<td>what is coronavirus</td>
</tr>
<tr>
<td>what is the coronavirus</td>
<td>what is the coronavirus</td>
</tr>
<tr>
<td>how did coronavirus start</td>
<td>what to buy for coronavirus</td>
</tr>
<tr>
<td>how did the coronavirus start</td>
<td>what type of masks for coronavirus</td>
</tr>
<tr>
<td>how many people have died from coronavirus</td>
<td>how to prevent coronavirus</td>
</tr>
<tr>
<td>what are the symptoms of coronavirus</td>
<td>what masks for coronavirus</td>
</tr>
<tr>
<td>how is coronavirus spread</td>
<td>what masks are effective against coronavirus</td>
</tr>
<tr>
<td>what are the symptoms of the coronavirus</td>
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<tr>
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<td>what mask for coronavirus</td>
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<tr>
<td>how does coronavirus spread</td>
<td>coronavirus what to buy</td>
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<tr>
<td>how many people have died from the coronavirus</td>
<td></td>
</tr>
<tr>
<td>how to prevent coronavirus</td>
<td></td>
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<tr>
<td>where is the coronavirus</td>
<td></td>
</tr>
<tr>
<td>how long does coronavirus last</td>
<td></td>
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<tr>
<td>how many people died from coronavirus</td>
<td></td>
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<tr>
<td>where did coronavirus come from</td>
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