

# Coronavirus: Effects on Retail

Initial Observations from Around the Globe



March 2020

# Executive Summary

## Domestic Sales Impact

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.

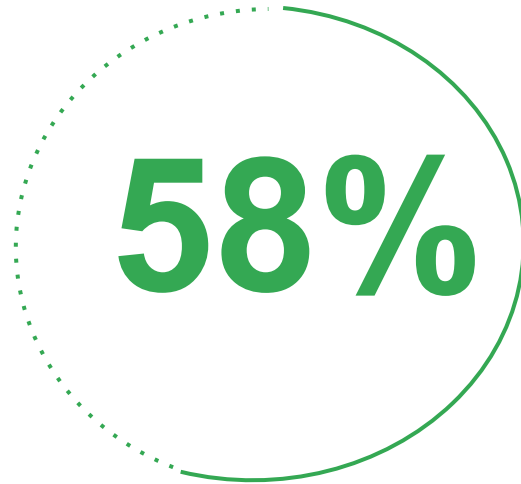
## How Consumer Behavior is Changing

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.

## What To Consider Next

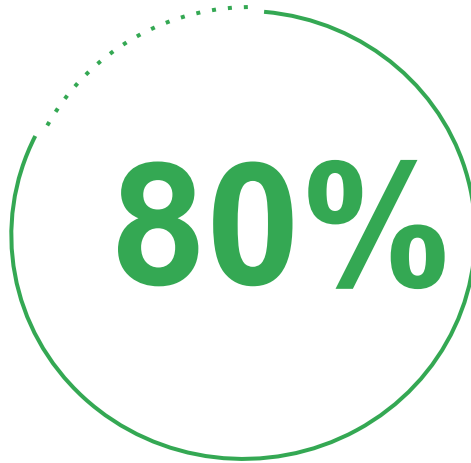
There are multiple potential implications across overall business strategy, planning, product, & marketing. Consider how you can shift your strategy based on consumers new 'at home' engagement channels and adjust your messaging to ease concerns and focus on health benefits. Also, consider how you will prepare for a H2 rebound - which is what happened post-SARS in 2003.

# Foot traffic in public areas and in stores is likely to decline in the short term



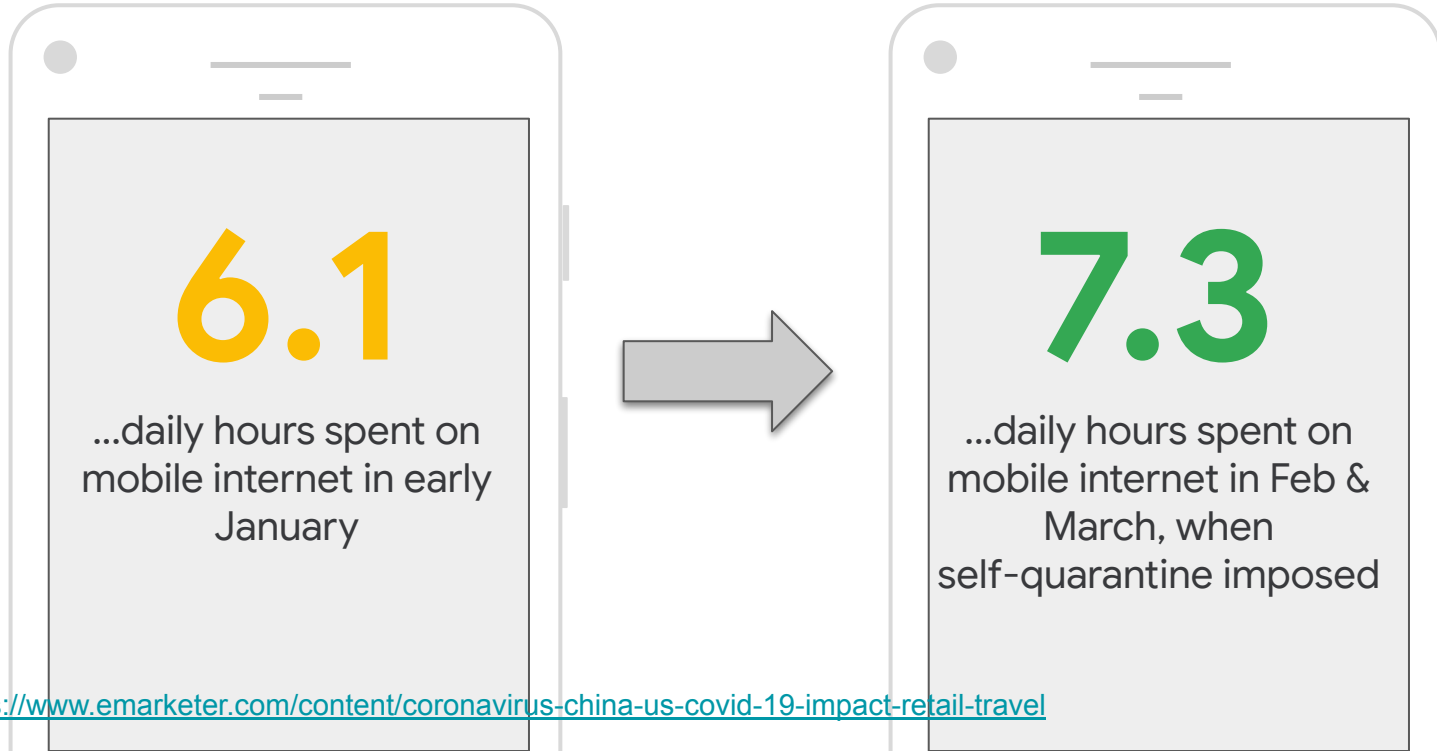
of US respondents say they plan to avoid public areas,  
including stores

# US retail outlook remains strong



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

# Time Spent Online and with TV Increasing as Consumers Fight Boredom at Home



# 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

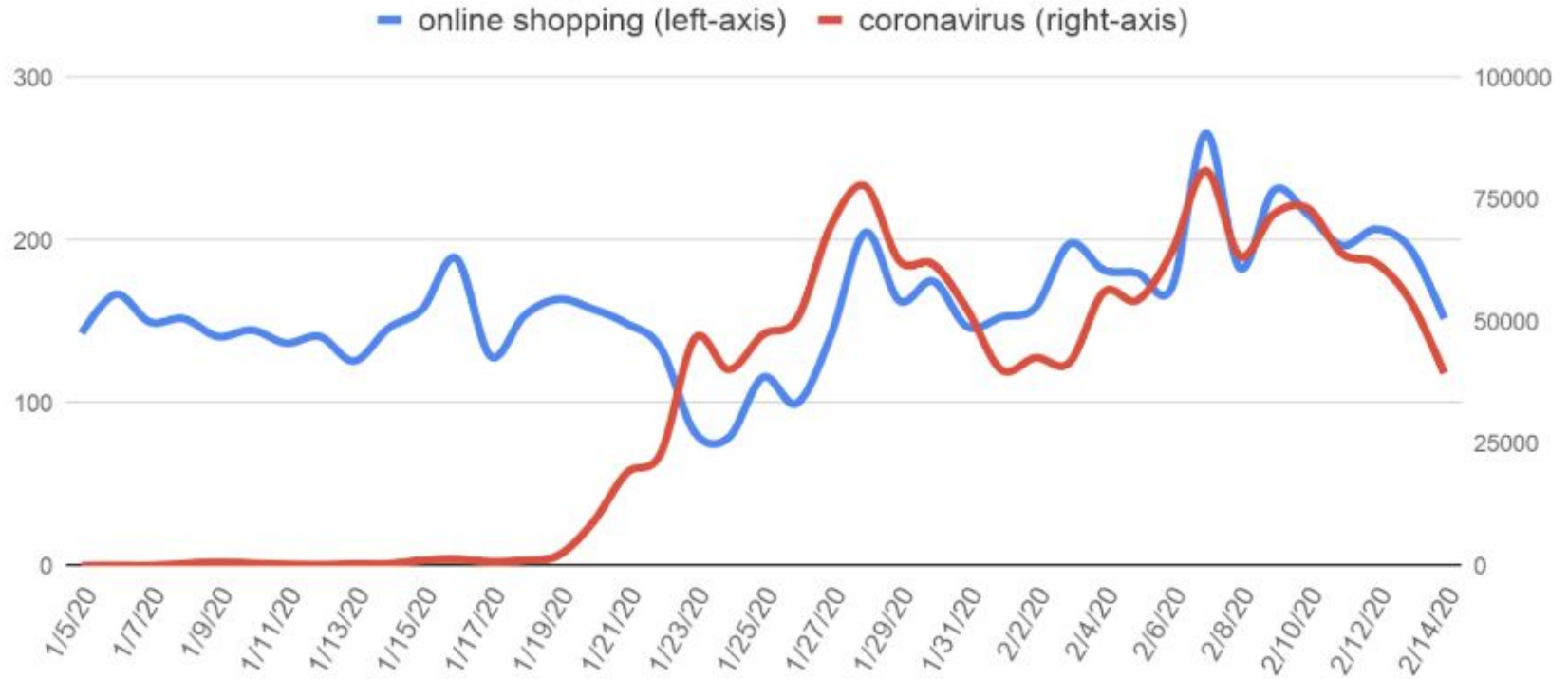


Nielsen data shows that TV viewership grew after Lunar New Year—when there would normally be a dip.

Sources:

1.) <https://www.latimes.com/entertainment-arts/business/story/2020-03-05/why-streaming-services-may-cash-in-from-coronavirus>, 2.) Google Internal Data, 3.) <https://www.emarketer.com/content/coronavirus-china-us-covid-19-impact-retail-travel>

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



# While ecommerce demand booms, the pressure is put on fulfillment

## Ecommerce Sales Rise...

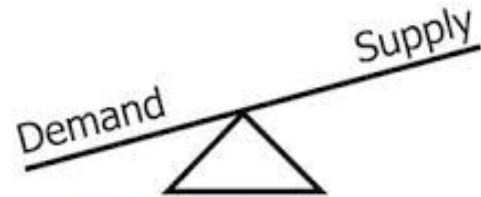
**+215%**

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.

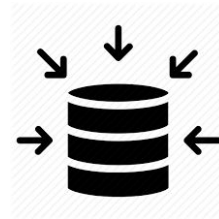


“The emerging epidemic will be like adding jet fuel to an already exploding segment of retail....”

- *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

# What to expect across different retail categories...

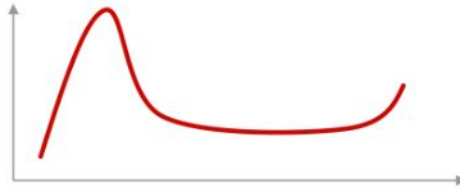
**Demand fluctuates after an epidemic, but tends to follow one of three patterns**

**Rapid stabilization**



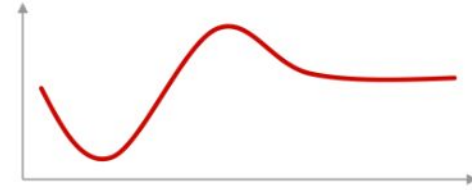
- **Stable recovery soon after the outbreak ends**, following a spike caused by panic during the crisis
- **Applies to daily necessities with regular purchases** (fresh food, baby care, etc.)

**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.

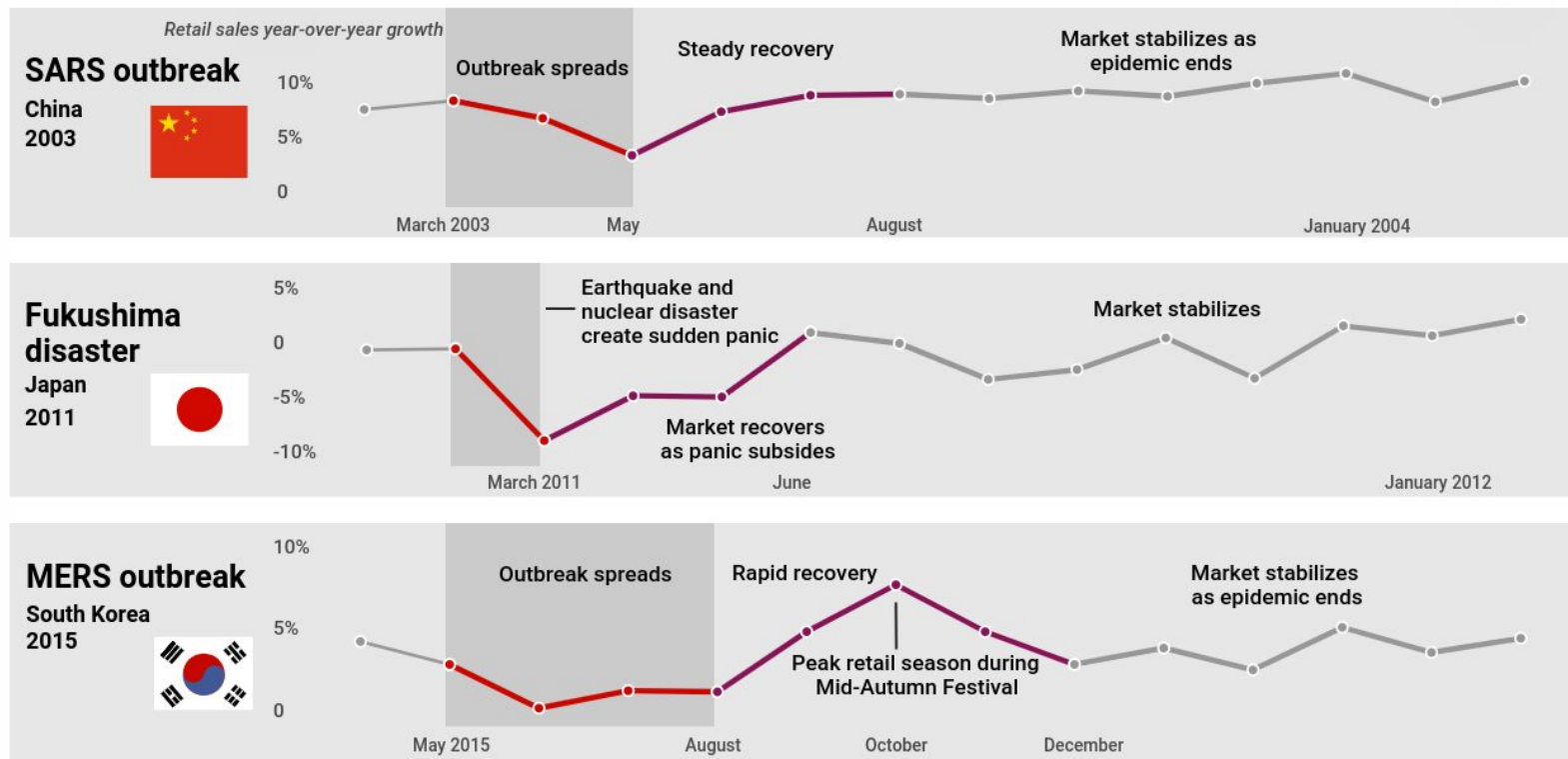
## Business Planning

- 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



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

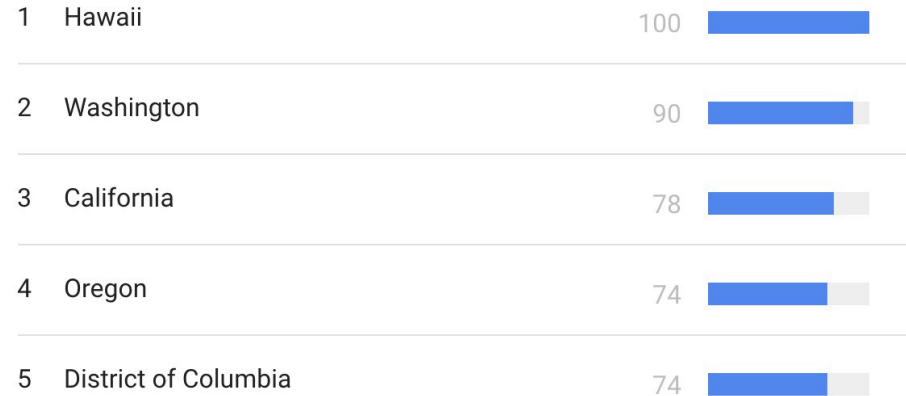
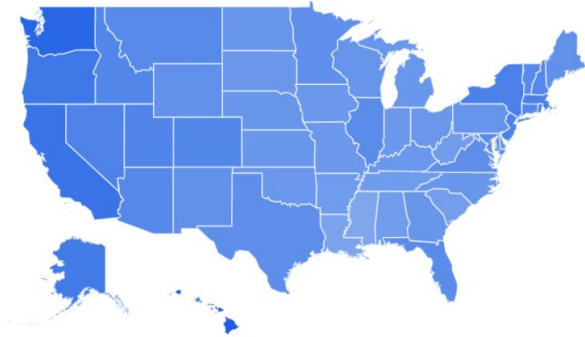
# Articles

- 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



# What information are consumers looking for?

## General COVID-19 Queries

- ★★★★★ what is coronavirus
- ★★★★★ what is the coronavirus
- ★★★★ how did coronavirus start
- ★★★★ how did the coronavirus start
- ★★★★ how many people have died from coronavirus
- ★★★★ what are the symptoms of coronavirus
- ★★★ how is coronavirus spread
- ★★★ what are the symptoms of the coronavirus
- ★★★ coronavirus what is it
- ★★★ how does coronavirus spread
- ★★★ how many people have died from the coronavirus
- ★★★ how to prevent coronavirus
- ★★★ where is the coronavirus
- ★★★ how long does coronavirus last
- ★★★ how many people died from coronavirus
- ★★★ where did coronavirus come from
- ★★★ where did the coronavirus come from

## COVID-19 Queries with Shopping Intent

- ★★★★★ what is coronavirus
- ★★★★★ what is the coronavirus
- ★★★ what to buy for coronavirus
- ★ what type of masks for coronavirus
- ★ how to prevent coronavirus
- ★ what masks for coronavirus
- ★ what masks are effective against coronavirus
- ★ how is coronavirus spread
- ★ what mask for coronavirus
- ★ coronavirus what to buy