



How Shopping Habits are changed in response to COVID-19 in China?

Consumer Report 2021 Feb

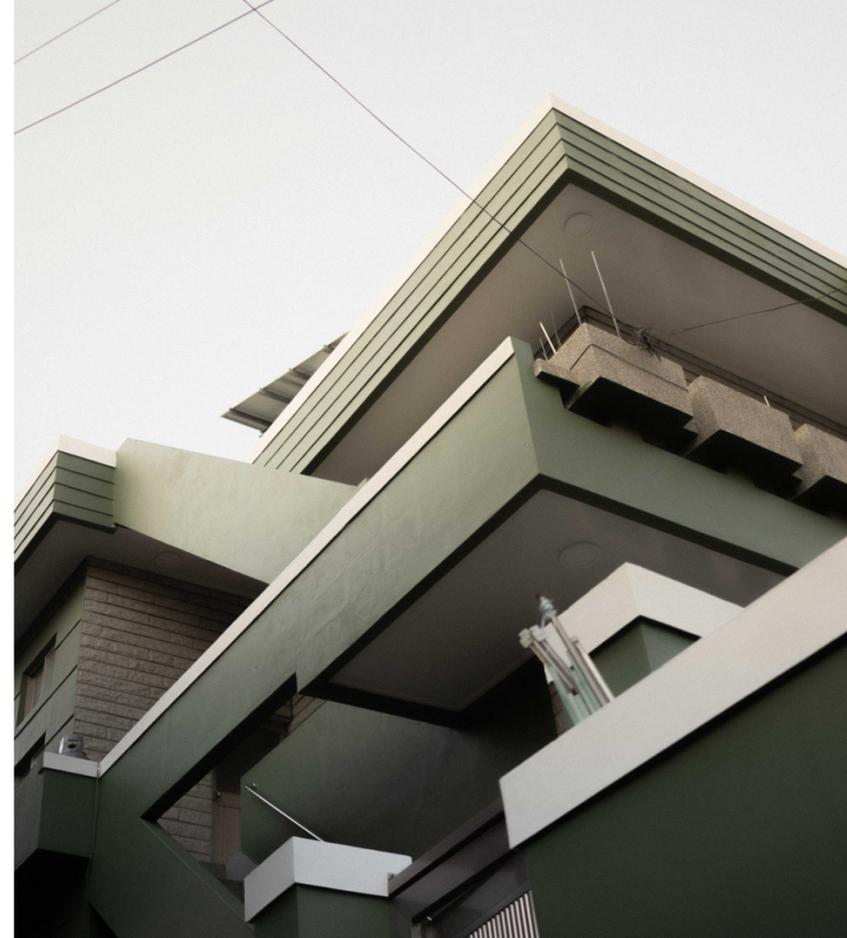
brand catalyser.

4 Key Shifts

that are persisting even as
the peak impact of the
virus abates

China is ahead of the curve in its recovery from the recent COVID-19 outbreak, with many provinces slowly returning to normal levels of activity.

Factories are restarting production and consumers are beginning to spend again. However, the crisis has had a dramatic and lingering impact on the nation's shopping habits, with implications for brands in China and globally.



brand catalyser.



No 1 Key Shift:

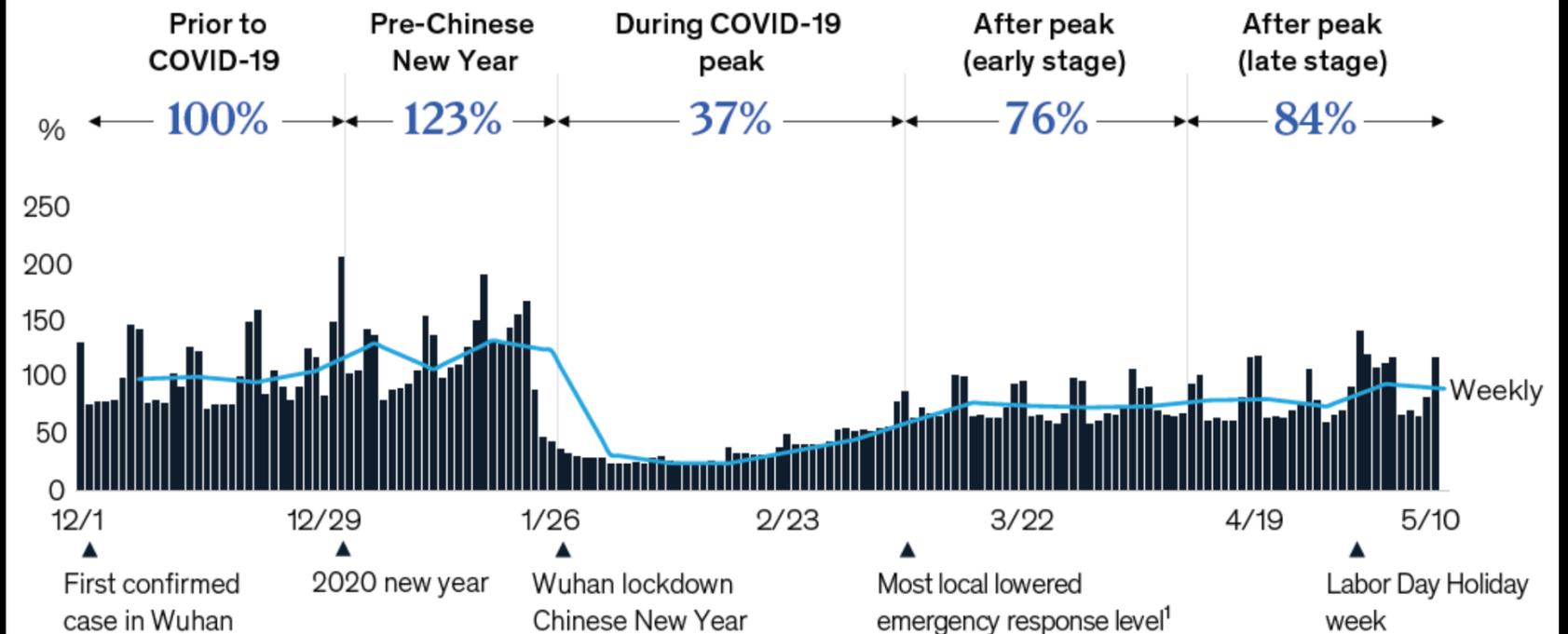
Offline shopping is slowly recovering, but discretionary spend, night-time shopping, and epicenter spend are lagging.

Offline consumption is slowly recovering, after falling to around 37 percent of normal levels during the peak period of the outbreak. Many local authorities loosened restrictions in the first week of March, giving shops an opportunity to welcome customers who had been isolated in their homes for as long as six weeks.

Despite the partial rebound, there were significant variations, amid continuing pressure on discretionary categories. Supermarkets, convenience stores, and drugstores saw a spike in activity during the crisis, as consumers stocked up on essentials and cooked at home.

China offline consumption is still impacted after the outbreak

China offline avg. consumption by day and week, 100% = avg. daily consumption in Dec 2019



¹On March 8th, 21 provinces of China announced to lower the epidemic response level, which involves over 70% population of the country. Source: MIYA payment data engine, McKinsey China retail POS analysis 20191201-20200510

No 2 key Shift:

Channel shift to online,
offline convenience, and
drugstores

brand catalyser.

Traffic fell and baskets expanded

	Traffic # transaction			Basket Size in Value Avg. value per transaction		
	During vs pre	After-1 st mon vs pre	After-2 nd mon vs pre	During vs pre	After-1 st mon vs pre	After-2 nd mon vs pre
A Hypermarket/supermarket	-31	-23	-20	70	29	26
Convenience store	-49	-27	-12	124	49	22
Drugstores/parapharmacies	0	-6	-19	16	20	60
Food specialized retailer	-68	-38	-17	28	10	0
Foodservice	-78	-47	-33	47	36	15
Beauty specialized retailer	-76	-39	-8	38	9	10
B Apparel specialized retailer	-88	-46	-26	-21	-23	-19
Department store	-56	-35	-11	-54	-33	-21

A Consumers drastically reduce the number of shopping trips but increase their baskets significantly, resulting in sales growth in supermarket and CVS

B While ~95% of apparel stores and department store have re-opened, traffic still ~20% below pre-COVID-19 levels

A trend that emerged from the crisis is the accelerating growth of the online channel, which benefited from the lockdown, store closures, and the continued reluctance of consumers to engage in-person with sales and service staff. In the grocery category, there was a spike in online shopping during the peak, with consumers spending more time and money online.

Another emerging dynamic is that convenience stores have performed well in the wake of the outbreak (as they did at the peak), with tier 1 cities seeing the biggest uplifts.

No 3 Key Shift Health and fitness is here to stay

COVID-19 has emphasized the importance of staying fit and healthy, and changing attitudes are reflected in shopping behaviors that have persisted in March and April.

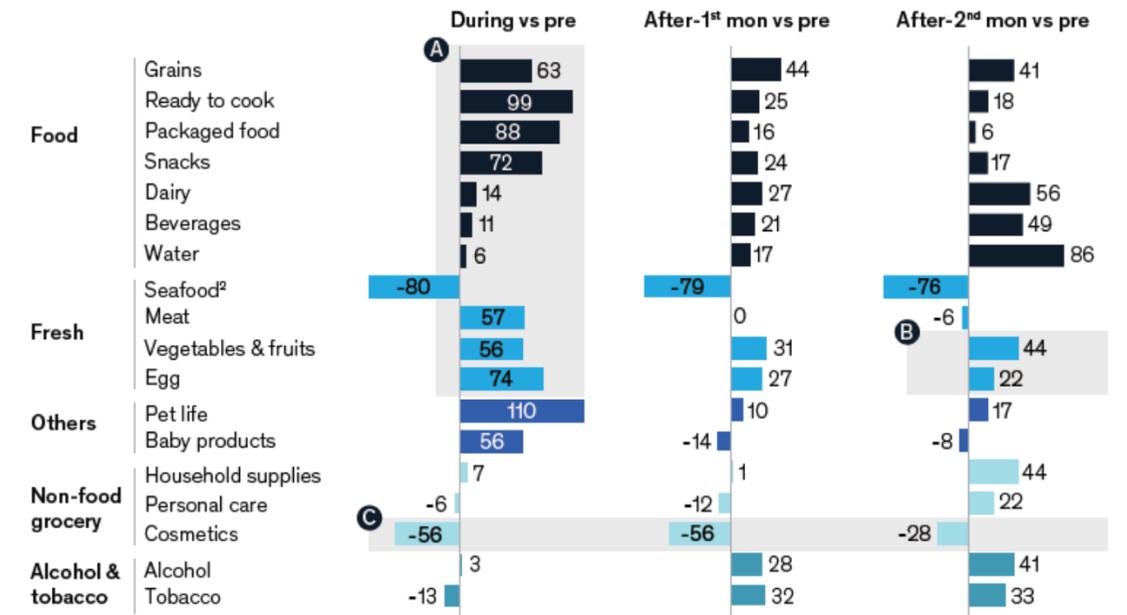
Demand for dairy, vegetables, and eggs was 25-50 percent higher during the initial recovery phase than it was before the crisis. Supermarket and convenience store data shows that, aside from fresh food, popular items during and after the peak of the crisis included grains, ready-to-cook meals, packaged food, and snacks.

As shoppers have gravitated toward local stores, they have expanded the range of items they buy, adding more grains and fresh foods to their baskets.

People stocked up on essentials and bought more fresh food

Based on grocery basket analysis, data from supermarket and convenience stores

Daily consumption in value¹, 100%=avg. Dec 2019



Consumption shift in short term with increase on necessity; non-essential consumption picks up recovery speed later

- A** Food first during crisis: people stock up 60-80% more food and fresh, to prepare for staying at home during lock down, but not substantial
- B** Healthy trends in dairy, vegetables, fruit and egg as these categories went up during the outbreak and still keep 30-40% higher after the peak
- C** Cosmetics has experienced a shift to online during and after the peak

¹Based on grocery basket analysis, data from supermarket and CVS.
²Due to the limitation of fresh seafood supply—from fishing to delivery—the seafood are still over 70% down vs before.
 Source: MIYA payment data engine, McKinsey China retail POS analysis 20191201–20200510



brand catalyser.

No 4 Key Shift Shock to loyalty offline, partly offset by online engagement

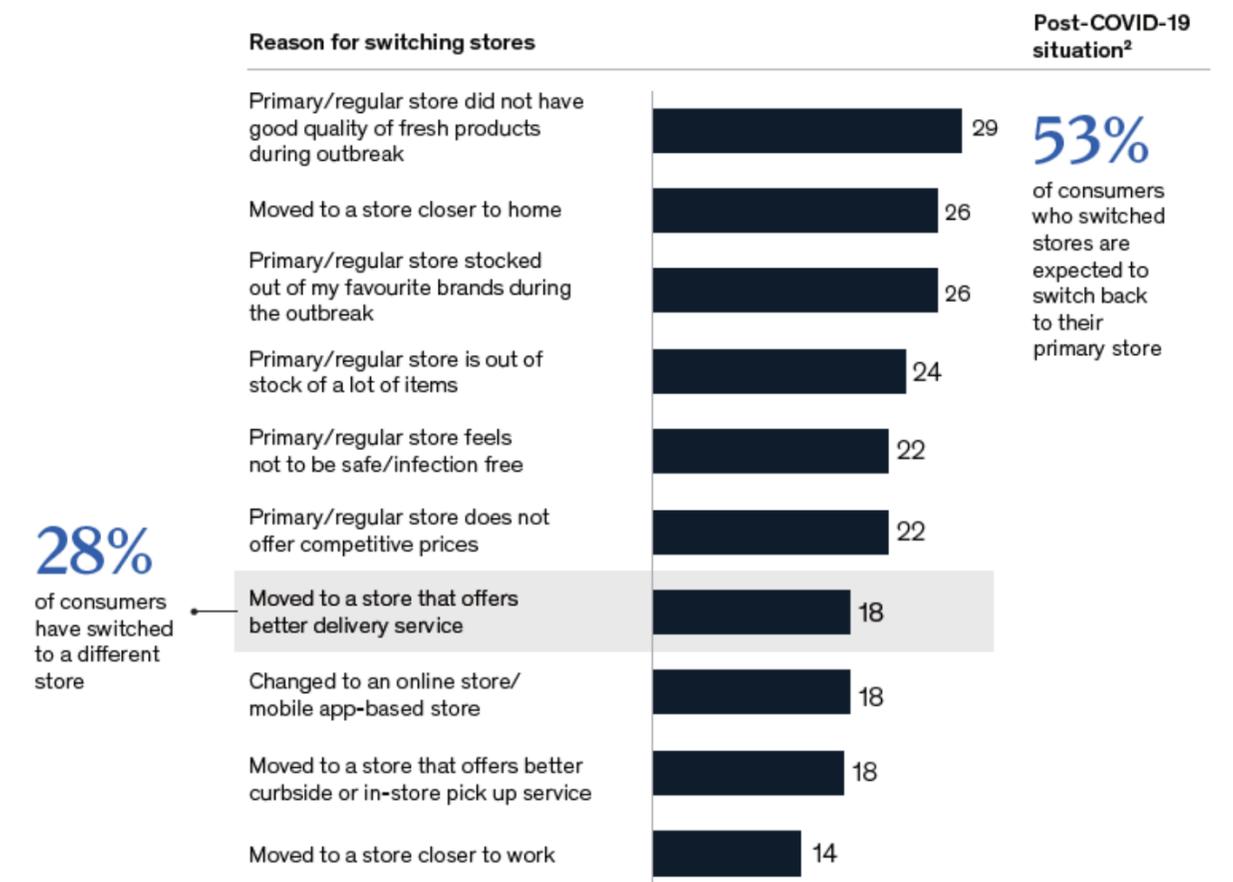
Given the physical constraints of the crisis, Chinese customers have been more willing to try new stores and new brands. After the peak, around 14 percent do not plan to revert to their pre-crisis store choices and about 6 percent do not plan to return to their previous brands.

Increased demand for grains and fresh food at convenience stores.

More than a quarter of shopper have shifted away from their primary stores, of which 47% do not intend to switch back.

brand catalyser.

More than a quarter of shoppers have shifted away from their primary stores, of which 47% do not intend to switch back



Source: McKinsey & Company COVID-19 mobile survey 3/21-3/23/2020 N = 611 Sampled and balanced to match China's general population 18-65 years-old



brand catalyser.

Strategic Pillars

In aggregate, the data shows that COVID-19 has had a profound and persistent impact on the nation's shopping habits.

The implications for brands in China, and other countries that may follow China's path to recovery, can be summarized under four strategic pillars:

1. Continue to protect customers and employee.
2. Drive triple digital transformation.
3. Align with consumer trends: healthy, local and delivering value.
4. Transform your supply chain to be agile and resilient.

Christie Ding

Head of Client Solutions
christie.ding@brandcatalyser.com

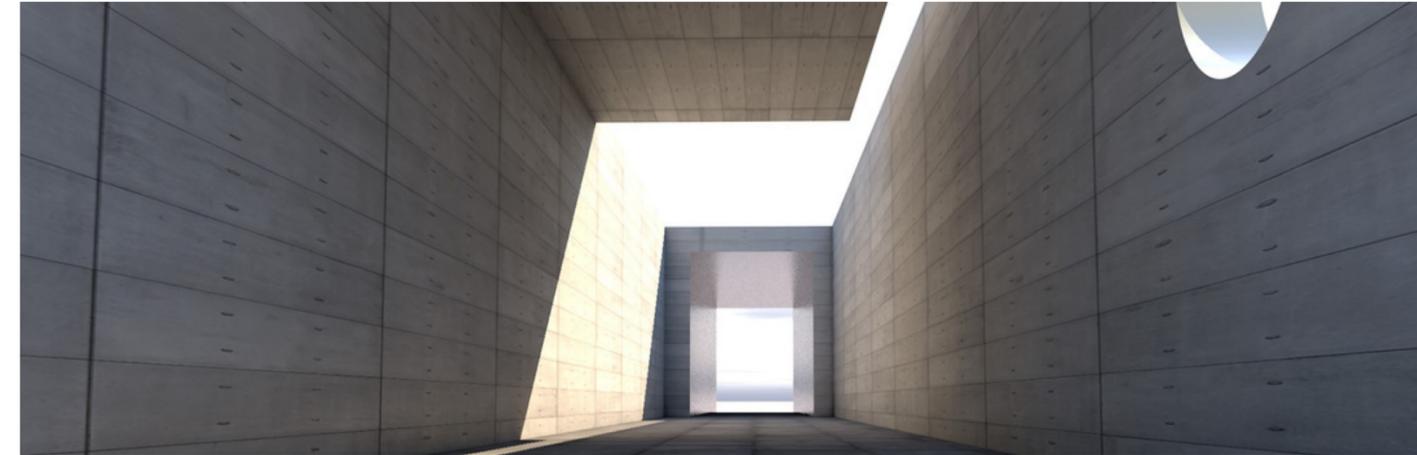


Let the catalysis begin



Hazel Hu

Head of Markets
hazel.hu@brandcatalyser.com



brand catalyser.

03 8840 1642

www.brandcatalyser.com