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

Consumer Report 2021 Feb

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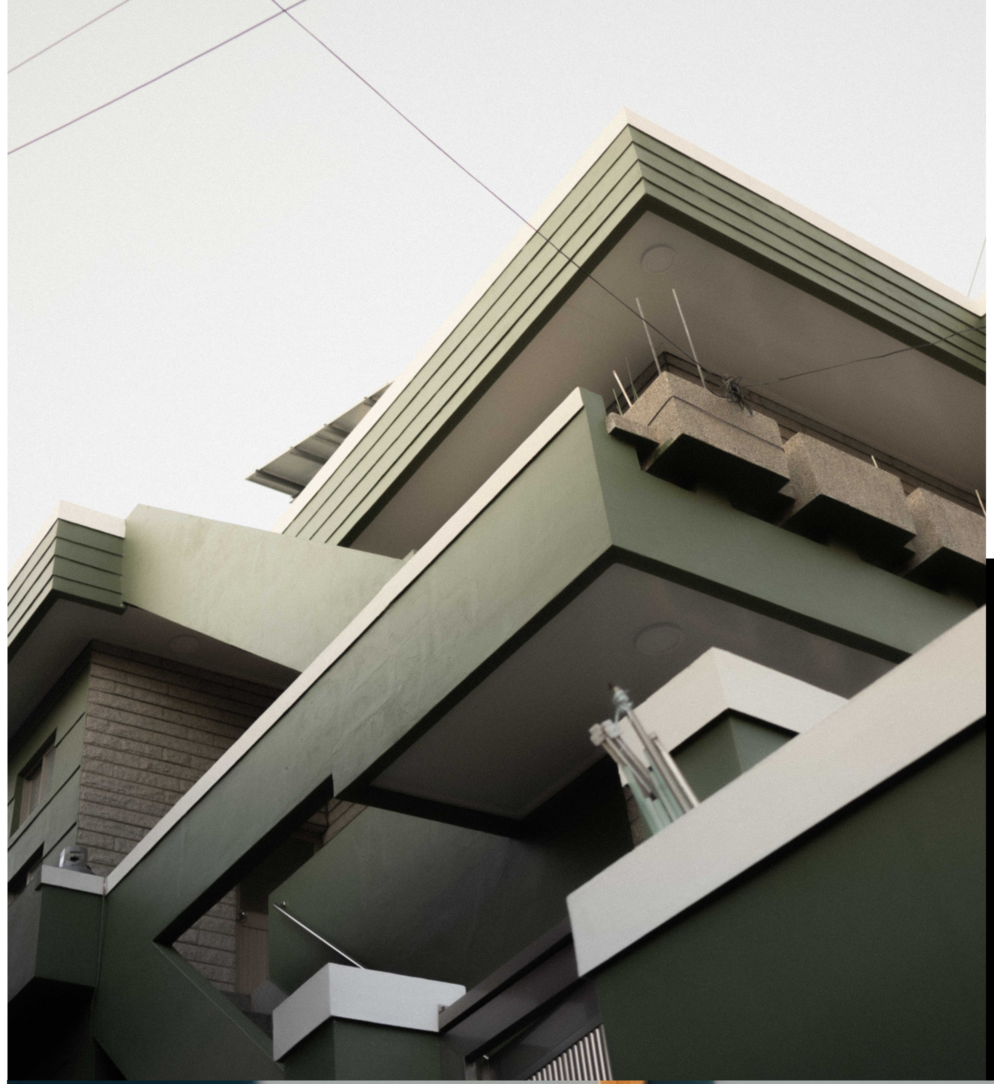
SOURCE: MCKINSEY CHINA CONSUMER REPORT 2021

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.

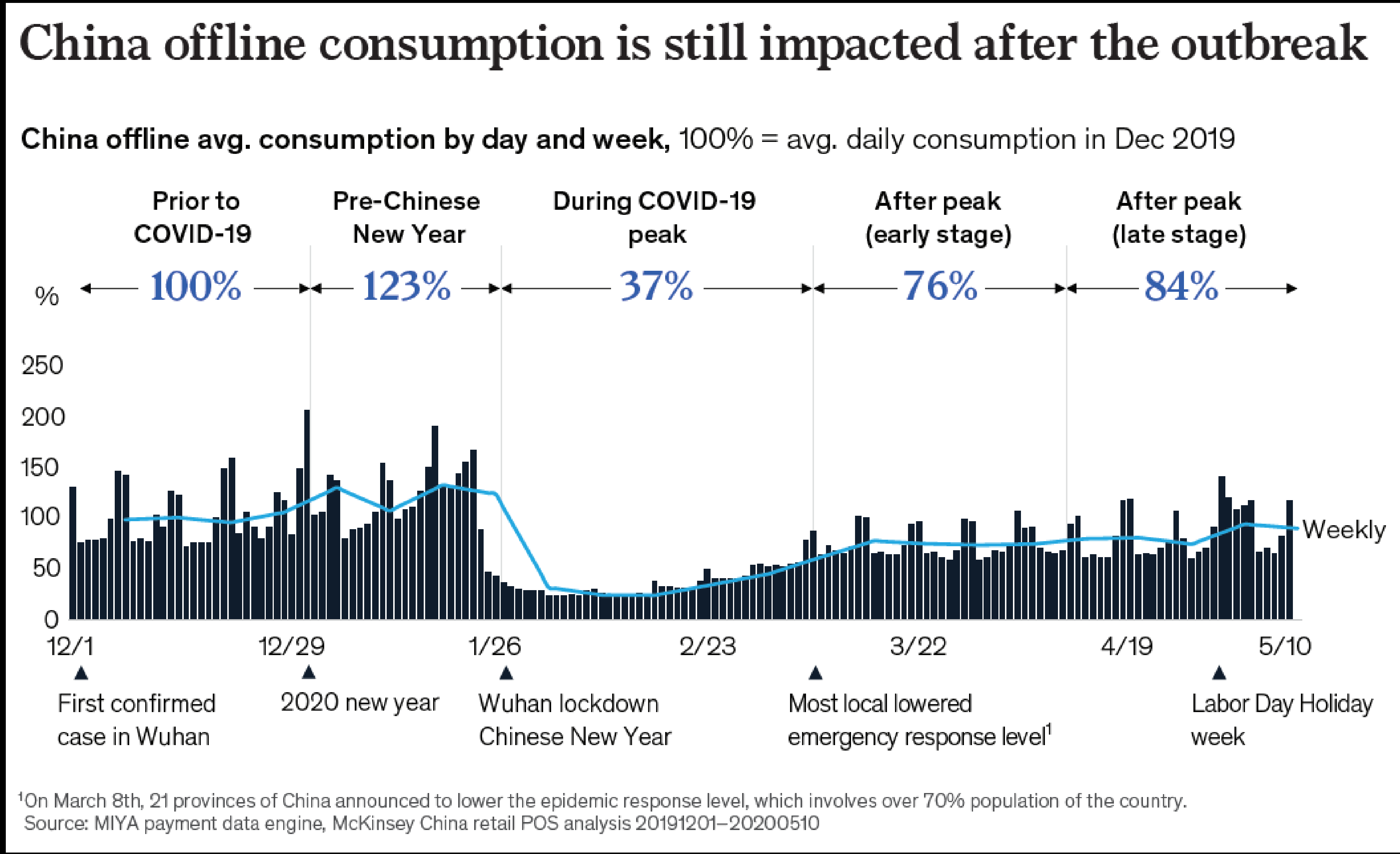
Factories are restarting production and consumers are beginning to spend again. However, the crisis has had a dramatic and lingering impact on the nation’s shopping habits, with implications for brands in China and globally.



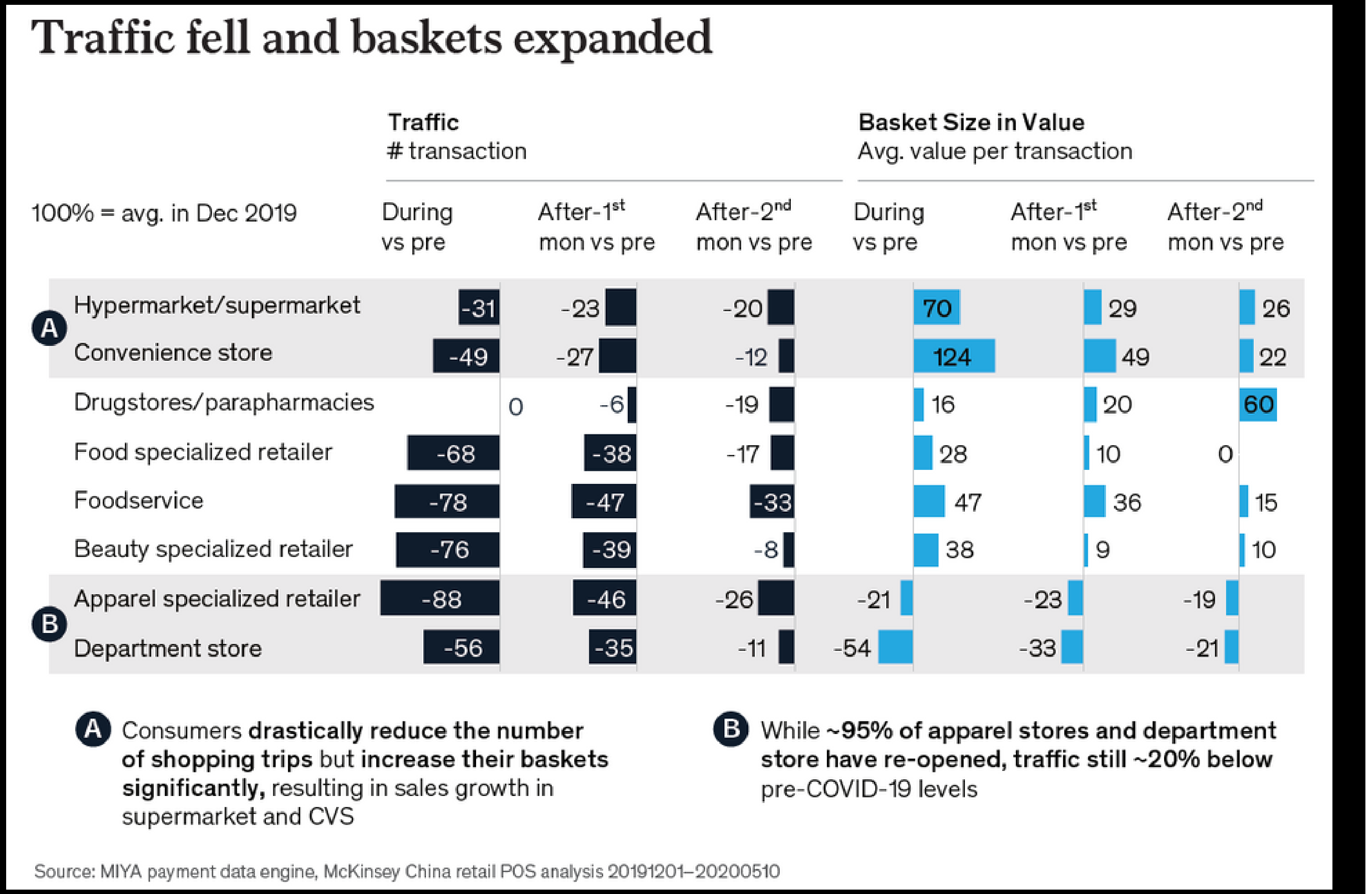
No 1 Key Shift:
Offline shopping is slowly recovering, but discretionary spend, night-time shopping, and epicenter spend are lagging.

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.



No 2 key Shift:
Channel shift to online, offline convenience, and drugstores



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.

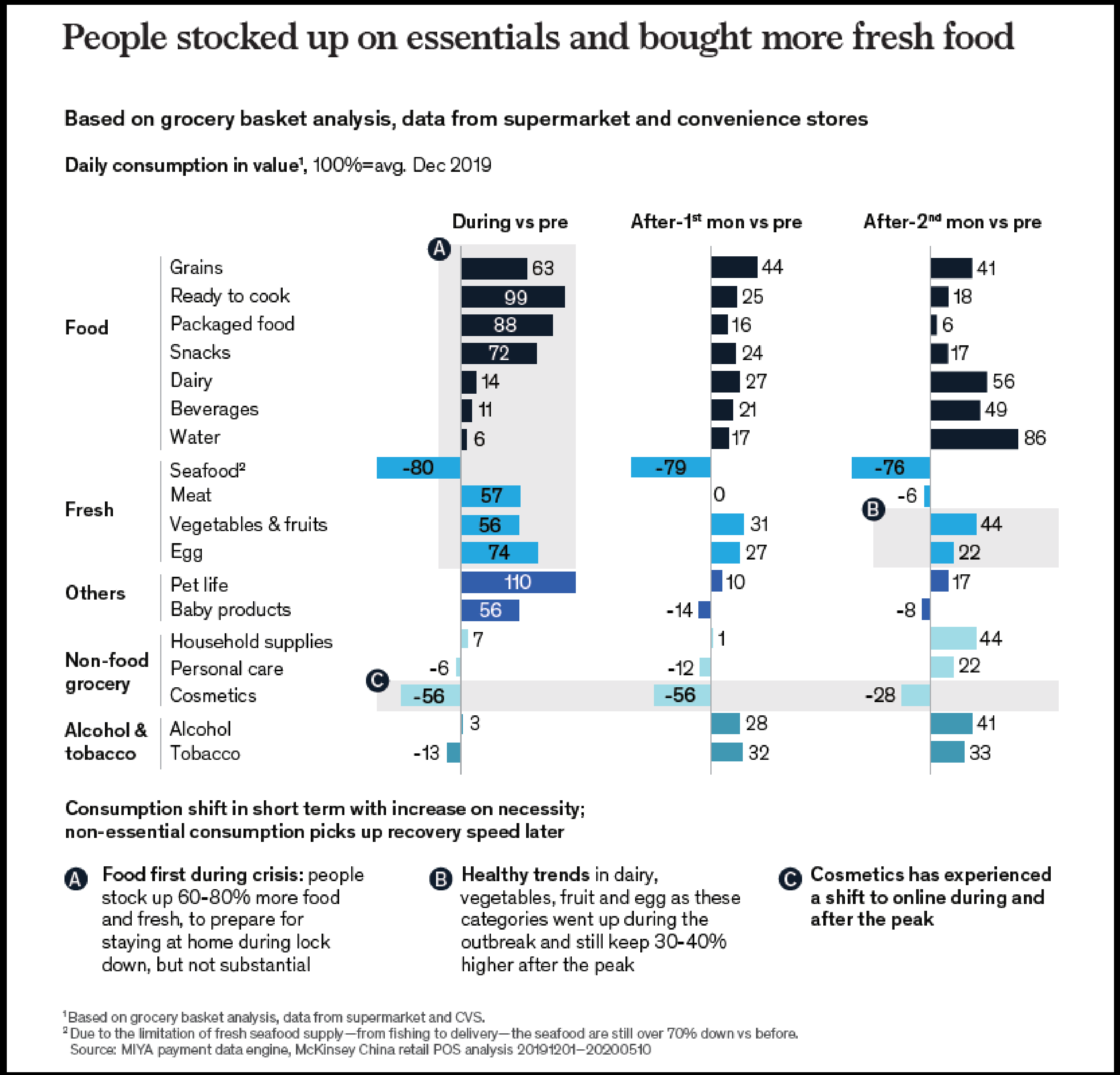
Another emerging dynamic is that convenience stores have performed well in the wake of the outbreak (as they did at the peak), with tier 1 cities seeing the biggest uplifts.

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-tocook 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.



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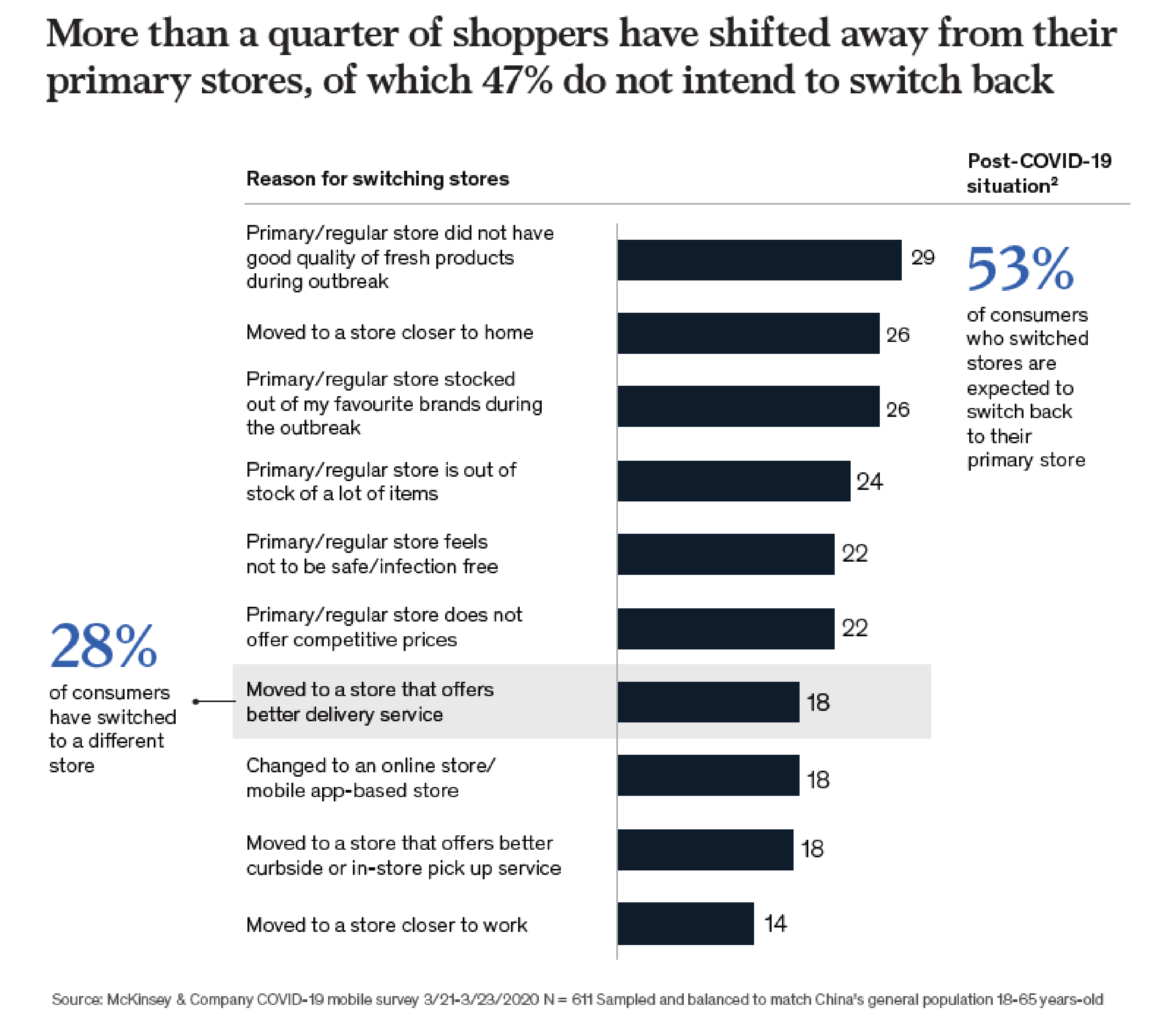
<u>No 4 Key Shift</u>
Shock to loyalty offline, partly offset by online engagement

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.



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.

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Let the catalysis begin

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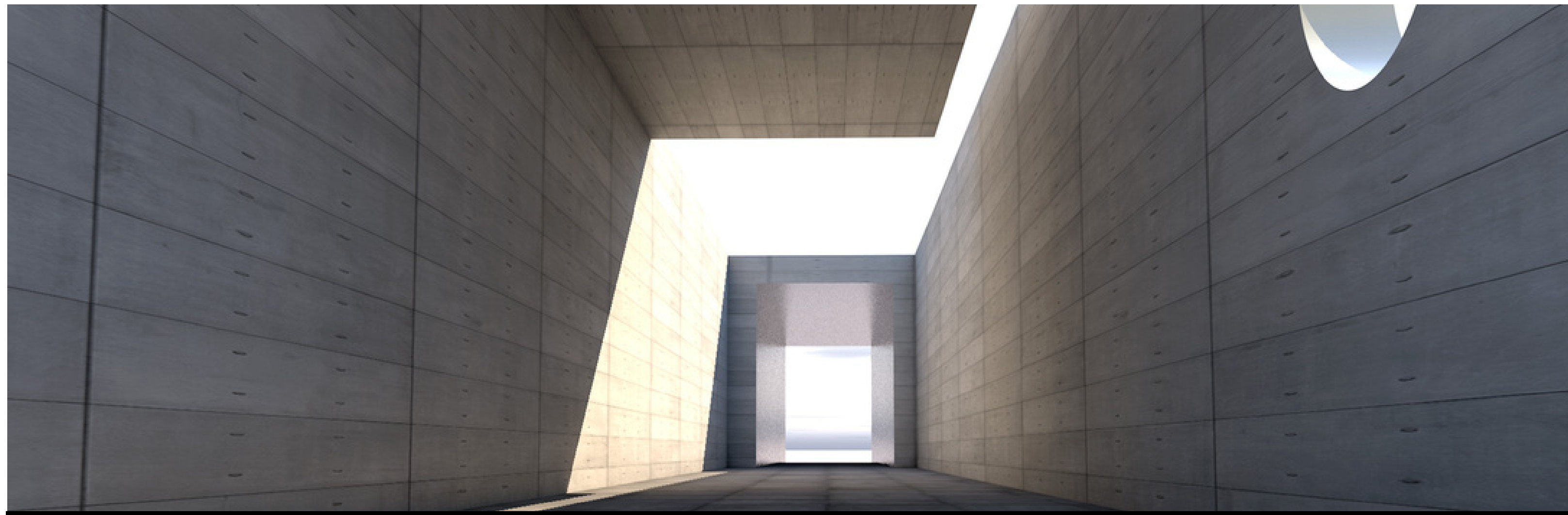

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