



UNDERSTANDING THE COVID-19 EFFECT ON ONLINE SHOPPING BEHAVIOR

I don't think it's too soon to say that the COVID-19 global pandemic will likely be one of the defining events of 2020 and that it will have implications that last well into the decade.

The situation is rapidly changing. The number of people deemed safe to gather in a single place has dwindled from thousands to hundreds, to ten. Restaurants, bars, movie theaters, and gyms in many major cities are shutting down. Meanwhile, many office workers are facing new challenges of working remotely full-time.

Essentially, people are coming to terms with the realities of our interconnected world and how difficult it is to temporarily separate those connections to others. To say that we are living in unprecedented times feels like an understatement.

One of the responses we've seen to how people are approaching this period of isolation and uncertainty is in huge overnight changes to their shopping behaviors. From bulk-buying to online shopping, people are changing what they're buying, when, and how.

As more cities are going under lockdowns, nonessential businesses are being ordered to close, and customers are generally avoiding public places. Limiting shopping for all but essentials are becoming a new normal. Brands are having to adapt and be flexible to meet changing needs.

This resource is intended to provide information so that you can make the best decisions for your brand during uncertain times. We've gathered some facts and numbers around how behaviors are changing, what products people are buying, and what industries are feeling the strain to help you determine what choices you can make for your business. %



Understanding Panic Buying and Coronavirus

As news of COVID-19 spread and as it was officially declared a pandemic by the World Health Organization, people responded by stocking up. They bought out medical supplies like hand sanitizer and masks and household essentials like toilet paper and bread. Soon, both brick-and-mortar and online stores were struggling to keep up with demand, and price gouging for supplies became rampant.

Humans respond to crises in different ways. When faced with an uncertain, risky situation over which we have no control, we tend to try whatever we can to feel like we have some control.

Paul Marsden, a consumer psychologist at the University of the Arts London was quoted by CNBC as saying: “Panic buying can be understood as playing to our three fundamental psychological needs.” These needs are autonomy (or the need to feel in control of your actions), relatedness (the need to feel that we are doing something to benefit our families), and competence (the need to feel like smart shoppers making the correct choice).

These psychological factors are the same reasons “retail therapy” is a response to many different types of personal crises; however, during a pandemic, there are added layers.

One is that the global spread of COVID-19 has been accompanied by a lot of uncertainty and at times contradictory information. When people are hearing differing advice from multiple sources, they have a greater instinct to over-, rather than under-, prepare.

Secondly, there is the crowd mentality. Seeing other people buying up the shelves and then seeing a scarcity of necessary products validates the decision to stock up. No one wants to be left behind without any resources.

Is it safe to Order Online During COVID-19?

As it becomes even more clear just how infectious COVID-19 is, some shoppers have raised questions about the safety of receiving their online orders. Experts are finding that the virus can live on surfaces from three hours to up to three days, depending on the material. (Note that conclusive findings are difficult to come by in these early days of the virus, and as experts continue their study of it, these numbers may change.)

That said, it’s unlikely that COVID-19 would survive on your purchased items from the time they were packed to the time you received your package (especially with the slowdown in the delivery system). And shipping conditions make a tough environment for COVID-19 as well, so it’s not likely you’ll be exposed via the package itself, either.

According to the CDC, “[T]here is likely very low risk of spread from products or packaging that are shipped for days or weeks at ambient temperatures.” The CDC’s statement refers to packages that have been in shipment for at least several days and did not come into contact with any sources of contamination after packaging.

The World Health Organization addresses the concern as well, by saying that it is safe to receive packages from locations with reported COVID-19 cases. From their website: “The likelihood of an infected person contaminating commercial goods is low and the risk of catching the virus that causes COVID-19 from a package that has been moved, traveled, and exposed to different conditions and temperature is also low.”



Generational Purchasing Responses to COVID-19

The response to COVID-19 hasn't been universally felt across generations, with consumers of different age groups responding differently to the crisis.

It is important to caveat that this is a rapidly evolving situation so surveys are quickly outdated as behaviors change with the circumstances. This applies to data shared here and below.

1. Gen Z and Millennials.

While people, in general, are concerned about the growing pandemic, the youngest generations are particularly altering their purchasing behaviors.

One survey of U.S. and U.K. consumers found that 96% of Millennials and Gen Zs are concerned about the pandemic and its effects on the economy. This concern is leading them to change their behavior more dramatically several to than other generations, which includes cutting back on spending, stocking up on items, and spending less on experiences.

2. Gen X and Boomers.

Although still concerned about coronavirus and its effects on the economy, older generations are slightly less concerned than younger generations and letting it impact their shopping habits less. For example, 24% of Boomers and 34% of Gen X said they were letting current events impact what items they purchase, compared to nearly half of Millennials.

COVID-19: Men's and Women's Shopping Behaviors Vary

While data shows that shopping behaviors are changing based on generational differences, we're also seeing variations based on gender.

While survey data shows that women are more likely to be concerned about the effects of COVID-19, it also shows that men are more likely to have it impact their shopping behaviors. One-third of men, compared to 25% of women, reported the pandemic affecting how much they spend on products. Additionally, 36% of men, compared to 28% of women, reported it affecting how much they are spending on experiences (travel, restaurants, entertainment, etc.).

Men were also found to be shopping online and avoiding in-store experiences more than women. This includes taking advantage of options that limit in-store interactions like BOPIS (buy online, pick-up in-store), curbside pickup, and subscription services.

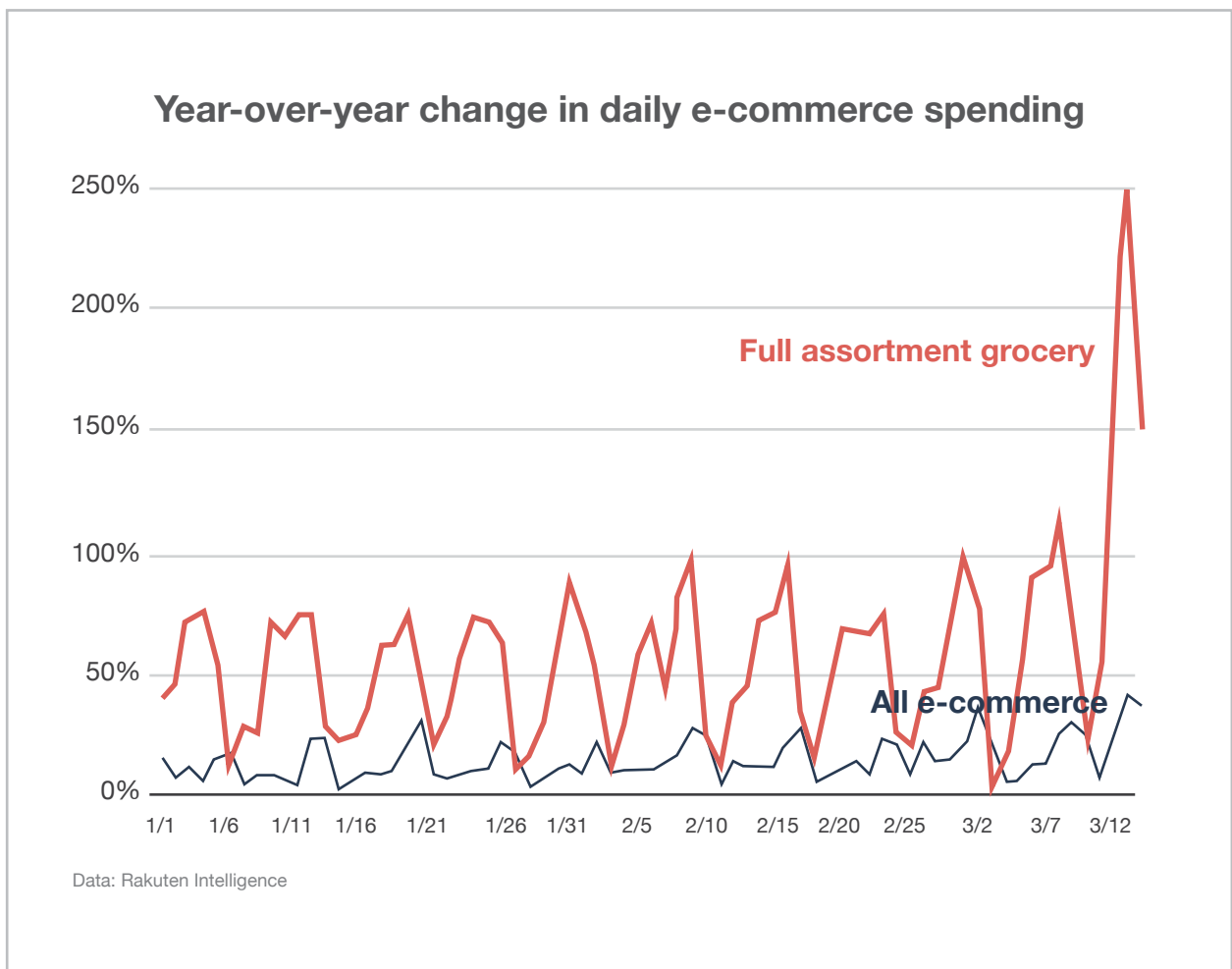
Changes in Revenue Across Ecommerce

As people have embraced social distancing as a way to slow the spread of the pandemic, there has naturally been a drop-off in brick-and-mortar shopping. That would seem to mean there would likely be an increase in online shopping as people turn to eCommerce to purchase the items they might have otherwise purchased in person.

Has that prediction won out? In reality, eCommerce sales are not higher across the board, although some industries are seeing significant upticks. This is especially true for online sellers of household goods and groceries. JD.com, China's largest online retailer, has seen sales of common household staples quadruple over the same period last year. A survey by Engine found that people are spending on average 10-30% more online.

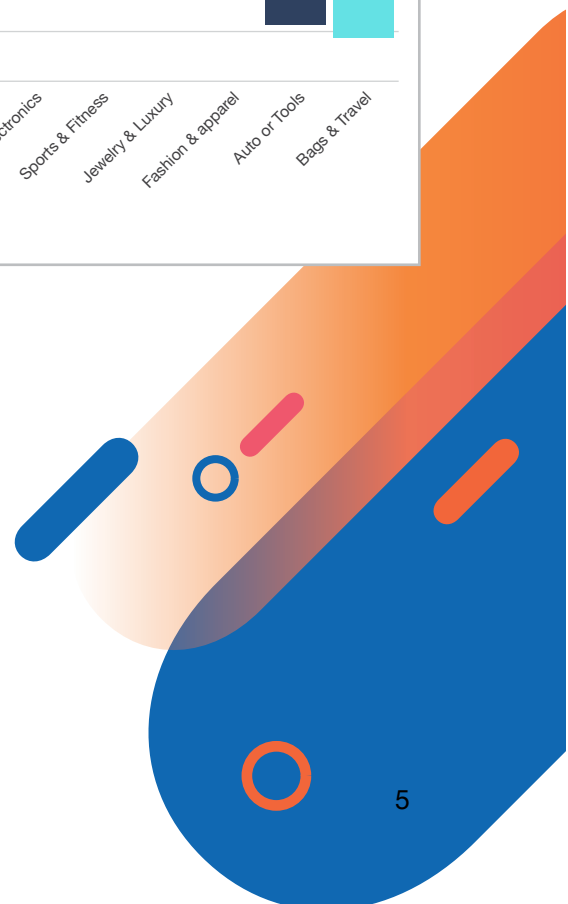
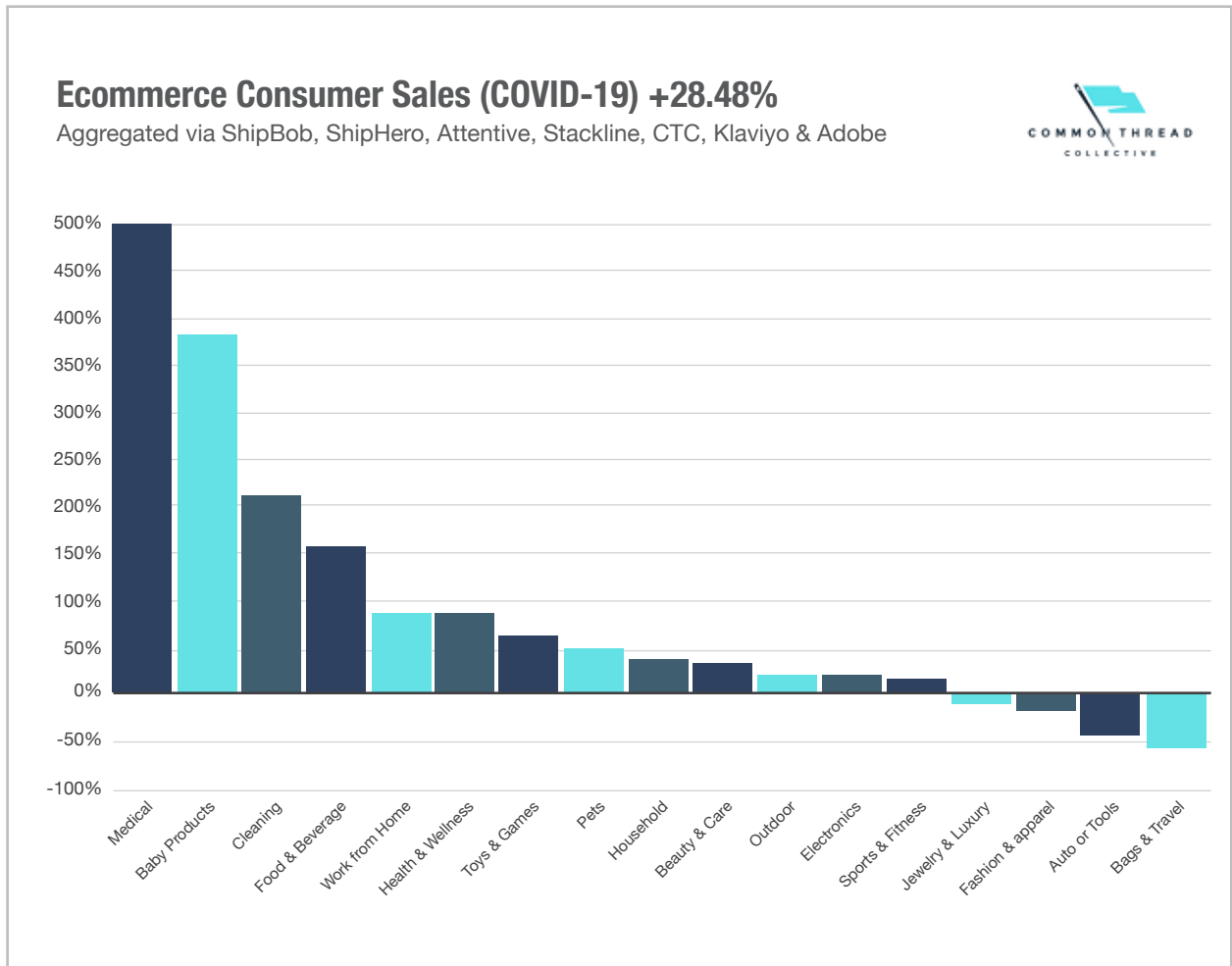
1. Grocery eCommerce.

Grocery eCommerce soared in the second week of March after shoppers turned online to find the goods they needed but weren't available at their local grocery stores. The following graph, with data from Rakuten Intelligence, shows a huge spike in grocery-related eCommerce. The rest of eCommerce seems like it might be up a little bit, but no drastic peaks or valleys.



2. Other eCommerce categories.

In addition to grocery, e-commerce covers a wide number of products, across categories. Common Thread Collective has been providing valuable updates with COVID data on eCommerce shopping behavior, including the chart below. While e-commerce performance is not generally up or down, breaking down the data by vertical tells a bit more of the story.

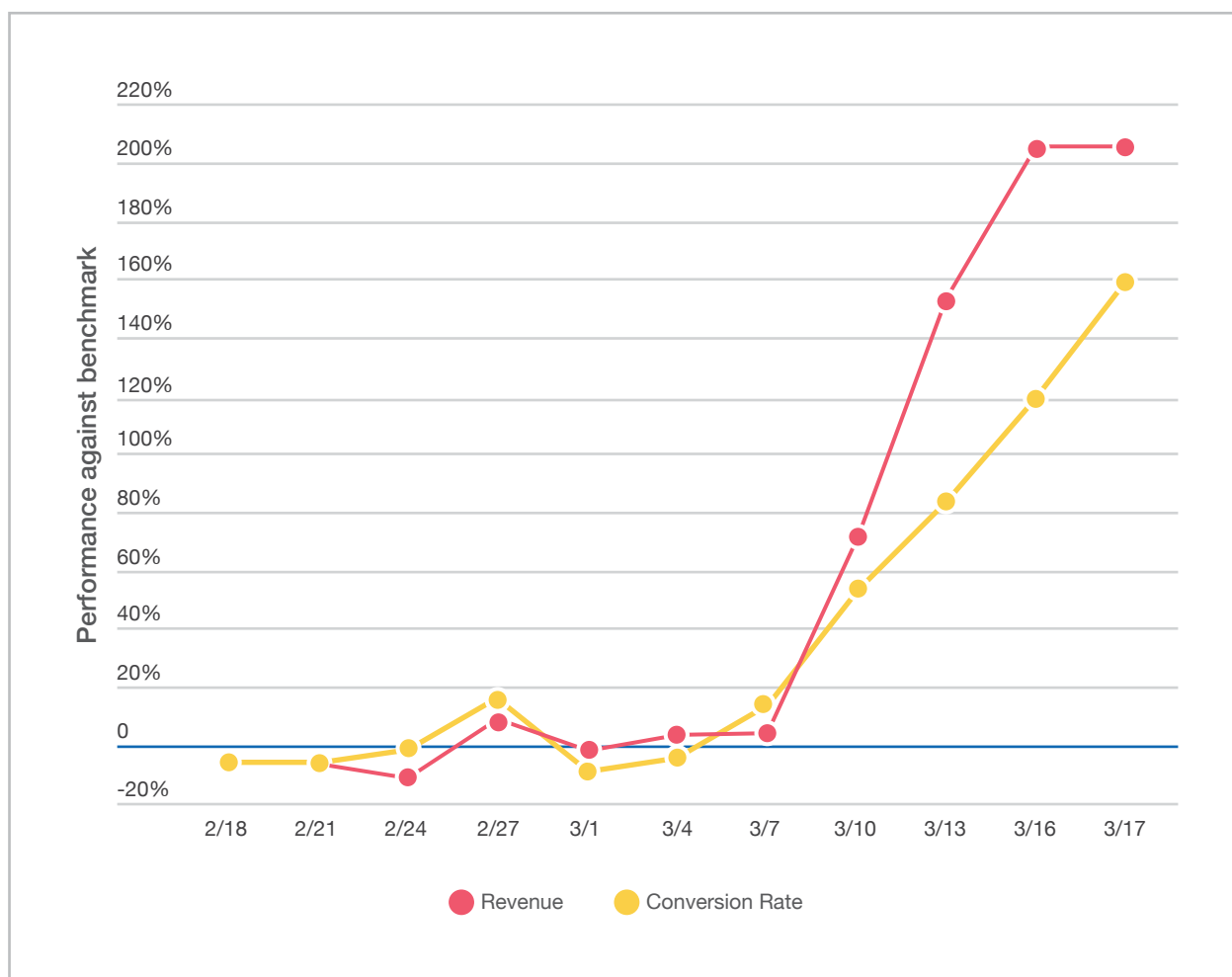




3. Subscription services

While eCommerce sales do not generally appear to be skyrocketing as one might expect, there are some exceptions. One of these is in subscription and convenience services, which have seen significant upward trends in both revenue and conversion.

Performance branding company WITHIN has been tracking the effects of COVID-19 on eCommerce across a number of specific sectors by monitoring and comparing data from select businesses year-over-year. This graph comes from their observations:



Product Categories Shifting During COVID-19

As people are making buying choices based on new and ever-changing global and local circumstances, the product categories that are being purchased are also changing.

Market research company Nielsen has identified six key consumer behavior thresholds tied to the COVID-19 pandemic and their results on markets.

These are:

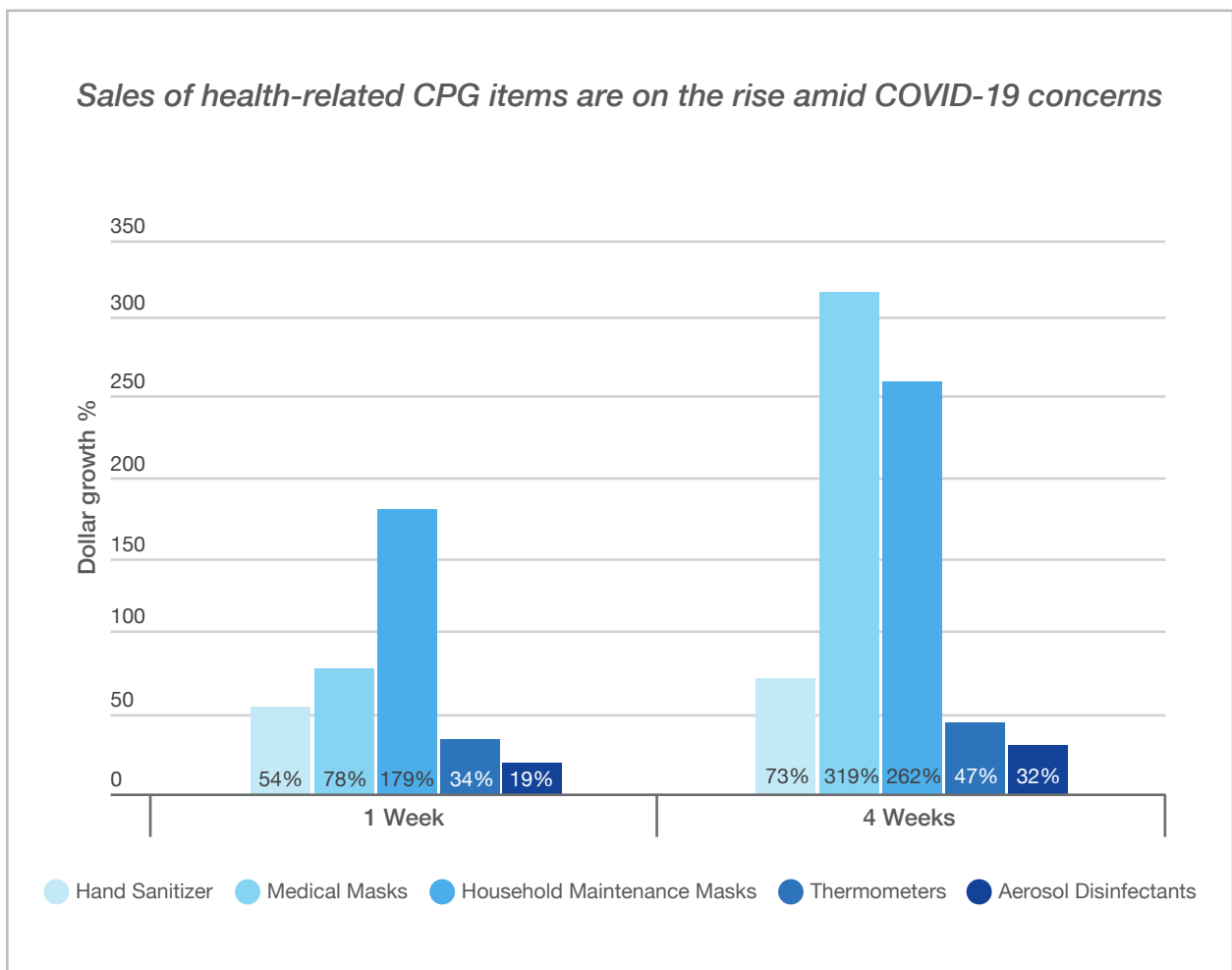
- Proactive health-minded buying (purchasing preventative health and wellness products).
- Reactive health management (purchasing protective gear like masks and hand sanitizers).
- Pantry preparation (stockpiling groceries and household essentials).
- Quarantine prep (experiencing shortages in stores, making fewer store visits).
- Restricted living (making much fewer shopping trips, limited online fulfillment).
- A new normal (return to daily routines, permanently altered supply chain).

As we progress through these stages, the items people choose to buy and the product categories that thrive continue to change. Here are some of the product categories most affected.

1. Health and safety products

Anyone who has faced empty shelves or seen price gouging online knows that health and safety products are being purchased far faster than they can be produced and restocked.

According to data from Nielsen, items like hygienic and medical mask sales are up by more than 300%.



2. Shelf-stable goods

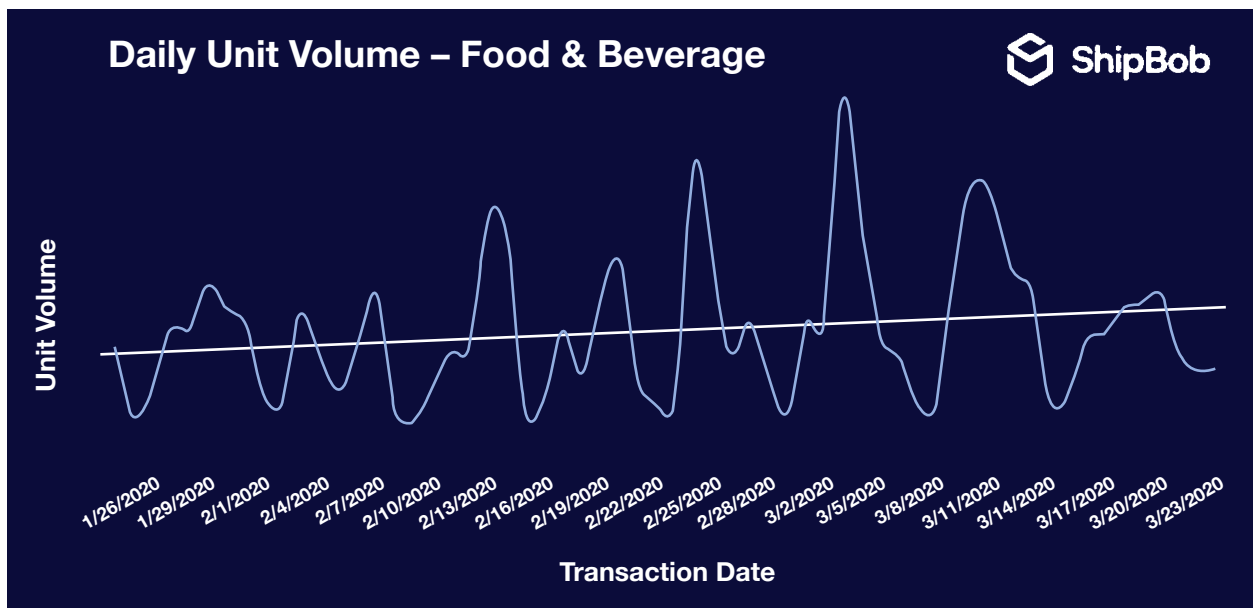
Another category of consumer packaged goods that is booming is shelf-stable items. These fit into the category of people planning for long-term quarantine. According to Nielsen, products like shelf-stable milk and milk substitutes (particularly oat milk) are up by more than 300% in dollar growth. Other items seeing increases are things like dried beans and fruit snacks that have a long shelf life.

3. Food and beverage

In addition to long-term quarantine-type items, for groceries in general, sales are up. However, there are some behavioral changes in the way people are buying groceries.

For example, in an effort to avoid crowds at supermarkets, many people are choosing BOPIS (buy-online-pick-up-in-store) or delivery options. Downloads of apps like Instacart and Shipt that allow people to hire personal shoppers to prepare and in some cases deliver their grocery orders have increased by between 124% (for Shipt) and 218% (for Instacart). People are also choosing to buy these items from online stores more than they did prior.

ShipBob, a shipping and fulfillment partner for eCommerce stores, gathered data from 3,000+ of their merchants and is tracking the data. While the chart below shows some fluctuations, the month-over-month increase in online sales for food and beverage is 18.8%.



4. Digital streaming

While less about the immediacy of protecting and feeding themselves, it comes as no surprise that as people are homebound and no longer pursuing external entertainment options that there is an increase in digital streaming services. In addition to streaming services like Netflix, Amazon, Hulu, and Disney+ seeing atypical gains in subscribers in the first quarter of 2020, non-traditional streaming services like movie studios are releasing media streaming, on-demand, sometimes earlier than projected release.

5. Luxury goods

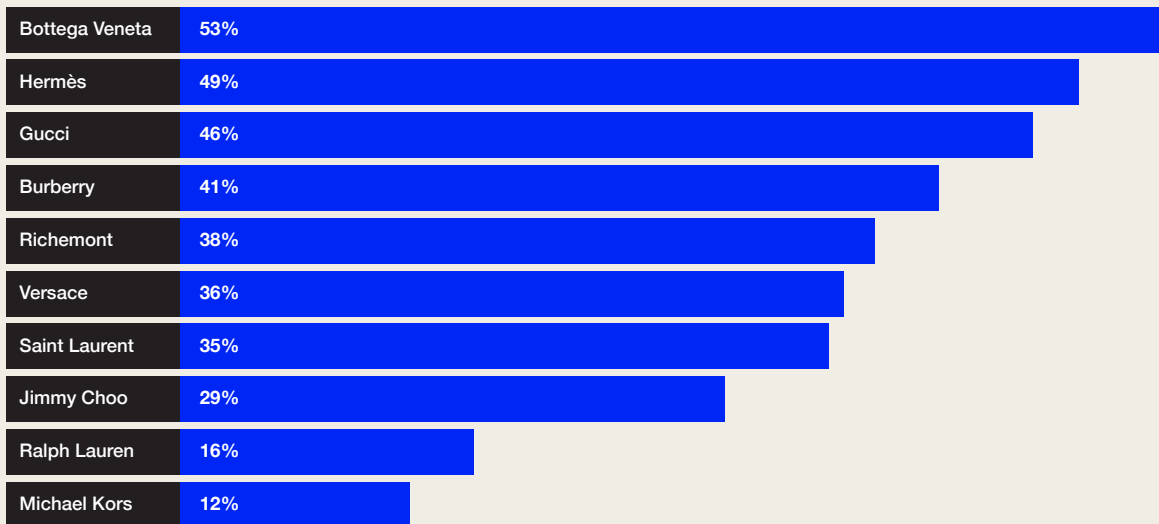
While the above products and services are increasing in sales due to the current situation, other industries are not doing as well. In addition to obvious ones like entertainment, restaurants, and travel, one area projected to have significant losses is the luxury goods industry.

Vogue Business projects a potential loss as great as \$10 billion for this industry in 2020 due to COVID-19. This is in part because luxury goods rely heavily on the Asian market's purchasing power, where the pandemic has been affecting consumers since January.

This chart from Vogue Business illustrates the importance of Asian buyers for top luxury brands:

The Asian market is now fundamental for most luxury brands

Proportion of sales to Asia/Asia-Pacific plus Japan*



*If FY2019 results are not available, then FY2018 has been used. Burberry, Michael Kors, Ralph Lauren, Jimmy Choo break out the results for Asia rather than Asia-Pacific.

DATA SOURCE: COMPANY REPORTS © VOGUE BUSINESS

6. Fashion and apparel

As mentioned above, omnichannel sellers are seeing big losses, in part because they're closing the retail arms of their businesses altogether. People are understandably not interested in shopping for clothes in person. Department stores like Macy's and JCPenney, large chains like Abercrombie & Fitch and Nike, and DTC brands with some storefronts like Rothys and Everlane are all closing their physical stores and experiencing losses. Some stores like Patagonia are halting even their online stores to protect all workers in their supply chain.

Even online apparel sales are down as people are putting more of their budgets into daily essentials. The chart below is again from Shipbob's data of their 3,000+ merchants. This shows an overall 20% decrease in sales month-over-month.

Conclusion

We are, all of us, currently living in flux.

Your customers are trying their best to adapt to strange times without a lot of footholds and shifting their behavior as a result. As a business owner, you are facing much of the same uncertainty, while trying to support your customers' needs and your own.

Depending on your industry and audience, your response to the ever-evolving situation will change. You know your customers better than anyone. We hope this resource has helped you understand some of the ways their behaviors are changing, so you can continue to serve them as best you can.

Source: *Bigcommerce*