

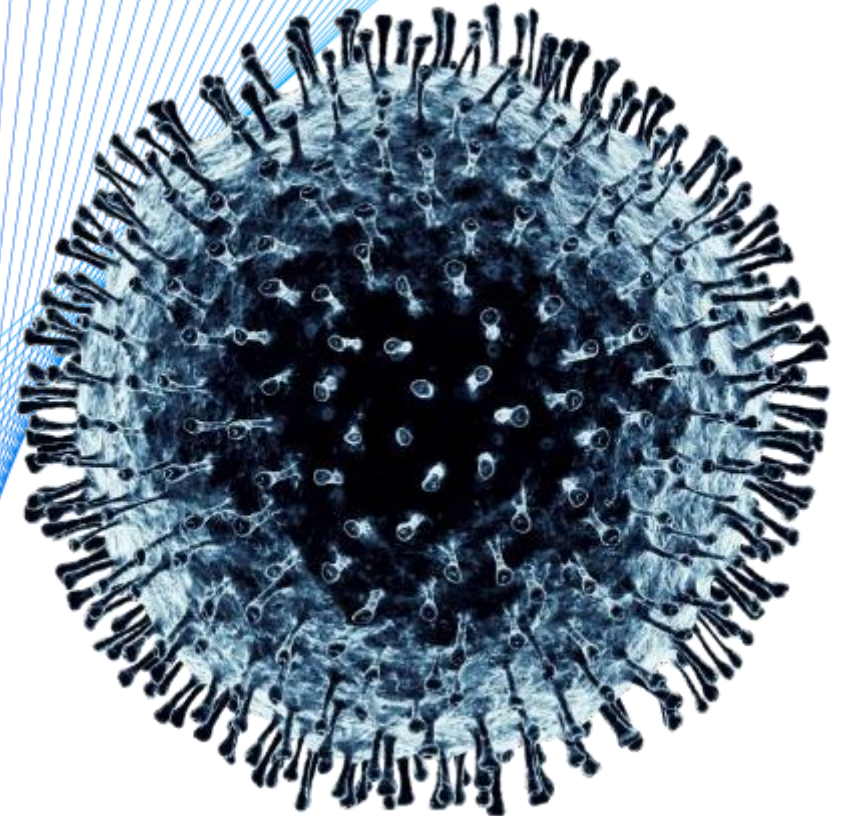
Consumer of the Future: How COVID-19 is shaping the Next Normal

Sep, 2020

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Agenda



What is the backdrop?

Current COVID-19 situation

How are consumers reacting?

Consumer sentiment

What are the potential implications?

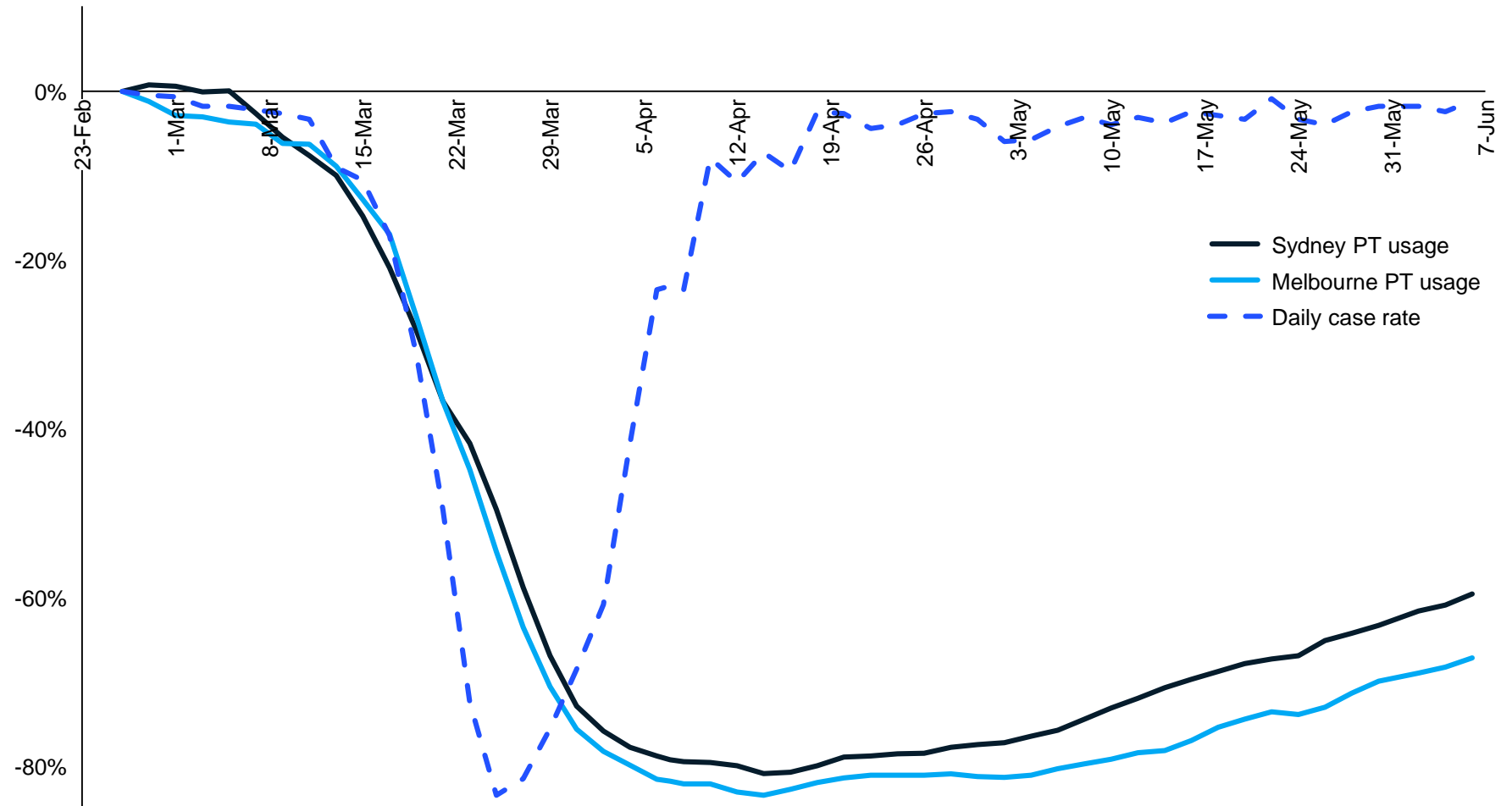
Implications

First derivative: being healthy vs. feeling safe

Public transport usage¹ indexed 26 Feb = 0, national epicurve indexed 25 Mar = -83 to match data²

AS OF 7 AUGUST

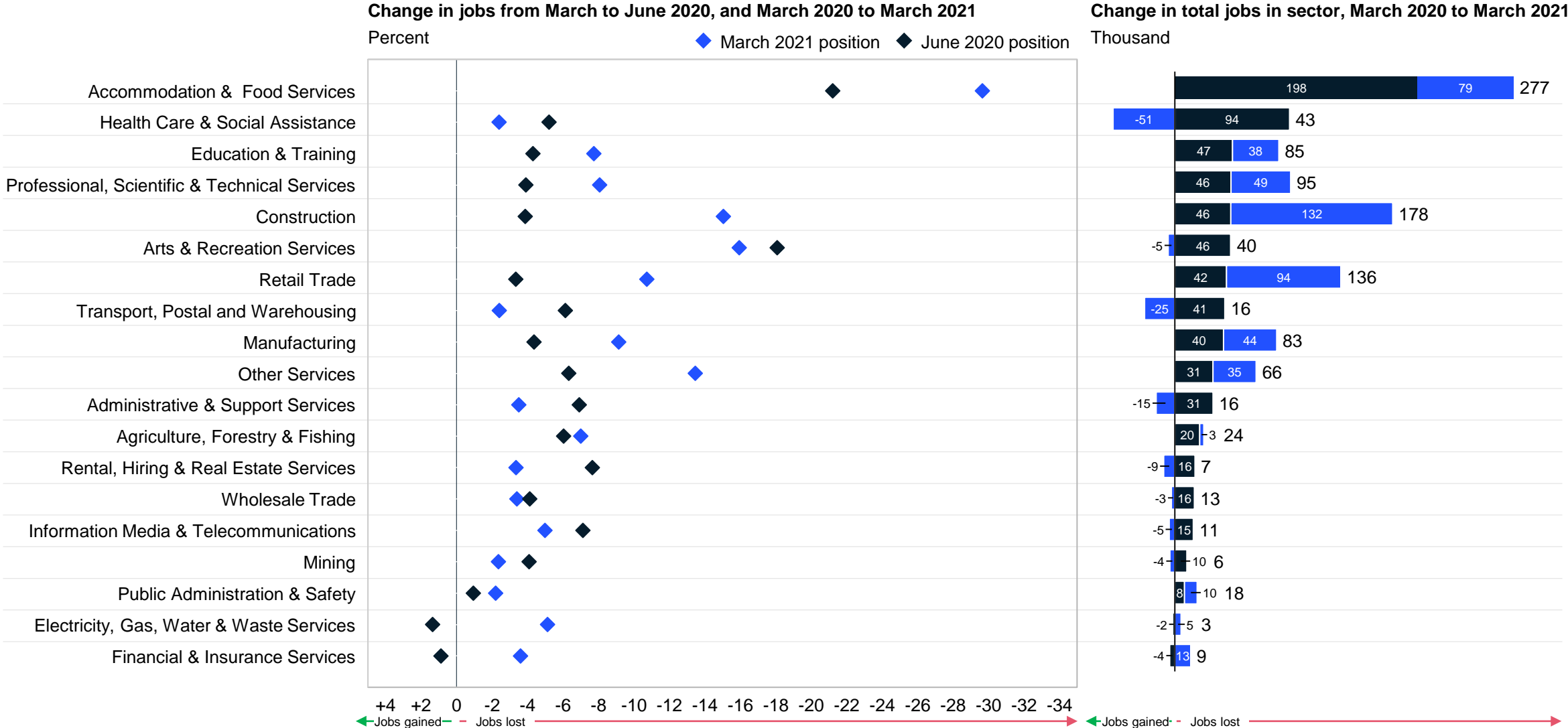
Flinders St Station Dec 2016 vs March 2020



1. Usage of Moovit app. Average of the previous 7 days
2. Data shown is $[(\text{daily case rate} / \text{March 25 case rate}) * \text{max public transport drop in time series}]$

Second derivative: unemployment (and hidden underemployment)

■ March to June 2020 ■ June 2020 to March 2021

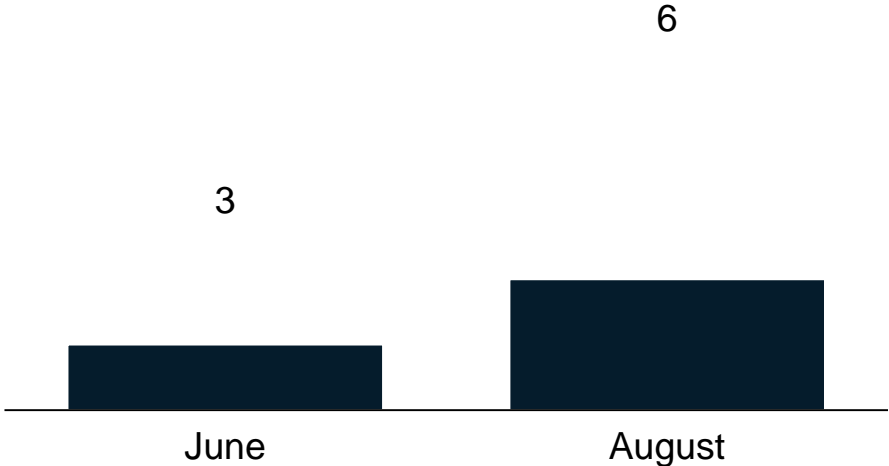


Source: ABS, Weekly Payroll Jobs and Wages in Australia, Week ending 27 June 2020, 6160.0.55.001; JobKeeper Payment: Three-month review, published by Australian Treasury in July 2020 and McKinsey bottom-up analysis of industry pressures

Third derivative: household budgets

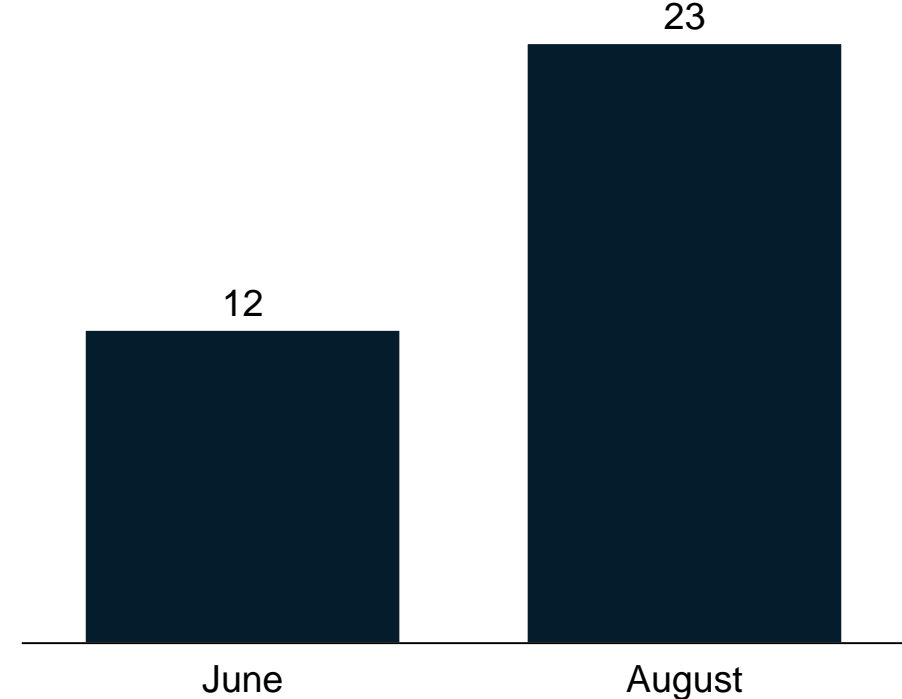
Unable to raise \$500 in a week

Percent



Unable to raise \$2,000 in a week

Percent



Agenda

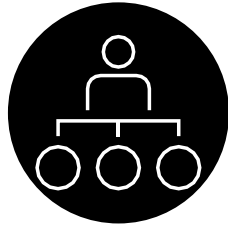
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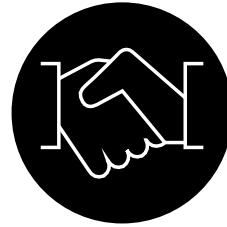
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Implications

3 underlying attitudinal and emotional changes as a result of COVID-19



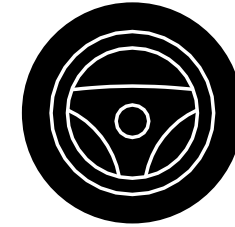
Deliberate decision making

People are making more mindful decisions about who they spend time with, where they go, what they do and what they buy – based on value and risk



Committing to values

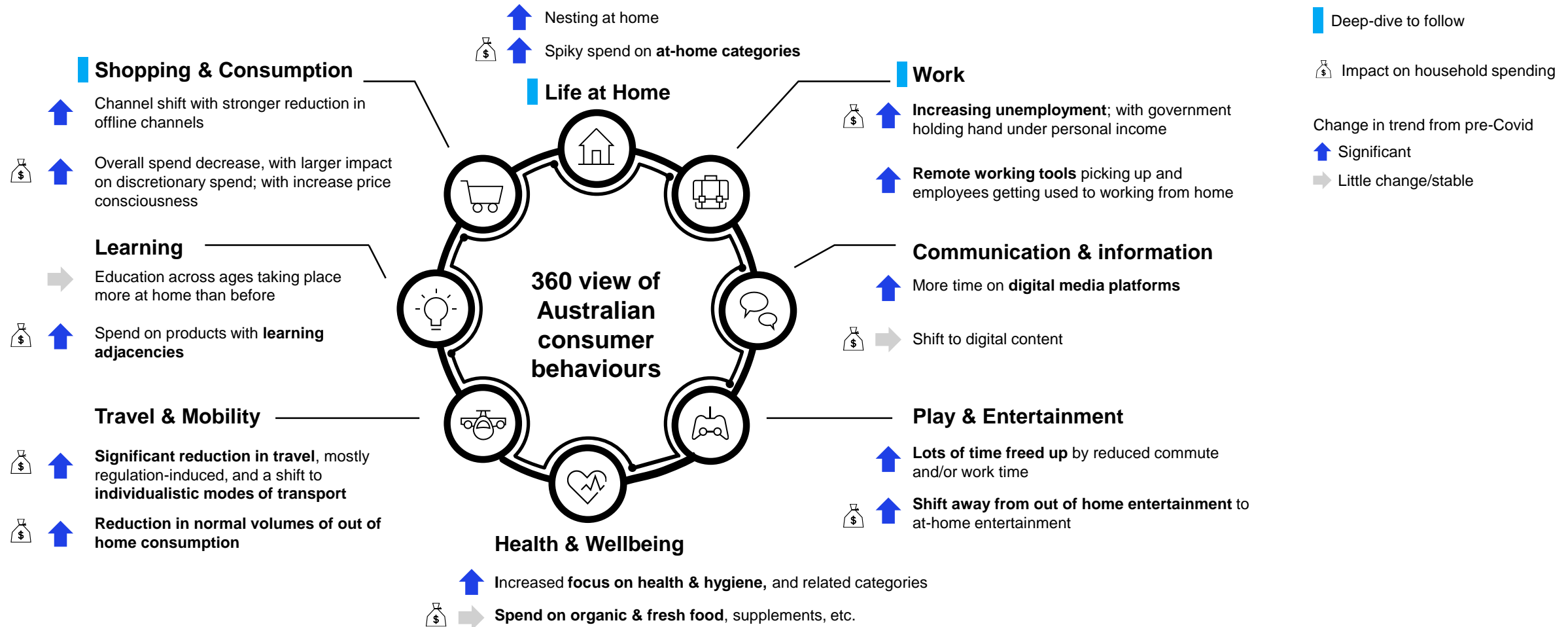
People are making new and renewed commitments to their values and goals (e.g., health, family), and are preparing to make meaningful trade-offs that will shape their life choices long after the current crisis passes











Control seeking

In an uncertain environment, people are asserting control¹ in their life wherever they can (e.g., diet, spending, environment) in order to feel safer, more free, and to safeguard their future

Leading to significant behavioural changes for the typical consumer



Some of the behaviour changes we saw in the lockdown are new, while some pre-existing trends have been accelerated

	 Life at home	 Shopping & consumption	 Play & entertainment	 Health & Wellbeing	 Travel & mobility	 Comm. & information	 Work	 Learning
<ul style="list-style-type: none"> New trend Acceleration Discontinuity 	<p>Home is recast as the new coffee shop, restaurant and scene of entertainment with unprecedented increase in home activities</p>	<p>Shopping & consumption has witnessed a complete redistribution within the share of wallet</p>	<p>Play & entertainment has moved online and whilst seeing an increase in share of time, it has decreased in share of wallet</p>	<p>Health & Wellbeing has become a priority whilst moving digital</p>	<p>Consumers are staying put at home while foot-fall is moving from city centres to residential areas</p>	<p>Communication and media is shifting to ad-light space which impacts ability to market</p>	<p>Work has become largely remote while offices have become digital</p>	<p>Learning and studying has become virtual with new tools being adopted</p>
Decline in consumption		<ul style="list-style-type: none"> Trading down¹ Larger basket, reduced frequency Decline in discretionary spend 			<ul style="list-style-type: none"> Reduction in tourist spend & travel retail 		<ul style="list-style-type: none"> Rise of unemployment 	
Shake-up of preferences		<ul style="list-style-type: none"> Preference for trusted brands Increase in grocery 		<ul style="list-style-type: none"> Focus on health & hygiene Acceleration of organic, natural, fresh 	<ul style="list-style-type: none"> Increase in domestic tourism Avoidance of public transport Reduction in on-the-go consump. 			<ul style="list-style-type: none"> Increased spending on learning adjacencies
Digital acceleration	<ul style="list-style-type: none"> Nesting at home Surge in online Decline in out of home consumption 	<ul style="list-style-type: none"> Surge of e-commerce 	<ul style="list-style-type: none"> Digital entertainment Entertainment channel shift (e.g. cinema to streaming) Additional play time 	<ul style="list-style-type: none"> Fitness on demand at-scale Rise of tele-medicine 		<ul style="list-style-type: none"> Shift in media and info consumption¹ 	<ul style="list-style-type: none"> Remote working 	<ul style="list-style-type: none"> Rise of remote learning

The economy is the biggest concern for Australians



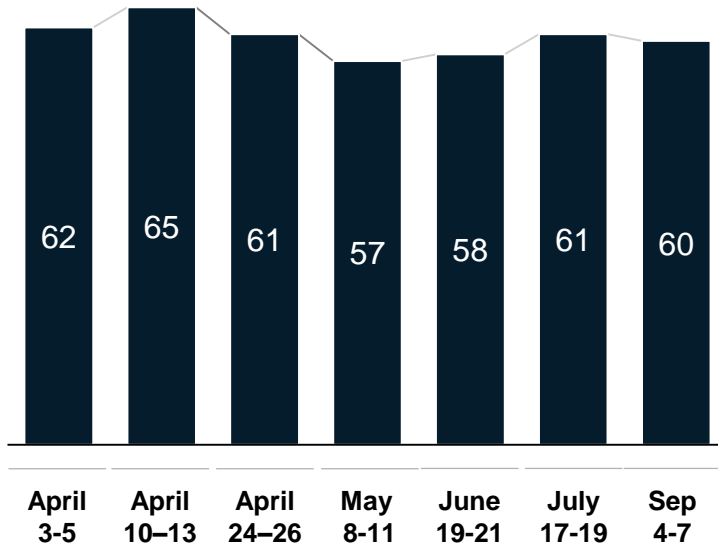
Largest concerns of the Australian population related to COVID-19¹

% of respondents who are very concerned or extremely concerned



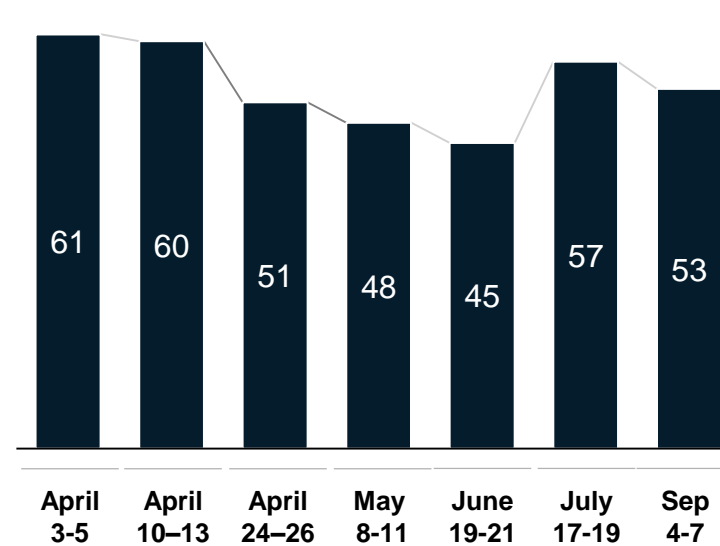
The Australian Economy

% of respondents



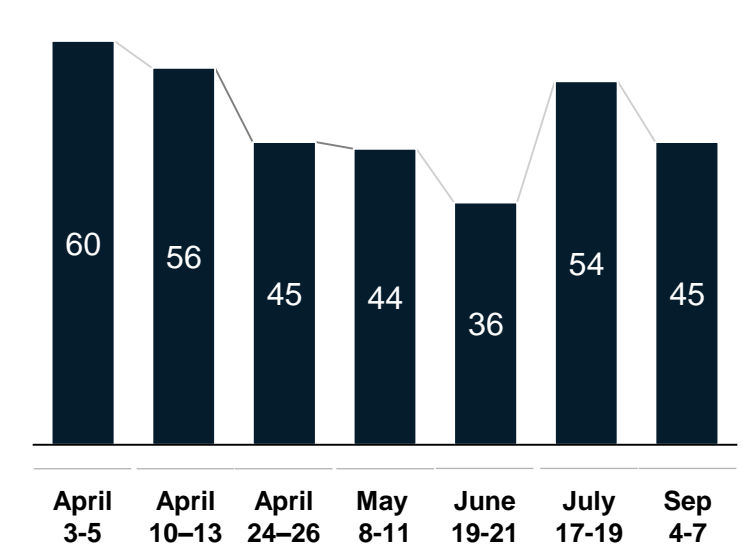
The length of the crisis

% of respondents



Public health

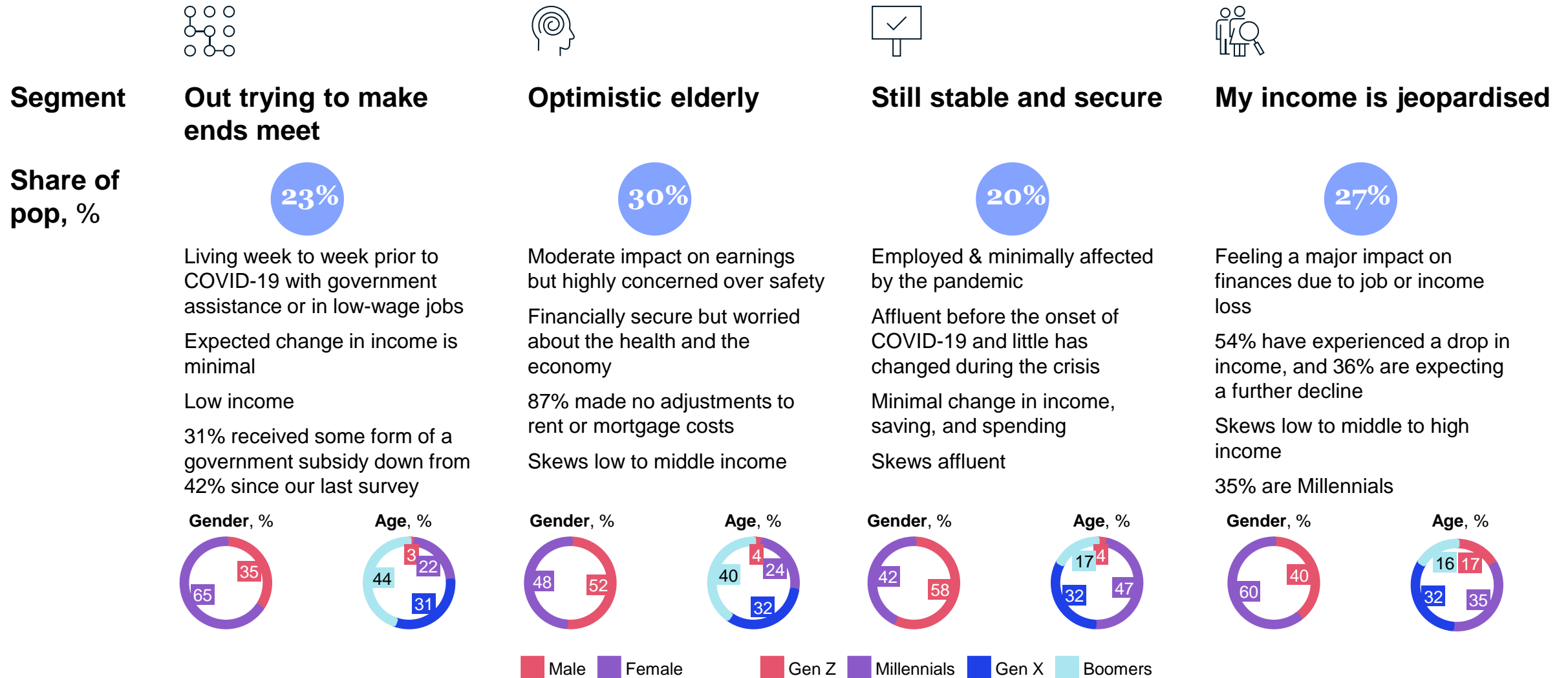
% of respondents



1 Q: What concerns you most about the COVID-19 situation? Possible answers: "not a concern"; "minimally concerned"; "somewhat concerned"; "very concerned"; "extremely concerned."

The impact is not the same for everyone

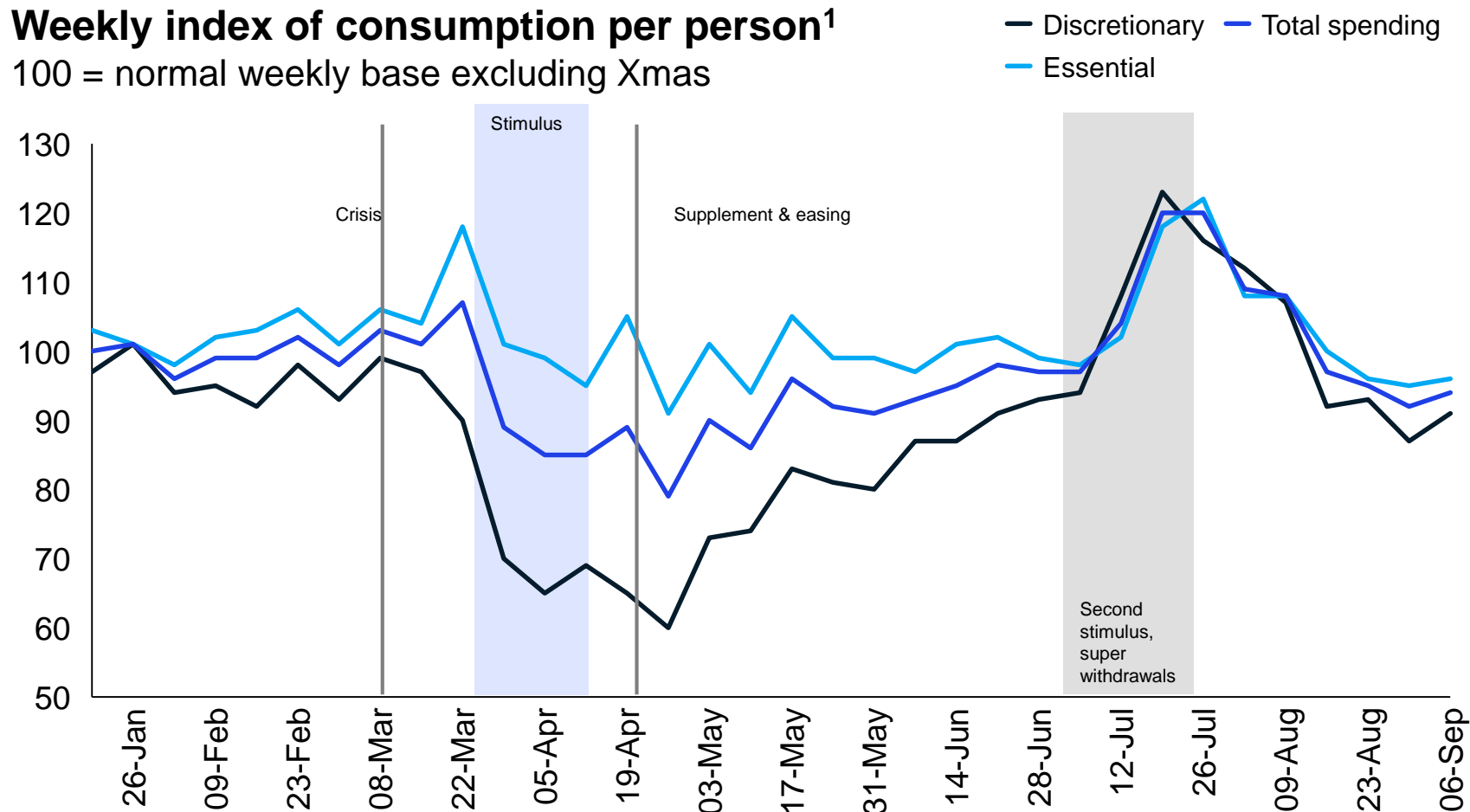
Consumer segment profiles



Stimulus, superannuation withdrawals continue to drive sharp increase in spending

Weekly index of consumption per person¹

100 = normal weekly base excluding Xmas



Spending driven by recipients of temporary stimulus payments underscoring how dependent the economy remains on government support

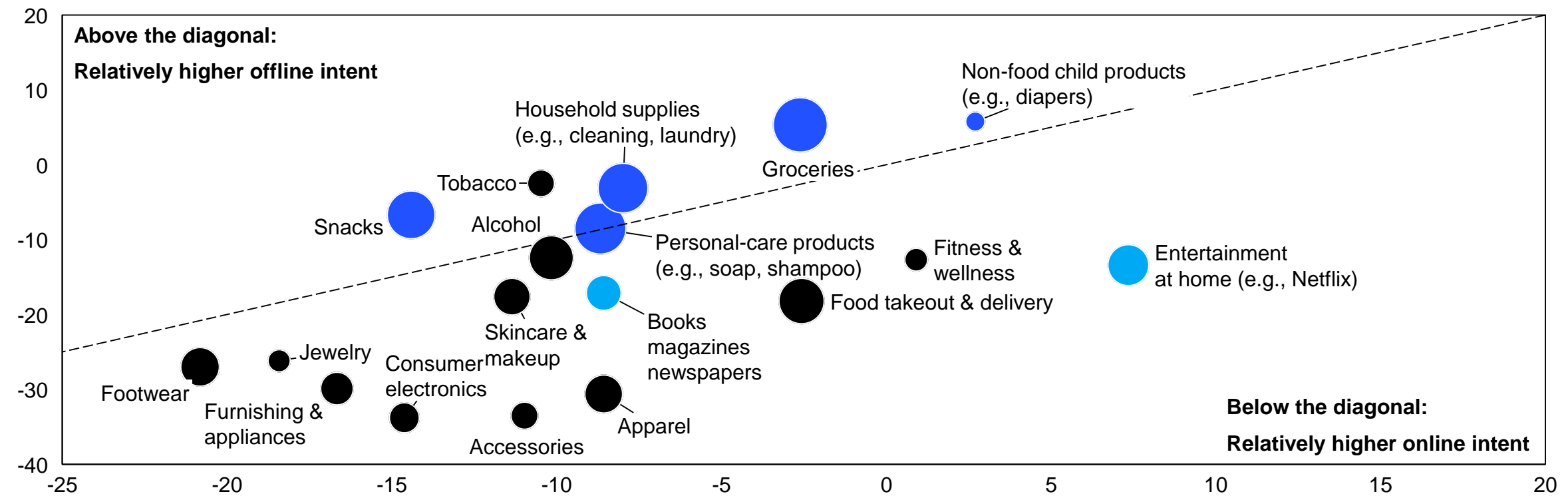
1. Based on a weekly sample of the transactions of c.250,000 Australian consumers

Consumers state a relatively higher online vs. offline intent across most categories...

Expected change in shopping channel per category over the next two weeks¹, 'net intent' measure²

● Household essentials ● Discretionary ● Entertainment at home

 In-store

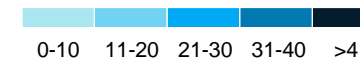


1. Q: Over the next two weeks, where do you expect you'll buy these categories? Tell us if you will shop in the following places more, about the same, or less in the next two weeks; please note, if you don't buy in one of these places today and won't in next two weeks, please select "N/A."

2. Net intent is calculated by subtracting the % of respondents stating they expect to decrease shopping frequency from the % of respondents stating they expect to increase shopping frequency; bubble size relative to share of respondents that have purchased category in last six months



The 2 most financially affected groups are paying more attention to prices and looking for more ways to save money



How have the coronavirus or COVID-19 restrictions changed the way you shop?¹

% of respondents who agree or strongly agree



Out trying to make ends meet



Optimistic elderly



Still stable and secure



My income is jeopardised

Mindful consumption

- Paying more attention to prices when shopping
- Spend less money on superficial or irresponsible things
- Looking for more ways to save money when shopping
- Becoming more mindful of where I spend my money
- Spend more time planning/making lists for shopping trips
- Changing to less expensive products to save money

Buying based on

- Buying more from retailers who use and promote sustainable solutions
- Buying more sustainable/eco-friendly products
- How they are taking care of the safety of their employees
- Buying more brands based on the company's purpose/values
- Buying more from large, national brands more than smaller brands

Shopping behaviour

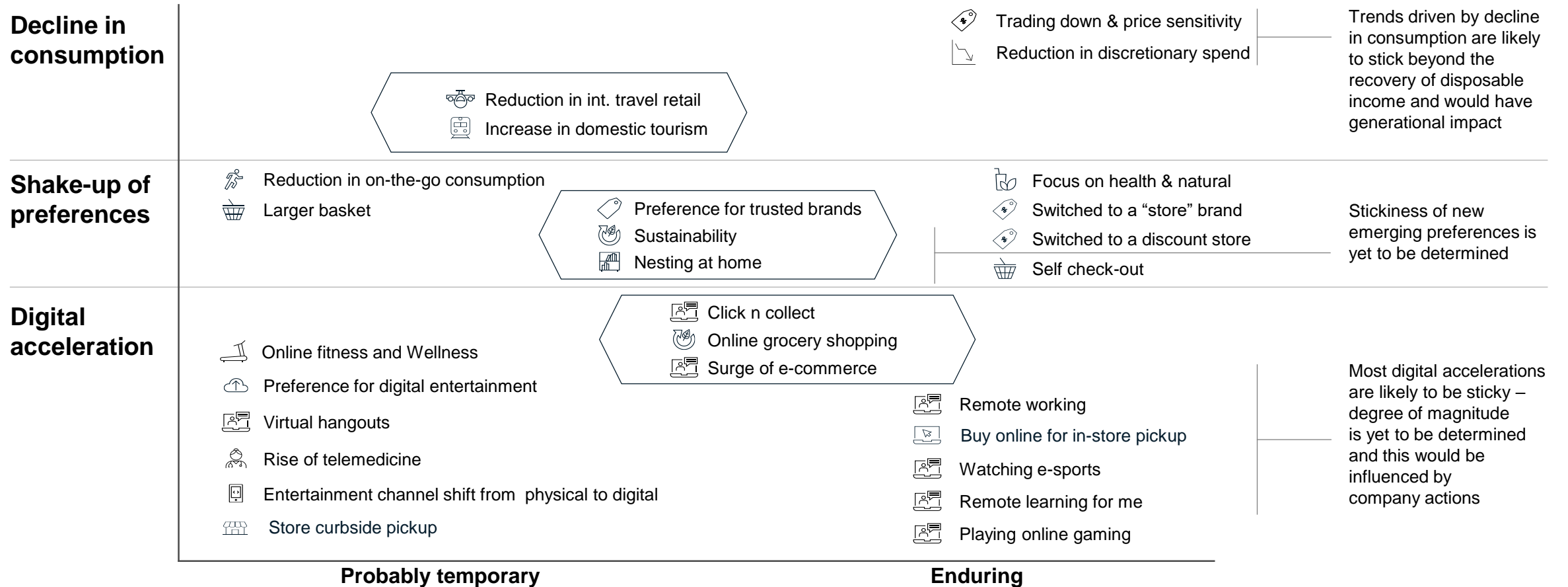
- Researching brand and product choices more before buying
- Finding new ways of shopping online
- Choosing online retailers more based on the speed of shipping/delivery times

	Out trying to make ends meet	Optimistic elderly	Still stable and secure	My income is jeopardised
Paying more attention to prices when shopping	47%	39%	43%	58%
Spend less money on superficial or irresponsible things	46%	39%	40%	55%
Looking for more ways to save money when shopping	51%	38%	41%	51%
Becoming more mindful of where I spend my money	49%	36%	36%	58%
Spend more time planning/making lists for shopping trips	35%	30%	31%	37%
Changing to less expensive products to save money	32%	21%	28%	43%
Buying more from retailers who use and promote sustainable solutions	15%	20%	24%	24%
Buying more sustainable/eco-friendly products	22%	23%	25%	25%
How they are taking care of the safety of their employees	15%	17%	23%	26%
Buying more brands based on the company's purpose/values	16%	15%	22%	23%
Buying more from large, national brands more than smaller brands	15%	12%	21%	17%
Researching brand and product choices more before buying	28%	22%	28%	33%
Finding new ways of shopping online	15%	15%	22%	27%
Choosing online retailers more based on the speed of shipping/delivery times	17%	16%	26%	28%

¹ Q: How have the coronavirus / COVID-19 restrictions changed the way you shop? Please select your level of agreement to each of the below statements, thinking about your planned behaviour after the restrictions will be lifted (and no vaccine is available).

Our first hypotheses of which behaviour changes could stick

◻ Jury's out



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**What are the potential
implications?**
Implications

What are the known knowns?

Huge

Macro-economic disruption on a scale not seen since our grandparents

Acceleration

By and large, radical acceleration of existing trends, and amplification of existing strengths (and weaknesses)

Multi-stage

It will take a long time to play out and will evolve in stages with false dawns along the way

Uncertainty

As one uncertainty resolves, another will replace it—deep systemic uncertainty is here for a while

Portal to new

On the other side of the long dark tunnel we will come out in a different world

Won't get there on autopilot

Autopilot



Fixed destination

Set the controls in advance

Long range forecasts

Passive monitoring—manage to deviation

Hide the details

Emergency flying



Multiple potential destinations/re-routing

Real time controls

Short interval loops

Continual tracking to live forecasts

Fingers on every dial

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