THE LOCKDOWN DIARIES

Contact Free Buying

17.04.20

MEDIACOM

THE LOCKDOWN DIARIES

It's the 26th day of lockdown.

As the world rapidly changes around us we see people in the UK pivoting their behaviours, shifting their attitudes and switching their intentions. It's essential that we stay on top of these changes.

At MediaCom we have launched the Lockdown Diaries. Each week we will be tracking and digesting key industry research to identify the Covid-19 trends that are most pertinent to your business.

We will also be getting into the homes of your audiences using Real World Britain, our ethnographic research tool powered by mobile and video

In this week's Lockdown Diaries we are looking at:

1. How are people feeling?
2. The Lock-In: with our eCommerce experts
3. Contact-free buying

Please get in touch with questions and ideas

Claire McAlpine
Joint Head of
Social Change Hub

claire.mcalpine
@mediacom.com

Pauline Robson
Head of RWI

pauline.robson
@mediacom.com

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Social Change Hub

HOW ARE PEOPLE FEELING?

People are still extremely concerned about the coronavirus situation

However concern is starting to decrease slightly from its peak just after lockdown. Similarly feelings of impact on daily life have fallen, though still remain at high levels.

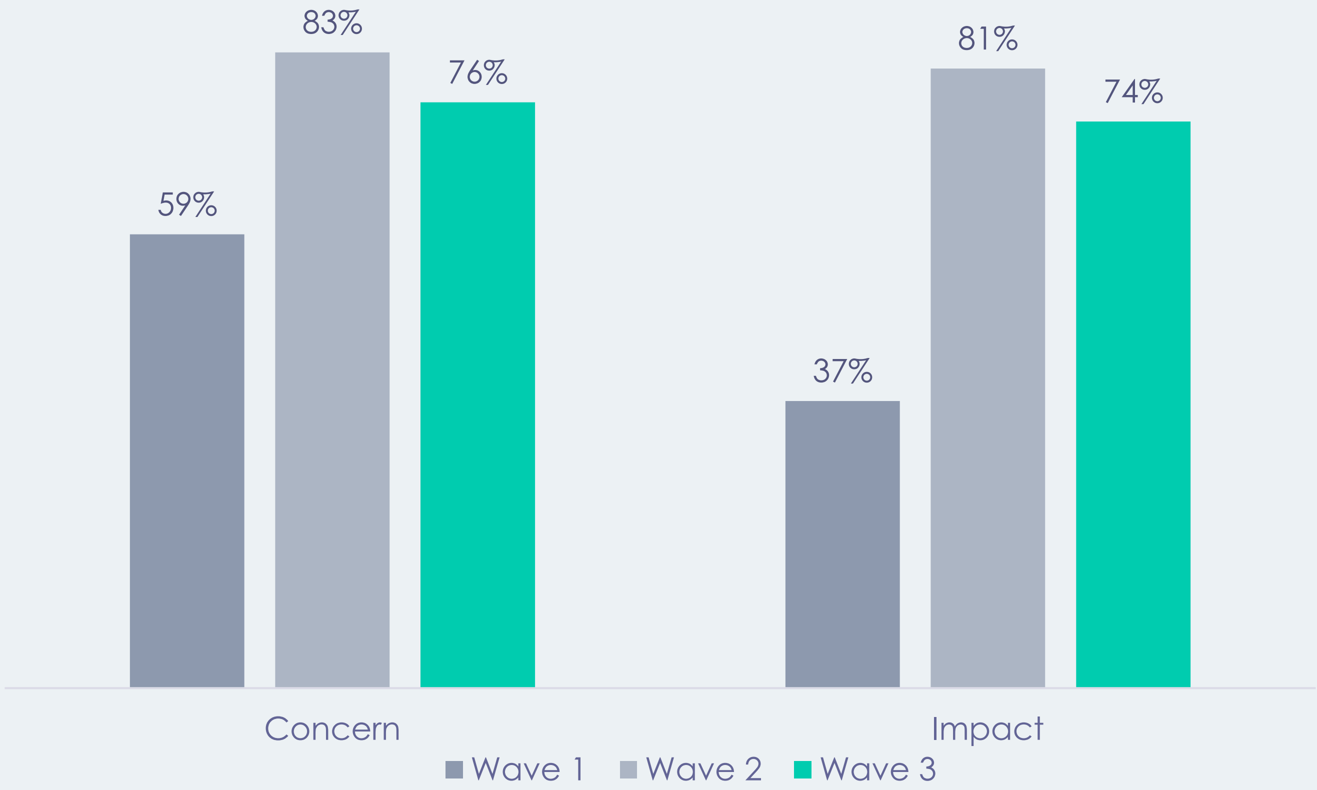
Wave 2 of this research was conducted in the week that lockdown started in the UK and this is reflected in the sharp increase, particularly for the impact of coronavirus on daily life

Fieldwork dates

Wave 1 – 13th – 18th March

Wave 2 – 26th – 30th March

Wave 3 – 9th-12th April



Listed below are some statements describing people's concern towards the coronavirus situation
- The current coronavirus situation concerns me hugely
- The current coronavirus situation is impacting my daily life

Source: Kantar Covid-19 Global Barometer, UK data

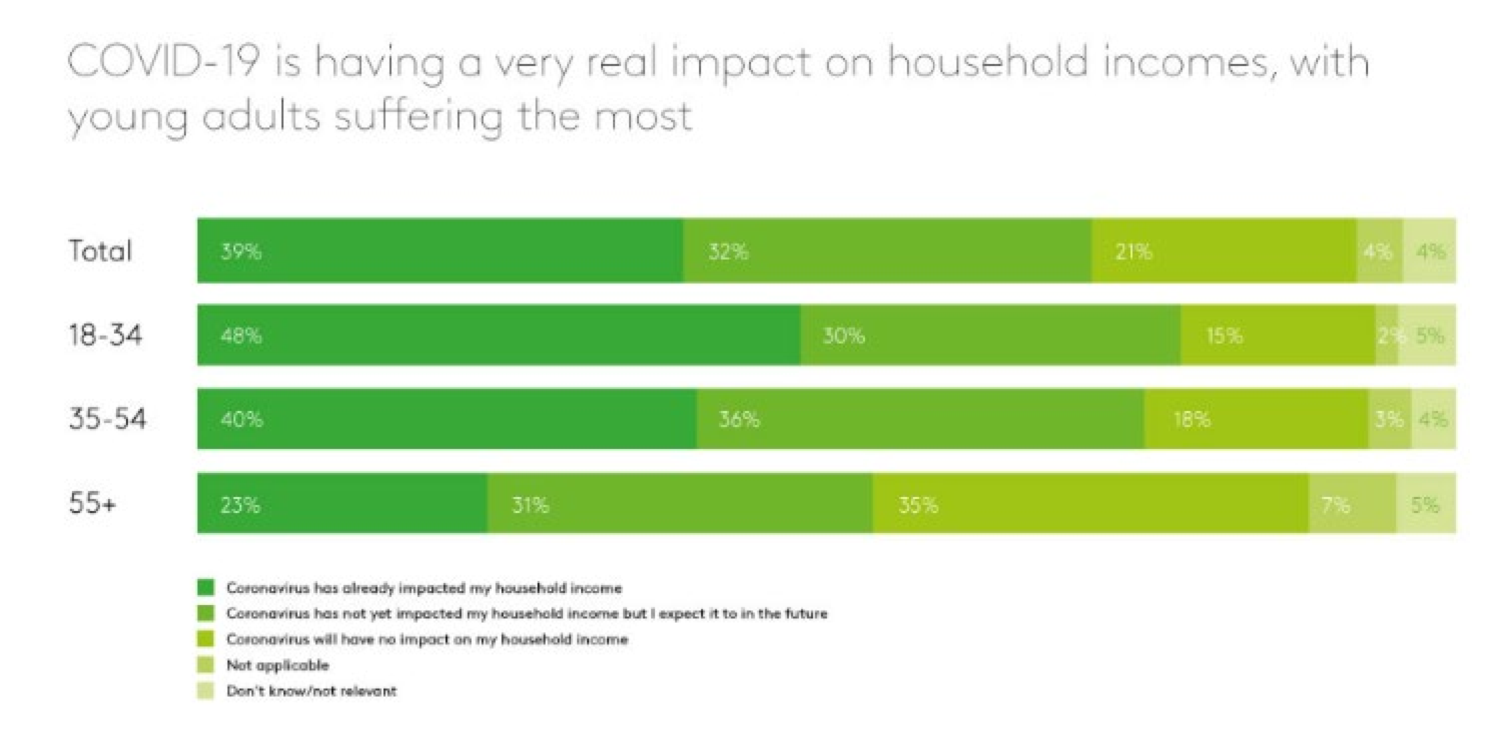
Concern is not only driven by fear of the virus itself

As we saw in our first update, Covid-19 is having a real impact on household incomes.

According to Kantar's Covid-19 Global Barometer **71% of people surveyed globally say that their household income has or will be impacted** by coronavirus. This rises to 78% amongst millennials, who are more likely to work in positions or industries that are at risk.

68% of people say the situation demands more proactive financial planning, and 60% are worried about the economy's ability to recover. (Source: Kantar Covid-19 Global Barometer)

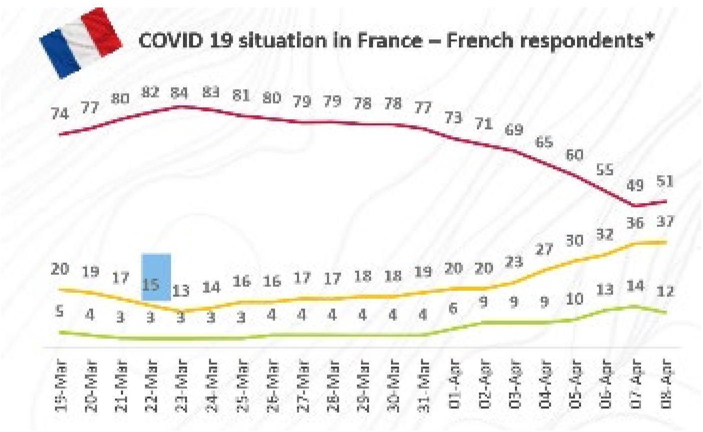
In the UK, **85% of people believe the economic situation in the country will worsen over the next 12 months** (Source: ONS Opinion and Lifestyle Survey)

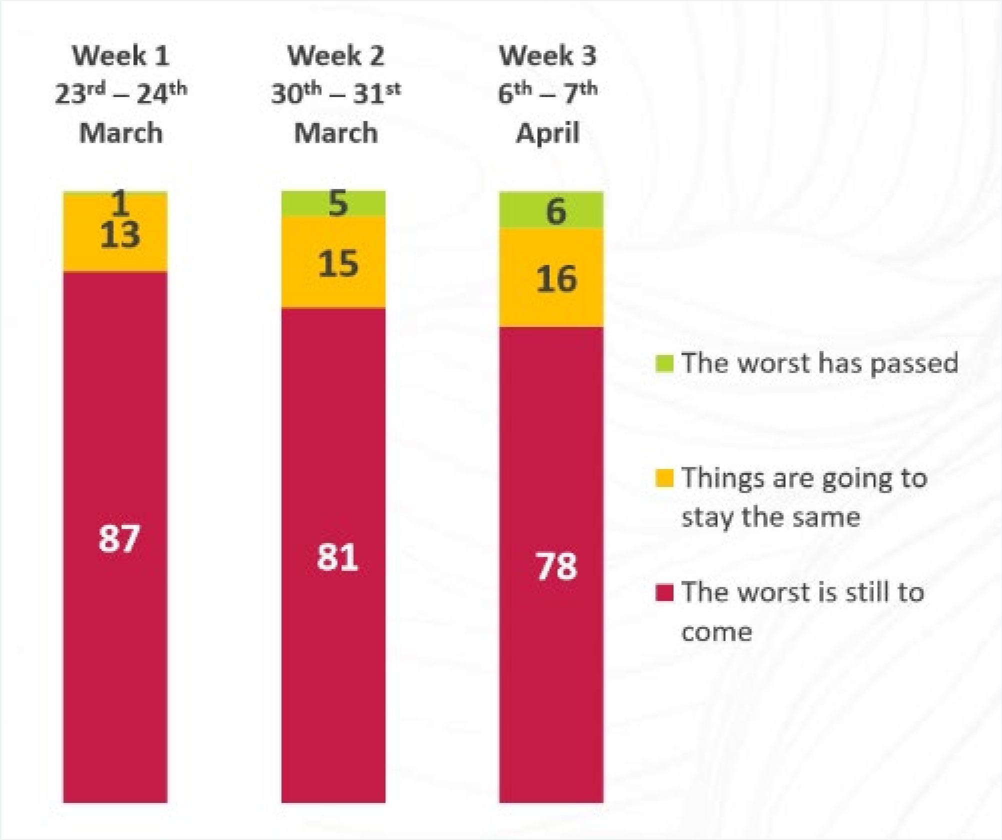


The majority of people believe that the worst of the crisis is yet to come

This number is down on the peak just after lockdown started, however **only 6% of people believe that the worst has passed**

BVA BDRC's research suggests that the UK is 10 days behind France in terms of sentiment





Regarding the situation of Coronavirus in the UK and the way it is going to change in the coming month, which of the following best describes your opinion? (%)

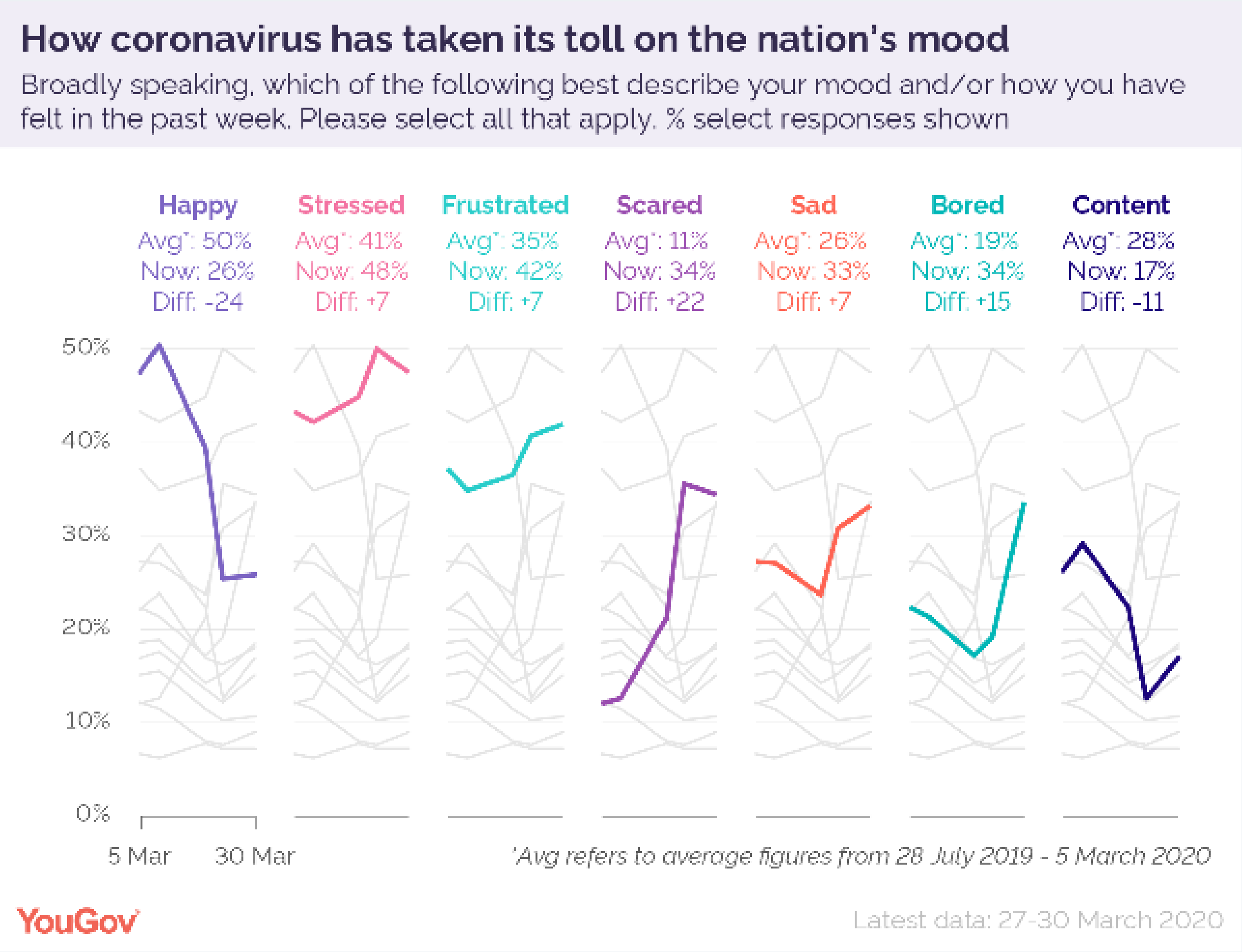
Source: BVA BDRC / Alligator

Negative emotions are on the rise as a result of the coronavirus situation

People’s experience of negative emotions has increased since the start of the crisis. People are more likely than before to experience stress, fear and boredom (Source: YouGov)

Nearly half of adults (47%) have reported high levels of anxiety according to the Office for National Statistics Opinion and Lifestyle Survey

Research involving a representative sample of 2000 people across the UK by the University of Sheffield and Ulster University observed a spike in depression and anxiety after the Prime Minister’s announcement of a lockdown on 23 March



People still want brands to offer reassurance and to be helpful

72% of people want brands to inform about their efforts to face the situation, 69% want brands to use a reassuring tone in their communications and **76% want brands to talk about how they can be helpful in the new everyday life**

Crucially, **advertisers should not exploit the situation to promote their brand** (Source: Kantar Global Barometer, UK data, Wave 3).

These findings are largely consistent with findings from the first wave of data, showing that what people need from brands hasn't changed since the start of the crisis.

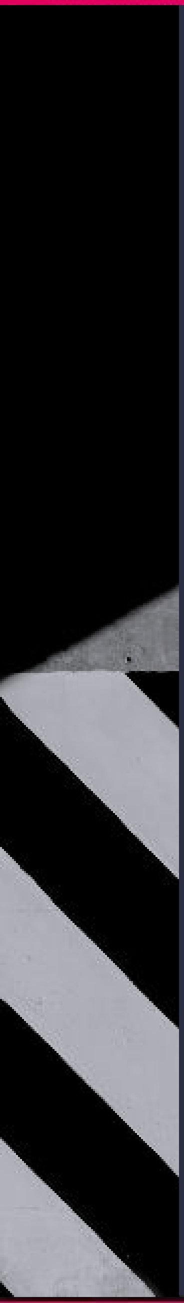
THE LOCK-IN

We can't get to a pub to discuss the state of the nation over a choice beverage.

So instead we're gathering our MediaCom experts in our virtual 'Lock In' to debate the key trends defining the post Covid-19 landscape.

This week we've invited our eCommerce experts – Richard Davies, Head of Digital and Conversion, Jenny Carrick – Head of Commerce, and Alice Fabre, Head of Theobalds Road Consultancy, to discuss their views on the pivot to online, the future of the high street and the importance of a good chocolate Easter egg.

For more information on any of the topics discussed, do please get in contact with our experts di



Claire: What has most surprised you about the rapid rise in online shopping?

Alice: The switch to online shopping is perhaps the least surprising thing about the Covid19 crisis, as we haven't really had many options for indulging our consumer desires! What has really struck me is the way in which so many online retailers have responded to what has been going on, giving their customers confidence in their policies and procedures for keeping Covid19 at bay, as well as keeping goods going out of their warehouses and to our front doors. Thank you Hotel Chocolat for my Easter hamper – I needed it!

We're seeing older, regional and lower income people have all been engaging more with online shopping

Claire: I've heard both anecdotally and from reading the data that new audiences are trialling different forms of online shopping. What are the biggest changes you've seen?

Alice: The enforced nature of the lockdown has really spread online shopping into wider audiences – as for so many things, you've either had to buy online if you can find what you're looking for, or do without. We're seeing older, regional and lower income people have all been engaging more with online shopping

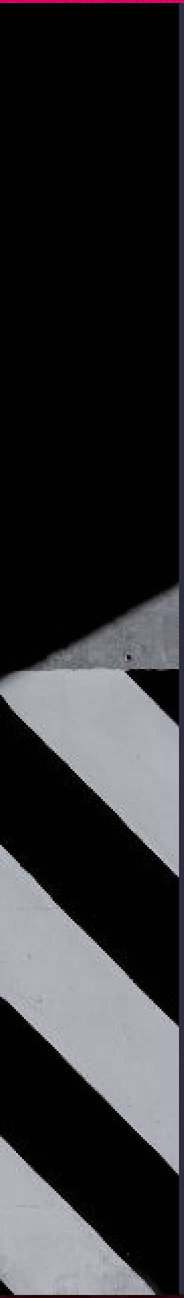
Jenny: Grocers are clearly benefitting from this online shopping trial. Arguably across non-perishable items & household goods, increased spending will in some cases have just brought forward purchases which would have been made anyway. So it's possible that there will be a sales trough in the coming months across certain categories where stockpiling occurred, but rate of usage did not rise

Claire: The brands that have most successfully pivoted to online sales during Covid-19 – the Amazons, the big grocers, the food delivery groups - have been admirably nimble. How can other brands be similarly nimble in responding to ecommerce demands?

Alice: In the first instance it's important for brands to cover the basics, reassuring their customers that their supply chain and their people are asking the necessary hygiene precautions to minimise virus related risks.

Richard: The cost of distribution is always going to be a challenge along with returns, plus the significant investments required in tech and data to deliver these new brand experiences. For example, how does the web experience meet the delivery and the usage experience – where do you invest most/first? And how are brands building these experiences to beat rather than match the category conventions? Expectations of a differentiated ecommerce experience are really going to heighten coming out of this period.

Jenny: eCommerce is undoubtedly booming, and I agree that the customer experience is crucial. From an omnichannel perspective, it's been great seeing the flexibility grocers



have been bringing to their click and collect options to limit personal contact in stores. We're seeing Australia and New Zealand increase their contact-free card purchases to cover weekly shops – approx. £100 ($200 AUD). In the UK Asda and M&S have pre paid contact free cards that customers can pre-load before shops with much higher upper spend limits that a typical bank card.

Alice: There is also a play for the future – brands need to improve their approach to contact free buying across all related channels…customer expectations are shifting and the new normal that emerges is going to need to cater for contact free buying, at the very least until a vaccine for Covid19 is widely available.

Claire: These are some brilliant tips. A lot of this is about focusing on the customer experience in contact free buying. So what can brands and retailers be doing to help ease customers through these new journeys?

Richard: "Contact-free buying" is a weird phrase – there are loads of contact points! Who is making the best use of these contact points – blind date or butler service? This is a really important time to be injecting *brand* into the new digitised experience. Customer experiences when shopping online can be awful, and those that get it right will win big.

We also need to think about how you design the brand into the emerging customer journey

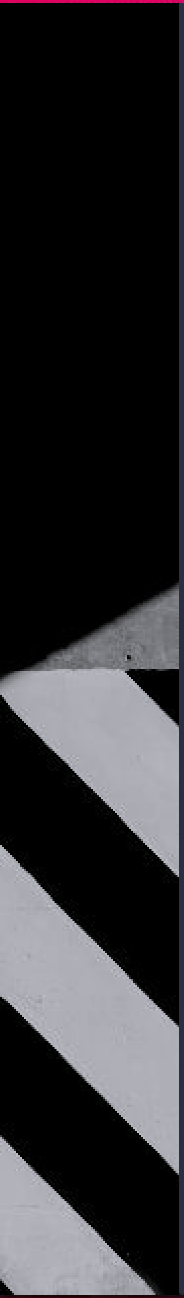
Jenny: Grocery products & household essentials can be purchased with minimum to no contact in-store thanks in part to contactless payment threshold being raised to £45 to cover higher AOVs. For those consumers able to get a delivery slot, grocers can facilitate contact free deliveries or contact-free click and collects

Richard: We also need to think about how you design the brand into the emerging customer journey. Most user experience testing actually designs brand & marketing *out of* these journeys. By focusing on tags, navigation, page load times, conversion rate stuff, single funnel optimisation, it rarely becomes in service of the customer. Digital transformation 1.0 was a cost cutting exercise in the main away from bricks and mortar. Now we need to focus on it as a key branded experience.

Claire: and where would you be advising brands to focus their attention to improve the ecommerce experience?

Richard: Owned and operated channels have never been so important to marketers. Lloyds Banking Group, Sky and Tesco have shown the benefits of focusing on this area, such as giving different audience segments differentiated customer journeys, including elderly, key workers, and vulnerable customers.

Jenny: I would recommend for brands to focus on your omnichannel experience. In the same way that people have got used to shopping more online during lockdown, it's unlikely that once this is lifted you'll only shop this way. So make sure you are giving people choices about their shopping experiences.



In-store purchases haven't gone away. In fact only 15% of households received an online grocery delivery in March.

Richard: Data is also important. For example, make sure you are using your actual customer data to trigger content that is displayed on these platforms to create long lasting loyalty and behaviour – if you know me, show me. You also need to consider the roles of SEO, chat and Voice. Think about how people will type, tap and talk with your brands. Make sure you are helping people navigate the platforms and find the services they need, Voice is our natural language, messaging is a curious second nature, typing is like an official form of letter-writing. What relationship do you want to have with your customers?

Claire: So do you think any of these online shopping behaviour changes will be permanent post Covid-19?

Alice: An experiment was conducted after a strike on the London Underground where people had to take different than usual routes into work and continued to do so after everything reinstated. This shows that our behaviours are led by habits and once those are broken, they can be replaced by new routines. So some people who never shopped online before Covid-19 and have tried it during the crisis will certainly opt for online shopping post crisis. Once everything goes back to 'normal', everyone will be back to their busy lives and will look back on the convenience of online delivery. There will also be a fear factor that persists and encourages people to shop for certain items online

Jenny: Whilst shopping habits are likely to be changed forever and there will undoubtedly be long-term eCommerce growth, in-store purchases haven't gone away. In fact only 15% of households received an online grocery delivery in March. Whilst in large part due to vulnerable people and key workers being prioritised for delivery slots, it shows that people are still needing to go in store.

Richard: Where we see more people trialling online shopping, I think these behaviours will become both cemented and accelerated. As we've seen with people using Microsoft Teams and video messaging apps, there has been a big shift in digital behaviours.

Jenny: Yes, Covid-19 has forced a change in consumer consumption habits. Which in turn has artificially driven the eCommerce behaviour we're seeing become a norm. There will be some groups of people who have enjoyed their new online shopping experience and relish the convenience of home delivery. I suspect that more typical shopping behaviour will resume as lockdown is lifted. Ultimately it's all about choice. Choice is very limited currently, in all aspects of life.

Richard: We should consider that this online shift could be another body blow for the high street and similarly for the out of town superstore malls when you have Amazon on one click buy – local communities will come back together, how will the high street reform to meet the needs of the community ?

CONTACT FREE BUYING

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WHAT'S HAPPENING?

- **Half of us have had our finances impacted** - Financial concerns are setting in and people are becoming more cautious with their spending
- **Still a place for hedonic spending –** but we're not just spending for utilitarian reasons, we still need to give ourselves little lifts from gin cocktails through to boxes of hair dye
- **The appeal of online shopping has broadened -** New online shoppers are older, have lower incomes and are more regional
- **Offline sales are still key to grocery** – whilst online has seen a rapid shift in penetration, offline sales still account for vast majority of grocery sales
- **Omnichannel will become the new norm –** as people seek different touchpoints to find products, omnichannel journeys will increasingly happen across multiple touchpoints

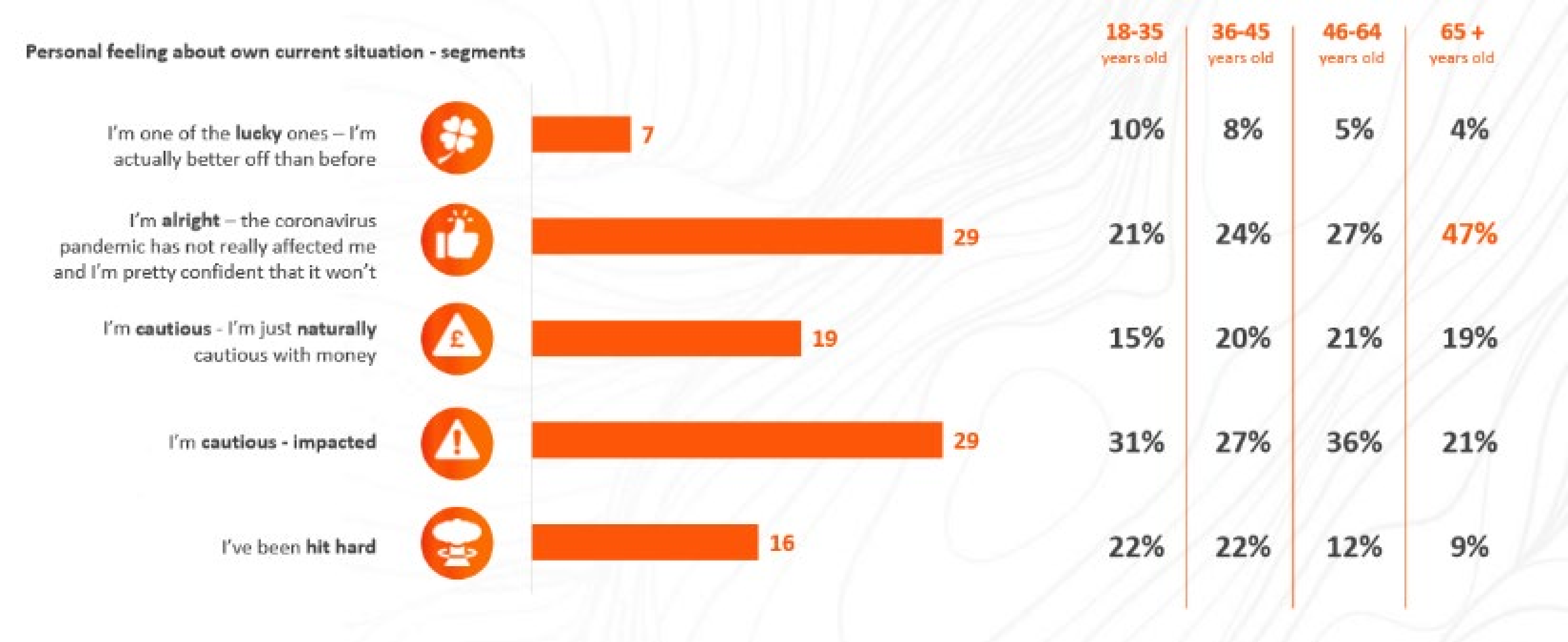
IMPLICATIONS & OPPORTUNITIES

- **Design your brand into these new customer journeys** – as online penetration rapidly increases and competitors are adapting their eCommerce services, how can you inject your brand into the journey?
- **Accessibility should be a priority** – as online shopping audiences change, how should you be adapting your touchpoints to be more accessible?
- **If you can't remove friction from the journey, make that friction more positive** - many online shopping journeys can be bumpy at the moment. Try to turn any friction into a more positive experience. Where can you offer a little surprise and delight to the experience?
- **Use data to stay on top of these rapidly evolving trends** – from your own 1st party data through to 2nd and 3rd party. What data should you be using to rapidly adapt your ecommerce?

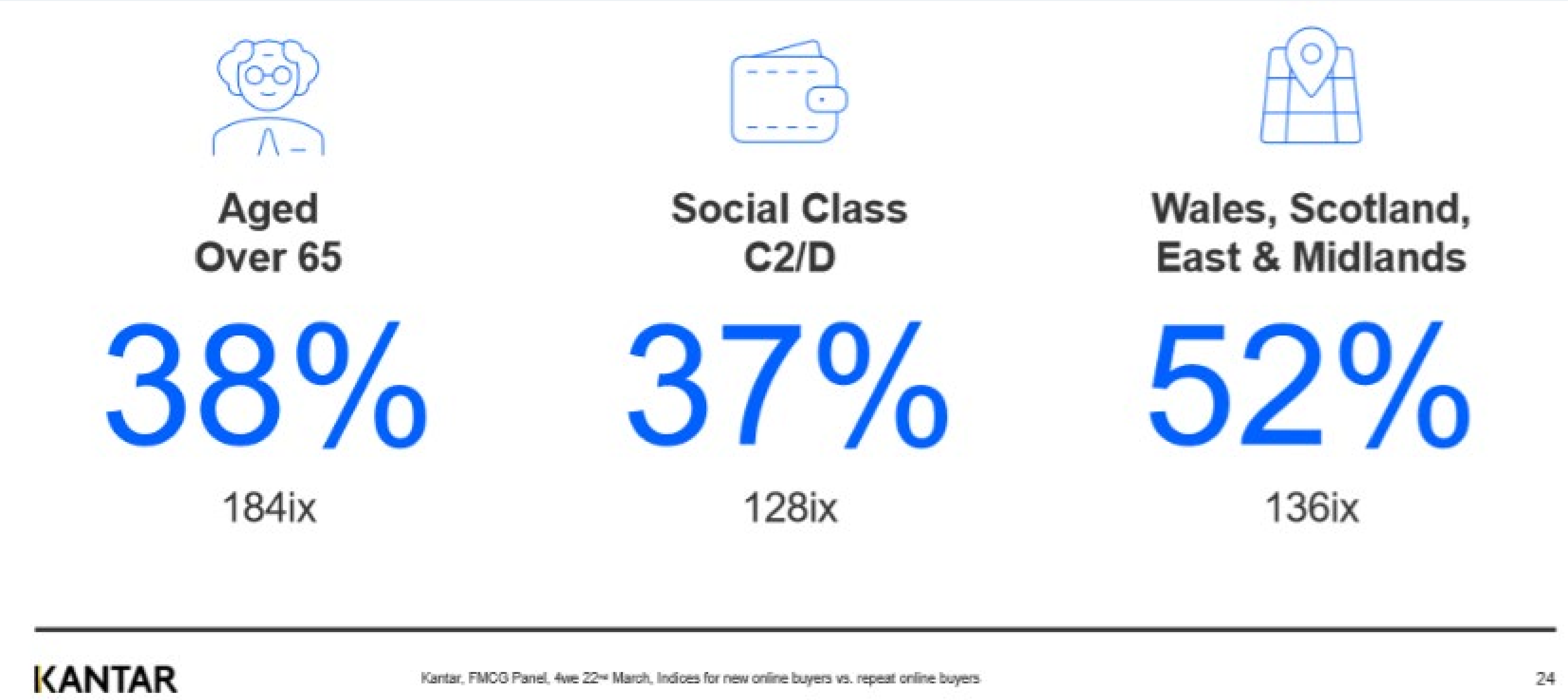
3 weeks into lock down and nearly half of people have had their finances impacted by Covid-19

Nearly **1 in 3 people say they are being more cautious with their spending** and 1 in 6 people say their finances have been hit hard by the Covid-19 health crisis.

Source: BVA-BDRC April 2020



Despite financial concerns there has been a huge, and necessary, shift to online shopping



Kantar predicts that online **grocery sales could comfortably go from 7% to 10% share**, if supply constraints were removed during lockdown. And this is even without an influx of new shoppers.

But there are many new shoppers online, and **March was a record month for online penetration**. Annual penetration increased by 0.5%, an incremental 140,000 households.

New online shoppers are older, have lower incomes and are more regional – demonstrating a broadening of appeal.

Source: Kantar April 2020

The retail sector has been hit hard as high street visits radically drop

But not all behaviour is shifting online in the same volume. The pandemic has continued to affect the retail sector, particularly in the UK.

ASOS have announced a 25% drop in sales. Oasis and Warehouse have fallen into administration.

BRC-KPMG found on Thursday that **retail sales in March dropped to their lowest decline on record** as the pandemic took its toll on the sector across the UK.

The year-on-year total sales decline of 4.3 per cent in March was the worst ever recorded by the BRC-KPMG monthly survey.

There is still a need for 'hedonic shopping' in lockdown

There are broadly two motivations for shopping.

Utilitarian motivations are functional, urging us toward buying necessities, especially when we perceive scarcity.

Hedonic shopping is driven by our desire for fun, entertainment and satisfaction.

Research by Arnold and Reynolds published in the International Management Review identified **6 types of hedonic shopping**

Source: vox.com

Adventure shopping	Gratification shopping	Social shopping	Idea shopping	Role shopping	Value shopping
For stimulation and excitement	To enhance mood	To experience pleasure from interacting with others	To stay current with trends	To gain pleasure from buying for others	To gain pleasure from findings deals (but not always buying)

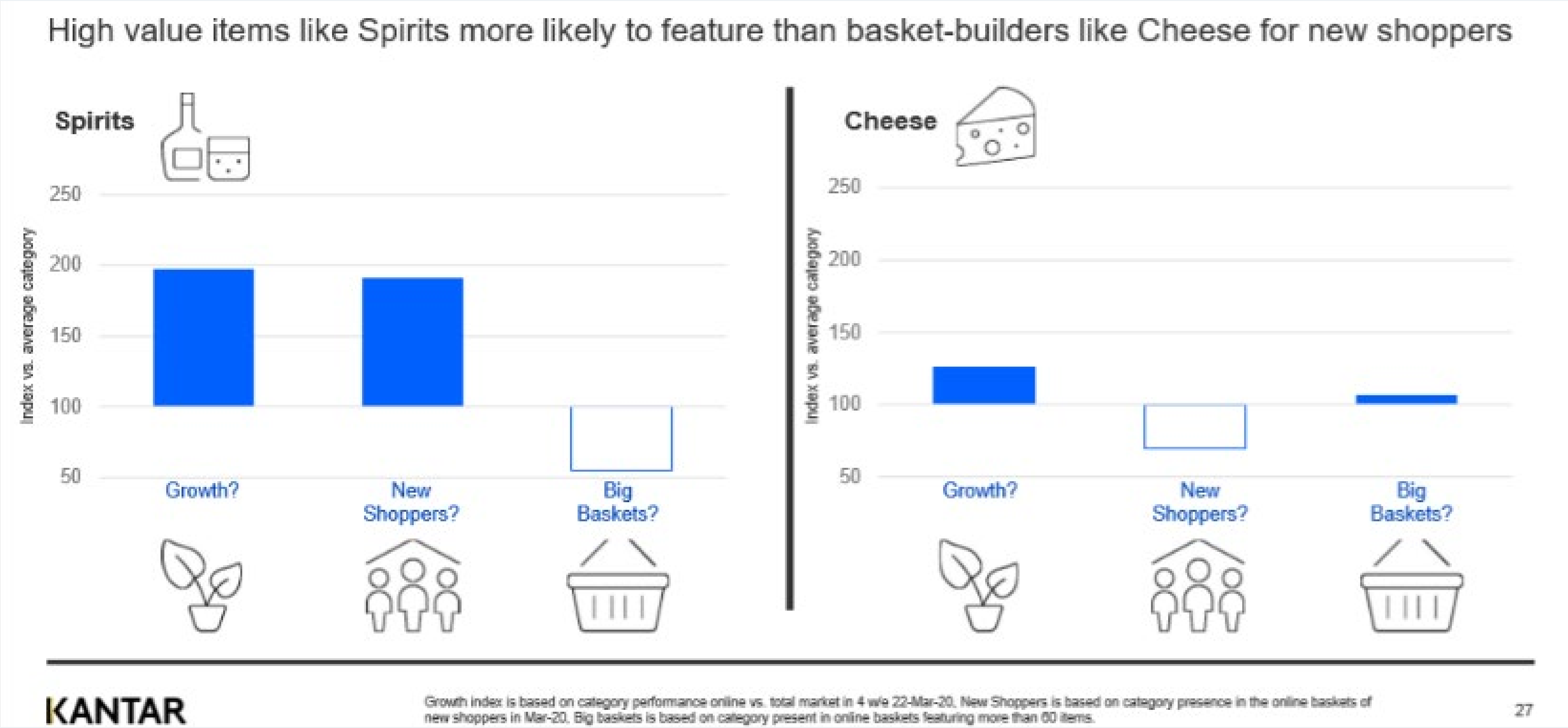
Routines are key to human wellbeing - we’re trying to replicate these in lockdown

Substitutes for real life are everywhere: **alcohol sales have increased by 22%,** an additional £199 million in the past month. Missing coffee shops, people have been stocking up on coffee beans and oat milk.

For some, the go-to hedonic quarantine product was recreating experiences in bars through high quality products for cocktails

“Knowing I would be isolated, I wanted to treat myself, I went to five different stores and couldn’t find Fever-Tree anywhere. All these virtual happy hours, what am I going to drink during them?”

We’re craving a few symbols of normalcy in the midst of a terrifying situation



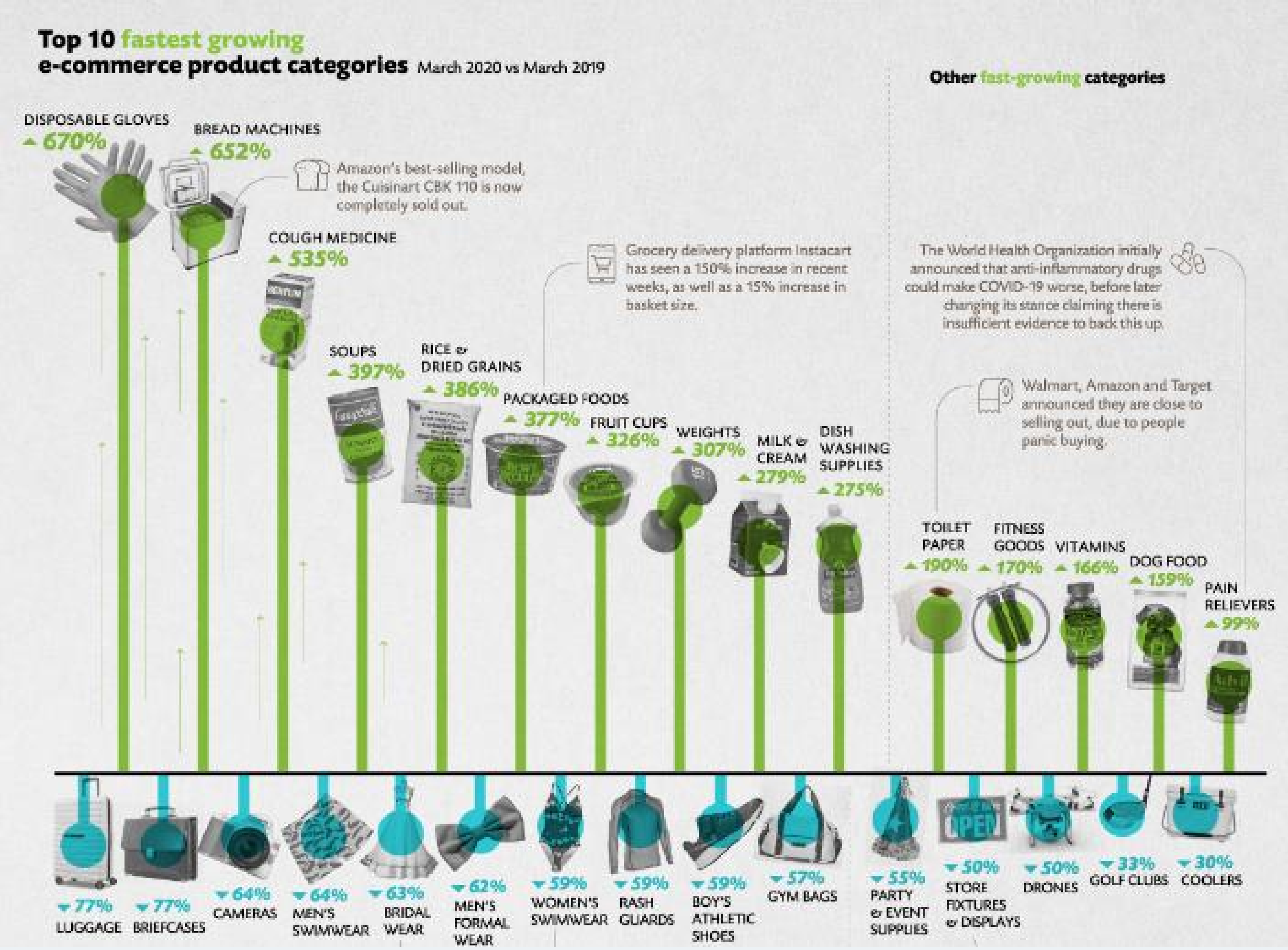
Source: Kantar, April 2020, vox.com

Ecommerce is fuelling a nation of bakers and fitness fanatics

It’s unsurprising to see that the fastest growing product categories reflect health and hygiene needs. Disposable glove sales have increased by 670%, cough medicine by 535% and vitamins by 166%.

Possibly more surprising has been the rise in bread maker sales, which has increased by 652% yoy. But given the difficulty in accessing fresh goods, and the comfort and (child) entertainment that can be derived from baking, it’s not that surprising after all.

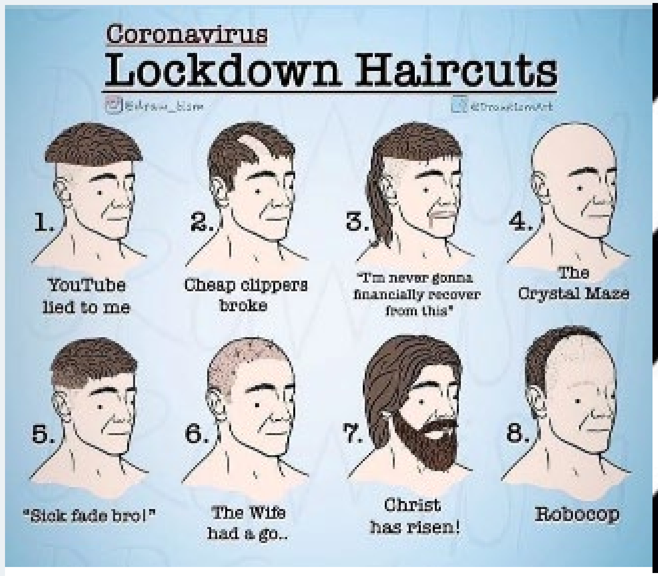
Source: [visualcapitalist.com]() – US online sales data

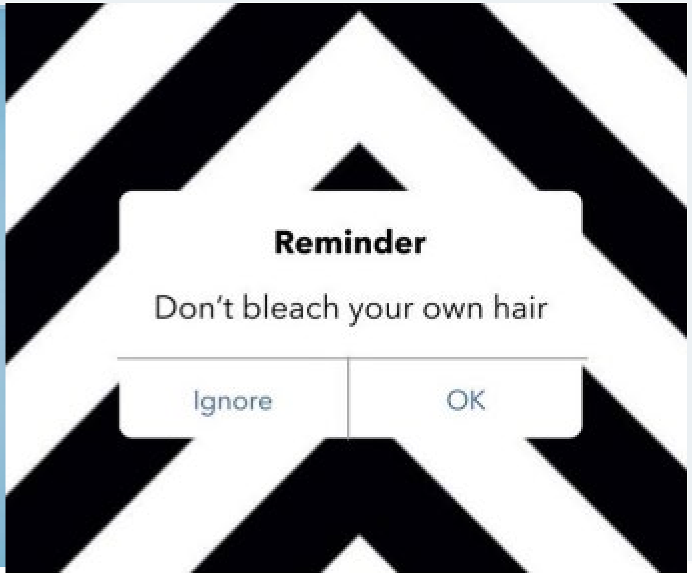


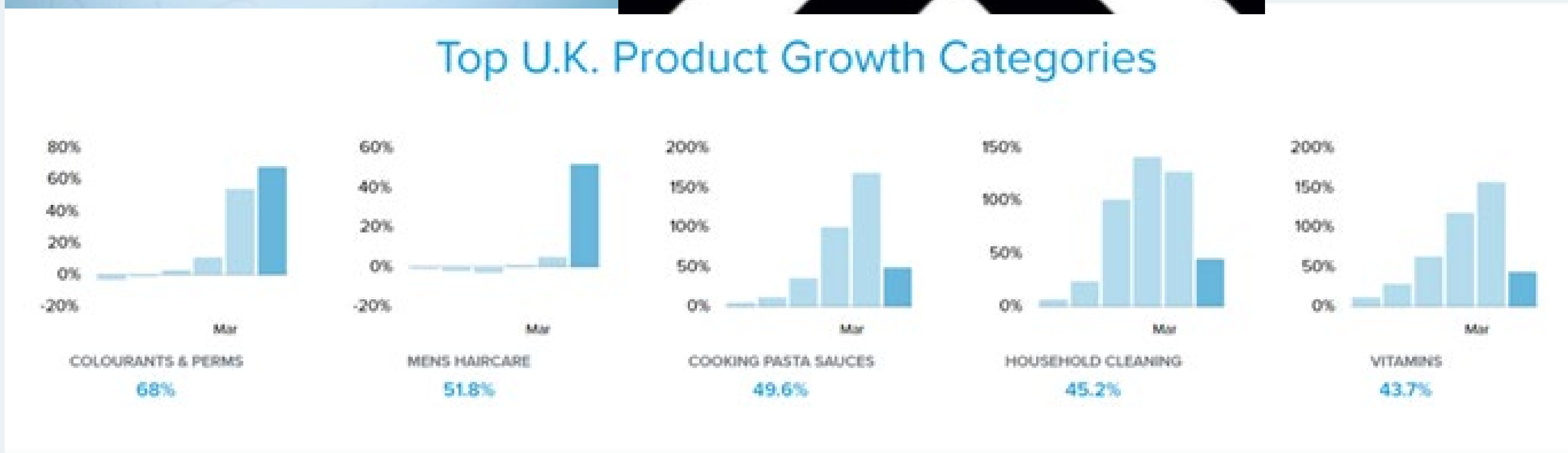
DIY hair cuts and boxes of hair dye are getting us through lockdown

Now hair clippers and hair dye are flying off shelves. After stocking up on food and consumable products, shoppers turned to puzzles, games and other timeless forms of entertainment as well as education, he said.

Now, sales are showing that — without the ability to venture to a hair salon — folks are needing a haircut, More beard trimmers and hair colour is being bought. DIY hairstyles will be en vogue SS 2020







Whilst online sales are growing, the fastest increase in grocery sales is still offline

Sales grew faster offline than online in March.

Whilst there were more shoppers online, the big growth in trips was offline. The unplanned nature of pre-lockdown shopping did not lend itself well to e-commerce.

As such, the on-line share values has declined to its lowest level for 2 years – currently at 7% (down -0.6% yoy).

Source: Kantar April 2020

	More Shoppers	More Often	Buying More (Packs/Trip)	Paying More (£/Pack)
Total Market	+1%	+15%	+5%	+1%
Online	+8%	-2%	+5%	+1%

KANTAR

Kantar, FMCG Panel, 4we 22nd March 2020

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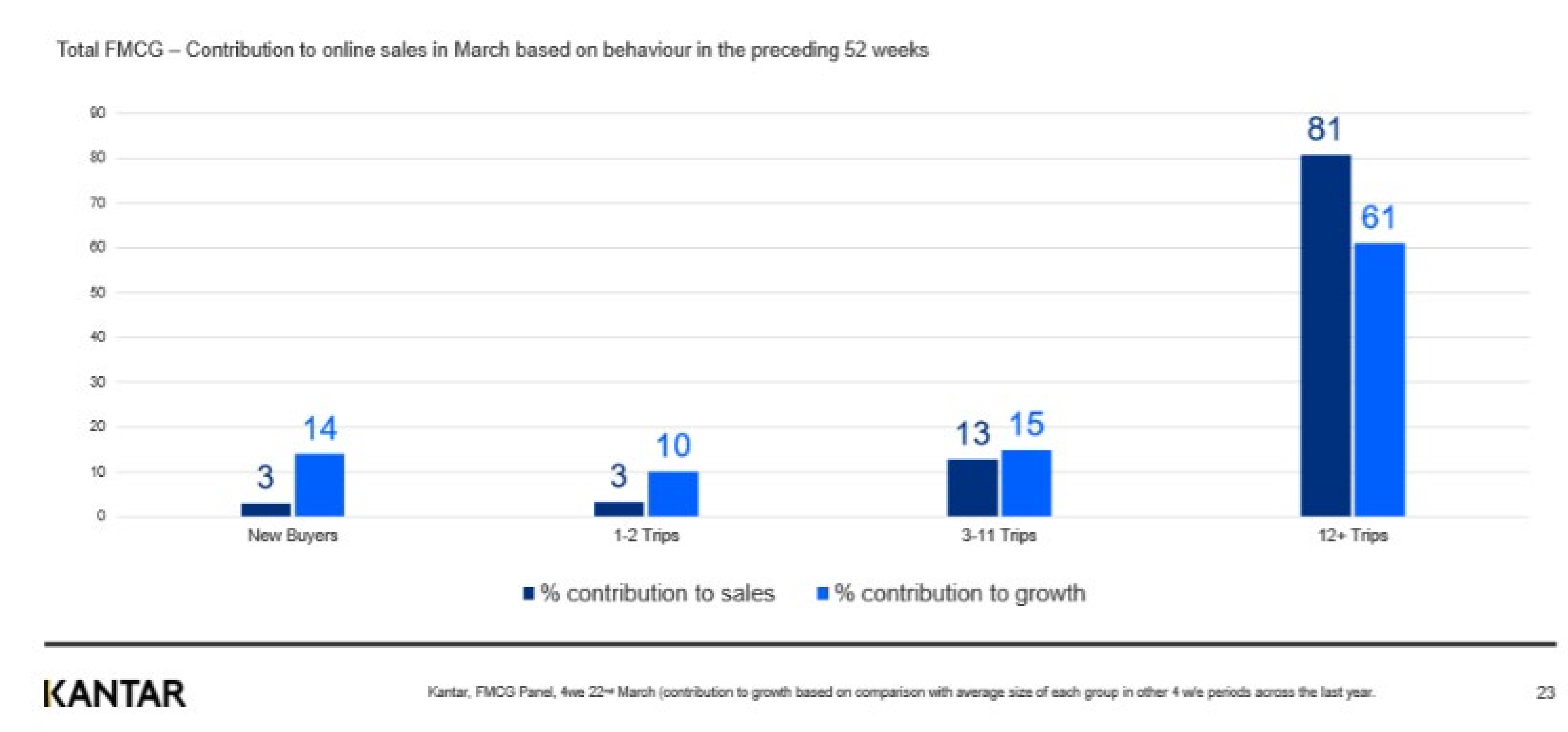
New buyers are driving the growth in online sales, but a hard core of heavy buyers account for the volume



Multiple shopping touchpoints increase as ‘omnichannel shopping’ becomes the new normal

Omnichannel readiness is defining the survivors and thrivers in the retail space.

As online deliveries are limited and access to grocery products still, in the main, requires shoppers to visit a store, **shoppers are becoming increasingly ‘omnichannel’** in their shopping.

Those retailers who were able to pivot their delivery and click and collect services to respond to increased demand are seeing surges in their sales.

Uber Eats and Deliveroo are facilitating sales from both grocers and local corner shops

Source: Kantar April 2020

"Between 85% and 90% of all food bought will require a visit to a store…."
Dave Lewis

“We cannot deliver to more than 250,000 homes in any given week”
Ocado Blog

“We want our fulfilment centre associates to focus on receiving and shipping the products customers need most at this time.
Amazon”

Shoppers are stocking up through online shopping

Whilst it would be inaccurate to describe this behaviour as panic buying, Kantar data does suggest there is evidence that shoppers are stocking up.

Shoppers added more items to their online baskets in March, with a particular increase in larger baskets.

An additional 600k shoppers added 60 + items into their shopping baskets compared with the same time last year.

Source: Kantar, April 2020

Restaurants and local food shops have quickly pivoted to offer deliveries

As the Government first recommended social distancing within restaurants and cafes, and then banned them from opening, these services quickly pivoted to food deliveries.

Revenue in the UK online food delivery segment stands at a healthy £4,215m so far in 2020, up 11.5% in the year to date versus the comparable period of the last year.

According to Statista, the total number of users is also on the rise. In 2020 the there were 22.5m users, representing an increase of 9.8% on the same period in 2019.

As access to printed news is reduced, we're seeing people pay to access the content they value

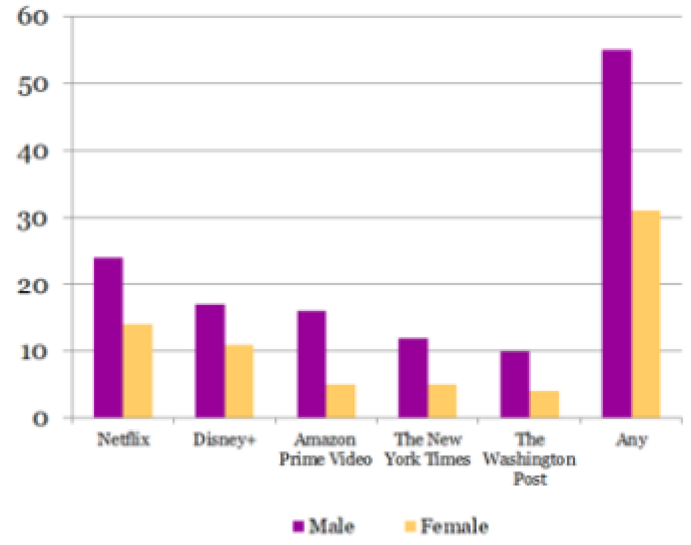
There has been a greater willingness to pay for valued services, including news.

FT trial subscriptions have increased, the Guardian have seen a 50% month on month increase in financial supporters and 190k new customers have signed up to home delivery of The Times or The Sun.

Source: Guardian, April 2020

There's a greater willingness to pay for valued services including news

UK and US, Subscriptions during COVID-19
May pay for service that didn't have before outbreak, % of consumers



x10 FT free trial subscriptions

+50% month on month Guardian financial supporters

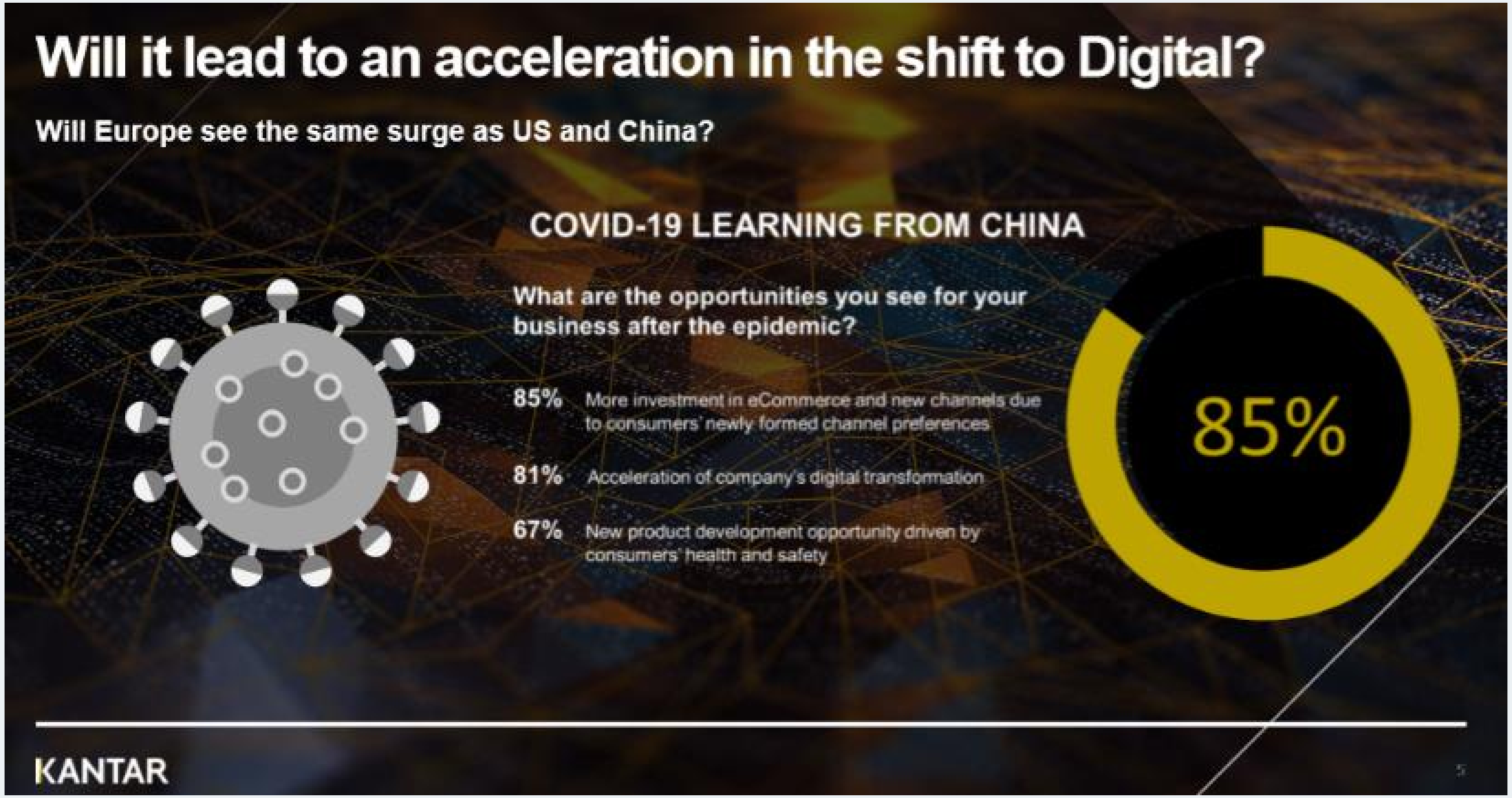
190,000 new customers have signed up to home delivery of The Times or Sun

+200% year on year Telegraph new subscribers

Source: GlobalWebIndex, Coronavirus Research: Travel & Commuting, March 2020 / The Guardian, Press Gazette

The Guardian

Investment in ecommerce and new channels increased by 85% in China



Overcommit to a digital storefront

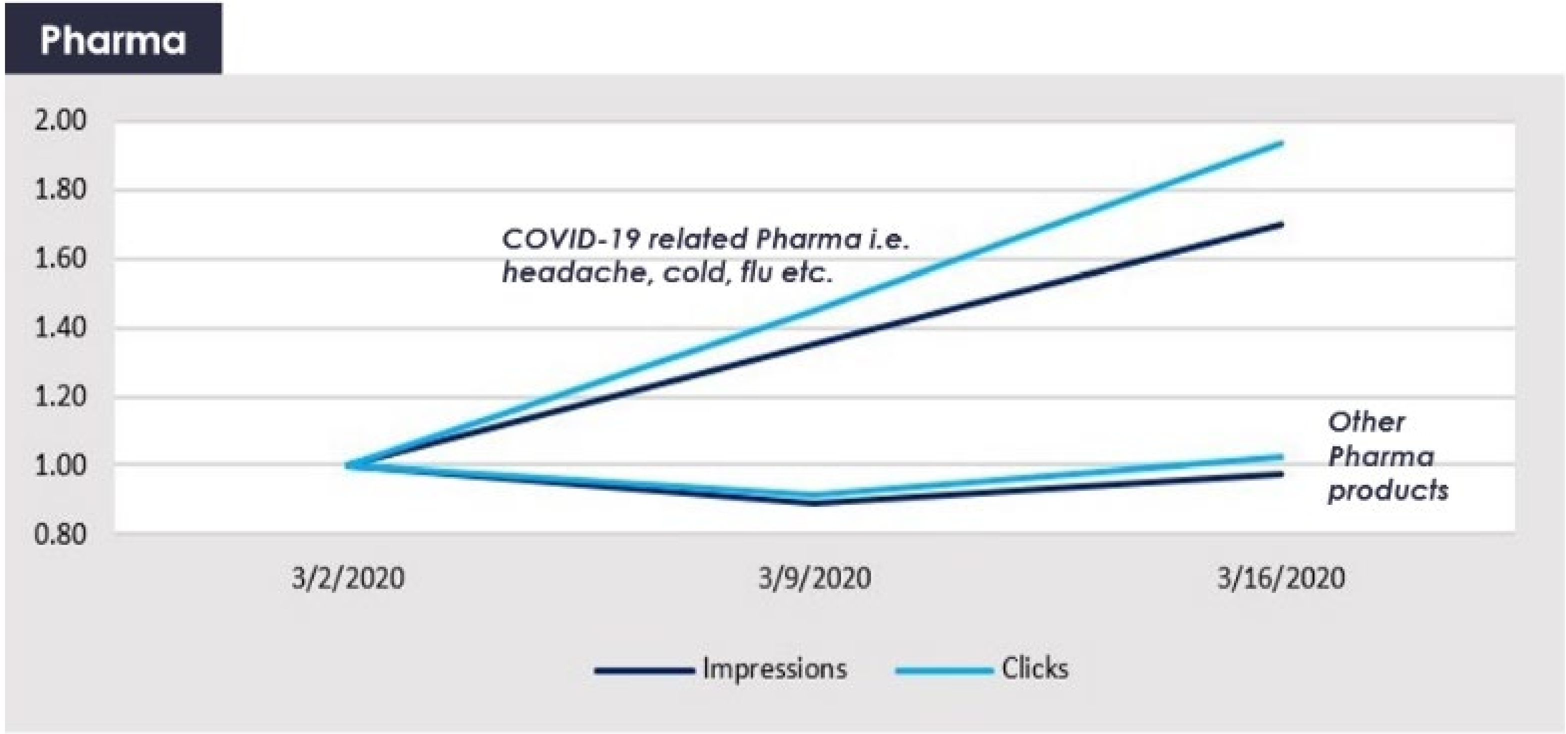
First, the good news: many consumers are still in market for “non-essential” goods during the crisis. Over the past three weeks, for most MediaCom clients that have established online storefronts (e.g. electronics, apparel, home goods), only a small drop in demand is being seen, with little to no impact to on-site conversion rates vs pre-crisis.

As you would expect, Covid-19 relevant categories are seeing significant uplift in digital interest, e.g. search volume and traffic to Pharma brands has doubled.

Digital storefronts are the new starting point of customer journeys. Make sure you:

- Implement lead capture mechanisms
- Leverage digital data for real-time insights and nascent consumer demands
- Reduce friction and make any unavoidable friction ‘positive’

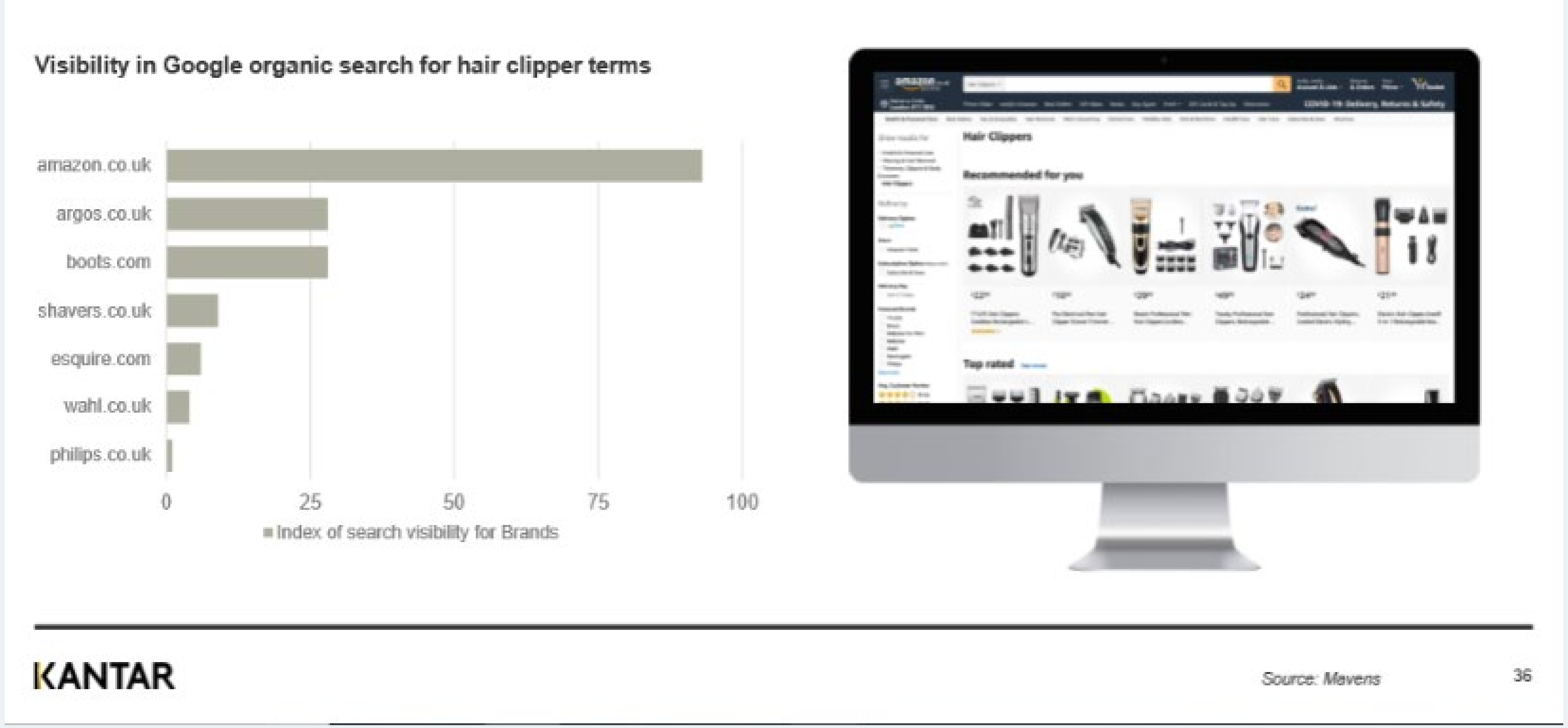
Source: Group M Internal Search data



Make sure your brand can be found at point of need

Journeys are being reset to off-site Search, but brand websites often fair badly vs eRetail platforms

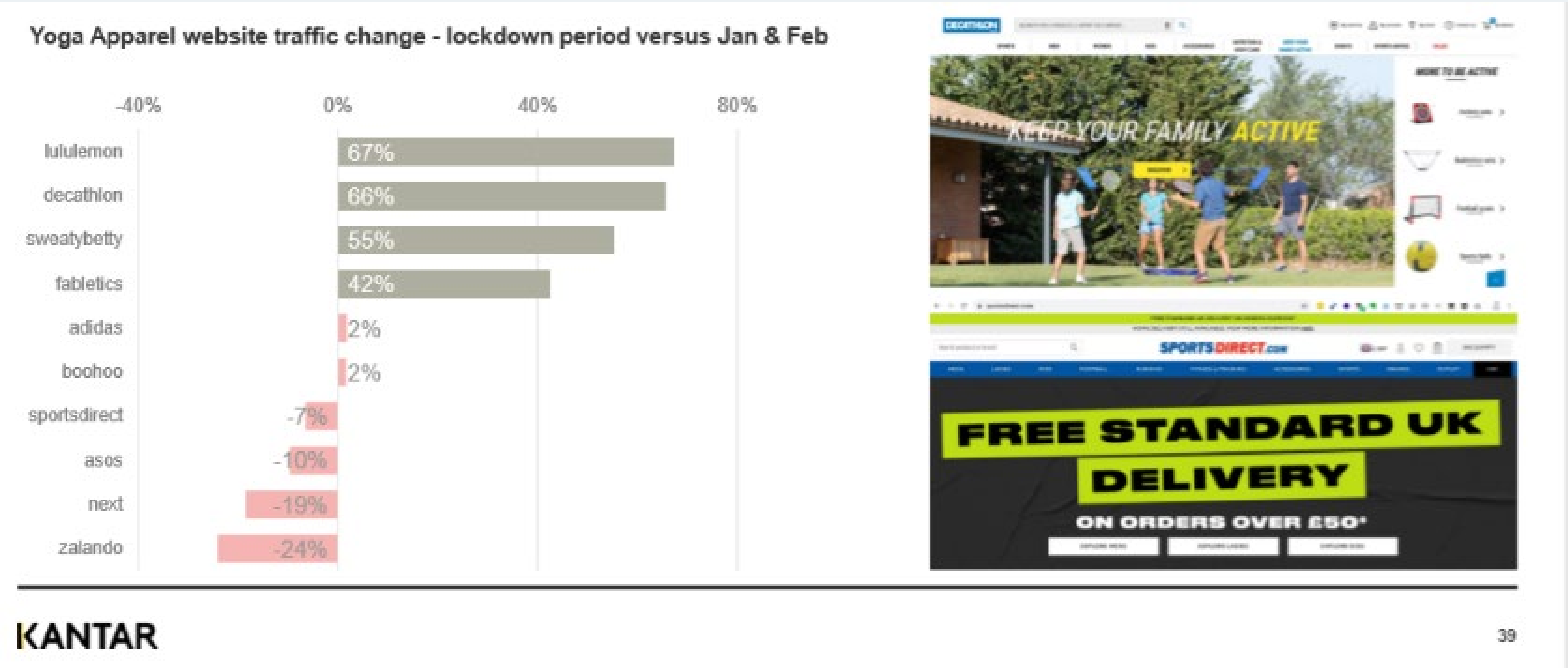
Source: Kantar, April 2020



Brands with strong propositions and great content are winning

Some brands are able to make more of the ecommerce opportunity than others, as we can see with these performance stats from yoga apparel websites post lockdown

Source: Kantar, April 2020



CONTACT FREE BUYING

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- **If you can't remove friction from the journey, make that friction more positive** - many online shopping journeys can be bumpy at the moment. Try to turn any friction into a more positive experience. Where can you offer a little surprise and delight to the experience?

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