

Global Consumer Products Retail | October 2020

Future Consumer Index: How to capture the real e-commerce opportunity

The EY Future Consumer Index on behavior and sentiment identifies the scale, scope and stickiness of the deep pivot to online shopping.

Four segments describe how the pandemic is affecting consumers today, as life with “Deep COVID” becomes normalized.

Thirty-nine percent of consumers will shop more online for things they used to buy in stores.

The move to online shopping is creating multi-billion-dollar value shifts, but where and how that value emerges is different across markets and categories.

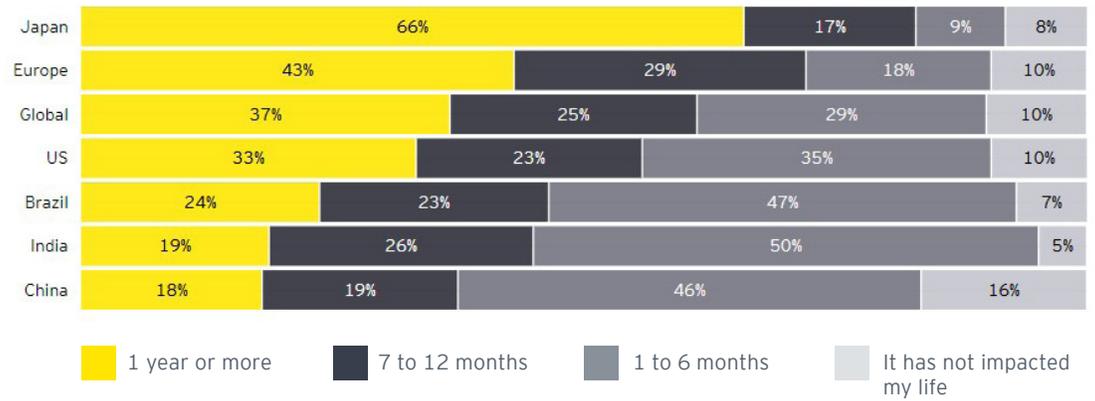
It’s almost a year since the first COVID-19 cases were recorded, and it’s clear that this period of acute uncertainty will be with us for some time yet. We’ve moved from peak COVID to what might be called “Deep COVID.”

Even as new waves of infection surge globally, consumers are moving away from the initial shock of living with a pandemic and moving towards an acceptance that “this is how things are for now.” Many are still reflecting on how they plan to live differently in the future, but with the restrictions and challenges of daily life becoming business as usual, the majority of consumers are doing their best to get on with things.

According to the [latest edition of our EY Future Consumer Index](#) – the fifth in the series – 37% of consumers think the COVID-19 pandemic will keep impacting their lives for at least another year. This rises to 43% in Europe and 66% in Japan. Consumers in India and China are noticeably more optimistic.

How long will it take for the fear of COVID-19 to stop impacting the way you live?

▶ [Experience the interactive chart](#)



One clear impact of the crisis so far has been the rapid transition to online shopping. Globally, 37% of consumers believe the way they shop will change over the long-term and 39% say they will shop more online for things they used to buy in stores. The speed of this transition to digital has challenged consumer-facing companies. Among the most pressing questions that business leaders want to answer are where and how this continuing online surge will make itself felt, and what will stick?

Given consumers are settling in for the long haul, we've used the data from this edition of the Index to re-segment consumers based on how they are being affected and how they feel about the future. Our four segments shed valuable light on how the consumer's shopping intentions and expectations vary across different categories, channels and markets, and how they plan to change their spending during this year's holiday season. This is creating multi-billion dollar shifts across channels globally. Below we share some questions to help leaders respond.

How are consumers coping?

The pandemic is clearly taking a financial toll on many consumers and putting them under great emotional stress.

40%

have seen their incomes decrease

60%

are thinking more carefully about how they spend their money

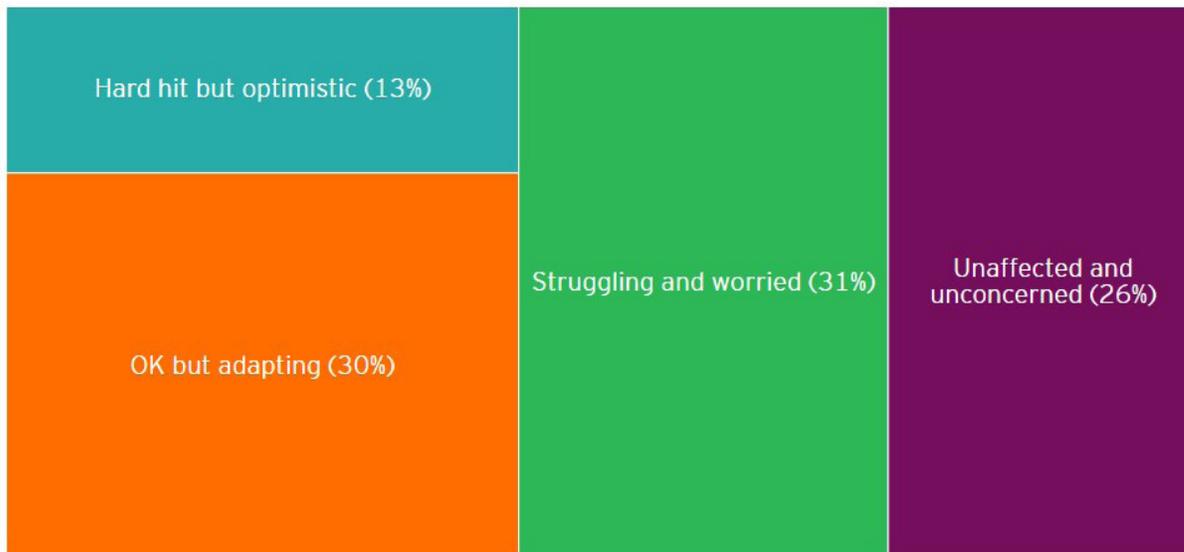
41%

have cut spending on non-essentials

46%

are postponing the purchase/replacement of big-ticket items

Four segments describe the consumer



▶ [Experience the interactive chart for more information on the four segments](#)

31% are 'Struggling and worried'

These consumers are highly concerned about many aspects of their life, particularly their health and the health of their families, their personal finances, and the economy. Many of them have suffered a financial loss. They are changing their behaviors to reduce outgoing costs and limit their exposure to COVID-19.

They are the consumers most likely to think it will take at least a year before the fear of COVID-19 stops impacting the way they live their lives. And they are the least likely to feel like they are coping and in control of their lives. They are more likely to be unemployed or to have had their employment suspended due to COVID-19. Forty-seven percent are in the Millennial or Gen Z generations.

30% are 'Okay but adapting'

These consumers are typically coping well and feeling in control of their lives. Many of them have suffered a financial loss, but personal finances are less of a concern for this segment; the vast majority are feeling about the same or better off compared to a month ago.

They are not overly concerned about the impact of the pandemic on anything but the local economy. But they are adapting their behaviors in response to, or as a result of, the pandemic. For example, they are visiting fewer stores, spending less on non-essentials and locally sourced products have become more important to them. Their values and the way they look at life are also changing. Thirty-six percent are Baby Boomers or older.

26% are 'Unaffected and unconcerned'

These consumers have experienced minimal financial loss as a result of the pandemic. They are not overly concerned about its impact on anything but the local economy. They are also unlikely to be changing their behaviors or their values as a result of the pandemic, even though many of them are in an age group that puts them at higher risk. Forty-one percent of them are Baby Boomers and 27% are retired.

13% are 'Hard hit but optimistic'

These consumers are the ones most concerned about all aspects of their lives and are changing the way they live and the way they look at life. They are most likely to have suffered financial loss as a result of the pandemic and to be cutting their spending across a wide range of categories.

However, they expect a swifter economic rebound and a faster return to normality than other segments. They also expect that any long-term changes to the way they do things will be for the better. Because they feel the crisis will pass relatively soon, they feel better able to cope and more in control of their lives. Fifty-five percent of them are Millennials or Gen Z and 32% are Gen X. Only 13% are Baby Boomers and older.

Where is the online opportunity?

Three of our four consumer segments are planning to spend less in the future and will shift more of their spending online for products they previously purchased in-store. In some cases, that move has been forced on them; they can't shop in the way they used to. Others see the move online as a more positive choice.

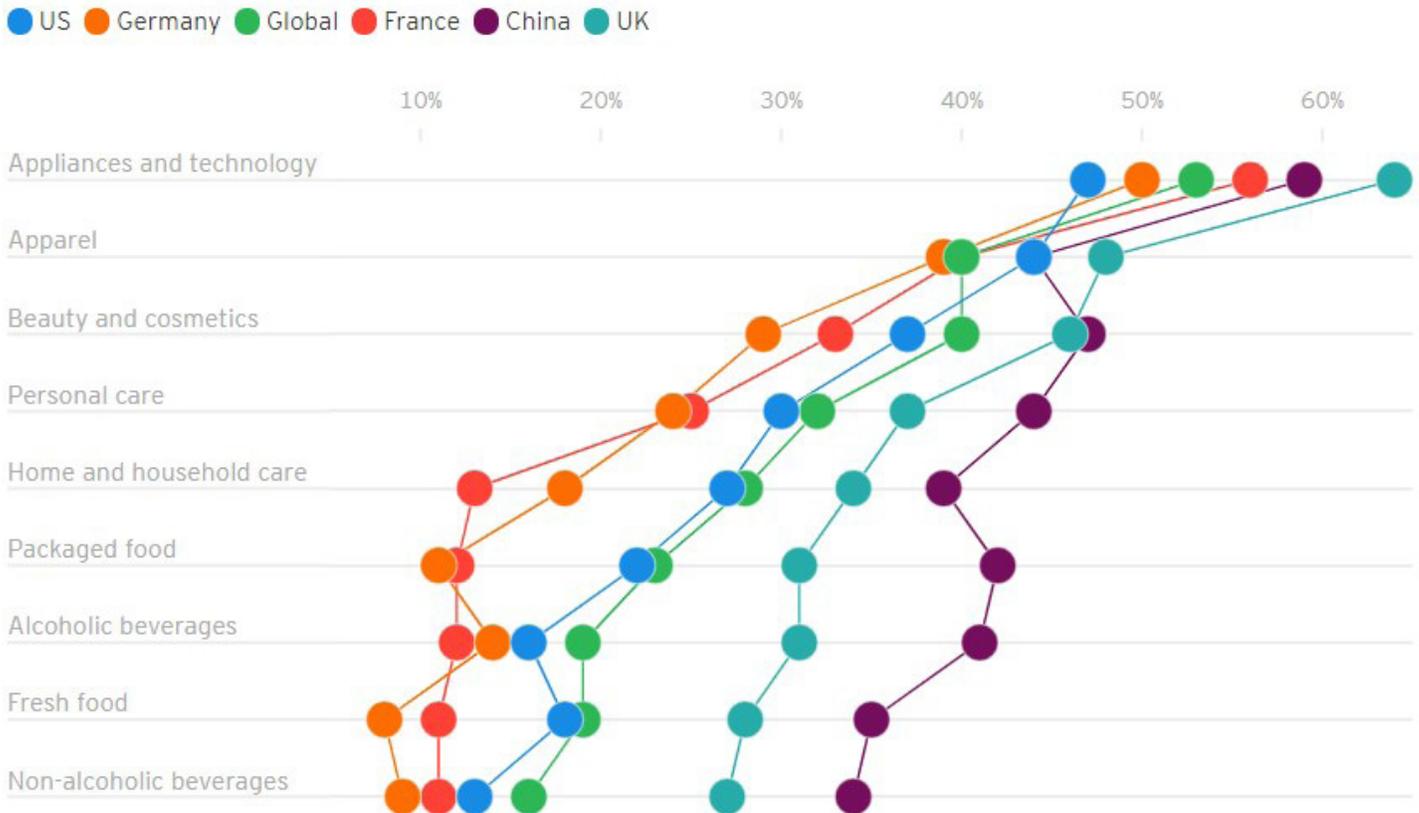
One consequence of this sudden tilt toward e-commerce is that we've seen a decade of digital disruption in just a matter of months. Some businesses have experienced significant topline growth. The question now is what experience do you need to provide in order to win – and hold on to – your share of that move to online?

The following chart shows that the answer to this question will vary across categories and markets. Consumers in China and, to a lesser extent, the UK are far more likely to shop online as their primary channel than those elsewhere, for example. Those in Germany and France are less open to the idea .

Online shopping will differ significantly between markets and categories

% of consumers that will primarily shop for each category online in the future

▶ [Experience the interactive chart](#)



To define strategies and actions that will really drive performance, it's important to look at the category level too. In the US, Germany and France, for example, consumers appear to be far less open to buying fresh food online than they are to technology or clothing.

If you overlay these findings with market penetration before the pandemic, significant opportunities emerge. For example, [pre-COVID](#) only 3.1% (\$74b) of global packaged food was bought online, so a move to 10% (US\$237b) would be more than a three-fold increase. Growing e-commerce from 3.1% to 10% would be a US\$163b opportunity.

What experience do consumers want?

Looking at the top-right corner in the chart below, the categories in which the consumer is most likely to buy online are also the categories in which they are most likely to value service and advice when making a purchase - technology, beauty and cosmetics and clothing, shoes and accessories.

The categories where consumers value service are those which they will buy online

Bubble size represents global e-commerce penetration pre-COVID-19

► [Experience the interactive chart](#)



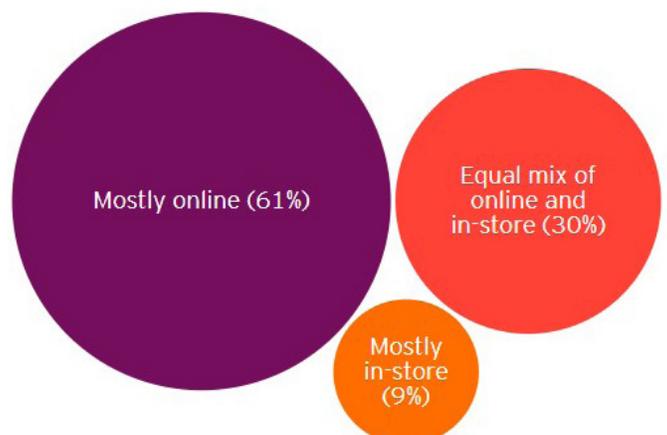
These are also categories where consumers are more likely to want a sensory experience of the product before purchasing. They want to feel the quality of a sweater or try on a pair of shoes. This points to the risk of showrooming: will the consumer still go to the store for the experience they want, then make the purchase online with whoever is selling it cheapest, as they head for the exit? How do you ensure you have both the seamless omnichannel experience and price point needed to complete the sale?

How will people spend during the sales shopping season?

It's critical for leaders to understand how consumers are changing their shopping channels in the face of the pandemic, but a pressing concern for many of them will be the coming "golden quarter" of holiday shopping events and seasonal sales. Some will be asking how best they can capitalize on these opportunities; others will be trying to survive.

Where will you make purchases or look for deal during the next big shopping or sales event?

Our data suggests that 42% of consumers globally plan to spend less than a year ago in this season's sales events, while 13% will spend more. Of those who will participate, 72% are holding off purchases until the event and most will participate via online channels. So, a relevant online proposition is not only critical to long-term growth, it's the key priority right now too.



What's the key challenge for grocery?

Online grocery penetration continues to be lower in most markets. But during the pandemic, 55% of consumers have bought their groceries online at least once. Of those, 42% say they are now ordering groceries online more frequently because of COVID-19.

That said, 53% of consumers tell us they don't shop for groceries online because they like to have full control over their purchases. And 53% of those who do are now splitting their purchases across multiple retailers – some online and some face to face.

One challenge that brands must consider is how they will get consumers to discover new products. Globally, 49% of online grocery shoppers use the repeat purchase option, signaling how important it is to get into their basket or list of favorites. Moreover, 54% say that when shopping online for groceries they try fewer new products than they would in store.

Three questions to shape your next actions

With such a vast and rapid shift in value to e-commerce, business leaders must ensure their organizations are continually challenging all their assumptions about what the digital consumer wants, how they want to purchase it, and what it takes to meet those needs. While the unprecedented times we are living through are deeply challenging, they are also full of new opportunities to serve the consumer. Here are three questions to consider:

1

How deeply do you understand your target consumers and the outcomes they are trying to achieve?

Do they want to buy a beauty product, or do they want to look younger? Do they want new sneakers to run faster or to look better? Many consumers are increasingly willing to share their data, but companies must invest in the capabilities needed to listen and respond. Be nimble; quickly pivot to match shifts in customer demand. Product assortments that generate high online sales change quickly. Create experiences your consumer will love by truly understanding their needs, co-create with them, prototype, launch, and learn. Be willing and ready to iterate.

Now that we've moved beyond the volatility of early COVID-19 to enter Deep COVID, we can form a clearer picture of the differences that are emerging across markets, categories and consumer segments. This is critical to understanding how the recent and sudden growth of e-commerce will evolve beyond the pandemic.

As leaders respond to and shape the changing consumer, they must ensure their organizations can quickly access the full set of capabilities they need. It's important to think creatively about how to redeploy existing skills and assets and leverage the capabilities that others have built.

COVID-19 is transforming consumer behavior. Organizations that want to stay relevant – through the crisis and into the future – must be equally bold about the depth and pace of their own transformation.

2

What are the critical moments of truth along their end-to-end shopper journey?

When do shoppers want to see/feel the product? When do they want validation that it lives up to its promise? In today's contactless world, prioritize those moments that make a big difference to shoppers and can make a big difference to the company. Then apply a continuous process of design and innovation to reimagine those moments.

3

Are you developing a distinct online strategy, or re-creating the physical proposition?

Brands often try to transfer their in-store value proposition into a digital context, to meet the consumer's desire to engage with the product on a sensory level (e.g., feel it, smell it). But immersive brand experiences are channel specific. Many of the "old physical" experiences that brands had in stores cannot be transferred to a phone-sized screen. Find new parameters to strengthen a brand – such as repositioning it around responsible production – which can be evidenced online.



Methodology

We surveyed 14,467 consumers across the US, Canada, Brazil, UK, France, Italy, Germany, Spain, Denmark, Sweden, Finland, Norway, India, UAE, Saudi Arabia, China, Indonesia, Japan, Australia and New Zealand during the week of 29 September through 5 October 2020. The survey questionnaire covered current behaviors, sentiment and intent.

Summary

As online shopping surges around the world, the EY Future Consumer Index shows clear differences in sentiment and behavior. Multi-billion-dollar value shifts are emerging; how much they stick will vary across markets, categories and consumer segments.

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Authors:

[Kristina Rogers](#)

EY Global Consumer Leader

[Andrew Cosgrove](#)

EY Global Consumer Knowledge Leader & Lead Analyst

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