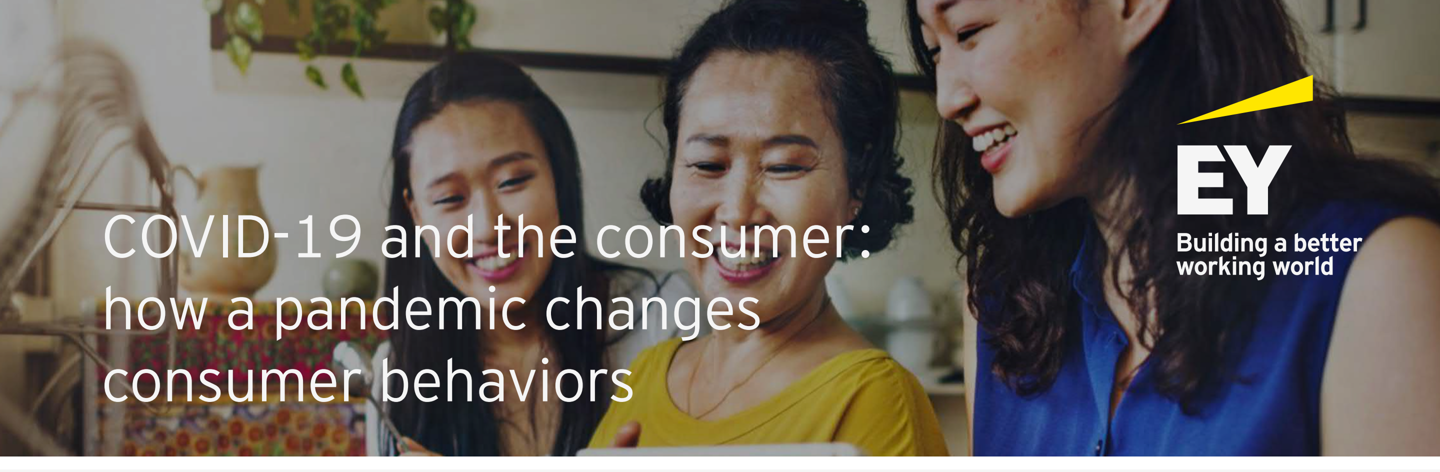
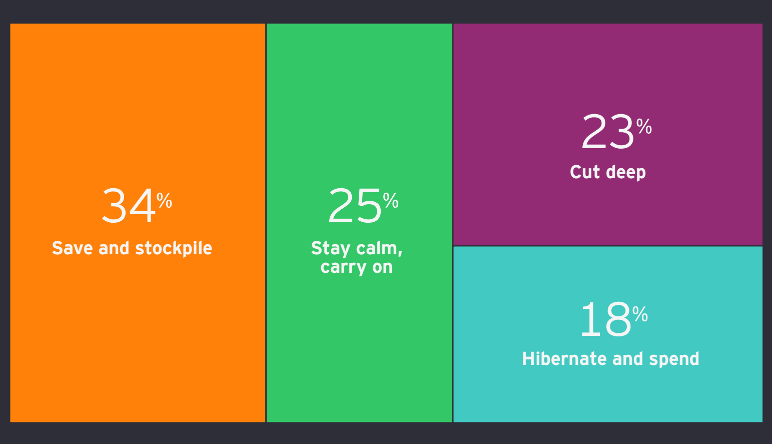


COVID-19 and the consumer: how a pandemic changes consumer behaviors

The COVID-19 pandemic is having an enormous impact on daily life across America. And while companies have shown incredible agility in keeping consumers supplied with the goods and services they need, the emerging challenge for those organizations is to prepare for what comes next. To help guide those efforts, we've created the EY Future Consumer Index. By tracking emerging consumer behaviors and sentiment, the index will allow us to identify and prepare for the new consumer. Most importantly, we can gauge which are temporary reactions to changing circumstances and which point to more fundamental shifts.

Now, four consumer segments have emerged during the COVID-19 crisis.



Save and stockpile
Not so concerned about the pandemic, but worried about their families. Pessimistic about the long-term effects.

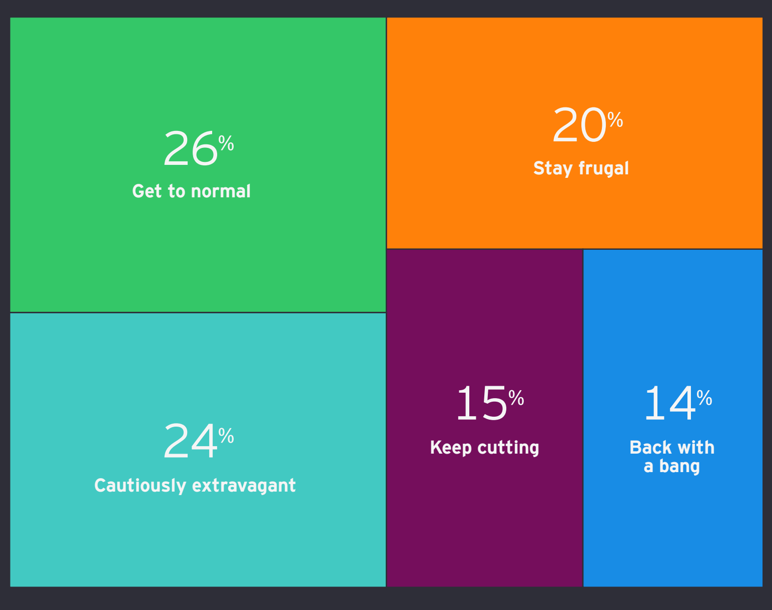
Stay calm, carry on
Not changing their spending habits. Not directly impacted by the pandemic. Worried that others are stockpiling.

Cut deep
Hardest hit by the pandemic. Most pessimistic about the future. Spending less across all categories.

Hibernate and spend
Most concerned about the pandemic. Best positioned to deal with it, so optimistic. Spending more across the board.

Differences also appear when comparing Americans with the rest of the world. Compared with consumers globally, more Americans fall in the optimistic hibernate and spend segment, 10% vs. 18%, respectively, and fewer are characterized as cut deep, 27% vs. 23%, respectively.

The four segments we see now could merge into five new segments next



Get to normal
Spending largely unchanged. Daily lives were never really affected. Least concerned about the pandemic overall.

Cautiously extravagant
Middle to high income. Very focused on health but relatively optimistic despite a strong belief that a global recession is coming. Will spend more in areas important to them.

Stay frugal
Spending slightly less, but some deep cuts. Trying to get back on their feet. Among the most pessimistic about the future.

Keep cutting
Least educated. Least likely to be working. Making deep spending cuts. Changing what they buy and how. The pandemic was always a huge worry.

Back with a bang
Younger and in work. Spending much more in all categories. Their daily lives were most disrupted. Now they're the most optimistic.

Compared with global consumers, more Americans are in the back with a bang segment (14% vs. 9%, respectively), and fewer are in the stay frugal segment (20% vs. 22%). This suggests that American consumers may be more ready to spend money once they feel the pandemic has passed.

When the consumer says go, will you just be warming up or on the starting line?

How will consumers return to some sense of normalcy and what does that mean for consumer-facing companies? American consumers are eager to get back to stores and restaurants. Today, 65% of Americans are visiting physical stores less often, 61% say they're shopping less frequently overall and 33% say they will shop at online retailers more over the next month. However, 93% of American consumers also say shopping in stores that reopen will be important to them once the pandemic is over. Another 87% say eating and drinking in restaurants and bars will be important after COVID-19.

As companies look to return to work, or return to more normal operations in the grocery industry for example, we want to offer some focused actions to consider.

1

Supply chain: forecast, stress test and rebalance

From the start of the pandemic, companies' supply chain strategies have been tested. How can you address supply chain resiliency now so that you are prepared to reopen or normalize inventory levels post-crisis?

Re-forecast potential consumer spending during and after COVID-19

Model a range of ramp-up plans and scenarios

Stress test supply chains and create contingency plans

Adapt to the new cost to serve

2

Workforce: provide continuity, prepare for a different future

Winning companies will take thoughtful steps to return to the workplace by thinking holistically about operational continuity that encompasses technology, security, productivity, wellness and engagement for a trusted day one transition.
Here are three steps to take during this time:

Consider policy, health and risk scenarios to develop a broad, prioritized and sequenced plan to return to normal

Take actionable steps to make certain of the safety of your employees and consumers as they return to the workplace

Make certain the operational capacity across process, space, technology and people is enabled for managing a hybrid working model focused on continuity

3

What else lies at the center of return to normal and consumer demand

The COVID-19 pandemic has put an emphasis on the value of the physical, but also the importance of the balance between physical and digital. In the coming months, we'll explore the digital and physical footprint, as well as other insights and actions, as we continue to track the impact of the pandemic on the US consumer.

How do you apply consumer insight to your footprint planning as the immediate priority of reopening looms?

Can you win the consumers looking for new places to shop, buy, eat and play as a result of retailers that don't survive the crisis?

How do you balance the shift to online with consumers' stated intent to shop in physical stores once they reopen?

What does 50% of consumers saying they will put a premium on goods produced domestically mean for your manufacturing footprint?

Kathy Gramling

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About the survey

This first edition of the EY Future Consumer Index is based on a survey of 4,859 consumers across the US, Canada, the UK, France and Germany during the week of April 6, 2020. Of those, the article above focuses on the 927 US respondents. The survey questionnaire covered current behaviors, sentiment and intent. The data reported here relates to US respondents only.

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