McKinsey & Company

Perspectives for marketers navigating COVID-19

Discussion document

April 9, 2020

- **COVID-19 is, first and foremost, a global humanitarian challenge.** Thousands of health professionals are heroically battling the virus, putting their own lives at risk. Governments and industry are working together to understand and address the challenge, support victims and their families and communities, and search for treatments and a vaccine.
- **Solving the humanitarian challenge is, of course, priority #1.** Much remains to be done globally to respond and recover, from counting the humanitarian costs of the virus, to supporting the victims and families, to finding a vaccine.
- **This document is meant to help with a narrower goal: Provide facts and insights on the current COVID-19 situation to help marketers and business decision-makers.** In addition to the humanitarian challenge, there are implications for the wide economy, businesses and employment. This document outlines some of those challenges and how organizations can respond in order to protect their people and navigate through an uncertain situation.

Covid-19 challenges are impacting the overall economy and raising critical questions for Marketers

Expected impacts of Covid-19 on economy and industries

CURRENT AS OF APRIL 7, 2020

In the case of delayed recovery, self-reinforcing depressing dynamics may extend GDP declines in the US and Europe through 2020 Q3. If the virus spreads globally without seasonal decline, a demand shock could last through Q2 2021. All industries will likely be impacted:

Tourism/Aviation/Hospitality
Global capacity for airlines expected to decrease by 60% in April; Delta, and American Airlines to reduce flights by 80%; US hotel occupancy rates dropped to ~40% in March, while Marriott saw 90% decline in China at peak of crisis

Consumer electronics/Automotive
Disruptions in supply chains, heavily relying on China-based OEM, stretching existing inventory levels

Oil and gas
Crude oil at lowest price in 18 years, with implications for upstream and midstream players

Consumer products
Drop in demand across most discretionary categories, initial demand increases from pantry loading and shift to at-home consumption

Key questions arising

For Consumers

- How are the **lives and behaviours of consumer** impacted?
- Which changes constitute **immediate reactions**, but will cease after the emergency phase?
- Which changes will **remain structural** in the medium-term?

For Marketers

- What **immediate actions should I be taking** to communicate with customers and employees?
- What **media buy / marketing changes** do I need to make now and in the near future?
- How do I organize an **agile cross-functional response team**?
- What is the **role of digital** in this context?
- What will the business landscape look like in a **post-COVID world?**

Source: World Health Organization, Oxford Economics, Industry reports, press search, COVID -19: Implications for business, McKinsey & Company, March 30, 2020

As the COVID-19 situation continues to evolve, Americans are spending less and dramatically shifting their viewership patterns

Americans have declining optimism, increasing impact to household income, and significant behavioral shifts

American optimism has dipped slightly since last week, going from 41% to 37%

- ~37% of Americans expect the economy to rebound within 2-3 months, which is amongst the highest across countries, only China and India have higher rates of optimism
- Optimism is greatest among those with the highest household income ($100K+), Gen Z and Gen X

Despite the long-term optimism, Americans report significant uncertainty and decrease in spending in the near term

- 58% report needing to be careful on how they spend their money, with 43% reporting a negative impact to their household income over the last 2 weeks and 52% reporting a decrease in household spend over the same time period
- Most Americans (92%) believe it will take over 2 months before routines can return back to normal, with over half (55%) believing it will be 4+ months
- Nearly all sectors have seen a sharp decline in consumer spend intent, with only household essentials, grocery, and home entertainment showing positive net intent

Consumer behaviors are changing rapidly during COVID-19 days

- Viewership patterns are changing, with consumption of media and news increasing most, and more time is being dedicated to in-home projects such as cooking and home improvement
- Gen Z, Millennials, and high income households ($100K+) are driving the shift towards online purchasing, and the trial and adoption of digital technologies (e.g., entertainment streaming, gaming, grocery and restaurant delivery apps, online fitness)

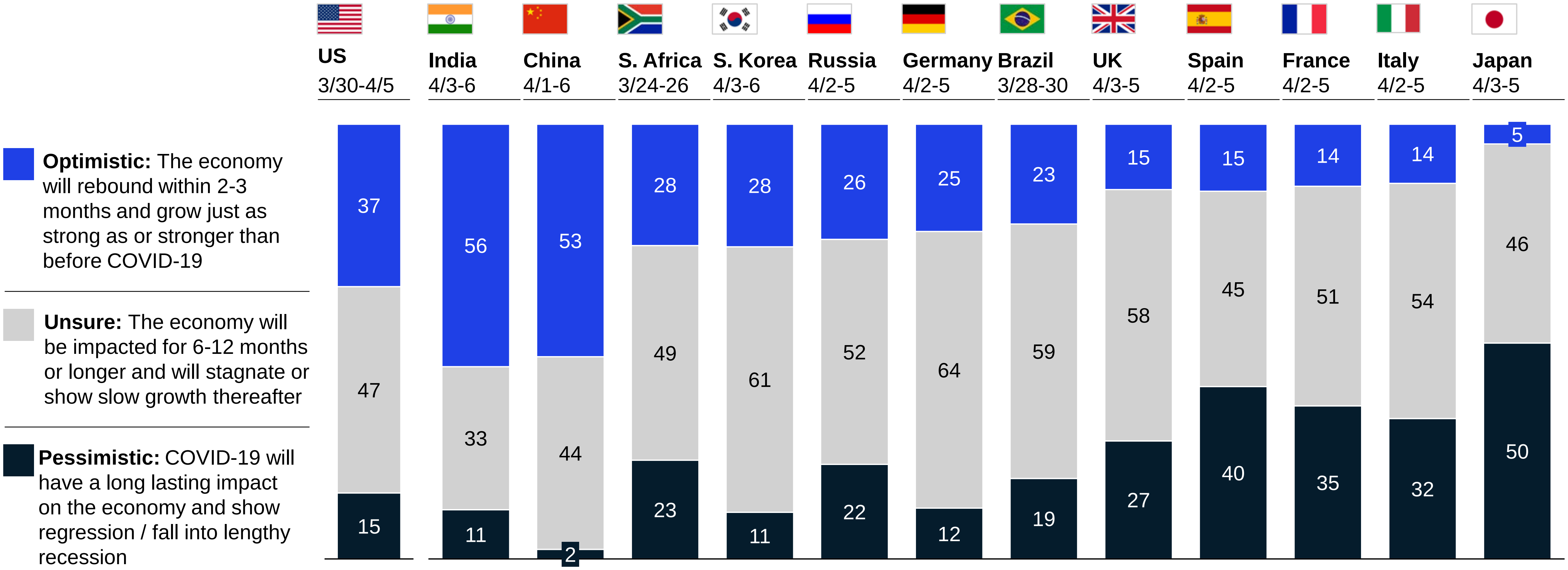
Given these changes, many marketers have cut back on spend and / or meaningfully changed their marketing mix as they balance managing the now in the midst of the crisis while simultaneously planning for the recovery

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484, 3/23-3/29/2020 N=1,119, 3/20-3/22/2020 N = 1,073, 3/16-3/17/2020 N=1,042, sample weighted to US gen pop 18+ years based on American Community Survey 2016 survey from the U.S. Census Bureau; US Consumer Pulse

Wide variance in optimism: US is more optimistic than European countries, less optimistic than India or China

Confidence in own country's economic recovery after COVID-19[1]

Percent of respondents



1. *Q: How is your overall confidence level on economic conditions after the COVID-19 situation? Rated from 1 very optimistic to 6 very pessimistic*

Source: McKinsey & Company COVID-19 Consumer Pulse China N = 1,048 including Hubei province; South Korea N = 600; Japan N = 600; India N = 582; US N=1,119; Brazil N = 1,311; UK N = 1,000; Germany N = 1,002; France N = 1,003; Spain N = 1,003, Italy N = 1,005; Portugal N = 601; South Africa N = 535

American optimism has dipped: ~37% believe US will recover within 2-3 months

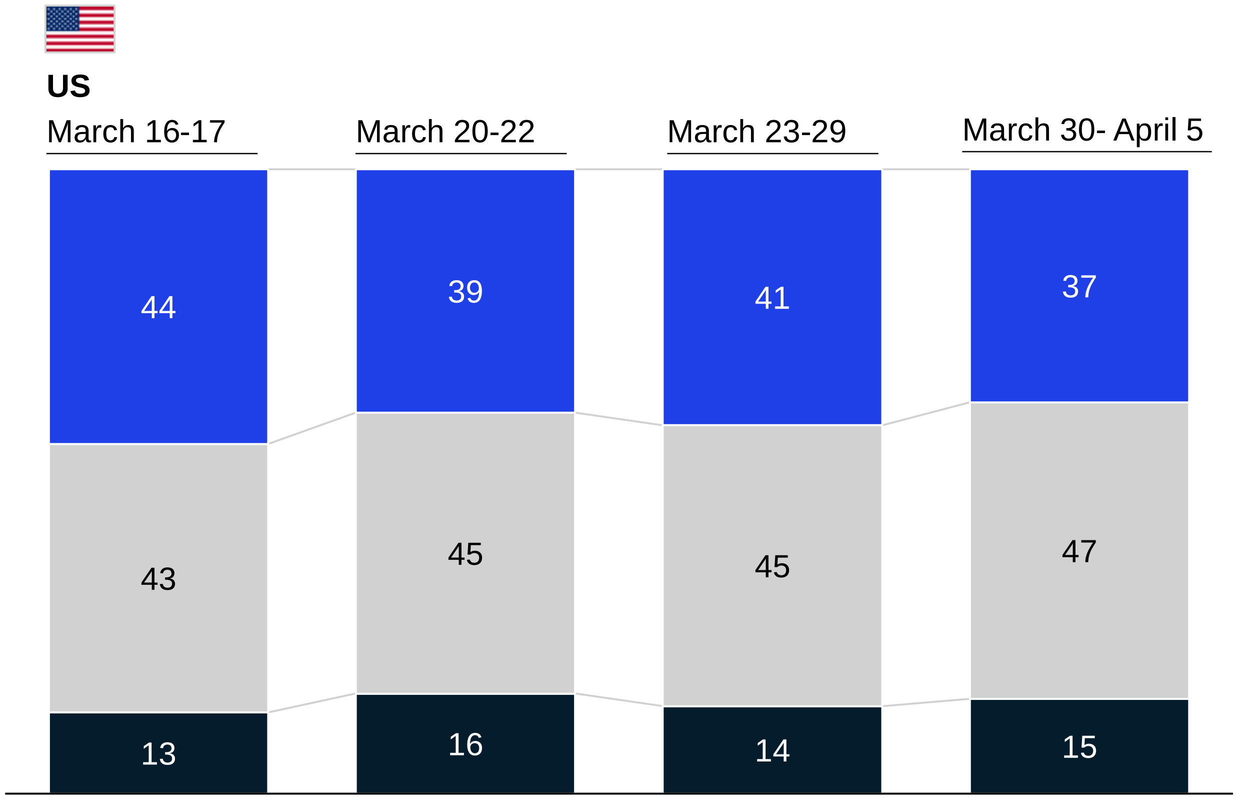
Confidence in own country's economic recovery after-COVID-19 economy[1]

Percent of respondents

Optimistic: The economy will rebound within 2-3 months and grow just as strong as or stronger than before COVID-19

Unsure: The economy will be impacted for 6-12 months or longer and will stagnate or show slow growth thereafter

Pessimistic: COVID-19 will have a long lasting impact on the economy and show regression / fall into lengthy recession



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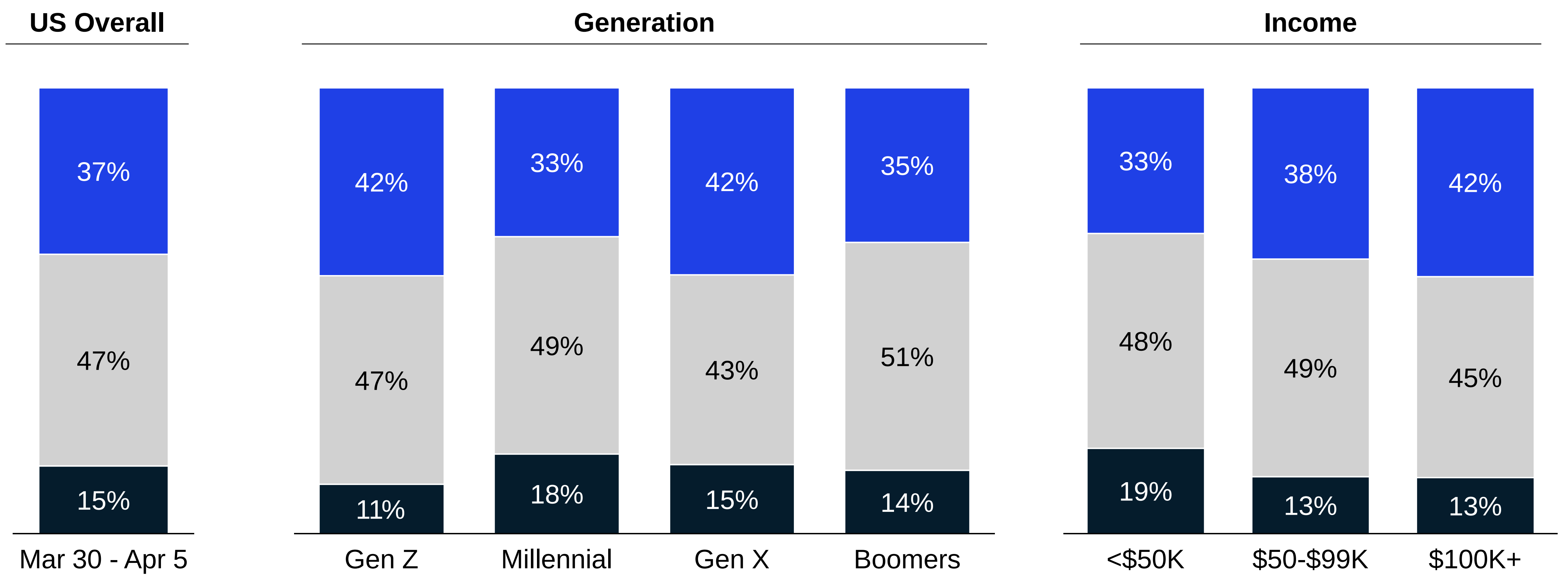
American optimism is the highest for $100K+, Gen Z, and Gen X, but Gen Z is the least pessimistic

Confidence in own country's economic recovery after COVID-19[1]
Percent of respondents

Pessimistic Unsure Optimistic



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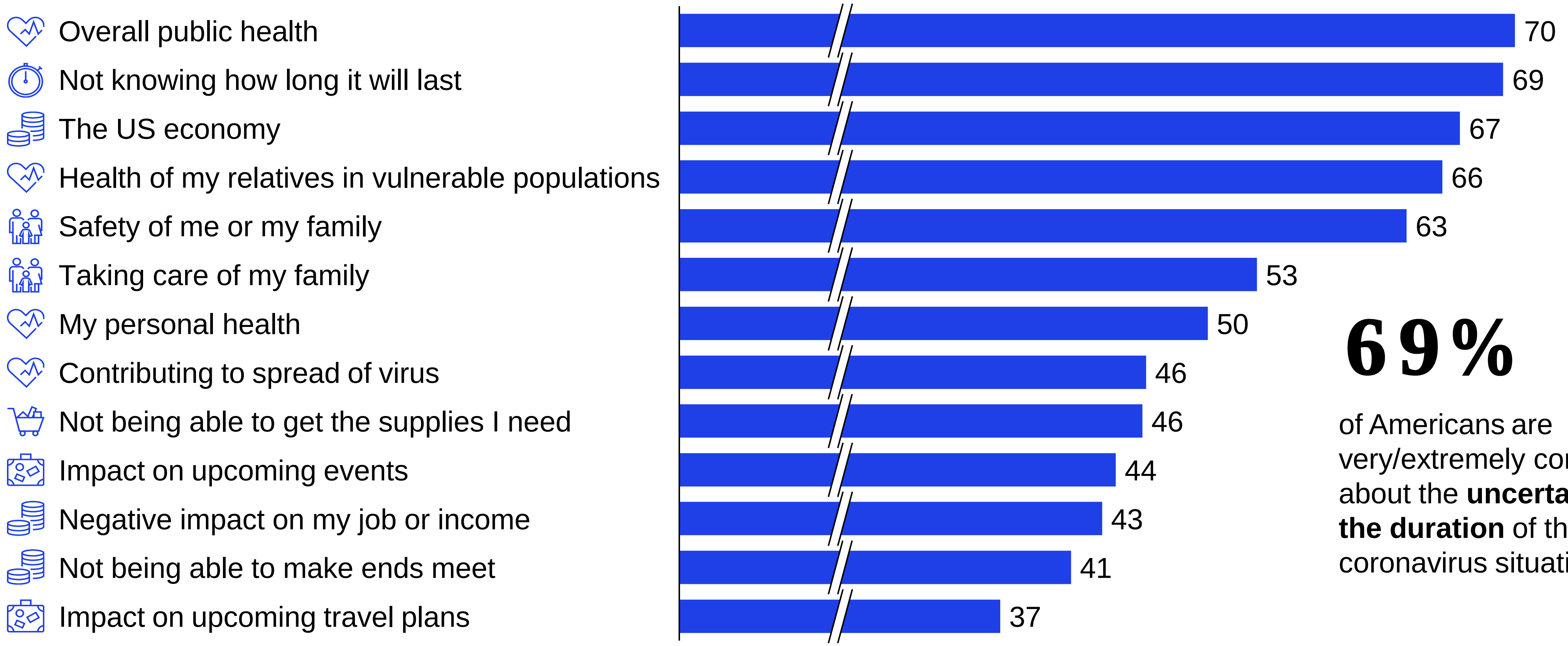
Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Public health, uncertainty about the duration of the situation, and the economy remain top concerns

Largest concerns of the US population related to coronavirus (COVID-19)[1]
Percent of respondents that are very concerned or extremely concerned



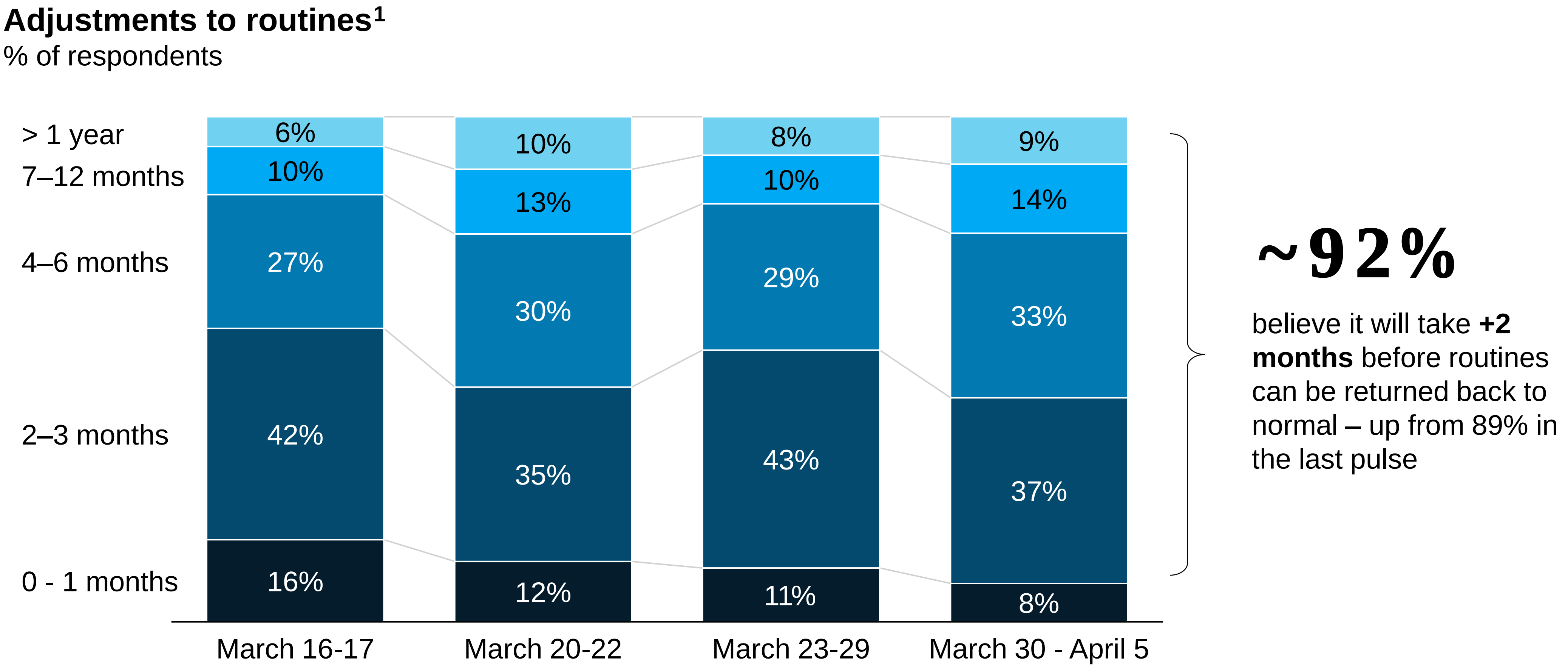
69%

of Americans are very/extremely concerned about the **uncertainty of the duration** of the coronavirus situation

1. *Q: What concerns you most about the coronavirus (COVID-19) situation?*
(not a concern; minimally concerned; somewhat concerned; very concerned; extremely concerned)

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Increasingly, Americans believe that their routines will be impacted for 2+ months

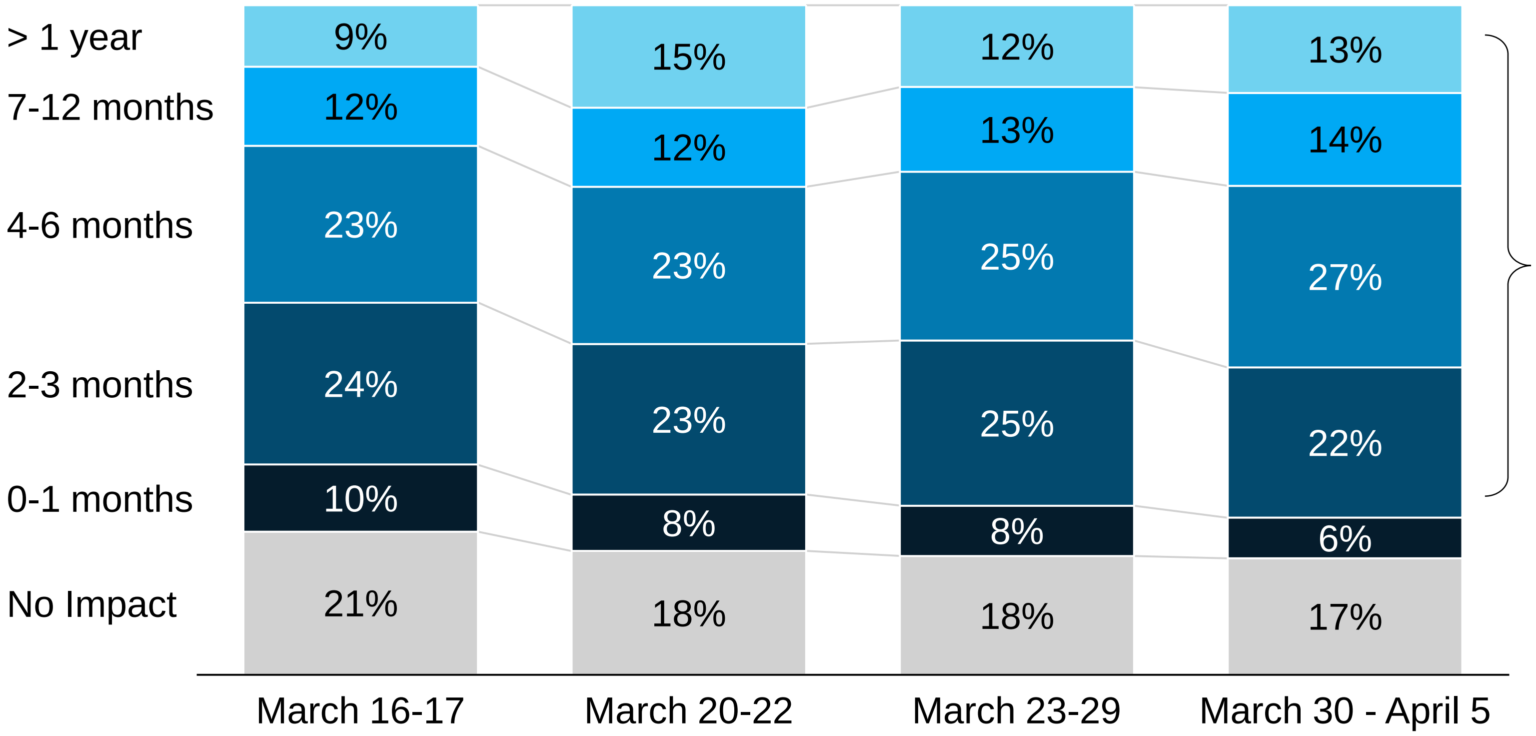


1. Q: How long do you believe you need to adjust your routines, given the current coronavirus (COVID-19) situation, before things return back to normal in the US (e.g., government lifts restrictions on events / travel)?
2. Q: How long do you believe your personal / household finances will be impacted by the coronavirus (COVID-19) situation?

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Most Americans believe that their personal finances will be impacted for at least two months

Impact to personal/household finances[1]
% of respondents



~77%

of respondents believe their **finances will be impacted for 2+ months** due to the coronavirus situation – roughly steady for last few weeks

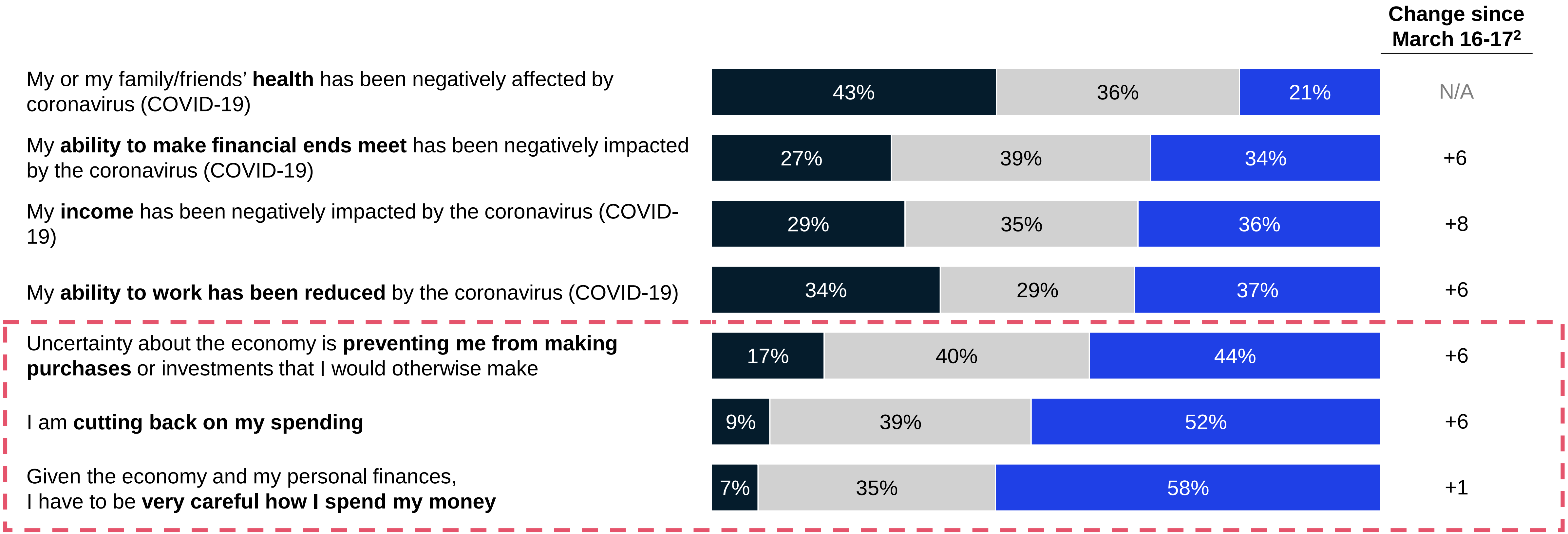
1. Q: How long do you believe your personal / household finances will be impacted by the coronavirus (COVID-19) situation?

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484; 3/23-3/29/2020 N=1,119; 3/20-3/22/2020 N=1,073; 3/16-3/17/2020 N=1042; matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Consumers continue to cut back and spend carefully

Overall sentiment in the general population in the US[1]
Percent of respondents

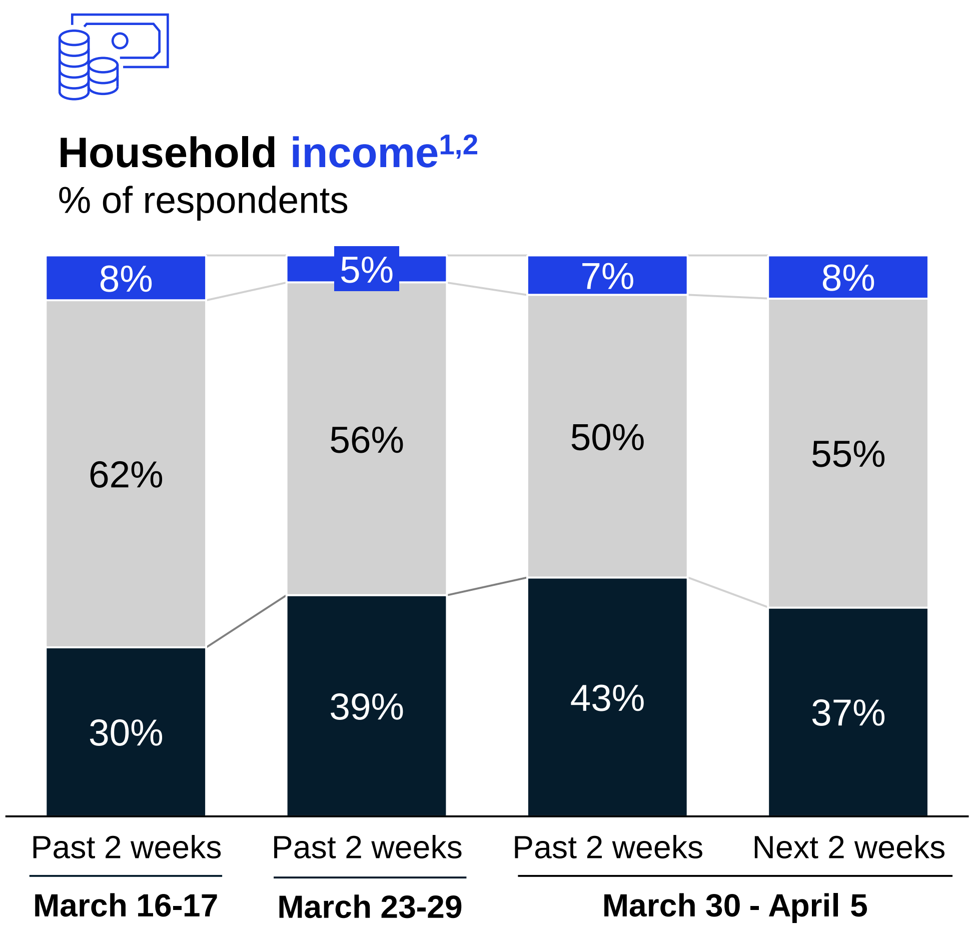
Strongly disagree / disagree | Somewhat disagree / agree | Strongly agree / agree

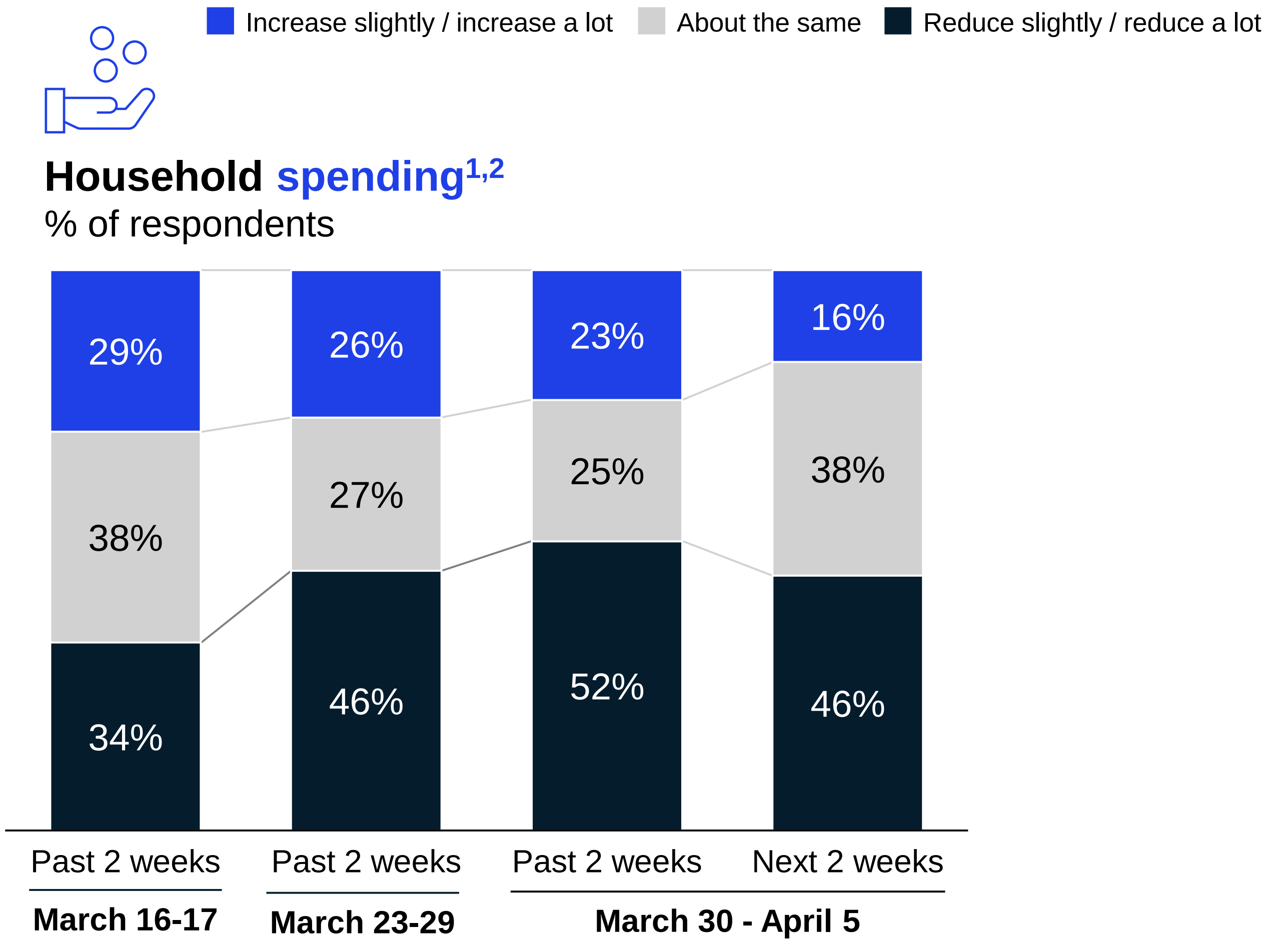


1. Q: Please indicate how strongly you agree or disagree with each of the following statements. Please select only one response for each statement.
2. Measures difference in "strongly agree/agree" between current and last pulse

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484; 3/16-3/17/2020 N=1042; matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Reported reductions in income & spending continue: +46% expect reductions in future spending



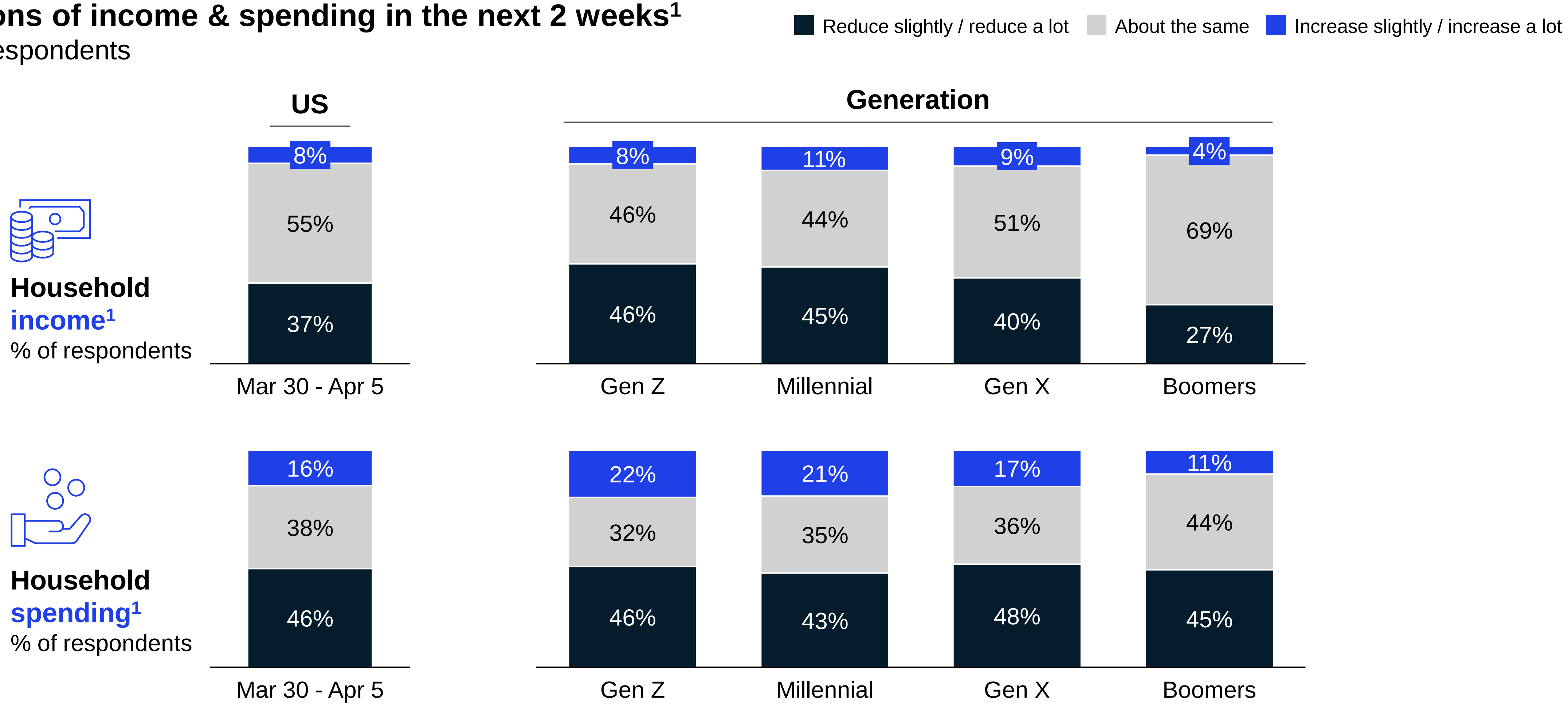


1. *Q: How has the coronavirus (COVID-19) situation affected your family's overall available income & spending IN THE PAST TWO WEEKS?*
2. *Q: How do you think your overall available income & spending may change in the NEXT TWO WEEKS?*

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484; US Consumer Pulse 3/23-3/29/2020 N=1,119; 3/16-3/17/2020 N=1042; matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

While fewer Boomers expect lower income, they expect similar reductions in spending to other generations

Expectations of income & spending in the next 2 weeks[1]
Percent of respondents



1. *Q: How do you think your overall available income & spending may change in the NEXT TWO WEEKS?*

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Reductions in spend expectations continue across almost all categories

Expected spend per category over the next 2 weeks compared to usual[1]

Percent of respondents

Net Intent: Above +1
Net Intent: -15 to 0
Net Intent: Below -15
Decrease
Stay the Same
Increase

Category	Decrease	Increase	Net intent[2]
Groceries	15	31	+16
Snacks	24	21	-3
Tobacco products	32	11	-21
Take out/delivery	43	23	-20
Alcohol	37	13	-24
Quick service restaurant	59	9	-50
Restaurant	81	3	-78
Footwear	64	4	-60
Apparel	68	4	-64
Jewelry	69	4	-65
Accessories	71	4	-67
Non-food child products	27	14	-13
Household supplies	19	22	+3
Personal care products	26	9	-17
Skincare & make up	53	4	-49
Furnishing & appliances	66	7	-59

Category	Decrease	Increase	Net intent[2]
Entertainment at home	17	24	+7
Books/magazines/newspaper	38	10	-28
Consumer electronics	58	6	-52
Out of home entertainment	80	6	-74
Petcare services	59	7	-52
Fitness & wellness	64	7	-57
Personal care services	70	5	-65
Gasoline	66	4	-62
Vehicle purchases	60	5	-55
Short-term home rentals	68	5	-63
Travel by car	75	4	-71
Cruises	69	12	-57
Adventures & tours	78	8	-70
International flights	71	8	-63
Hotel/resort stays	82	4	-78
Domestic flights	80	5	-75

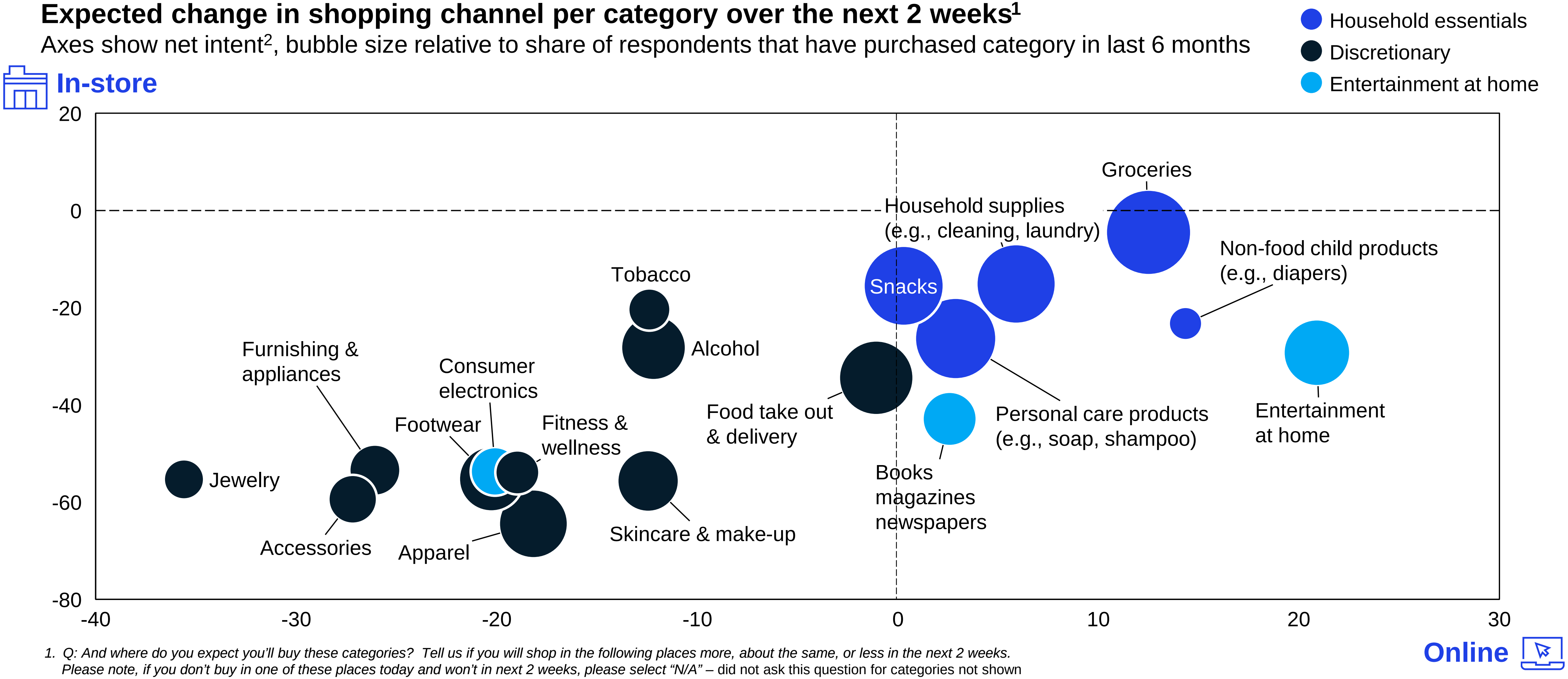
1. *Q: Over the next 2 weeks, do you expect that you will spend more, about the same, or less money on these categories than usual?*
2. Net intent is calculated by subtracting the % of respondents stating they expect to decrease spend from the % of respondents stating they expect to increase spend

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Positive shift in online intent remains for essentials; also observed in books, select discretionary categories

Expected change in shopping channel per category over the next 2 weeks[1]

Axes show net intent[2], bubble size relative to share of respondents that have purchased category in last 6 months



1. *Q: And 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 2 weeks. Please note, if you don't buy in one of these places today and won't in next 2 weeks, please select "N/A"* – did not ask this question for categories not shown
2. Net intent is calculated by subtracting the % of respondents stating they expect to decrease shopping frequency from the % of respondents stating to increase shopping frequency

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

While consumer spend is declining overall, shift to online means in-store spending is affected more

Expected change in shopping channel per category over the next 2 weeks[1]

Net intent[2]

Net Intent: Above +1
Net Intent: -15 to 0
Net Intent: Below -15

Category	In-store	Online
Groceries	-5	+12
Snacks	-16	0
Tobacco products	-20	-12
Take out/delivery	-34	-1
Alcohol	-28	-12
Footwear	-55	-20
Apparel	-64	-18
Jewelry	-55	-36
Accessories	-59	-27
Non-food child products	-23	+14
Household supplies	-15	+6
Personal care products	-26	+3
Skincare & make up	-56	-12
Furnishing & appliances	-53	-17

Category	In-store	Online
Entertainment at home	-29	+21
Books/magazines/newspaper	-43	+3
Consumer electronics	-54	-20
Out of home entertainment	n/a	n/a
Petcare services	n/a	n/a
Fitness & wellness	-54	-19
Personal care services	n/a	n/a

1. *Q: And 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 2 weeks. Please note, if you don't buy in one of these places today and won't in next 2 weeks, please select "N/A" –did not ask this question for categories not shown*
2. Net intent is calculated by subtracting the % of respondents stating they expect to decrease shopping frequency from the % of respondents stating to increase shopping frequency

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Gen Z, Millennials and $50K+ are increasing online spend in most home essentials and entertainment categories

Expected change to online spend per category over the next 2 weeks[1]

Percent of respondents

Net Intent[2]: < -20 | -20 | -10 | 1 | 10 | 20+

	US Overall	Generational				Income		
	Net Intent	Gen Z	Millennials	Gen X	Boomers	<$50K	$50-$100K	$100K+
Groceries	12	15	18	12	9	2	17	22
Household supplies	6	12	11	5	1	-4	8	16
Personal care products	3	6	12	4	-5	-5	6	10
Take out / delivery	-1	16	1	-2	-8	-3	-5	5
Snacks	0	4	5	-2	-2	-5	1	5
Entertainment at home	21	24	25	21	14	8	23	32
Books/magazines/newspapers	3	12	0	6	-1	-13	1	18
Consumer electronics	-20	-3	-15	-16	-36	-24	-26	-11
Tobacco	-12	-20	-11	-7	-19	-15	-13	-7
Non-food child products	14	15	13	30	-10	-9	19	30
Skincare & makeup	-12	8	-7	-16	-22	-24	-10	-2
Alcohol	-12	-21	-10	-14	-11	-13	-16	-7
Fitness & wellness	-19	-28	-21	-5	-29	-29	-30	-6
Footwear	-20	-6	-13	-17	-34	-26	-23	-12
Apparel	-18	-1	-15	-13	-30	-26	-16	-12

1. Q: And 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 2 weeks. Please note, if you don't buy in one of these places today and won't in next 2 weeks, please select "N/A" – did not ask this question for categories not shown
2. Net intent is calculated by subtracting the % of respondents stating they expect to decrease online spend from the % of respondents stating they expect to increase online spend

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Experience from China shows a "consumption shift" short term, with effects that appear to be lasting

Consumption shift during the peak of the crisis

60-90% **Reduction** in **discretionary** products spending

+15-20% **Increase in online** penetration

+20% **Supermarket and convenience channels sales** but supermarket returns to normal consumption one month after the peak outbreak

Confidence and emerging shifts after…

+30-60% **Lingering effects** in discretionary channels

>30% Substantially **lower traffic** with **larger baskets** especially in food than pre-crisis (except for apparel & department store

~20% **Shopping at night time** has not recovered yet

…that appear lasting

+10-20% **Emerging shift to convenience** vs. pre-crisis, especially in tier 1 cities

+3-6 p.p. Expected **stickiness of online** penetration after the crisis

>55% Of Chinese consumers are likely to permanently buy more groceries **online**

~33% have **switched brands** based on convenience and promo/display, of which 20% intend to stick

Source: 2020 February COVID-19 mobile survey; MIYA payment data engine, McKinsey analysis

CONSUMER SENTIMENT PUBLIC PULSE FROM MAR 30-APR 5, 2020

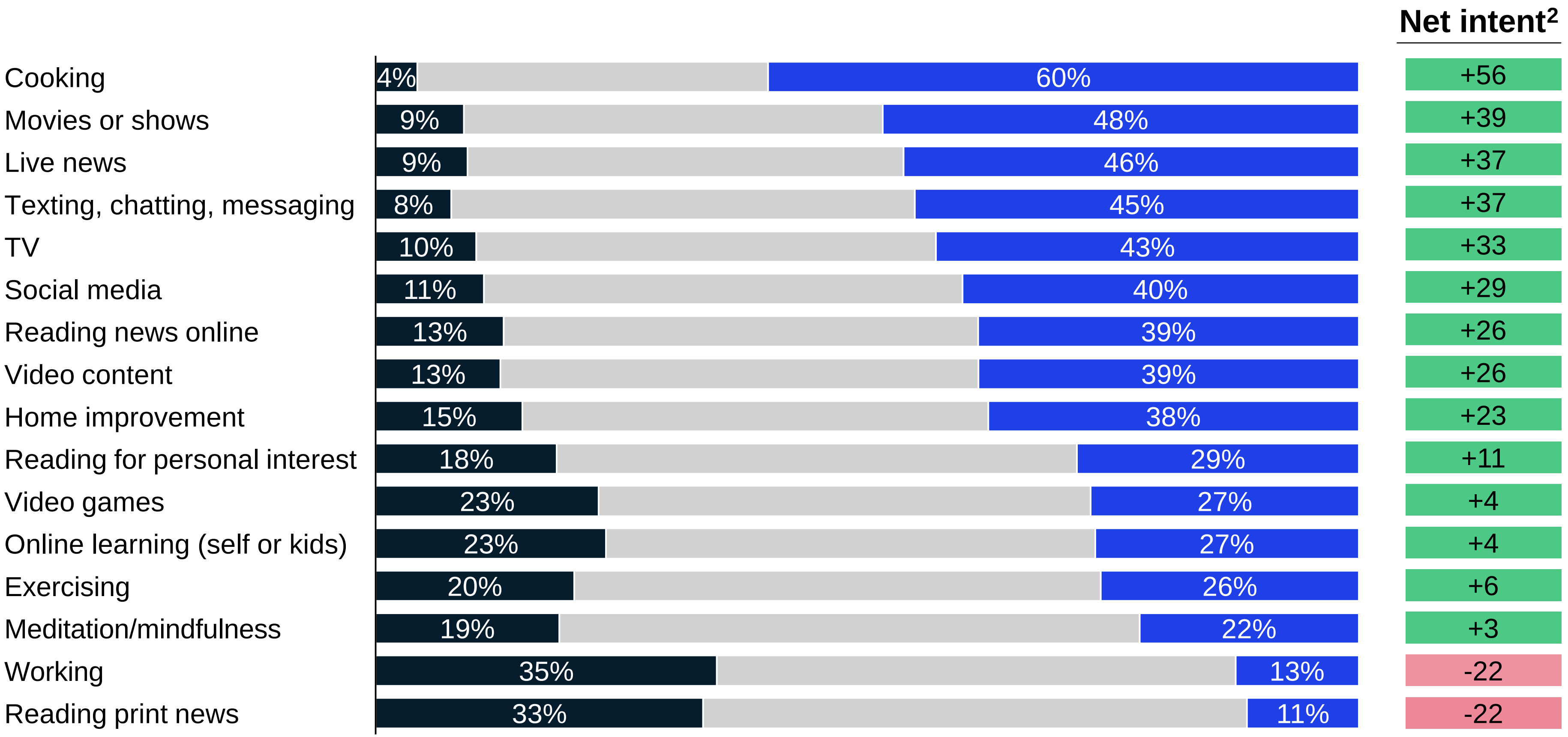
Along with behavioral shifts on news & media consumption, consumers are performing more domestic activities

Expected change to time allocation over the next two weeks[1]

Percent of respondents

Decrease Stay the Same Increase

Net intent: Above +1 Net intent: -15 to 0 Net intent: Below -15



1. *Q: Over the next 2 weeks, how much time do you expect to spend on these activities compared to how much time you normally spend on them?*
2. Net intent is calculated by subtracting the % of respondents stating they expect to decrease time spent from the % of respondents stating they expect to increase time spent

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Americans are changing how they allocate time across personal & professional activities, and media consumption

Expected change to time allocation over the next two weeks[1]

Percent of respondents

Net Intent[2]: < -10 | -10 | 1 | 10 | 20 | 30 | 40+

	US Overall	Generational				Income		
	Net Intent	Gen Z	Millennials	Gen X	Boomers	<$50K	$50-$100K	$100K+
Cooking	56	52	61	55	54	50	59	60
Live news	37	23	37	38	41	32	38	43
Reading news online	26	12	32	29	23	16	27	36
Texting, chatting, messaging	37	42	51	41	24	32	37	45
Social media	29	46	46	28	13	27	28	34
Movies or shows	39	54	50	41	26	29	42	50
TV	33	19	34	35	34	27	33	40
Video content	26	54	45	27	3	21	26	32
Video games	5	37	21	7	-20	2	3	10
Mediation / mindfulness	4	5	9	4	-1	1	4	7
Exercising	6	17	14	7	-4	4	3	13
Home improvement	23	29	21	23	21	14	25	31
Online groceries	0	9	4	2	-8	-14	3	14
Online shopping (non-food)	-8	8	-3	-11	-14	-18	-3	1
Working	-22	-17	-18	-18	-31	-30	-21	-13

1. *Q: Over the next 2 weeks, how much time do you expect to spend on these activities*
2. Net intent is calculated by subtracting the % of respondents stating they expect to decrease time spent from the % of respondents stating they expect to increase time spent

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

Americans have adopted new digital activities, particularly high income HHs, Gen Z, and Millennials

Have you used or done any of the following since COVID-19 started[1]

Percent of respondents

% of New and Increased Users: 0% | 1% | 10% | 20% | 30% | 40% | 50%+

	US Overall			Generational				Income		
	Increased Users	New Users	Combined	Gen Z	Millennials	Gen X	Boomers	<$50K	$50-$100K	$100K+
Online Streaming	41%	3%	44%	53%	54%	50%	29%	39%	44%	51%
Grocery Delivery	10%	8%	18%	27%	20%	18%	14%	14%	18%	23%
Restaurant Delivery	13%	5%	18%	29%	23%	17%	12%	13%	18%	24%
Professional: Video Conferencing	11%	7%	18%	21%	27%	21%	8%	9%	17%	31%
Personal: Video chats	12%	6%	18%	21%	27%	21%	7%	9%	16%	31%
Playing Video Games	15%	2%	17%	39%	24%	18%	3%	13%	15%	22%
Watching E-Sports	7%	2%	9%	28%	15%	9%	1%	8%	7%	14%
Remote Learning: My Kids	5%	8%	13%	8%	20%	22%	3%	9%	14%	18%
Remote Learning: Myself	7%	5%	12%	32%	14%	9%	5%	10%	10%	15%
Online Fitness	5%	3%	8%	17%	15%	5%	4%	4%	9%	13%
Wellness App	5%	3%	8%	15%	14%	4%	3%	6%	9%	8%
Telemedicine - Physical	2%	4%	6%	4%	4%	9%	6%	5%	5%	8%
Telemedicine - Mental	2%	2%	4%	2%	7%	4%	2%	4%	3%	5%
Tiktok	5%	3%	8%	33%	12%	5%	1%	7%	8%	9%

1. Q: Have you used or done any of the following since the coronavirus (COVID-19) situation started? If yes, Q: Which best describes when you have done or used each of these items? (just started using since Coronavirus started, using more since Coronavirus started, using about the same since Coronavirus started, using less since Coronavirus started)

Source: McKinsey & Company COVID-19 US Consumer Pulse 3/30-4/5/2020 N=1,484 matched & weighted to US gen pop 18+ years based on American Community Survey 2016 of the U.S. Census Bureau

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