4C ASSOCIATES

LIFE AFTER LOCKDOWN REPORT

A study into post-Covid buying attitudes in the UK

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About the research

It has been a challenging year for all, and one defined by ongoing change and uncertainty. In this research we examined the post-lockdown attitudes of 257 UK consumers and how they plan to adapt their buying journey in the new normal. The consumer research took place in March 2021, exploring how consumers feel about re-entering the economy and what lasting changes can retailers expect, covering five generations, from various demographics and areas.

Age groups

Generation Z (Born after 1995) - 5.13%
Millennial (Born 1980 to 1994) - 21.0%
Generation X (Born 1965 to 1979) - 28.4%
Baby boomer (Born 1944 to 1964) - 41.2%
Silent Generation (Born 1925 to 1943) - 4.3%

Areas

City - 23.3%
Suburbs - 48.6%
Rural area - 28.0%

Living arrangements

Living alone - 24.1%
Living with parents - 5.4%
Living with partner - 42.8%
Living with partner and children - 27.6%

Status

Student - 2.3%
Employed - 51.8%
Unemployed - 14.8%
Retired - 31.1%

The road to recovery

After what has been the most challenging and unprecedented twelve months in the history of retail, the re-opening of shops certainly is good news for retailers, with a hope that the recent lockdown was the final one and things can finally start returning to some level of normality.

The immediate results post re-opening have certainly been welcomed by retailers. Initial figures from Springboard showed that in the first week after stores re-opened, footfall figures across high streets, retail parks and shopping centres was up +330 percent versus the same week a year ago. This is no doubt a result of a combination of pent-up demand, the general population suffering from 'lockdown fatigue', as well as the Easter school break.

Couple this with the lack of viable entertainment alternatives with the vast majority of hospitality and entertainment industry still remaining shut, that customers headed to their town centres for a spot of shopping. With the hospitality industry re-opening on the 17th May, footfall on our high streets and shopping centres will no doubt continue to increase, which is further good news for retailers. Whilst the current footfall numbers YoY are strong, it is worth bearing in mind that overall demand is still significantly below pre-pandemic levels and it would be unrealistic for retailers to expect the current momentum to continue long term.

The retail landscape was already going through a seismic change pre-pandemic with changing consumer behaviours and the pandemic has simply accelerated the change in how consumers will shop in the future and the pandemic will no doubt have long-lasting effects on what consumers buy and how they buy it.

The prolonged periods of social distancing and economic uncertainty have impacted the way consumers behave, from how they shop through how they work to how they approach entertainment. These changes have significant implications for retailers and as the changing behaviours continue to evolve, businesses have the opportunity to reshape the next phase of their growth, centered around consumer values and drivers.

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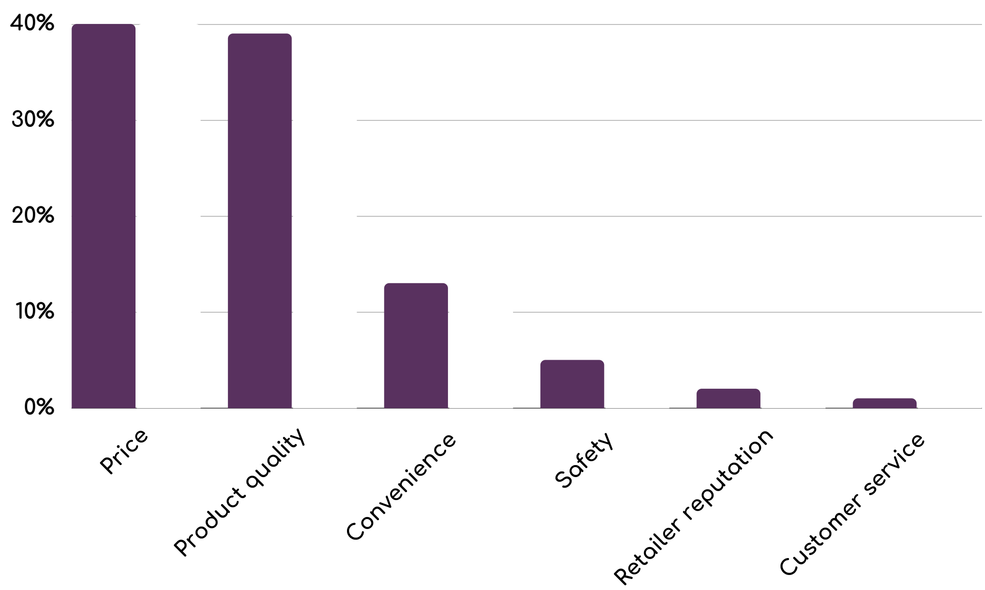
E-commerce will play a pivotal role in the road to recovery for retailers. Those with an established multi-channel platform have been the least impacted through the last year, despite physical stores remaining closed for several months. Retailers have to adopt a 'digital first' strategy if they want to future proof their business. This does not mean that bricks and mortar stores no longer have a future – rather, retailers need to adapt a model where their physical stores are supporting their digital business rather than the other way round. Physical stores have to become a lot more than a medium to just sell products – they need to be the support acts for the online platforms. Retailers such as John Lewis are expecting more than 60 percent of their annual turnover to be generated online by 2025. B&Q is looking at reducing its floor space dedicated to selling products and converting part of the stores dedicated to fulfilling online orders. These are just some examples of how the retail landscape will continue to evolve post-pandemic.

Whilst e-commerce and the convenience that it offers will be key in the future success of retailers, research carried out by 4C Associates through a survey of over 250 respondents shows that convenience is significantly less important for consumers compared to product quality and price, with only 13 percent of respondents stating it as a point of difference. This highlights that whilst e-commerce capabilities are critical for retailers' success, focus needs to remain on offering value. Income over the last year has remained the same or decreased for most, especially for those who have been furloughed or worked in sectors most significantly hit by the pandemic, and price and product quality remain the key influence on buying decisions for over 40 percent of respondents. A prime example of this is John Lewis recently launching their new range of 'Anyday Value' which encompasses 2,400 items across multiple categories at prices they claim are 20-40 percent cheaper than existing own label products.

What is the most important factor that impacts your purchasing decisions?



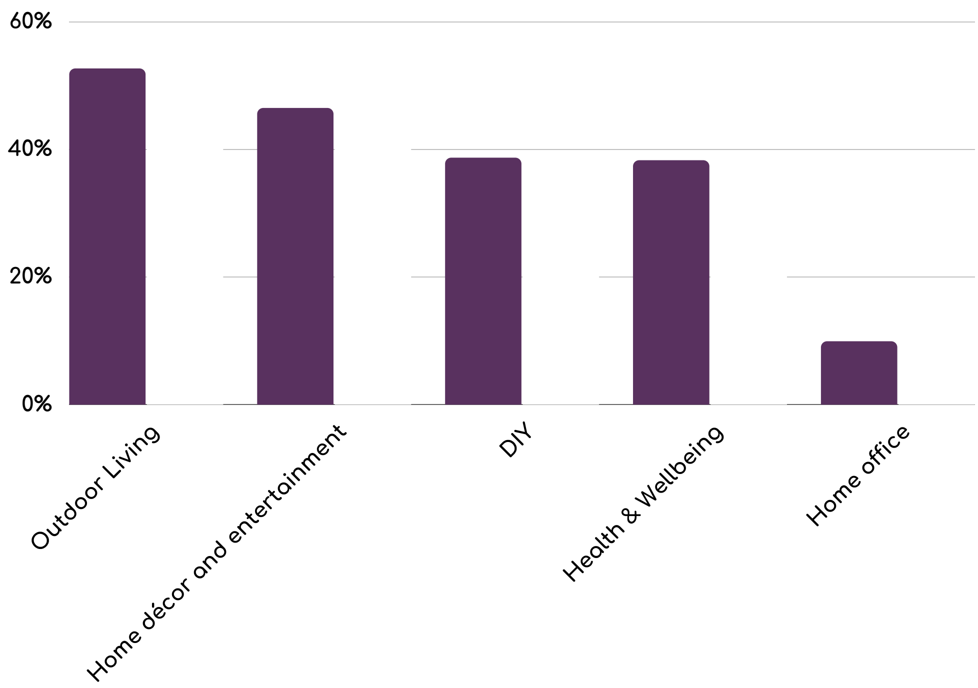
What consumer spending looks like

Alongside prioritising price and value, our research also shows that the pandemic has shaped what products consumers are likely to focus their future spending on. Spend on home décor and entertainment purchases have increased for almost half of respondents over the last year, however some behaviours differ across generations.

Significantly, 79 percent of Generation Z, those born after 1995, increased their spend on DIY purchases, alongside 70 percent increase in health and wellbeing products and 62 percent increase in cleaning products – a trend that hasn't been reflected in any other generation.

Outdoor living spend in the UK is predicted to be the highest after lockdown, with over half of respondents planning to invest more in their external surroundings, followed by home décor and entertainment.

Are you planning to increase your spending in any of the following areas in 2021?



Consumer habits have been interrupted during the pandemic, and many changes in behaviours and attitudes are here to stay. Priorities are also shifting for the type of purchases consumers are looking to make, with plans to increase investment into experiences over material purchases.

As we move toward a Covid-free economy, health and wellbeing purchases will remain of key interest to Generation Z compared to Millennials and the Silent Generation where the planned purchases are focused on home décor and entertainment and Generation X and Baby Boomers who will prioritise outdoor living.

Naturally, generational interactions also take place, as Generation Z might need to influence their parents when it comes to certain purchases. This leads to the older generation being exposed to new products that they would not have previously considered. In order for retailers to understand how the various generations buy, they need to address the differences in what they value.

Generation Z are also using their phones to shop more than any other generation - compared to the other generations who have been exposed to mobile phones throughout their lives, for Generation Z mobile phones are something they always had.

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79 percent of consumers plan to return to their local high street to support small businesses

For many, the closures of gyms meant that they adapted their sport routines to a more home-based set up, with new equipment purchases or taking to outdoor exercise. Sales of home fitness products and ‘athleisure wear’ have skyrocketed in the past year and our research shows that this trend is likely to remain, with half of sport enthusiasts replacing their gym workouts with home and outdoor exercise and more employers likely to encourage a more hybrid model of office/home working meaning people will spend more time at home.

The retail outlook is positive, as 79 percent of consumers plan to return to their local high street to support small businesses, bringing a new wave of optimism as retailers look to recover from the long-term crisis. The successful vaccine rollout indicates that the end of the pandemic is in sight, and it will have a positive impact on restoring consumer demand to pre-pandemic levels due to increased consumer confidence and accumulated savings. However, these behavioural changes are not linear, and retailers will play a key role in shaping consumer experiences.

Key takeaways

- Price and product quality remains the key influencer of buying decisions for 40 percent of respondents.
- Outdoor living spend is predicted to be the highest after lockdown, with 53 percent of respondents planning to invest more, followed by home décor and entertainment that projected by 47 percent of respondents. DIY and health and wellbeing products are on a similar level with 38 percent.
- 52 percent plan to spend more time at home to reduce health risks even after the lockdown restrictions are lifted
- 58 percent plan to socialise more with family and friends at home, instead of going to pubs and restaurants
- 58 percent plan to invest more in experiences over material purchases
- 47 percent agree or somewhat agree that they plan to replace gym activities with home and outdoor exercise
- 79 percent say that they will return to their local high street to support small businesses

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