COVID-19 CONSUMER PULSE #3

The Road Ahead

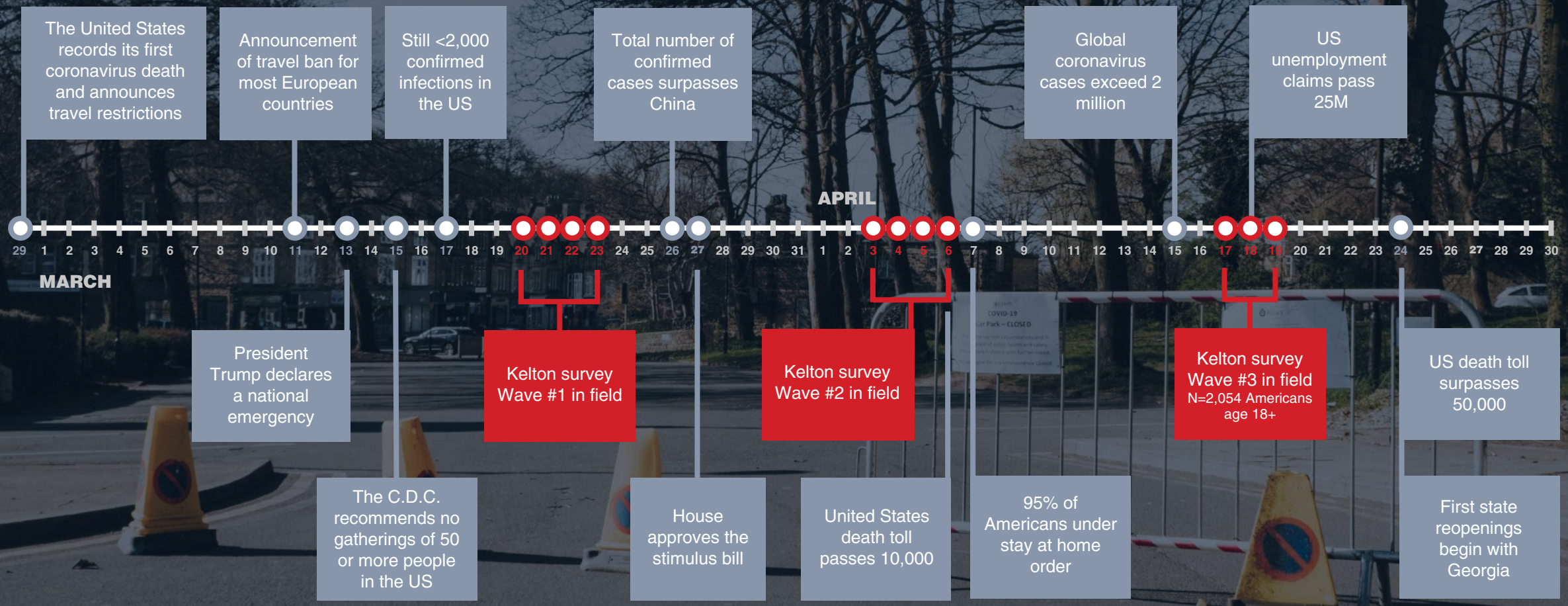
MAY 2020

Kelton

This report features findings from the third wave of our bi-weekly COVID-19 tracking survey, launched at the start of the pandemic to help empower smart organizational decision making and deep understanding through data.

The results from our first wave offered a foundational look at **consumer sentiment and brand expectations**, while our second wave tracked how key metrics continued to evolve during the "**Transient Normal**." In this report, as the country takes its first steps toward reopening, we'll cover where Americans currently stand regarding their **fears, hopes, and expectations**.

TIMING AND CONTEXT ARE EVERYTHING

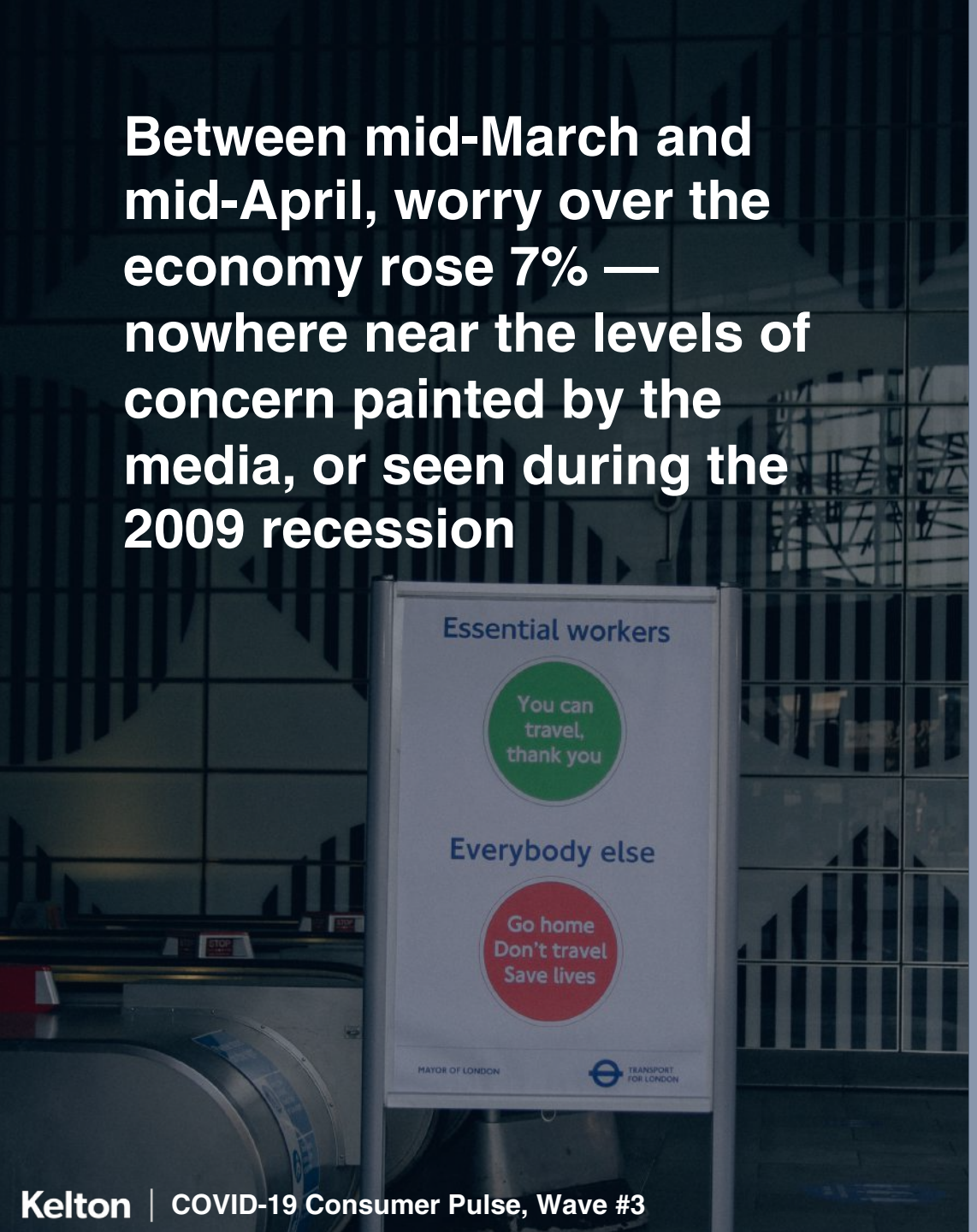


THE NEED TO KNOWS:

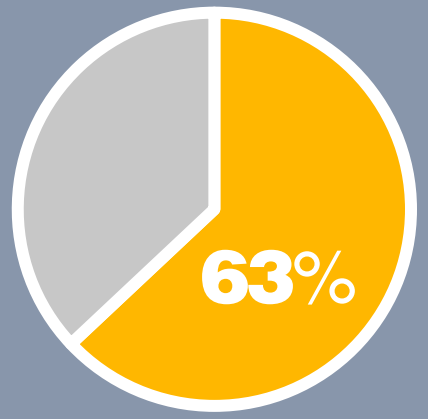
- Many consumers are **still optimistic** about their financial future, and even see **silver linings** in the current situation
- Americans' **shifting preference** for stores to open is driven equally by concerns about the **economy** and their **emotional state**
- While **fear** of many everyday activities remains high, people are **craving normalcy**; the shape and speed of the **rebound** will be determined by the **push-pull dynamic** of these competing emotions
- Consumers are **shifting purchase patterns away from sustainability**, but **commitment** remains high
- Parents' focus has shifted to **long term concerns** for their **childrens' well-being**
- Consumers continue to want to see a brand's **commitment to employees** and are **giving permission** for a **lighter tonality**

COVID-19 CONCERN TRACKING

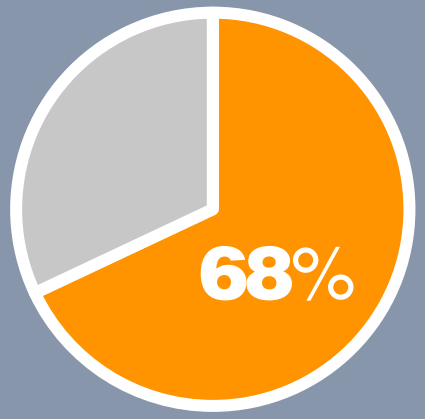
Between mid-March and mid-April, worry over the economy rose 7% — nowhere near the levels of concern painted by the media, or seen during the 2009 recession



US economy is on the *wrong* track



MARCH 2020



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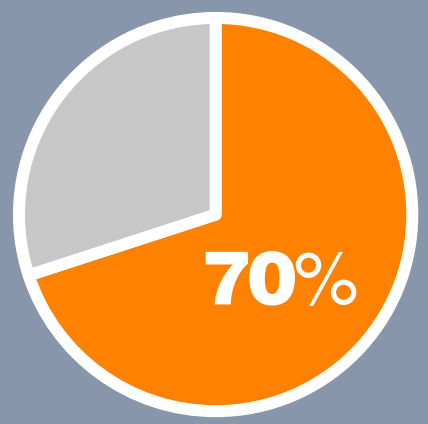


APRIL 16, 2020

JANUARY 2009

THE “PERSONAL RELEVANCY DELAY” IS EVEN MORE PRONOUNCED

In our last report, we introduced the “**Personal Relevancy Delay**” — the idea that economic offsets (dips in income balanced by lesser spending) and feelings that the situation is impermanent and solvable (via vaccine) have created some optimism.

Findings from our latest survey wave show that consumers are still in this “wait and see” holding pattern — they’re still spending less, and their economic attitudes are even more hopeful.

In fact, the percent of Americans who say their “household financial situation” is a main coronavirus concern has declined significantly — even as the percentage of people concerned about the overall economy has held steady. This suggests that Americans’ concern for themselves remains delayed despite an ongoing perception that the economy as a whole is at risk.

THE "PERSONAL RELEVANCY DELAY" IS EVEN MORE PRONOUNCED

	2020 — Wave 1 March 20-21	**2020 — Wave 2** April 3-4	**2020 — Wave 3** April 17-18
Personal financial situation is on the ***wrong*** track	**43%**	**45%**	**44%**
I'm experiencing financial difficulties	**19%**	**19%**	**17%**
% who think their budget will become stricter	**49%**	**49%**	**38%**
% who say "household financial situation" is a main coronavirus concern	**—**	**45%**	**41%**

WHAT DOES THE "PERSONAL RELEVANCY DELAY" MEAN FOR YOUR BRAND?

While it may seem like so much is out of your control right now, you *can* control your messaging — and it's essential that both tone and content reflect the "Personal Relevancy Delay." Consider how your brand can resonate with the current consumer mindset.

At the same time, you don't want to stop preparing for what comes next — how can you look back to look forward? **Scenario Development Sprints** — week-long, hyper-focused projects — are designed to help you envision where your category could go in the coming years and the steps you should take to prepare.

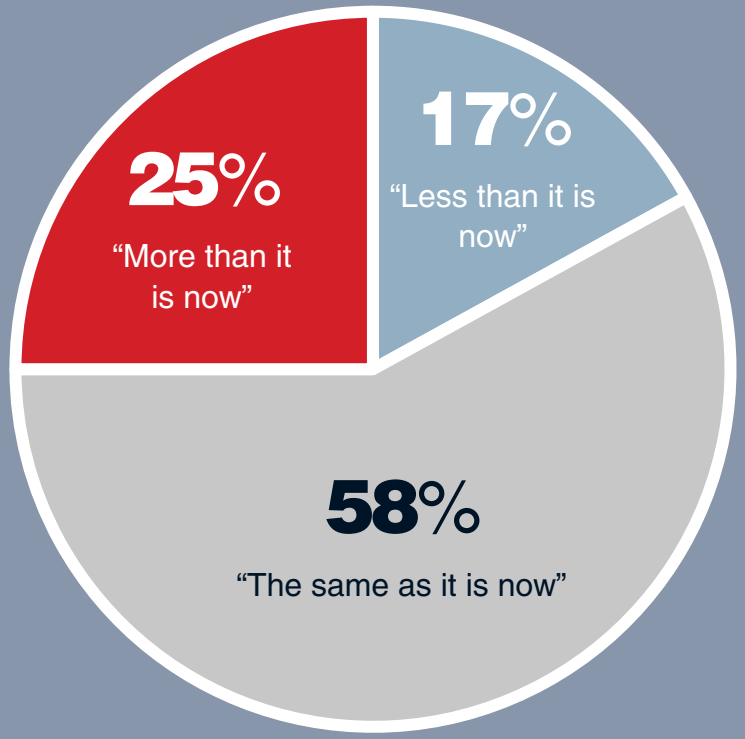
THE GLASS HALF FULL

Americans are known for a seemingly boundless sense of optimism, but with our health and the economy being hit particularly hard during this global pandemic — not to mention the onslaught of negative news — what's the right tone to strike when communicating with consumers?

Many brands are opting for a somber tone, reflecting the expectation that our optimism wanes in trying times. However, most Americans robustly believe that their financial lives will be back on track soon. Across nearly every group we surveyed, many more people believe their incomes will be higher in 6 months than believe they will decline.

Americans believe they will make it through this financially

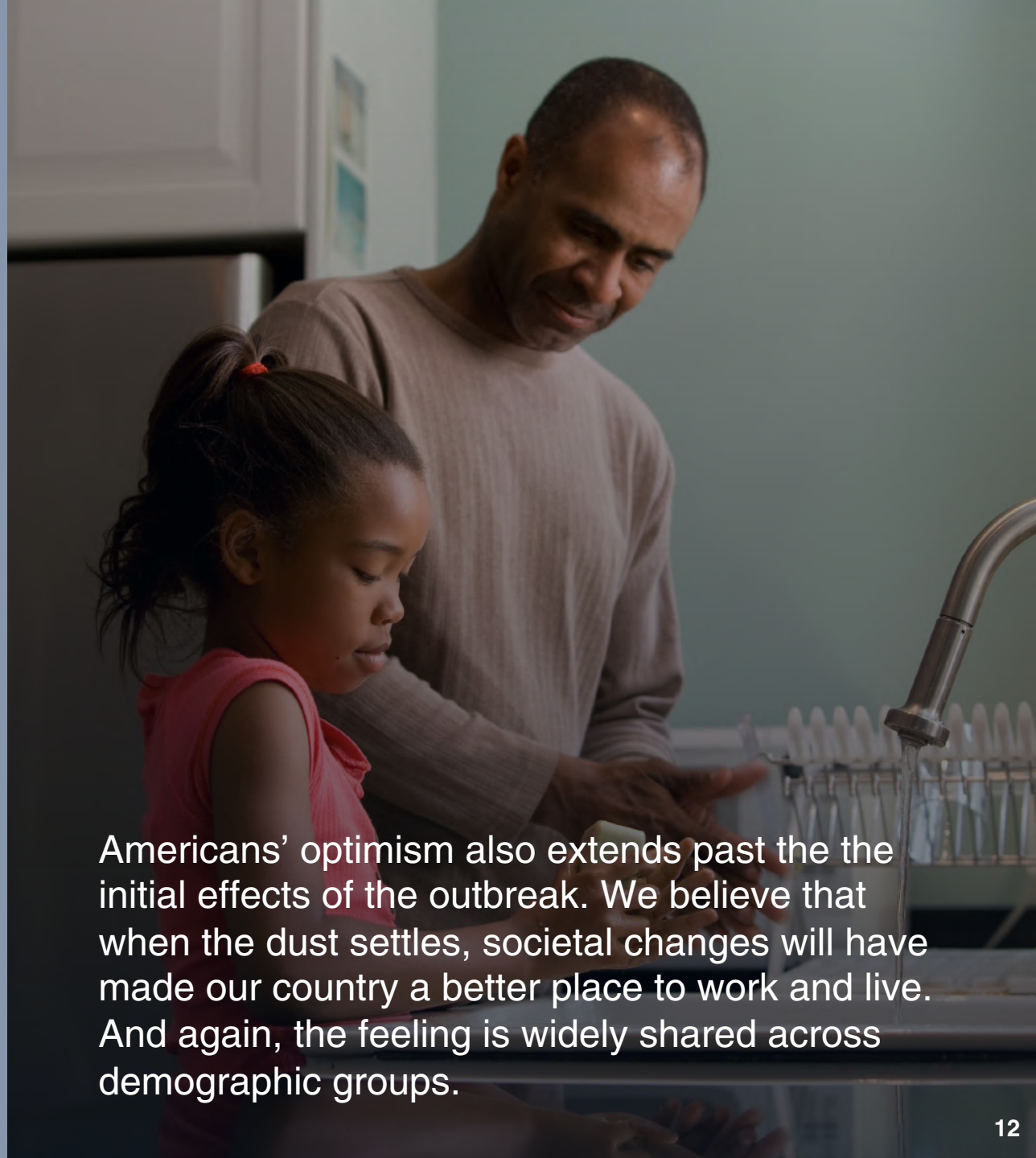
Percent of Americans who think that 6 months from now their household income will be…



SILVER LININGS ARE EVERYWHERE

More Americans (**52%**) think the long-term effects of the coronavirus outbreak will be mostly **positive** than negative

91% of people think there will be at least one positive change to come out of the outbreak (average of 5 total positive changes)



Americans' optimism also extends past the the initial effects of the outbreak. We believe that when the dust settles, societal changes will have made our country a better place to work and live. And again, the feeling is widely shared across demographic groups.

WHAT WE’RE HEARING

“My relationship with my partner has strengthened as we’ve been social distancing together.

I have more flexibility to work in a way that fits my schedule and productivity.

Physical proximity gives you a much better sense of my kids' moods, you have many more off-the-cuff conversations, you just know them as little people better.

I sometimes am grateful for the forced physical slow down. It is not in my nature and I know I would push through it if I was ‘allowed.’

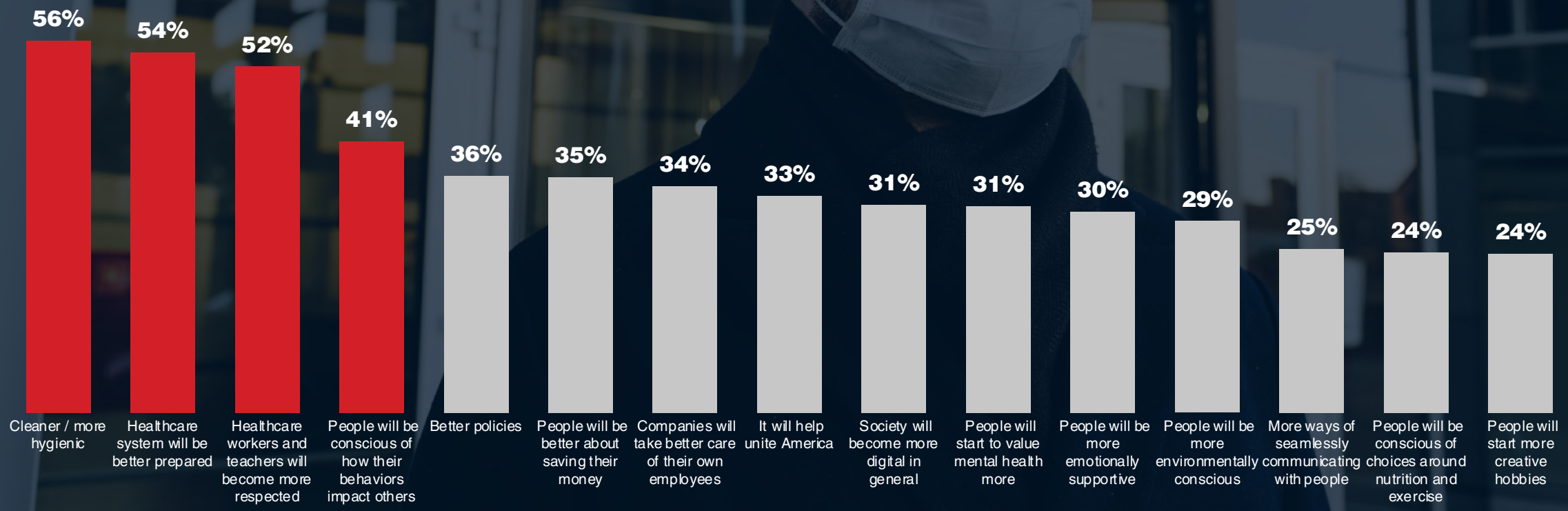
I appreciate essential workers in a way I never did before.

I’ve really enjoyed cooking almost all my food, and exercise has become almost an everyday activity for me. It finally feels like something I look forward to.

My home is cleaner and better decorated than ever before.”

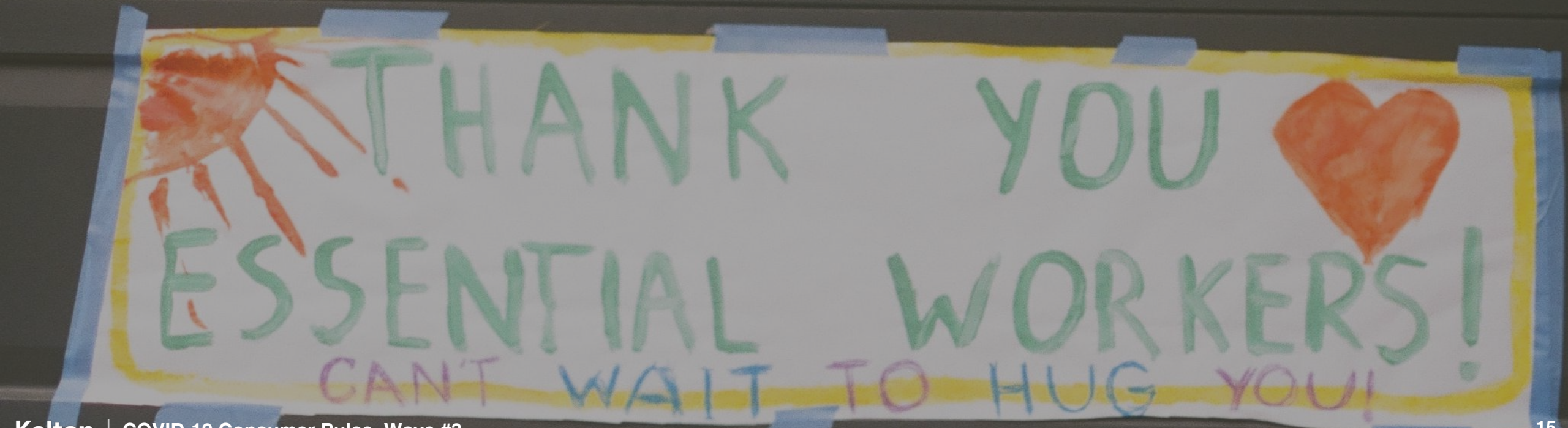
MACRO SILVER LININGS FOCUS ON BETTER HEALTH SYSTEMS AND MORE RESPECT FOR OTHERS

We asked respondents what specific **positive societal changes** they expected as a result of COVID-19. Most commonly, people cited improved health: through better hygiene and a healthcare system that's more prepared for a crisis in the future. Not far behind were expectations of increased positivity and respect — through greater appreciation of workers like healthcare providers and teachers, as well as heightened awareness of how our behaviors impact others.



WHAT DOES A “GLASS HALF FULL” ATTITUDE MEAN FOR YOUR BRAND?

What silver linings or moments of truth are relevant for your category? Reflect on how you can tap into these rich emotional moments. How can your **brand strategy** appropriately reflect the times as well as Americans’ inherent optimism?



THE REBOUND EQUATION

THE SWITCH HAS BEEN FLIPPED ON AMERICANS' PATIENCE

In the two weeks between waves 2 and 3 of our research, Americans have gone from a majority preferring stores stay closed to a minority. Among people who think slowing the outbreak is more important than the economy, **47%** want stores to stay open. And among people who say one of their top coronavirus concerns is their personal health, **46%** want stores to open.

In contrast to the typically one-dimensional viewpoint presented in the media, our regression analysis shows that the desire to restart the economy quickly is driven ***both*** by economic worries (concern over the stock market), as well as the emotional impact of the pandemic (concerns over mental health and rising tensions among those who live together).

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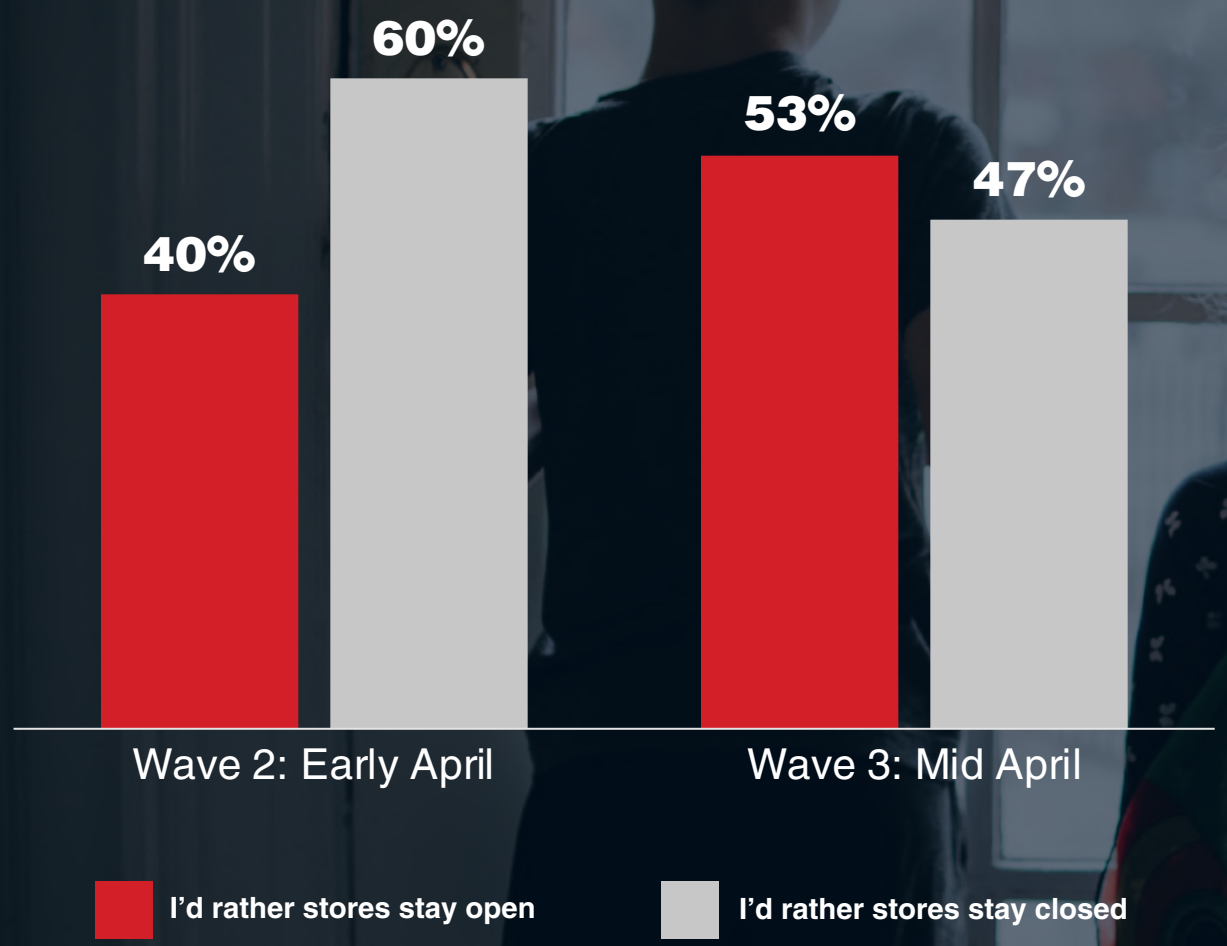
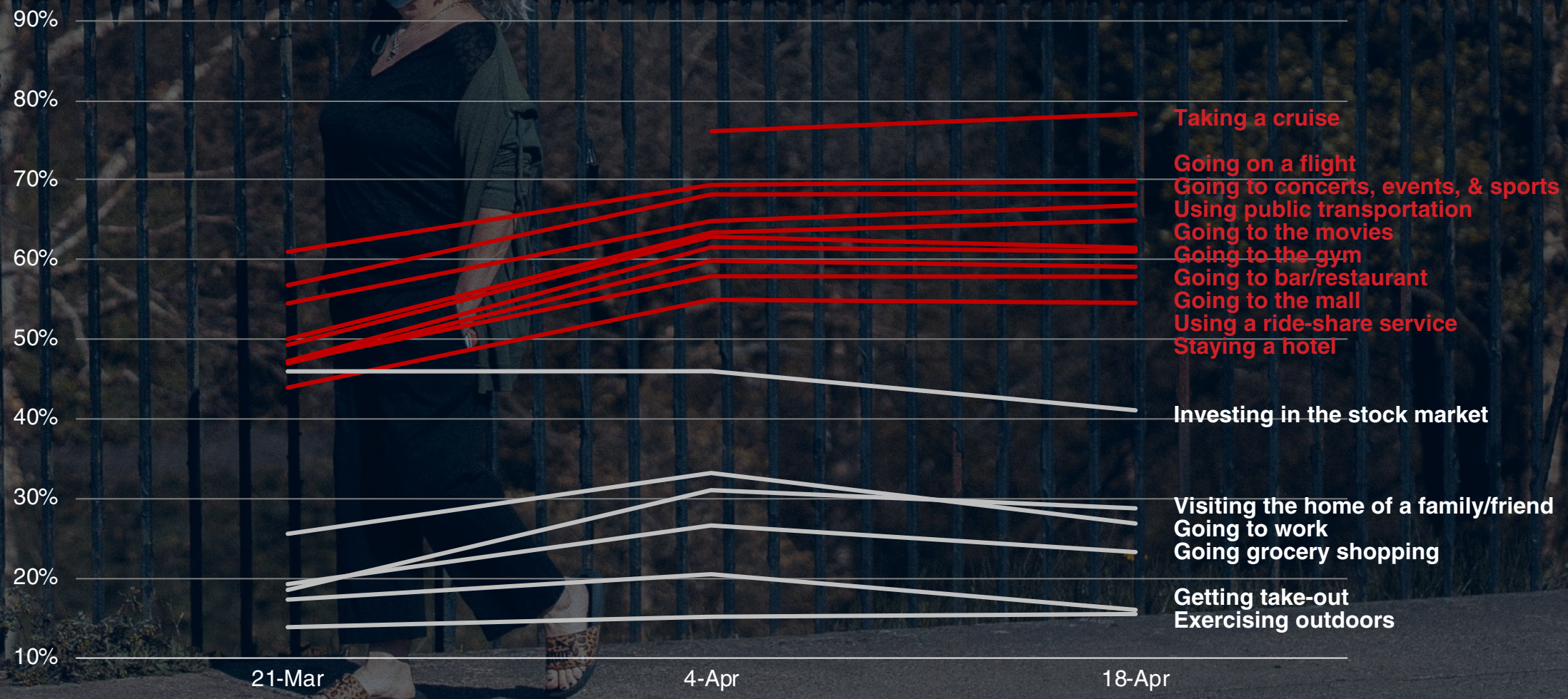


Drivers

- **Economic Worries** (concern over stock market)
- **Emotional Impact** (concerns about mental health, or becoming argumentative with those you live with)

THE FEAR IS REAL

Individual, non-group activities are starting to enjoy a decline in residual fear, while group activities in confined spaces are still seeing increases. Fear around these activities will remain for a lengthy period.



BUT THE CRAVINGS FOR NORMALCY ARE ALSO INTENSE

Americans' fears are in competition with the desire to return to normal.

Miss a lot / intensely

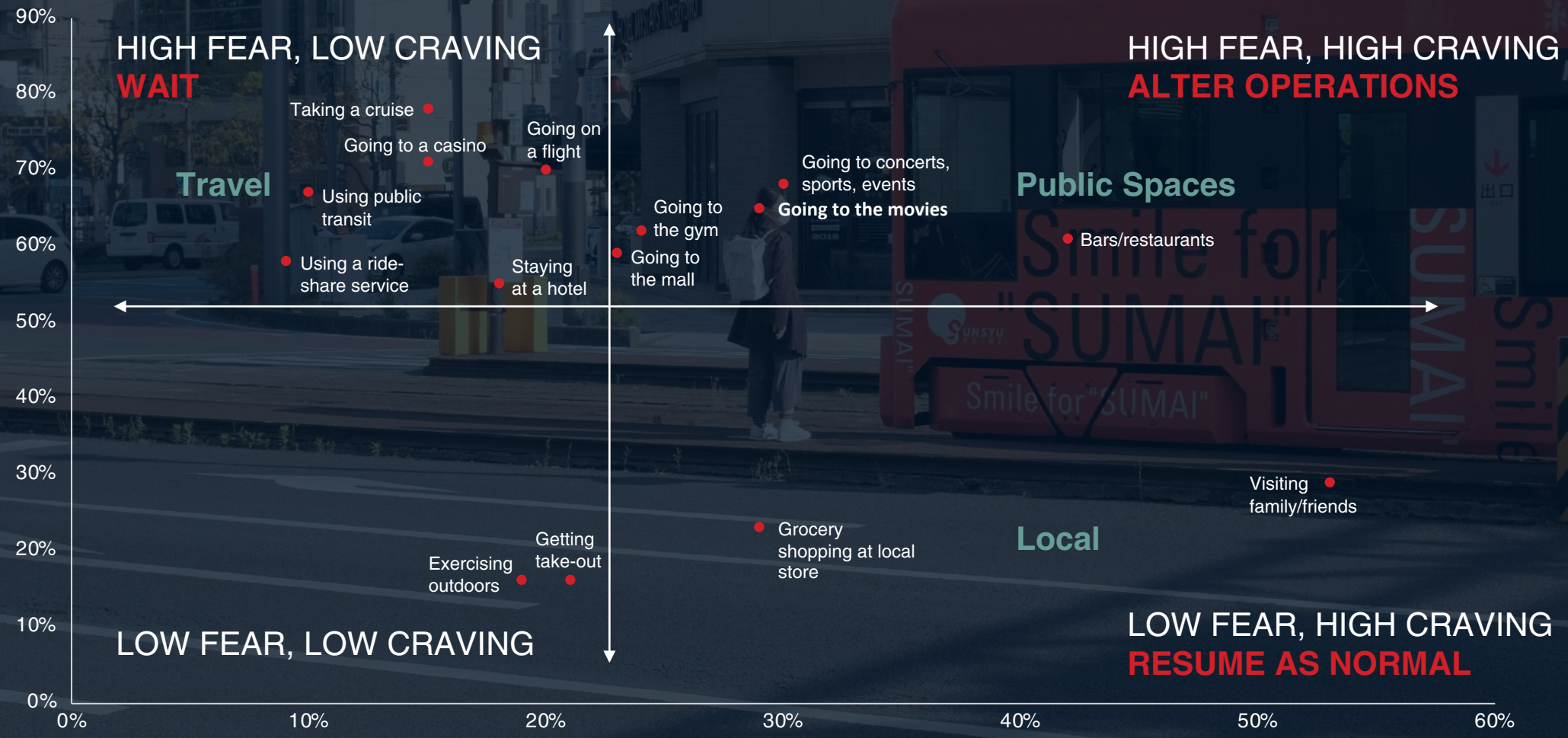
THE REBOUND EQUATION

As we move forward, it's crucial to keep consumers at the heart of your decision making, and a deep understanding of this push-pull dynamic — the balance of fear and craving — will help you create a truly empathic approach to strategy building. Let it guide decisions around the when and how of whatever comes next for your brand.

On the following page, we've mapped various industries to the "**Rebound Equation**" to give you an idea of what this looks like on a broader level. If your business reopens in a category experiencing high residual fear, but that people miss a great deal, you may need to take extra safety precautions to make sure desire wins out over fear.

Businesses in categories experiencing high residual fear and low consumer craving, on the other hand, may need to organize and prepare for a slow return — or offer extra incentives. Otherwise, the pull dynamic won't be strong enough to overcome the fear.

MANY OF THE ACTIVITIES WITH HIGH RESIDUAL FEAR ARE ALSO ONES THAT PEOPLE MISS THE MOST



While the “**Rebound Equation**” can help us determine next steps, it’s important to note that Americans’ expect a future reality that is quite different than today.

We present the following information not as any type of prediction, but to reiterate the point that perception is reality and consumers are expecting to see massive changes across industries. In fact, almost **60%** believe there are some industries that will never recover.

AMERICANS FEAR THAT A NUMBER OF NEGATIVE CHANGES WILL DEFINE THE 'NEW NORMAL,' ESPECIALLY IN PUBLIC SPACES

Negative Societal Changes Expected Due to Coronavirus Outbreak

WHAT DOES THE "REBOUND EQUATION" MEAN FOR YOUR BRAND?

How much fear do consumers have in your category? Can the craving be sustained or will it be replaced by new behaviors?

What can you do differently to alter the relative balance of fear to craving? Is there anything you can control?

What do your consumers' expectations of tomorrow mean for the realities of today? How can you further delineate the "**Transient Normal**" from the "**New Normal**" in your strategy sessions and planning?

Answering these questions is vital for your brand — and **we'd love to help**.

KELTON'S BEHAVIOR ADAPTATION INDEX

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Based on 20 common behaviors, we scored consumers depending on their predictions as to how dramatically their behaviors will change.

We found three distinct groups of American consumers:

MAINTAINERS

Expect very little or only minor temporary changes

ADAPTORS

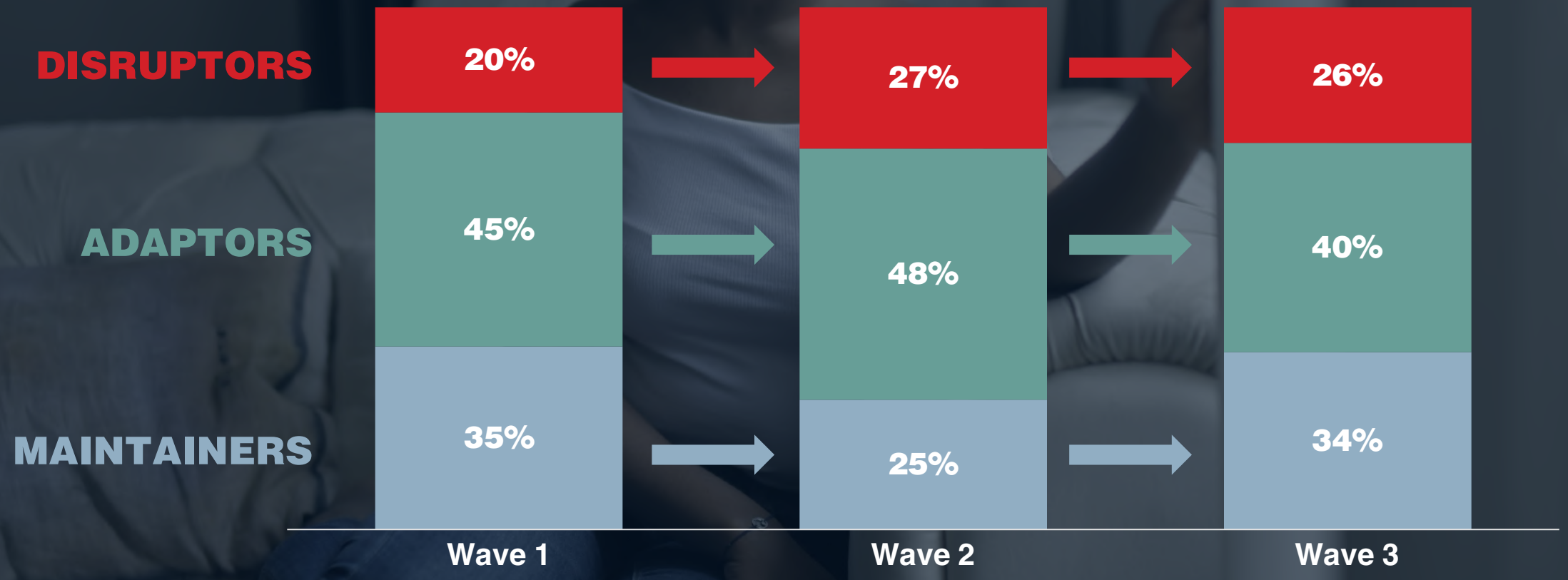
Expect some temporary change along with very few permanent changes

DISRUPTORS

See a large number of radical disruptions on the horizon

AS MANY PEOPLE SETTLE INTO THE TRANSIENT NORMAL, DISRUPTORS ARE LEVELLING OFF

As perceptions of our economic future continue to worsen only slightly, and as indicators like fear level off in many categories, the share of Disruptors is leveling off as well — after large growth between late-March and early-April.



WHAT DOES THE "BEHAVIOR ADAPTATION INDEX" MEAN FOR YOUR BRAND?

What do Maintainers, Adapters, & Disruptors look like in your category?

What changes to your category will Disruptors expect (or create?)

Get in touch to learn how to build the Behavior Adaptation Index into your tracking survey and link these segments to your customer base.

LET’S NOT TREAT EVERYBODY THE SAME: PART 3

In our first report, we emphasized the importance of not relying solely on gen pop statistics. As we continue to see many differences among audience types, it’s still critical to dive into subgroups.

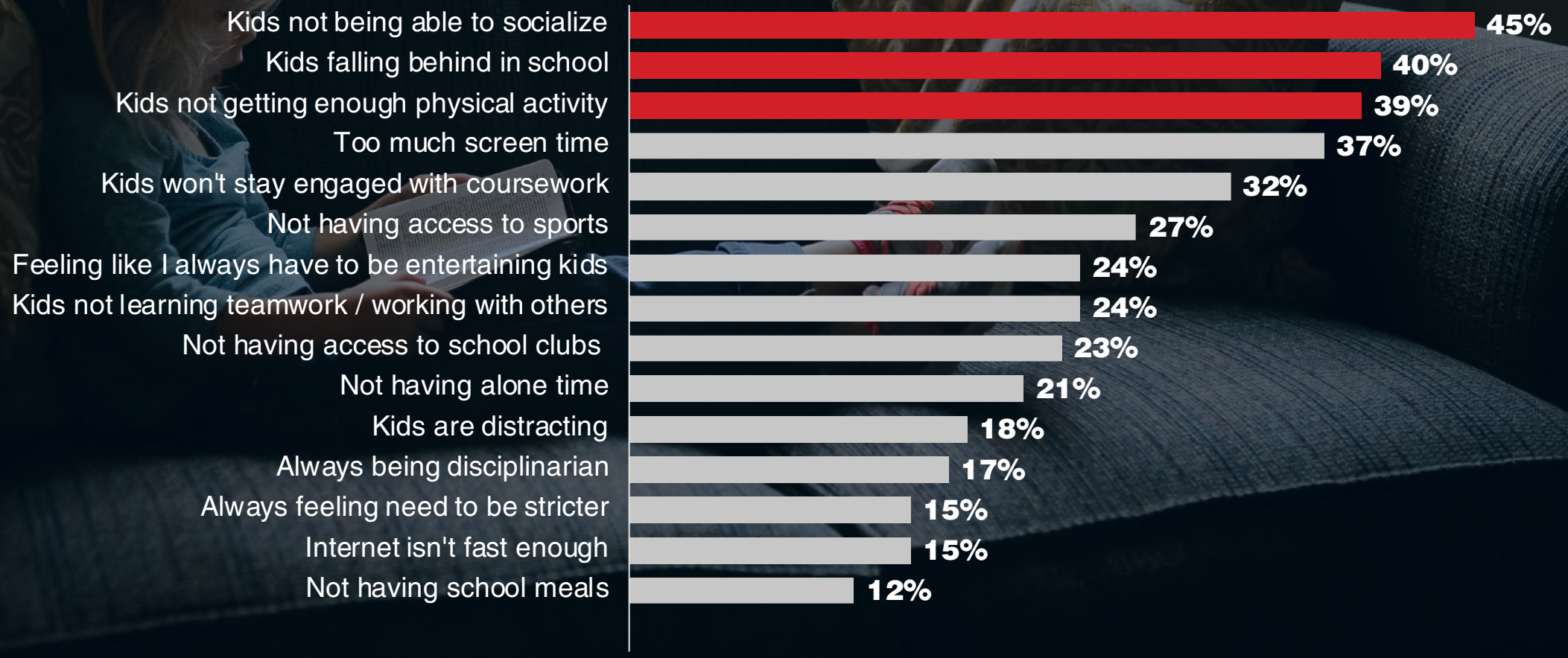
35%

of people over 18 have a child living with them

As parents face the possibility of extended stay-at-home orders and schools remaining closed through 2020 and beyond, **their main concerns are about the fundamentals of childhood**. Rather than focusing on the shuttered activities and coursework that make up the day-to-day of kids' overscheduled lives (or the impact of closed schools on *themselves)*, parents are focused on the simple things that keep kids happy and healthy: seeing their friends, staying mentally stimulated, and getting enough physical activity.

As the conversation around parents' needs continues to evolve — from an initial focus on hyper-creative activities and whimsical crafts in the first few weeks of the pandemic, to a pendulum swing of simply keeping them alive — this suggests that the third wave of the conversation about kids' needs will focus on kids' wellbeing in the simplest sense.

PARENTS' CONCERNS ARE GOING BACK TO BASICS AS THEY SETTLE IN FOR THE LONG HAUL



KIDS' AGES MAKE FOR UNIQUE EXPERIENCES

- Parents of kids **ages 6 to 12** are much more concerned about their kids falling behind in school, and about too much screen time
- Parents of kids **under 5** are more concerned about their kids not learning teamwork, and worrying that they're not being strict enough in time
- Parents of **teenagers** have fewer concerns overall
- Parents of kids **under 5 and teenagers** are more likely to say they're going to hit their breaking point with stay at home orders within the next four weeks

WHAT DO DEMOGRAPHIC DIFFERENCES MEAN FOR YOUR BRAND?

What tone are you currently striking with parents — and how can/should it evolve?

Are there any key audiences your teams should have a more nuanced understanding of?

More important questions to answer.

COVID-19 INSIGHT CASE STUDY: SUSTAINABILITY

We heard: “**Sustainability as we know it is over.**”

Thanks to rising germaphobia and the corresponding use of bleach and single-use wipes, we’ve received many questions around how sustainability is changing — so we decided to look into it. And we believe that what we learned has major implications as we examine changing categories through a hypothesis-driven lens.

We learned: while consumers shift their *purchase patterns* away from sustainability, their *attitudes* remain committed to sustainability

- **64%** of consumers say they'd rather buy the strongest possible cleaning & household products right now, even if they're not sustainable

- **61%** of people say they have grown more focused on how their actions impact the environment during the outbreak

On one hand, purchase patterns reflect the predicted rejection of organics and sustainable options — even those who previously bought organic are shifting their purchases to traditional products.

On the other hand, attitudes are leaning in a more sustainable direction. More than twice as many people believe the way attitudes toward sustainability change after the outbreak will be positive (**29%**) versus negative (**12%**).

While people think traditional products are more reliable, many buying them for the first time during the outbreak still see their harsh ingredients as being less safe — a testament to the effective branding of organics and sustainables, and another reason the shift may be temporary.

The answer: It’s not simple.

Sustainability is becoming more important.

What it means to be sustainable is changing.

ENGAGING IN THE SHORT & LONG TERM

EMPLOYEE RESPONSIBILITY IS BECOMING TABLESTAKES

In our previous reports, we've highlighted the importance of employer brand. Protecting employees cannot be overemphasized, and it remains the message consumers want to hear.

Now, this focus on employees is evolving. Not only is it what consumers want to hear about — it's influencing their decision making.

56% of people will stop buying their preferred brands if they don't do good things for their employees

(vs **44%** who will continue buying from preferred brands even if they're not)

LOCAL AS A WAY TO CONTROL

- **67%** of people have grown more aware of how local businesses in their community are doing
- **37%** say that “small businesses in my community” are one of the things they are most concerned about when thinking about COVID (#8 out of 20 options, above the stock market)
- **68%** of people prefer to purchase from local businesses/retailers right now

ENTERTAIN ME!

At a time when every advertisement seems to strike a somber tone, consumers are giving permission for — and even craving — some light-heartedness and entertainment (so long as it's done in the right way).

"**Keeps me entertained/distracted**" is the #3 (out of 18) thing that people have appreciated getting from brands, products, or services right now — only behind "keeping homes sanitized" and "helping me save money"

WHAT TO EXPECT FROM WAVE 4 OF OUR RESEARCH

(in field May 1-3)

- Expectations for a return to normalcy
- Post-outbreak consumer changes
- Safety cues for reopening smoothly

Have ideas for our next wave of research? We'd love to hear them.

And if you're looking to figure out the best way to plan for the road ahead, we're here to help.

Drop us a note or visit us at covid-19.keltonglobal.com.

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