

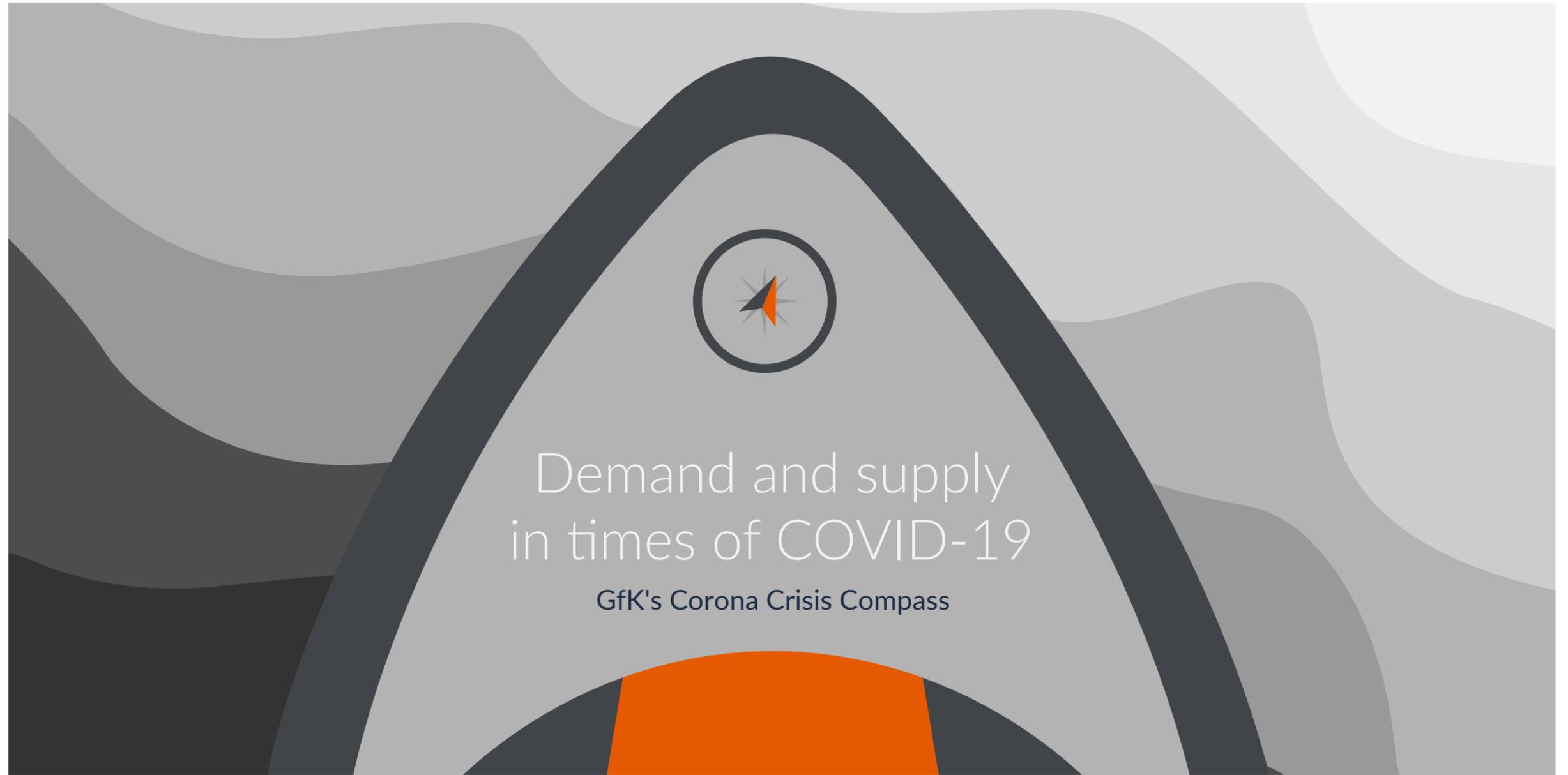


Introduction

Demand

Supply

Conclusion



# NAVIGATE COMPLEX DECISIONS WITH HARD FACTS

THESE ARE UNPRECEDENTED TIMES.



It is in crises like these that businesses and brands need up-to-the-minute, reliable and accurate information to make decisions fast. In this White Paper we have concentrated on providing the relevant information for right now using our Weekly Point of Sales data and our Distribution Tracking as well as consumer insights as the basis.

**We tackle the most pressing questions in your business today including:**

- How is supply and demand in tech and durables categories affected?
- How can I track market changes and understand the trends quickly?
- How should I mitigate risks and how do I identify these early enough to be effective?
- Which sectors and product groups are hit first or hit the hardest?
- What are consumers thinking and how is their buying behavior changing week-to-week?
- What are the e-commerce opportunities as people avoid crowded shopping centers?



**> Introduction**

Demand

Supply

Conclusion

# NAVIGATE COMPLEX DECISIONS WITH HARD FACTS

HOW IS CONSUMER BEHAVIOR CHANGING BECAUSE OF COVID-19?

## Understand consumer reactions in home isolation regions with China as the blueprint

As the first region to experience COVID-19, what happened in China is likely to be the blueprint for other markets as the virus rapidly advances across the globe.

When Chinese consumers started to self-isolate, there were significant drops in both retail sales and consumer confidence – observed from the last days of 2019 to February 2020. Consumer demand was hit hard in three ways: stores were closed, the supply chain faltered, and consumers postponed purchases as their income suffered.

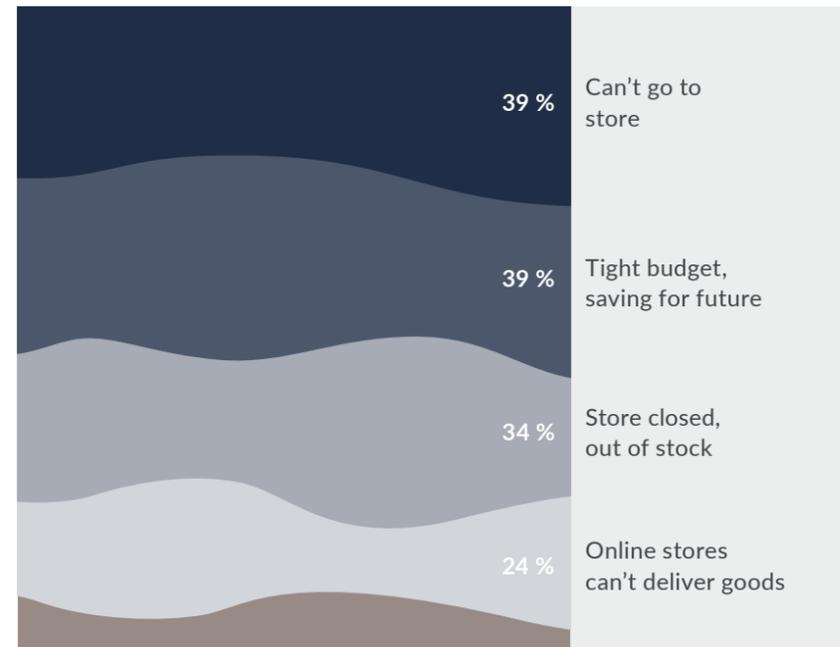
Looking in detail at the performance of retail in China, traditional sales fell by more than 80% during some weeks of the outbreak as most shops were closed.



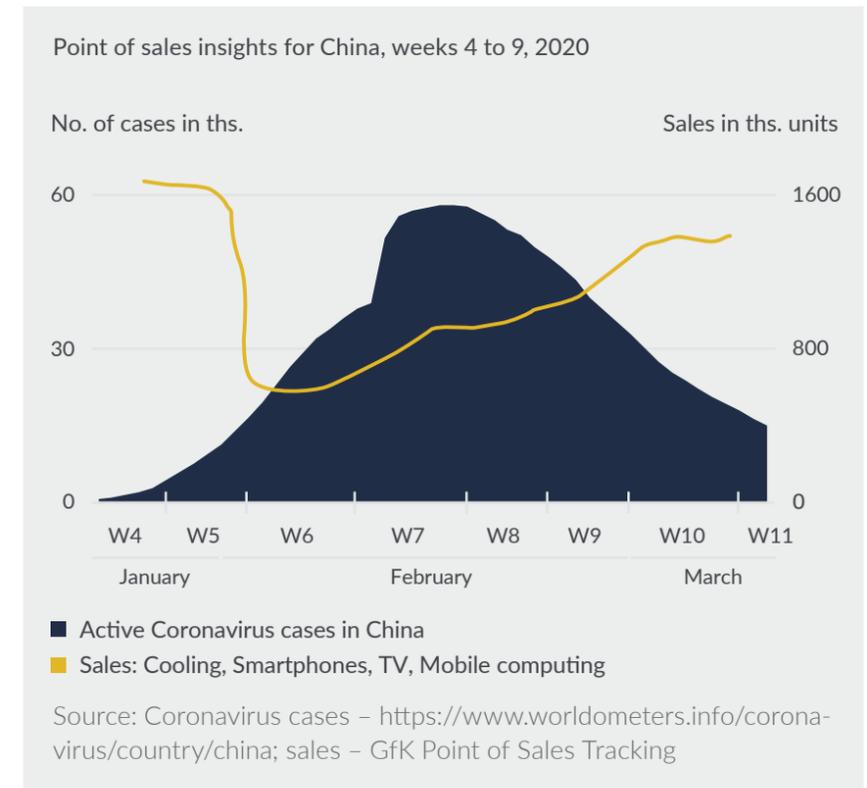
- Introduction
- Demand
- Supply
- Conclusion

RETAIL

### REASONS OF POSTPONING/CANCELLING PURCHASE ACTIVE CORONA CASES VS WEEKLY RETAIL REVENUES



Source: GfK China Consumer Sentiment Study, February 2020



# NAVIGATE COMPLEX DECISIONS WITH HARD FACTS

HOW IS CONSUMER BEHAVIOR CHANGING BECAUSE OF COVID-19?

No boost in e-commerce sales could compensate for these severe losses, but our Point of Sale research shows that tech products such as notebooks continued to sell well – demonstrating that those items that already had a strong presence in e-commerce can be expected to cope better during emergencies such as the Coronavirus.

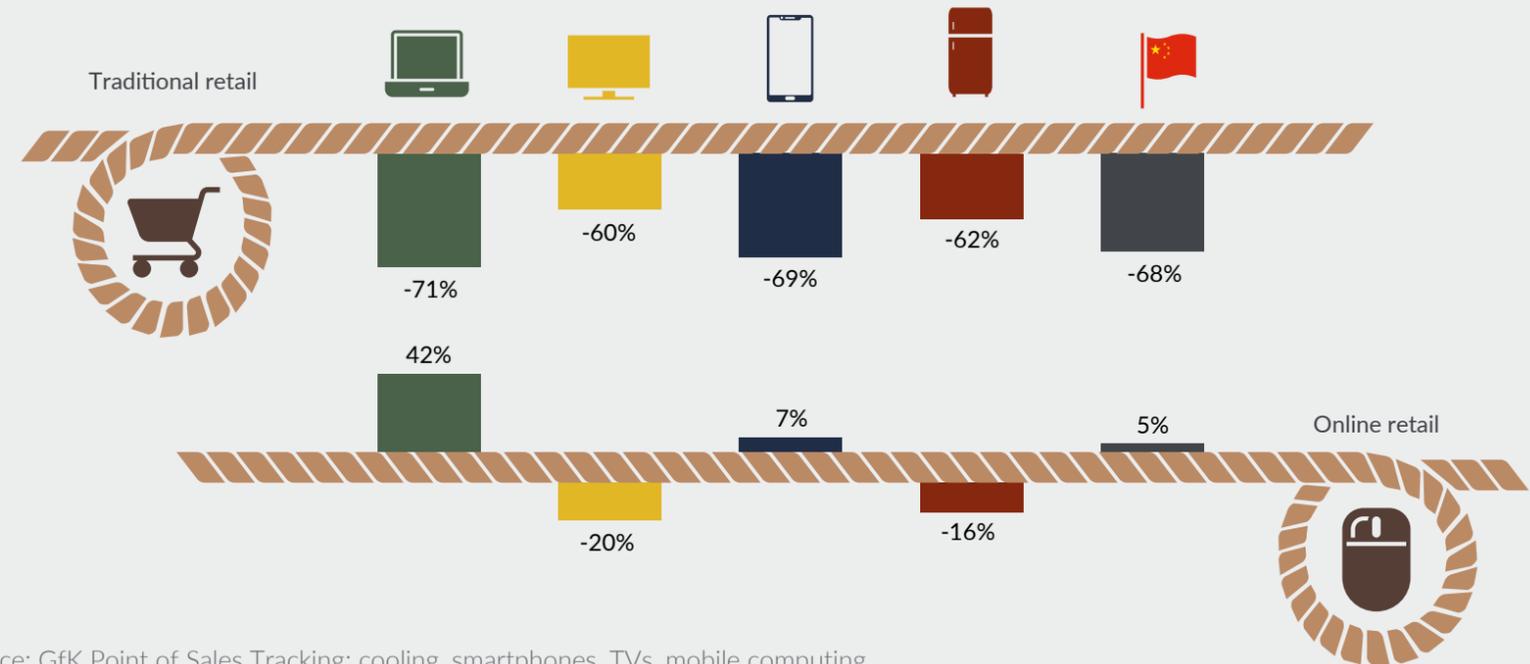
For instance, despite COVID-19, the launch of a major Chinese manufacturer’s latest notebook **performed well**, showing that consumers were still buying desired items despite the outbreak.

This suggests that it is possible to mitigate for risk by selling via e-commerce in times of closed stores – if you can master logistics in time.

Granular insights on traditional and online sales reveal how the product categories shown develop over time. Traditional retail sales dropped significantly as footfall was non-existent, while online sales of tech goods (only) grew slightly as all unnecessary purchases were postponed.

## TRADITIONAL RETAIL SALES COLLAPSE MASSIVELY

Point of sales insights for China; weeks 4 to 9, 2020; growth rates (units)



Source: GfK Point of Sales Tracking; cooling, smartphones, TVs, mobile computing

RETAIL



- Introduction
- Demand**
- Supply
- Conclusion

# NAVIGATE COMPLEX DECISIONS WITH HARD FACTS

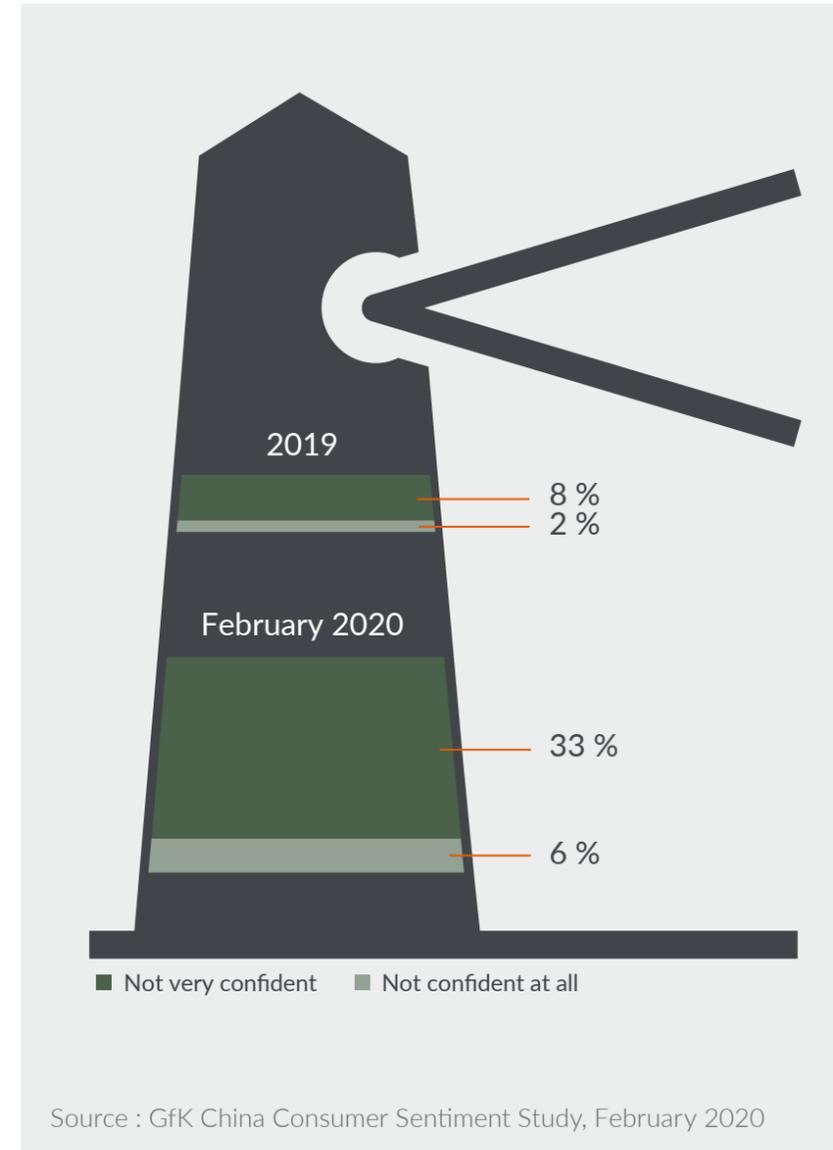
## HOW IS CONSUMER BEHAVIOR CHANGING BECAUSE OF COVID-19?

Although the worst appears to be over in China, the results of the decline in confidence continue to be felt, including:

- One third of consumers will limit their expenditure in the short-term, notably on big ticket items.
- The biggest impact is in the tier one cities like Beijing, Shanghai or Guangzhou which are the main economic centers. The lower tier cities in China will experience less of a shock.
- 41% of consumers have increased their frequency of buying online in the last month, and for the first time, online shoppers have doubled in the tier three cities and below.

CONSUMER SENTIMENT

### CONSUMER CONFIDENCE DECLINE IN CHINA



The good news is that Chinese consumers are telling us they expect this economic decline to be temporary.

Almost **50% of Chinese consumers** expect a recovery in Q3 2020.

As the peak on the chart from page 3 suggests, the impact on retail sales was short, sharp and devastating. Our research also suggests that the peak has passed, and consumption is gradually recovering.

These insights into consumer behavior may indicate what we can expect to see in other markets. Next, we'll look at the experience in the US and Italy, two markets currently taking extreme measures in response to COVID-19 that will certainly impact markets, businesses and brands.



- Introduction
- Demand**
- Supply
- Conclusion

# NAVIGATE COMPLEX DECISIONS WITH HARD FACTS

## CORONAVIRUS SPREADS: DEVELOPMENTS IN THE US AND ITALY

Are revenue losses of the sheer magnitude of those in China likely to be replicated in other markets? Let's look at the US and Italy, two countries where cases of the virus are on the rise.



These include limiting visits to public places such as retail outlets. As a result, retailers are braced for substantial falls in revenue.

It's a very similar pattern in Italy where before the newly imposed lock-down measures, consumers explained they had increased the amount they buy online. This applies to not just food, but also hygiene products and tech/durable goods.

RETAIL

In regions and markets where stringent measures are in place, or where many consumers are self-isolating, consumer sentiment will be negative like in China – but we also believe it will be short-term. Consumers appear to anticipate a recovery by Q3, offering the hope of strong purchasing activity in the second half of 2020. We expect durable goods such as cars and many home appliances to experience the biggest impact from the sharp fall in consumer spending – but it's not the case for all items.

For instance, **sales of freezers are surging** in some markets such as the UK as consumers prepare to be home-bound.

### What's happening now, and what we expect:



Sales via the online channel are partially compensating for lost revenue from closed physical stores.



The recovery in consumer demand in these markets will lag into Q3 – assuming that the epidemic is under control.



In less affected regions the challenge is in having a sufficient supply. Players will need to monitor the moves of competition and avoid over-promotion and overpricing.

CONSUMER SENTIMENT



# NAVIGATE COMPLEX DECISIONS WITH HARD FACTS

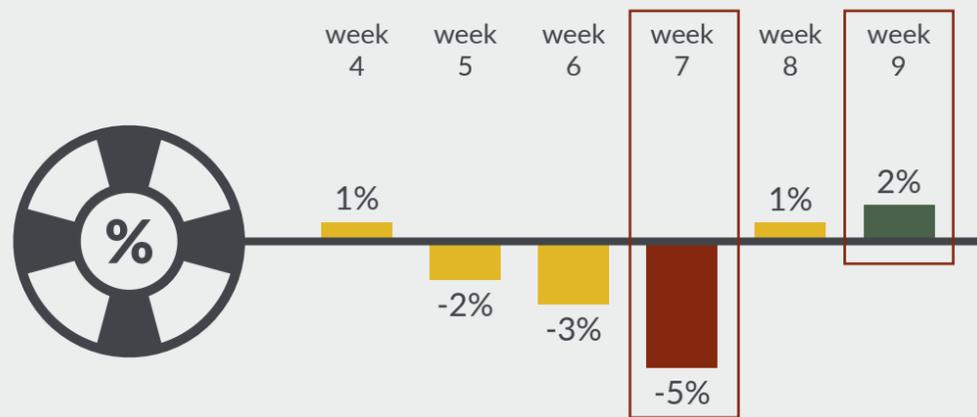
HOW WILL SUPPLY BE AFFECTED BY COVID-19?

## Consumers prepare for weeks of self-isolation

The impact of the Coronavirus on supply chains outside China took some time to be felt, becoming visible to the industry only at the end of March or in some cases as late as mid-April. Until then, manufacturers and suppliers discovered they could live off their stocks, but that time is coming to an end – and fast.

## HOW THE CRISIS IMPACTS SALES IN EUROPE

Sales units weekly growth rate weeks in 2020 compared to previous year



Source: GfK Point of Sales Tracking, Panelmarket; Product groups: cooling, mobile computing, TVs, smartphones; EU5 = Germany, Spain, France, Italy, UK

In the same way, it has taken some time for the reality of the Coronavirus to reach consumers. Our data showed that in weeks four to seven there was a steady downward trend in sales.

But in week nine, a reverse trend hit many markets with force. Suddenly consumers realized **the likely impacts** of coronavirus on their daily lives.

Media headlines reporting supermarket shortages and price hikes may have triggered stockpiling in the FMCG categories and a sense of shopper panic. This sentiment spread to the tech and durable goods sector too, as consumers opted more for a 'buy now' attitude.

## Distribution trends in calendar weeks five to eight 2020

- Distribution markets on a global level had already declined in volume by -5% in the last four weeks year-on-year.
- Volumes shipped by distributors in Western Europe dropped by -8% in the last four weeks year-on-year.
- Simultaneously, prices have increased by around 19% in the same time period year-on-year on average.

Source GfK Distribution Panel, Panelmarket excl North America, to March 2<sup>nd</sup>, 2020

CONSUMER SENTIMENT



- Introduction
- Demand
- Supply**
- Conclusion

# NAVIGATE COMPLEX DECISIONS WITH HARD FACTS

## HOW WILL SUPPLY BE AFFECTED BY COVID-19?

Retailers have responded to expected supply shortages and increased demand by minimizing price promotions. This is particularly the case in tech products like smartphones, notebooks and TVs. There are inevitably opportunities too with increased demand for certain tech and durable goods that can promise relief in times of Coronavirus.

For instance, sales of Air Cleaners at online retailers in week 9 increased by more than **40% in Japan**, and by more than 10% in Italy.

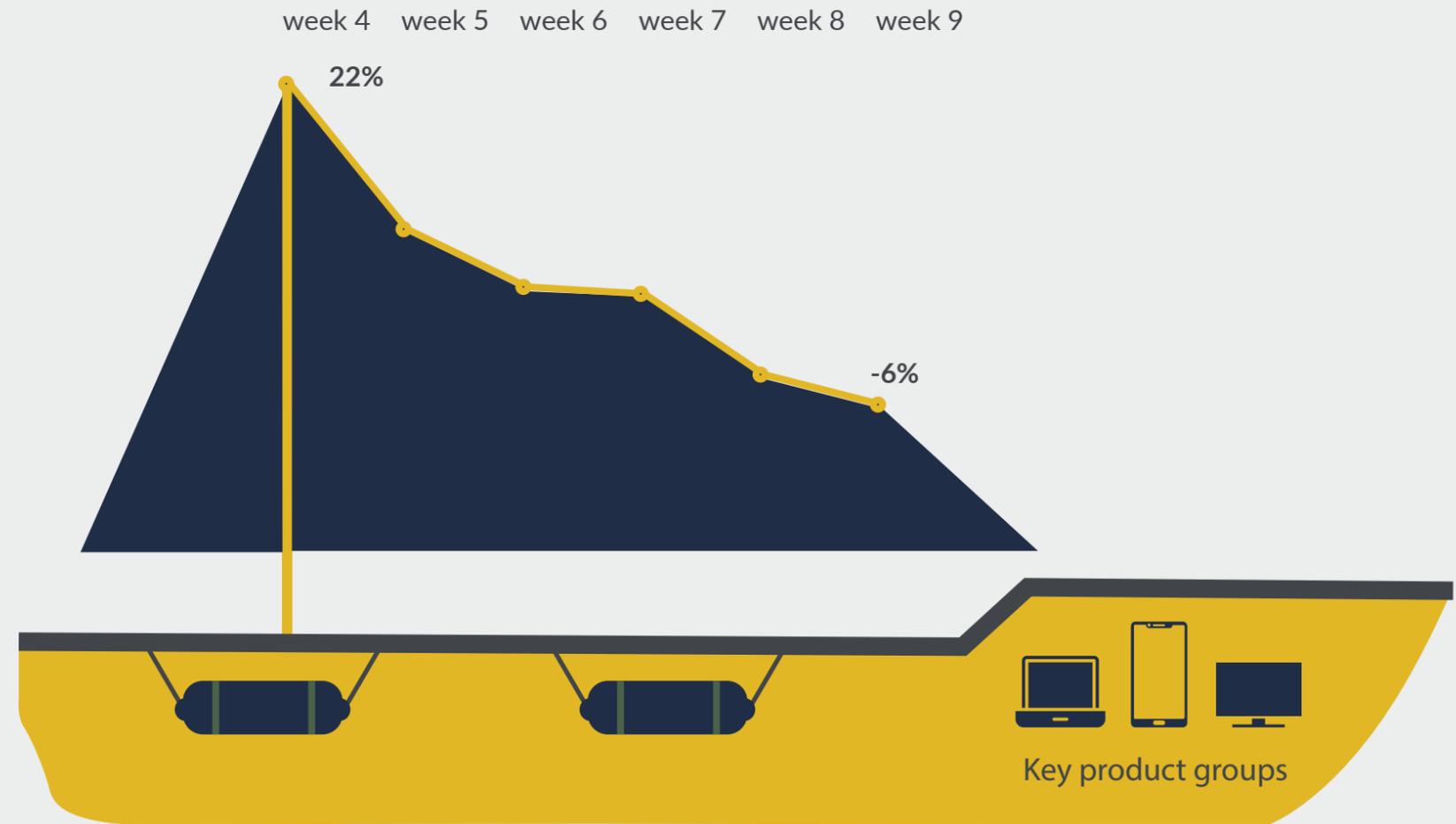
RETAIL



- Introduction
- Demand
- Supply**
- Conclusion

## HOW THE CRISIS IMPACTS PROMOTIONS

Growth rates (units); promotions with price cut of more than 10%; weeks 2020 compared to previous year



Source: GfK Point of Sales Tracking, Panelmarket; Product groups: cooling, smartphones, TVs, mobile computing; EU5 = Germany, Spain, France, Italy, UK

# NAVIGATE COMPLEX DECISIONS WITH HARD FACTS

## HOW WILL SUPPLY BE AFFECTED BY COVID-19?

China has become an integral part of supply chains for tech and durable goods in almost every shape and manner. The complexity and non-transparency of those chains are now creating a great deal of uncertainty about the effects for key market players.

GfK's Distribution Panel tracks the supply chain once goods leave the vendor and before they reach the point of sale for the end customer. This sales data is a true reflection of what was traded by distributors and hence is an early indicator of what effects may hit the point of sale.

SUPPLY CHAIN

### FOUR IMPACTS OF COVID-19 ON THE SUPPLY CHAIN:

- 1 **Despite the expected recovery in Q3/Q4, the full year impact will be substantial.**  
Postponed purchases will be partially satisfied in the next quarters if there is enough capacity on the manufacturer and supply chain side. However, the full year impact is expected to be substantial.
- 2 **All markets and brands will be affected, not only Chinese.**  
Most brands rely on parts or production capacities in China. Once the effect kicks in, shortages will be caused by the lack of components or delayed manufacturing processes.
- 3 **Supply chains face an increasing number of barriers.**  
This will be true around the world as more shutdowns happen outside of China. Logistics will be delayed.
- 4 **Countries with an existing manufacturing footprint could benefit.**  
Diversification of supply chains for risk mitigation, initiated during the trade war, could intensify, benefitting neighboring countries with a strong manufacturing footprint e.g. Taiwan, India and Vietnam.



Introduction

Demand

> Supply

Conclusion

# NAVIGATE COMPLEX DECISIONS WITH HARD FACTS

## NAVIGATING STORMY SEAS

We're living through a period where market dynamics are almost impossible to predict. We will no doubt look back at this and change how we handle pandemics in the future, but for now, we must all live day-to-day and take decisions based on the best available information.

GfK's Point of Sale data provides up-to-the-minute sales data, and our suite of distribution solutions track all aspects of your supply chain, so we know how consumers are behaving – and how and where they are spending money during this period.

Now more than ever, this data, combined with our expertise, advanced analytics and the latest data analysis techniques can help guide your decisions so you can take control, mitigate risks and secure business results.

For more information on how GfK insights can help you navigate through this crisis, please contact **Thomas Oswald**, [thomas.oschwald@gfk.com](mailto:thomas.oschwald@gfk.com) or your local GfK Key Account Manager.



- Introduction
- Demand
- Supply
- > Conclusion

### Identify

quickly and confidently where corrective action is required based on weekly insights on your competitors' tactics

### Ensure

you have a 360° view of COVID-19 impact from a consumer and retail dynamics perspective – fast and frequently

### Optimize

your product's pricing and promotion by adapting strategy and tactics week-to-week

### Gain

the full picture of performance across all relevant channels – online and offline

