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Nordic consumer trends

# COVID-19, where next?

**How to stay relevant and  
resilient in a supercharged  
shift to online**

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## Introduction

The COVID-19 pandemic is sending shockwaves through the world economy. To navigate this increasingly complex environment and remain profitable, firms must build resilience and stay relevant to consumers.

Strategy& and Norstat conducted an extensive survey of more than 5.500 consumers in the Nordics to understand and help firms navigate the emerging trends shaping the future for consumer markets. The survey answers were collected from 16th to 30th of April 2020.

For further information on to how stay relevant and resilient in the wake of COVID-19, please contact Strategy& in Stockholm:

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## EXECUTIVE SUMMARY

Uncertainty and an online shift presents growth opportunities, but also stresses the need for strategies responding to the increased complexity

### Survey Highlights

### How to Respond



**1.**

**Consumers are holding back spending, but expect a speedy recovery**

#### Navigate the crisis and position for the future

- Safeguard fact-based decision-making
- Adhere to a consumer centric start-up mentality and be agile to capture opportunities
- Ensure flexibility in operating model and ability to scale fast
- Double down on your strategy, and focus on investing in distinctive capabilities



**2.**

**Supercharged and permanent shift to online**

#### Capture profitable volumes and manage the increased complexity

- Target profitable consumer segments and drive loyalty correspondingly
- Adjust assortment and service levels to match new consumer needs
- Deploy capabilities from brick-and-mortar to online (for example category and space management)
- Apply differentiated pricing and cost-to-serve models to protect profitability



**3.**

**The physical store as a stand-alone sales channel is no longer relevant**

#### Accept the role of physical stores primarily as a support to the omnichannel strategy

- Redefine the purpose of the store to support and complement online (for example services, showroom, last-mile delivery)
- Invest in stores and employees to build required capabilities (for example technology and space)
- Evaluate footprint, close or move non-value-adding stores



**4.**

**Openness to digital services and new forms of engagement is increasing**

#### Leverage new ways of engaging digitally and personally with consumers

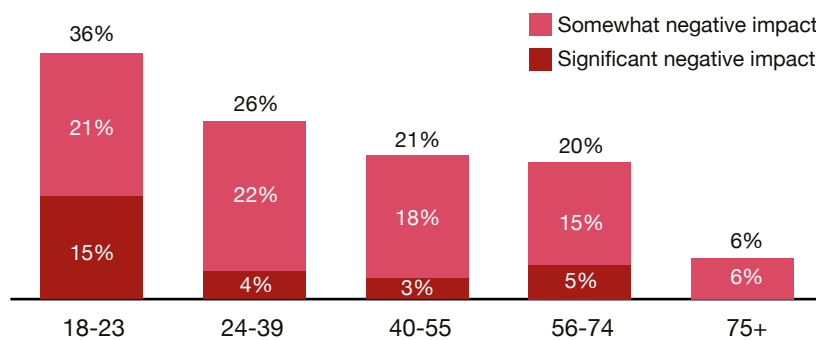
- Identify digital consumers and make digital engagement the 'new normal'
- Harvest data of new consumers to further optimize and personalize the omnichannel service model
- Experiment with new forms of engagement and interaction (for example content-creation, complementary tools, virtual and augmented reality)

## 1. CONSUMERS ARE HOLDING BACK SPENDING, BUT EXPECT A SPEEDY RECOVERY

### Younger generations bore the brunt of the negative financial impact in the wake of COVID-19

The COVID-19 pandemic has impacted the Nordic economies negatively, with unemployment and bankruptcy figures on the rise. 21% of consumers in Sweden said their income has already been negatively impacted by the COVID-19 pandemic. Younger generations, especially Generation Z (18-23 years old) have been disproportionately impacted with 36% reporting a decline in income. Boomers (aged 56-74) have decreased their overall spend across all surveyed categories more frequently than Millennials (aged 24-39), 26% of Boomers and 18% of Millennials said they have spent less since the pandemic broke out. These findings point towards a speedy recovery, with older generations potentially resuming normal spending as societies reopen. Men state being more impacted by the crisis, with 23% reporting a decline in income, compared to only 19% of women stating the same.

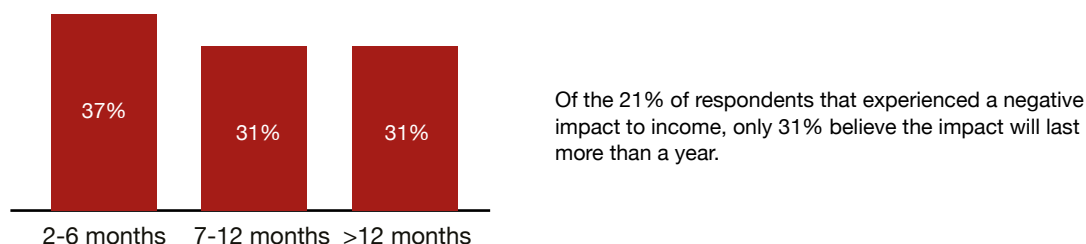
**EXHIBIT 1**  
Consumers reporting a decline in income as a result of COVID-19



Source: Strategy& Norstat Nordic consumer survey, April 2020

**36%**  
of the youngest consumers have seen a decline in income due to COVID-19

**EXHIBIT 2**  
Consumers' thoughts on time to recovery for their incomes  
% consumers reporting a decline in income



Source: Strategy& Norstat Nordic consumer survey, April 2020

## Travel and apparel are the heaviest hit industries, but consumers expect a return to normal spending post-COVID-19

The most hard-hit segment is travel & events, with most consumers reporting a significant decrease in spend. The apparel & shoes segment is also seriously impacted by lower consumer spend, with the decrease being led by older generations. Apparel and shoes retailers should take quick measures to manage revenues and to avoid inventory build ups. The impact is already evident for some firms catering to more mature consumer groups with MQ, Dea Axelssons and Flash all filing for bankruptcy in Sweden.

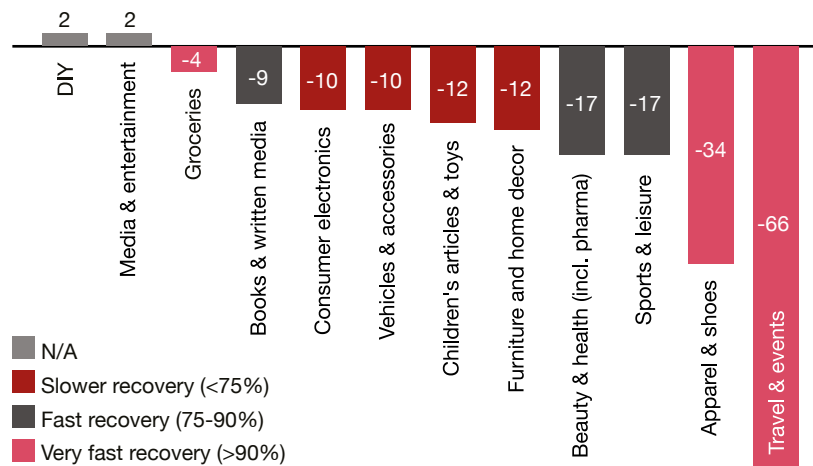
However, over 90% of consumers expect to return to 'normal' spending on apparel & shoes and travel & events once the pandemic is over, giving hope to hard-hit industries. The recovery can already be discerned at leading e-commerce players like Zalando that reported faster than anticipated recovery in April.

### EXHIBIT 3

#### Shift in consumer spend, Sweden

% of consumers increasing spend – % of consumer decreasing spend  
and % of respondents stating a return to normal spend after the crisis is over

Over  
**90%**  
of consumers  
expect a return  
to 'normal'  
spending on  
apparel &  
shoes and  
travel & events



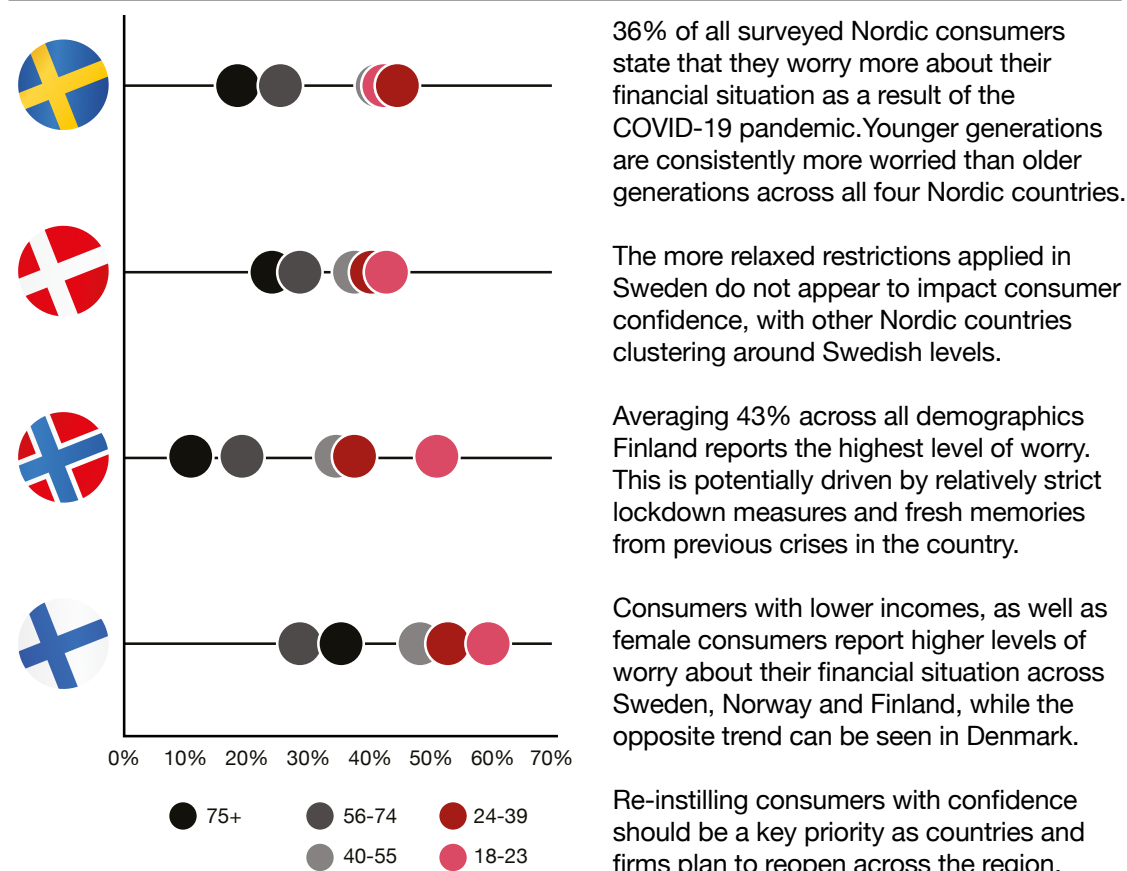
Source: Strategy& Norstat Nordic consumer survey, April 2020

Above figures are not synonymous with total spend in the category but is indicative of the average consumer's spend. For example, the average grocery consumer reported lower spend on groceries while the total spend as indicated by sales data from the industry increased. Some of the discrepancy can be explained by high income consumers, with higher average basket size. They make up a disproportionate share of consumers that have increased spend in the category, shifting from eating out to eating in. Other effects not taken into account include the fact that older generations report a strong decline, potentially as some of their shopping has been done by relatives or municipalities during the pandemic.

## More than a third of Nordic consumers are worried about their economic situation – younger consumers are especially worried

### EXHIBIT 4

#### Consumers worrying about their economic situation as a result of COVID-19

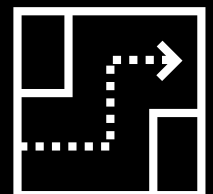


**36%**  
of all Nordic  
consumers  
worry more  
about their  
financial situation

Source: Strategy& Norstat Nordic consumer survey, April 2020

## Navigate the crisis and position for the future

- Safeguard fact-based decision-making
- Adhere to a consumer centric start-up mentality and be agile to capture opportunities
- Ensure flexibility in operating model and ability to scale fast
- Double down on your strategy, and focus on investing in distinctive capabilities



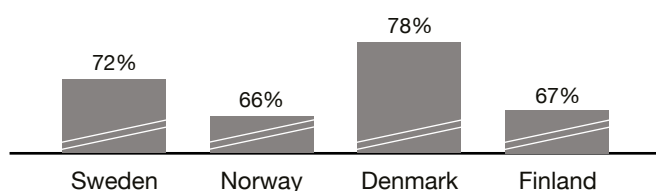
## 2. SUPERCHARGED AND PERMANENT SHIFT TO ONLINE

Nordic consumers have shifted to online spending and a third state that their shift is permanent

### EXHIBIT 5

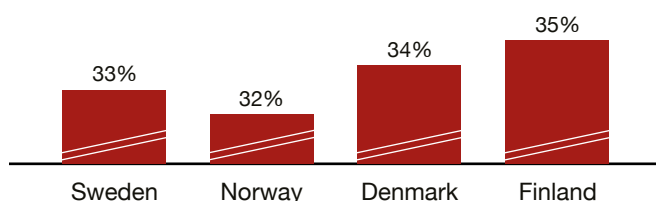
#### Consumers who have shopped online during the pandemic

% consumers, have made at least one online purchase during March or April 2020



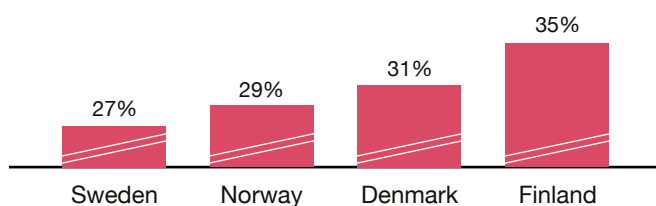
#### Consumers that have shifted to a higher share of online shopping during the pandemic

% consumers



#### Consumers that will keep shopping more online after the pandemic

% of consumers shifting online



27%  
of online  
shoppers in  
Sweden state  
that their shift  
is permanent

Source: Strategy& Norstat Nordic consumer survey, April 2020

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The Nordics have long experienced a steady shift to online. COVID-19 has accelerated the shift with a clear majority of consumers across the Nordics now shopping online. Apart from increasing penetration the pandemic also increased the online spend of consumers already shopping online – around a third of consumers state that they shop more online compared to before the crisis.

Many consumers now state that their new online spending habits are permanent. In Finland the number of consumers with new permanent appetite for online is 35% while Sweden trails with 27% stating the same.

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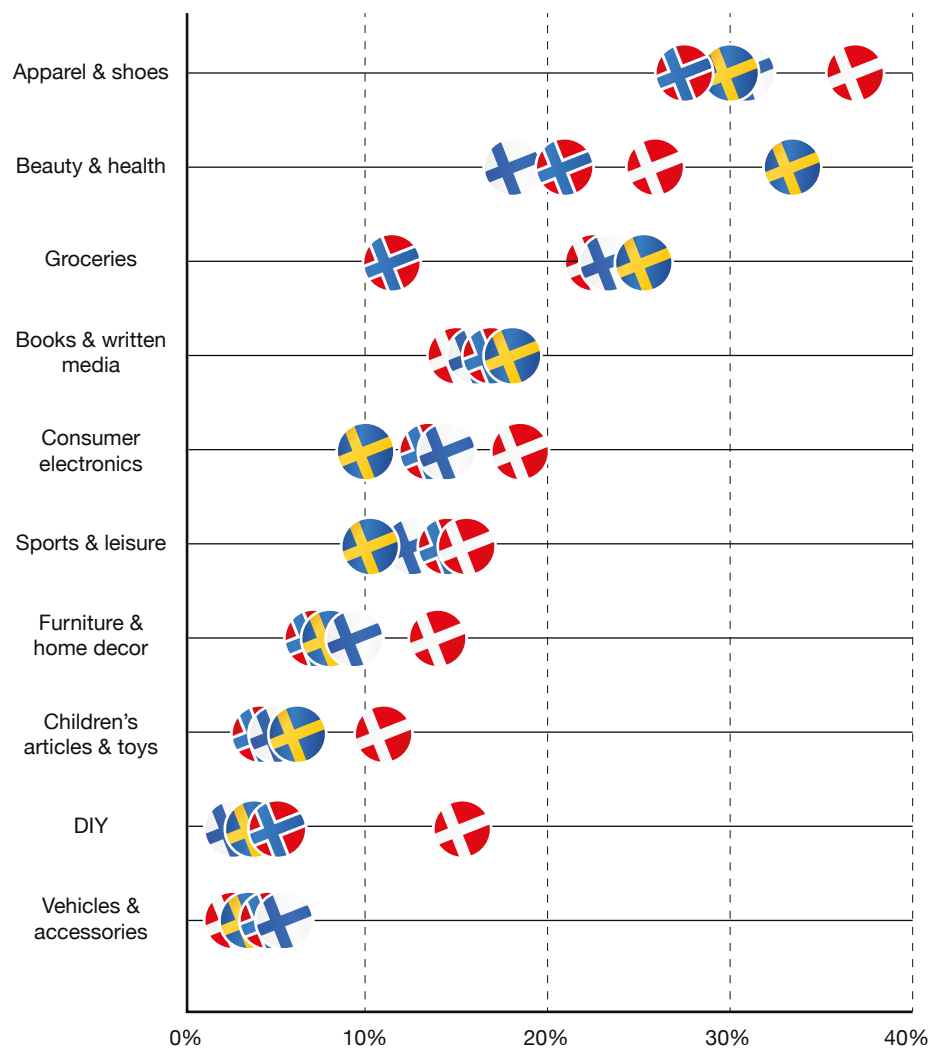
Danish consumers are the most frequent online shoppers, but Finns are more likely to continue with a higher share of online shopping after the pandemic”

## Apparel & shoes and beauty & health remain the most popular online categories, but groceries has sailed up to a strong third place

### EXHIBIT 6

Consumers who have shopped online in the previous two months  
%, by category and country

Only  
**11%**  
of Norwegians  
purchased  
groceries  
online in  
March or April



Source: Strategy& Norstat Nordic consumer survey, April 2020

## Groceries and DIY are seeing the largest influx of first-time online shoppers

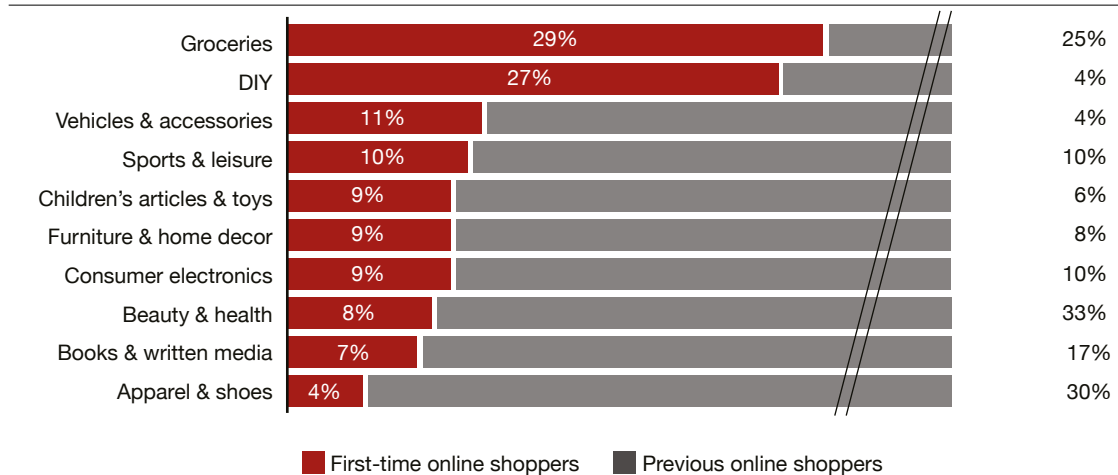
### EXHIBIT 7

#### First-time shoppers

% of Swedish online shoppers, by category

#### Shopped online last 2 months

% consumers



**29%**  
online grocery  
shoppers  
shopped  
online for the  
first time

Source: Strategy& Norstat Nordic consumer survey, April 2020

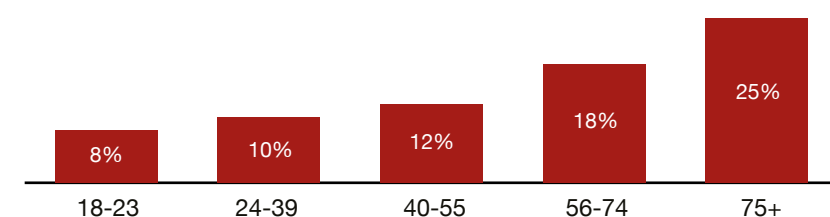
Since social distancing was introduced, a lot of people have shopped online for the first time. The categories groceries and DIY have seen the largest increase in new customers where 29% and 27% of online consumers stated that they had not bought anything online in the category before. Categories such as apparel, books and beauty have not seen the same influx of new consumers as they are more mature and already have large online consumer bases.

The pandemic has led to older generations discovering online shopping with 25% of consumers aged 75 or above being a first-time online shopper in at least one category. This means that the online channel can benefit from adjusting its development to this new consumer group by for example updating website functionality and delivery options. One example of this is the online pharmacy meds that quickly set up a helpline to educate seniors in how to make safe online purchases on their site.

### EXHIBIT 8

#### Consumers that have made a first-time online purchase in at least one category

%, by age



Source: Strategy& Norstat Nordic consumer survey, April 2020

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Consumers within furniture & home decor, groceries and beauty & health are permanently shifting to online”

## A significant share of the shift to online is permanent

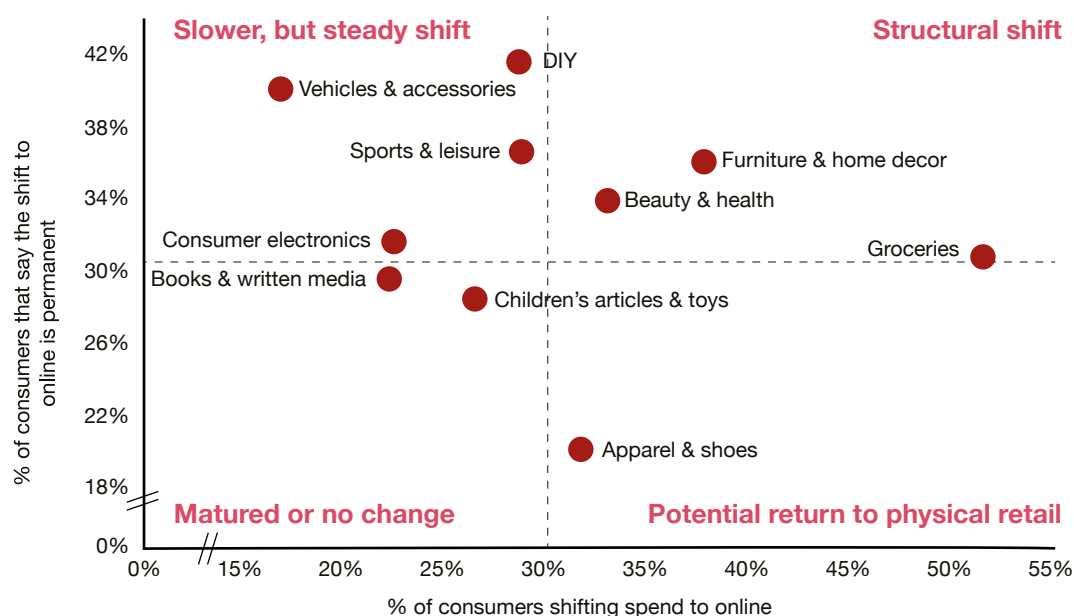
Most consumers state that they are likely to return to apparel & shoes and grocery stores as societies reopen. However, over 40% of consumers in categories like DIY, say that they will continue to purchase more online after the pandemic. This trend spans all ages, but the older consumers, 56 and older, are more likely to maintain the higher level of online purchases.

For furniture & home décor and beauty & health the shift can be characterized as structural with a large influx of new permanent customers to online channels. DIY is growing at a slightly slower pace with 29% of consumers shifting to more online, however 42% of these consumers state that their shift to online is permanent. These results indicate that players like Bygghemma that reported strong sales in the first quarter of 2020 should continue to invest in their online channels.

Groceries is growing the fastest online but has not succeeded in creating loyalty for the new channel to the same extent as other categories. This category should expect a slightly larger recoil to physical stores. Apparel & shoes already has a high online penetration and 80% of consumers state that they will return to pre-pandemic levels of online shopping. Firms in this category can expect a relatively larger return to pre-pandemic levels for online shopping when the situation normalizes.

### EXHIBIT 9

Consumers shifting to online and consumers that expect to maintain the higher share of online after the pandemic, by category



Source: Strategy& Norstat Nordic consumer survey, April 2020

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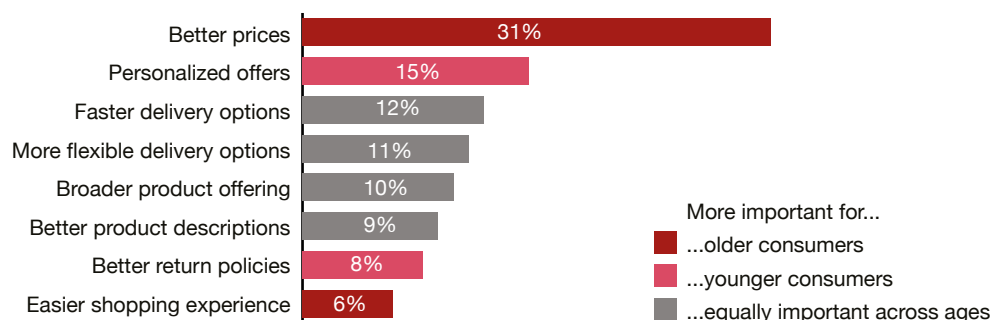
Nordic consumers are shopping online for home improvement like never before”

## Retailers need to take action to ensure the permanence and success of the shift to online

### EXHIBIT 10

#### Improvements that would make consumers buy more online

% of Swedish consumers (multiple answers possible)



Source: Strategy& Norstat Nordic consumer survey, April 2020

To sustain growth firms will need to adapt products, services, marketing and experiences to the online shift and an older consumer group. The new consumers value low prices, indicating the continued importance of price-pressure to build market share. Older consumers are also more likely to value guidance and simplicity in the shopping process.

To continue growing among younger consumers price is also paramount, but firms should also focus on personalization and delivery. There is still room for improvement with the possibility of new technology further increasing consumer experience as well as improvements to personalization, deliveries, product ranges and product descriptions.

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Capture the new online consumers through low prices, guidance and simplicity in the shopping process”

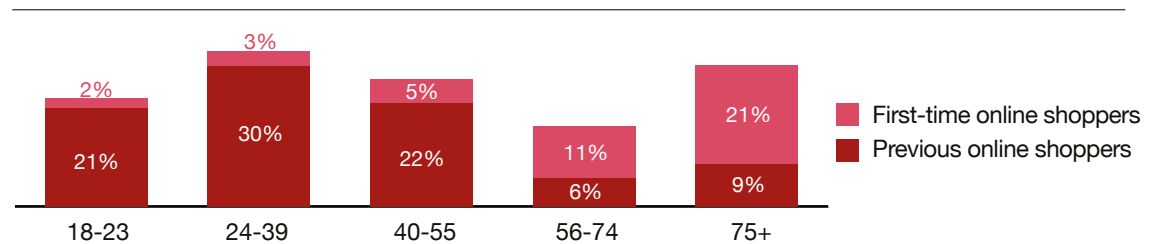
## Older generations have discovered shopping online for groceries, and they plan to continue

The most rapid increase to online groceries has been found in the older population likely due to more stringent quarantine measures. Consumers aged 75 and above stand out, where almost one fourth of respondents had tried online grocery shopping for the first time. Across incomes and locations the difference in adoption has been modest, with low-income urban consumers only adopting online at a slightly faster rate than the average consumer.

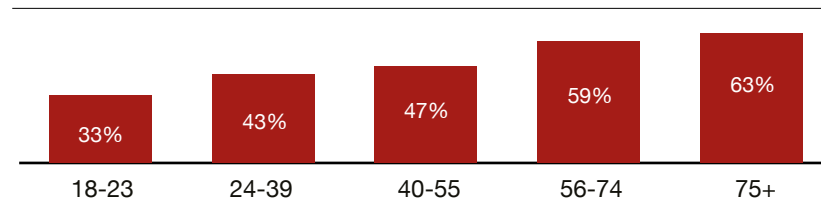
Older consumers that have increased their share of online shopping are also more likely to continue shopping online after the pandemic, around 60% of all consumers aged over 56 stated that they would do so. First-time purchasers appear more satisfied with the service, scoring their latest purchase at an average of 4.3 on a 5-point scale, higher than the average of 4.0 for accustomed online buyers. Delivery time and cost, as well as suitable alternatives for out of stock products were key issues to be addressed by online grocers.

### EXHIBIT 11

**Consumers that have purchased Groceries online in the last 2 months**  
% of consumers



**Consumers stating that they will continue spending more online after the pandemic**  
% of consumers that stated shifting spend to online, Groceries

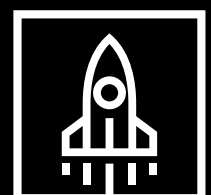


Source: Strategy& Norstat Nordic consumer survey, April 2020

**63%**  
of consumers  
aged 75 and  
above that  
now shop  
online will  
continue with  
their higher  
online spend  
after the  
pandemic

## Capture profitable volumes and manage the increased complexity

- Target profitable consumer segments and drive loyalty correspondingly
- Adjust assortment and service levels to match new consumer needs
- Deploy capabilities from brick-and-mortar to online (for example category and space management)
- Apply differentiated pricing and cost-to-serve models to protect profitability



### 3. THE PHYSICAL STORE AS A STANDALONE SALES CHANNEL IS NO LONGER RELEVANT

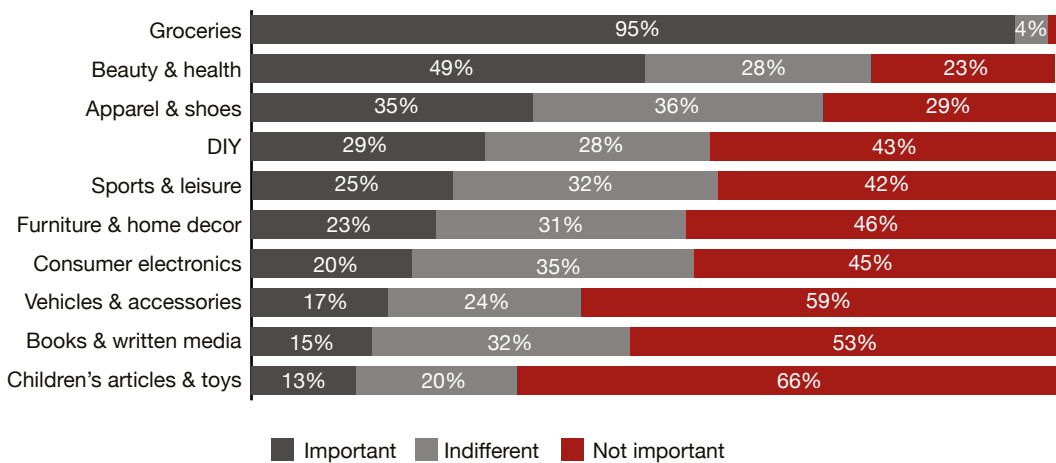
## Consumers no longer find physical stores important, except for grocery stores

Grocery stores are still important for consumers, with 95% of all consumers finding it important or very important. This should be leveraged by the traditional grocery stores when competing against more pure-play online competitors. This can include an improved omnichannel experience with fast deliveries, especially in large and densely populated cities

Within other categories the findings are more polarized, with some consumer groups valuing the vicinity to physical stores, and others who do not. For these stores the footprint needs to be analyzed in detail so that they are situated close to consumers that still value the vicinity while other stores are moved or closed.

We expect to see firms accelerating their strategies focused on rationalizing store networks while also increasing investments in remaining stores.

**EXHIBIT 12**  
**Importance of a physical store close to you**  
% of all Swedish consumers



Source: Strategy& Norstat Nordic consumer survey, April 2020

“According to the majority of consumers physical stores are no longer important, except for grocery stores”

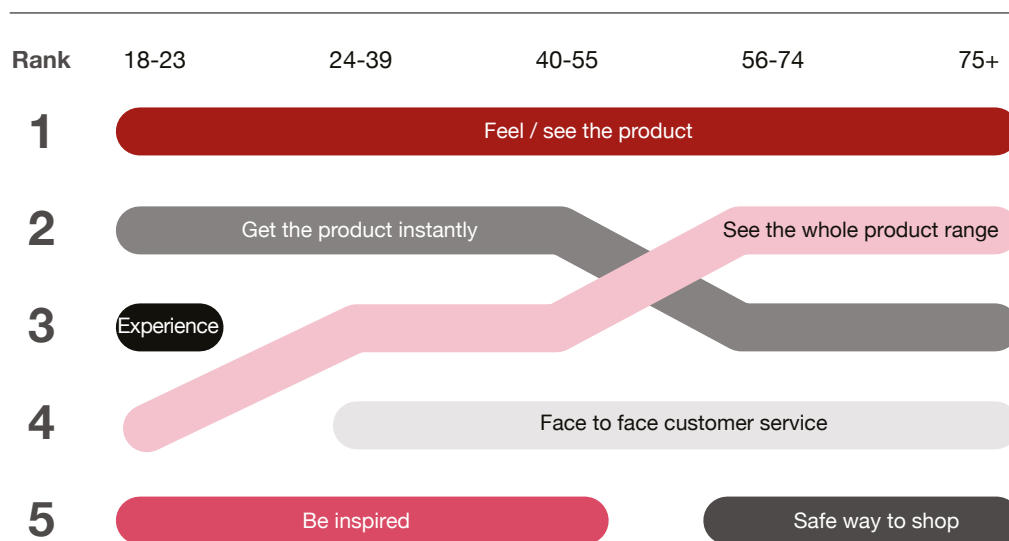
“  
Younger consumers want an experience and to be inspired, while older consumers want to see the whole product range and be serviced”

## Consumers still value seeing and feeling the products and the instant delivery offered by stores

### EXHIBIT 13

#### Key features for physical stores

Top factors by age group in Sweden



Source: Strategy& Norstat Nordic consumer survey, April 2020

For the stores that survive the current crisis, the consumer experience becomes even more important. Friendly and knowledgeable employees are one of the most frequent answers when consumers were asked what would make them visit physical stores more often. This highlights the need for firms to mobilise their workforce and ensure that employees are re-engaged and ready to serve consumers when the pandemic is over.

### EXHIBIT 14

#### Top drivers for increased visits to physical stores

Most common open-ended responses

1. Product assortment and 'instant' delivery
2. Friendly and knowledgeable employees
3. Better prices and personal offers

Source: Strategy& Norstat Nordic consumer survey, April 2020

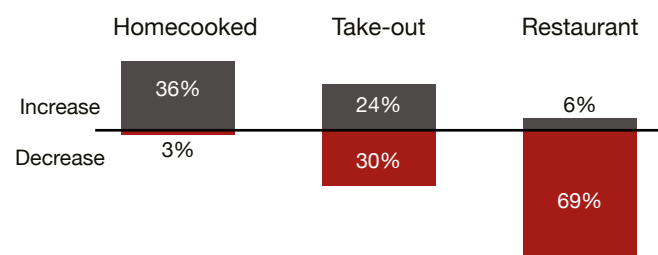
## Grocery is positively impacted by consumers shifting from eating out to eating in

Despite Sweden taking a relaxed approach to closing, the decline in restaurant visits is evident. Elderly, 75 or older, who are the largest risk group have clearly followed the advice to stay at home leading to 88% of them stating that they eat less out. However, younger consumers have also decreased restaurant visits, with 60% of Generation Z drinking and eating out less than before. Some of the shift are to take-out food. Especially higher income consumers state they have increased their take-out consumption, 76% saying that they do so to support local restaurants.

### EXHIBIT 15

#### Food consumption during COVID-19

% of Swedish consumers, # of meals



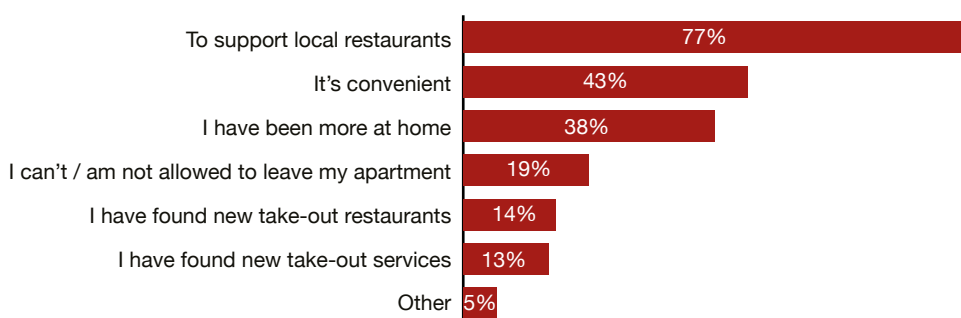
69%  
of consumers  
have eaten  
less meals at  
restaurants

Source: Strategy& Norstat Nordic consumer survey, April 2020

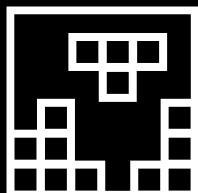
### EXHIBIT 16

#### Consumer rationale for increasing consumption of take-out

% of Swedish consumers



Source: Strategy& Norstat Nordic consumer survey, April 2020



## Accept the role of physical stores primarily as a support to the omnichannel strategy

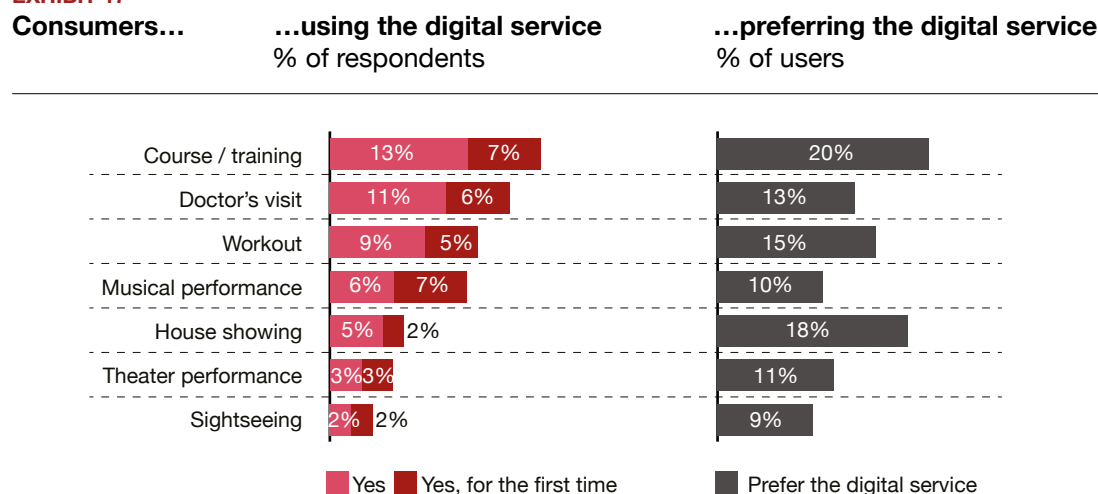
- Redefine the purpose of the store to support and complement online (for example services, showroom, last-mile delivery)
- Invest in stores and employees to build required capabilities (for example technology and space)
- Evaluate footprint, close or move non-value-adding stores

## 4. OPENNESS TO DIGITAL SERVICES AND NEW FORMS OF ENGAGEMENT IS INCREASING

Nordic consumers have been fast to try new digital services, with several categories seeing more than a 100% increase in new users

Many respondents have used at least one digital service in the last two months, with almost half of these service experiences being the first digital one. This shows that consumers have been fast to try new digital services offered by firms like Kry, SATS and various musical artists. However, the data shows that an overwhelming majority of consumers still prefer physical services. House showings, training classes and workouts have a more promising digital future with many consumers preferring the digital service over a physical service.

**EXHIBIT 17**



Source: Strategy& Norstat Nordic consumer survey, April 2020

Innovation within digital services and consumer engagement has seen a push across all verticals in the wake of the COVID-19 pandemic. In the short term retailers have responded with actions like contactless payments and launching live online services where possible. Long-term we see a trend towards both increased digital service delivery and an increase in digital elements in the physical retail landscape. As an example Hemköp launched its Smartshopper app in March 2020, enabling customers to scan and pay their purchases on the phone, eliminating all direct contact with employees or self-check-out machines.

“

Consumers are eager to try digital services but often find the quality of the service lacking.”

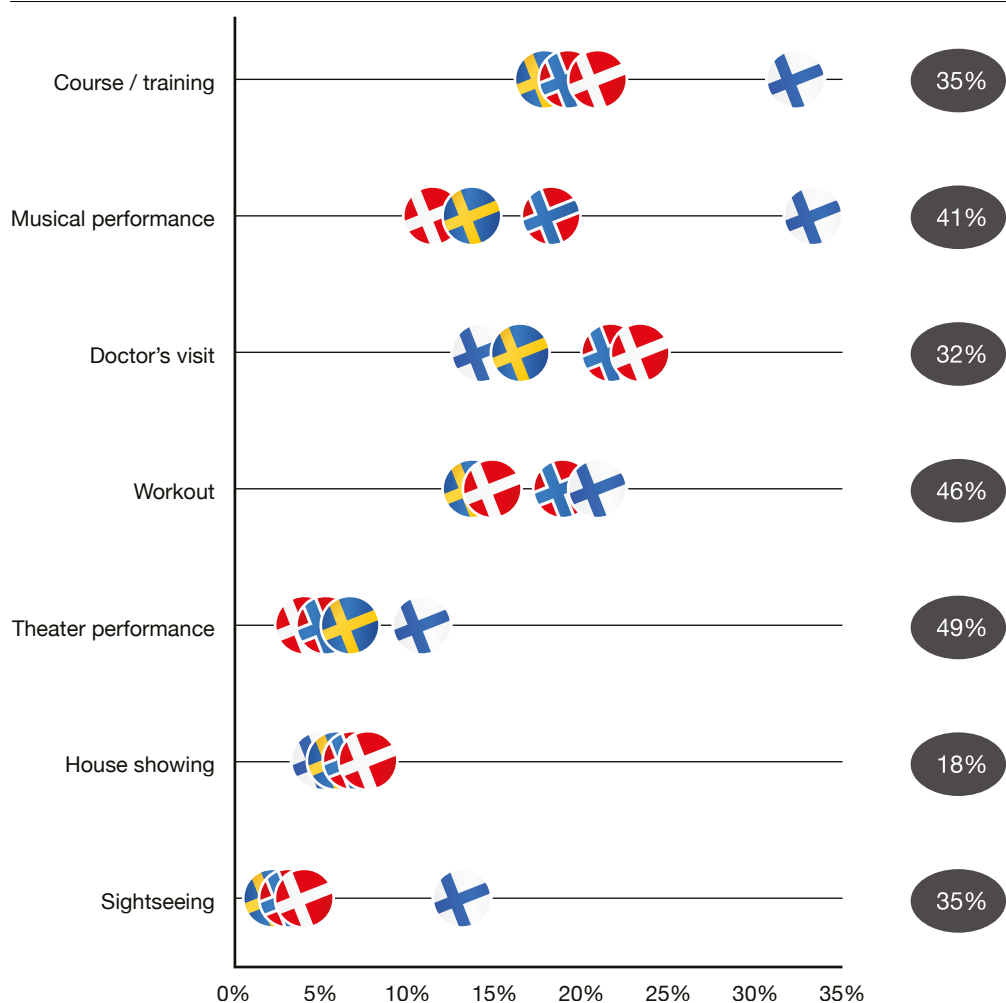
## Penetration for digital services is still low, but there is potential in the many new users

### EXHIBIT 18

#### Consumers using the digital service

% of respondents

New users to the service  
% of users



Digital services has grown by almost **60%**, spearheaded by the Finns in many categories

Source: Strategy& Norstat Nordic consumer survey, April 2020

## Leverage new ways of engaging digitally and personally with consumers



- Identify digital consumers and make digital engagement the 'new normal'
- Harvest data of new consumers to further optimize the omnichannel service model
- Experiment with new forms of engagement and interaction (for example content-creation, complementary tools, virtual and augmented reality)



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Norstat provides services in 18 markets and has offices in 12 European countries. Our proprietary online panels allow you to conduct interviews with over 650,000 consumers all across Europe. Norstat Sverige AB is a part of Norstat Group, which forms one of the leading data collection providers in Europe. In Sweden, we are covering all fieldwork methods: telephone interviews, face to face personal interviews, online panel and sample only services, omnibus solutions, mystery shopping, rental of focus group rooms and recruitment of participants. We will conduct the fieldwork with care and efficiency using some or all of our data collection resources.

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