



## **Key Observations: How Retail Marketing is Adapting to COVID-19**

COVID-19 is forcing daily changes to almost every aspect of American life, in our every day actions, health concerns and financial impacts. However, the greatest long-term impact may be shopping behavioral changes and how consumers locate convenient, and safe, solutions to meet household needs. At **FUEL** Partnerships, we are monitoring the data and having many conversations with clients, and observe the following at this point:

1. **Scale matters even more for brands, as bigger retailers are better positioned to serve consumers:**
  - **Fewer retail supply disruptions:** The largest retailers in the US have the greatest ability to ingest/take on inventory levels in distribution centers when consumer demand spikes for certain products/categories. Walmart's regional distribution centers can support truckloads of inventory, some delivered by internal staff, not having to rely on local delivery and distribution services for smaller quantities of goods. Walmart is addressing the acute shortage of toilet paper by shipping truckloads from factories directly to stores. Very few retail supply chains have such scale and sophistication.
  - **In-Store Only Items Drive Traffic:** Interestingly, in the face of the COVID-19 crisis, Walmart's "In-store purchase only" approach to commodities like toilet paper will drive foot traffic, even if the intent were to reduce hoarding and to stretch out availability of scarce commodities. It's a frustrating reality facing online shoppers for the scarcest commodities. In short, in-store shopping is easier, faster and more convenient during these challenging times.

- **Omni-channel efficacy and scale:** Online Grocery Pickup (OGP) and Buy Online Pickup In-Store (BOPIS) are surging in popularity right now as Americans figure out how to adapt shopping habits to this health scare. Again, the largest retailers have the scale and technological infrastructure to sell consumer goods in whatever method consumers want to buy them.

## 2. **Consumer spending shifted dramatically to food and essentials; marketing needs to adapt too:**

Over the past couple weeks, consumer online behavior has shifted dramatically. Yes, there has been a surge of e-commerce activity, even for categories of consumer goods traditionally not purchased via this channel. However, some purchases and some shoppers will continue to make immediate consumption purchases in-person. Even in Italy, where the strictest precautions of social distancing are enforced, grocery stores and pharmacies remain open.

- **Buying patterns changed, overnight:** According to Redbook Research's weekly report, retail sales grew 6% in the first week of March as compared to last year. Categories that showed substantial week over week growth included; hand sanitizers (420%), Clorox/Lysol wipes (184%), canned food (183%), disinfectants (178%), bottled/package water (78%), hand soap (33%) and toilet paper/paper towel (26%) per Bloomreach. In short, consumers are shifting spending into categories that are most critical in this health crisis; Grocery (+19%), Household and Personal Care items (+13%) and Health products (+12%).
- **Out of Stocks of online and traditional retailers are commonplace:** If you place an online order for hard-to-find goods, like sanitizing wipes, Purell, toilet paper, etc, how do you know it will get delivered? Finding and purchasing these hard-to-locate commodities online does not guarantee that these goods will be fulfilled, shipped and delivered. More often than ever, the order confirmation emails are followed by a semi-apologetic "items in your order" have not been shipped email, leaving consumers unfulfilled.

- **Online shopping is not sufficient for all people and situations:** An omni-channel approach must be used to address the broader population, even if social distancing is recommended. Many people are not comfortable shopping for groceries and other essentials online. This includes older people like my parents, over the age of 70, and those who prefer a quick, functional grocery trip vs. the online experience, even if that grocery experience requires gloves, sanitizing and other safety measures. Furthermore, the current out of stock situation applies to all supply channels. Even online grocery pickup has its limitations – as of today, the local Walmart does not have an OGP pickup slot available until 4 days from now.

### 3. **Retail marketing programs must adapt to this new world, communicating differently.**

So the key question for brands and brand marketers becomes: How can we communicate effectively with consumers -- when the path to purchase for most shoppers has changed?

This is the consumer behavior that we at **FUEL** Partnerships are addressing:

- **Every Consumer Shopping Experience Matters More:** We believe consumers are making fewer trips to retailers, broadly, but also that those trips are focused around getting essentials and also carry MUCH larger basket sizes. If that is the case, then placement matters even more than before. On-site promotions are likely to have a much larger return on spend. Front-and-center matters more than ever. Discounting may be less necessary over the coming weeks.
- **For in-store promotions, favor the largest retailers,** particularly those with robust grocery and pharmacy offerings: If marketers are choosing where to run promotions, we suggest the retailers with the greatest reach during these periods of uncertainty. Walmart, Sam's and Costco, as they have the largest retail footprint and ability to reach average Americans. In a socially distant world, those retailers, and others like CVS, Walgreens, and Target, are strong in the key categories that drive purchase frequency – grocery and pharmacy.

- **Retail marketing partners must utilize all tactics to support brands:** Agencies must change their communication plans and tool to meet the consumer in their new mind state. **FUEL** Partnerships has already created new Omnichannel marketing plans that work within this evolution in consumer behavior and retailer response. We know how to promote your brands, even in this changing and unsettling time. Also, message delivery will be of most importance to reach the consumer in their current mindset and needs state.

We are here to help you. Please reach out to the **FUEL** team to learn how our “Big Idea” strategic thinking and *Tactic Agnostic*<sup>™</sup> execution will ensure your brand’s future retail success. [info@fuelpartnerships.com](mailto:info@fuelpartnerships.com) [www.fuelpartnerships.com](http://www.fuelpartnerships.com)