

CommBank Consumer Insights.

How the pandemic has reshaped consumer behaviours,
expectations and intentions.

May 2021

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Foreword

Consumers of 2021 are looking to a brighter future but, notwithstanding the economic recovery underway, uncertainty lingers. The experiences of the past year have greatly impacted how people live, work and shop, and consumer businesses continue to face the obstacles of restricted operations and rapidly changing customer priorities and expectations. Understanding the latter is the focus of this report.

This inaugural edition of the CommBank Consumer Insights report follows 10 editions of our Retail Insights series. We are departing from our regular evaluation of retailers' strategies and shoppers' preferences. Rather, we are dedicating this new series to more deeply understand the mindsets, behaviours and outlook among consumers across the economy. In doing so, we hope all consumer-facing businesses can better understand the expectations of their customers.

The good news is that in the face of adversity, most Australians agree that consumer businesses adapted well to both the disruption of the pandemic and their changing needs. The fact that some consumers say their experience improved during the pandemic is a strong endorsement for the operational resilience and determination of these businesses and their teams, particularly given the sheer pace and scale of change. The question for businesses now is what to do with this goodwill, and how to best align themselves with the needs of customers in the future.

According to the research, the pandemic impacted Australians in varying ways. The majority were unaffected in terms of employment, personal financial position and lifestyle, and a small number even benefited. Nevertheless, some people did experience adverse impacts to their mental, financial and physical wellbeing. What did occur is that the pandemic forced people to change their behaviour,

do new things for the first time and reframe what matters to them. The research confirms that many new consumer behaviours have become habits, while others are more likely to revert to pre-pandemic levels. Some aspects of the shopping experience have also gained importance in the eyes of consumers, and expectations have shifted. All these factors have broad implications for people's behaviours, spending patterns and expectations of a positive shopping experience.

As always, we would love to hear from consumer facing businesses about their own experiences during this recent period and hope you find these insights useful as you develop your strategies for this year and beyond.

Jerry Macey

Executive Manager, Consumer and Diversified Industries
Business Banking
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About CommBank Consumer Insights

CommBank Consumer Insights is an exclusive, wide-ranging analysis of the Australian consumer with this edition focused on evaluating the impact of the coronavirus pandemic on consumer lifestyles and behaviours. This edition is based on an online quantitative survey conducted by ACA Research on behalf of the Commonwealth Bank. The survey was conducted in January 2021 and was completed by 5,656 consumers of goods and services, with each respondent answering questions based on one of the following categories: groceries (n=353), liquor (n=353), fashion (n=354), homewares and household appliances (n=355), DIY, building, garden supplies and hardware (n=354), consumer electronics (n=352), motor vehicle parts and accessories (n=352), health and beauty (n=357), books, gaming, music and media (n=353), recreational goods (n=354), fast food and quick service restaurants (n=350), restaurants and cafes (n=356), pubs (n=353), clubs (n=352), accommodation (n=353) and personal care services (n=355). Survey participants were segmented by generation as follows: Gen Z, aged 16-24 years (9%), Gen Y, aged 25-38 years (27%), Gen X, aged 39-54 years (28%), Baby Boomers, aged 55-72 years (26%) and Pre-Boomers, aged 73 years and over (10%). The sample was selected to ensure the results are nationally representative. All statistics and references to consumers in this report are based on the responses to the survey unless otherwise stated.

Things you should know:

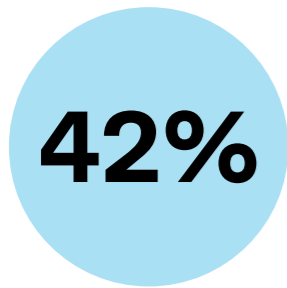
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The drivers of consumer markets in 2021

Consumers have encountered significant disruptions to the way they live, work and shop. Understanding the impact of the pandemic on their behaviours and attitudes, and whether these are permanent drivers, is instructive for businesses seeking to align themselves with customers and capture sales as the economic recovery continues. The inaugural CommBank Consumer Insights report looks at five major consumer trends and what they mean for businesses in 2021 and beyond.

Cautious consumption is common despite mixed experiences

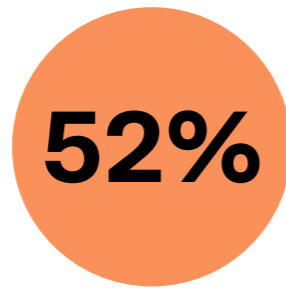
The adverse impact of the pandemic on Australians' physical, mental and financial wellbeing is undeniable, but most consumers didn't experience the widespread devastation that was initially feared. However, many people did take a prudent approach to spending and saving amid the ongoing uncertainty, belying media reports that consumers went on a spending spree.



Of Australians reduced spending compared to pre-pandemic, and 39% reported no change.

Consumers reframe their priorities and values

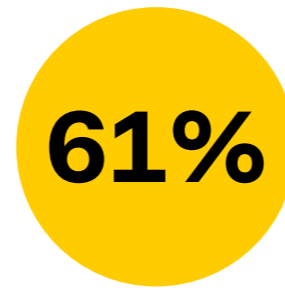
The pandemic forced people to focus more on activities like cooking, spending time with family and exercising. Most people who increased those activities expect them to continue at the same level in 2021. Consumers also adopted a more local focus, whether that's on Australian made products or shopping in their local area. That too is expected to remain important.



Of Australians believe locally sourced and manufactured products are now more important.

Consumers applaud businesses for their adaptability

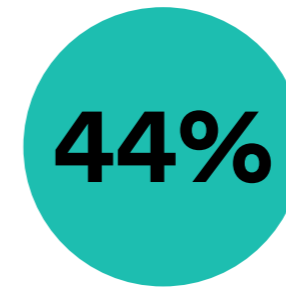
Most consumers agreed that businesses have done a great job at adapting to the disruption during the pandemic and their changing needs, so there is now valuable goodwill among customers. This extends to a perception among a proportion of consumers that, in all categories, the retail experience has improved across online, in-store and delivery services.



Of consumers think businesses adapted well to the pandemic and their changing needs.

What behaviours will revert, and what will continue

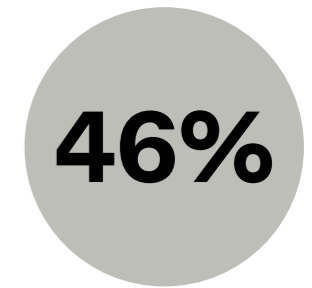
The answer to the critical question of whether consumer spending will revert to pre-pandemic depends on the category, but those who decreased spending are more likely to continue on that path in 2021. In-store shopping remains the overwhelming preference despite an uplift in online. Greater use of digital payments is also more likely to continue.



Of consumers who decreased spending during the pandemic say they will continue to do so in 2021.

New expectations of the shopping experience

According to consumers, convenience in terms of delivery options, store accessibility and online shopping experience are among the factors that are now deemed more important. Consumers also believe that businesses need to prioritise their health and safety by creating space, reducing crowding and making entry and check-out easy.



Of consumers want businesses to provide spacious layouts in 2021.

Experiences diverge amid the pandemic

Cautious consumption prevails

To date, the impact of the pandemic on most Australians has not been as severe as first feared. Some report adverse financial, physical and mental wellbeing impacts, and this underpinned a cautious approach to spending.



Impact of pandemic divides consumers

The coronavirus pandemic has left an imprint on the mindsets and behaviours of Australian consumers, with a varied impact on the way people live, work and spend across the population.

For consumer businesses seeking to optimise the customer experience amid the recovery, examining the impact on people's lifestyles can help set a baseline for customer preferences and outlook.

Our research shows that the pandemic negatively impacted the savings and household income of more than a third of Australians surveyed. One in four also report having less money to spend on necessities. These findings reflect adverse employment outcomes for 27% of Australians with a similar proportion accessing JobKeeper or JobSeeker (28%).

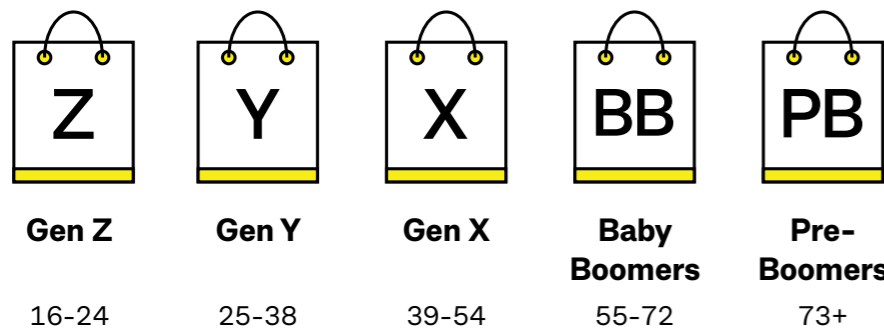
It is this group whose mental, physical and financial well-being was most affected, particularly their career development and personal finances. However, despite these very real implications, the majority of consumers were either unaffected or benefited from the developments of 2020.

The uneven impact of the pandemic is highlighted by the experiences across the generations. Baby Boomers and Pre-Boomers report the least impact. Meanwhile, Gen X, more likely juggling children, careers and mortgages, felt the biggest impact on all aspects of their lifestyle.

Gen Z is the age group whose employment was most affected, closely followed by Gen Y and Gen X. These latter two cohorts also report the most significant impact on their mental and physical health.

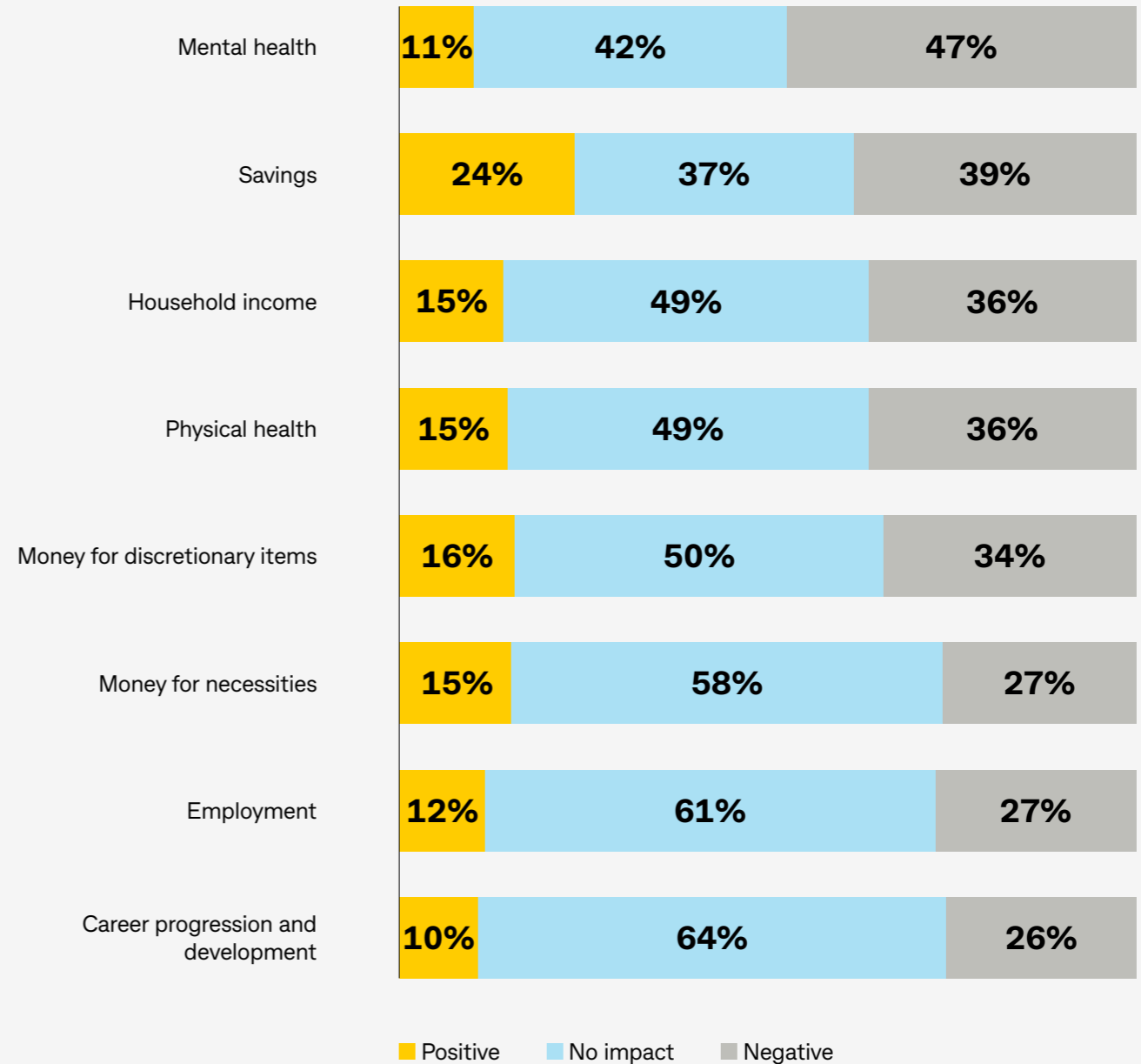
More than others, Gen Z reported some positive outcomes, notably for their physical health, savings and money available for necessities.

Generally, people living in metropolitan areas were more impacted than those in regional Australia where there were fewer coronavirus cases. Females also tended to be affected more than males, again reflecting the difference in employment outcomes.



Impact of coronavirus on consumer lifestyles

The pandemic affected Australians' financial, physical and mental wellbeing differently



Careful consumers exercise caution

Reports of an increase in online retail spending, shortages of numerous non-discretionary items and some retailers recording sharp uplifts in profit give the impression that Australian consumers went on a spending spree.

Our research indicates that when taking into account all spending across the economy, this wasn't always the case. Across the population, 42% of consumers say they have spent less in total during the pandemic than they had previously. The drop in spending was most noticeable in expensive discretionary items constrained by the pandemic such as flights, accommodation and restaurants. Normally, much of this would have been spent overseas but some of the freed-up cash found its way into the local economy.

Another 39% of consumers didn't change their overall level of spending while just 19% of respondents said they actually spent more during the pandemic. These consumers were strongly skewed towards Gens Z and Y. The two older generations were the least likely to open their wallets more and the most likely to maintain their usual spending levels.

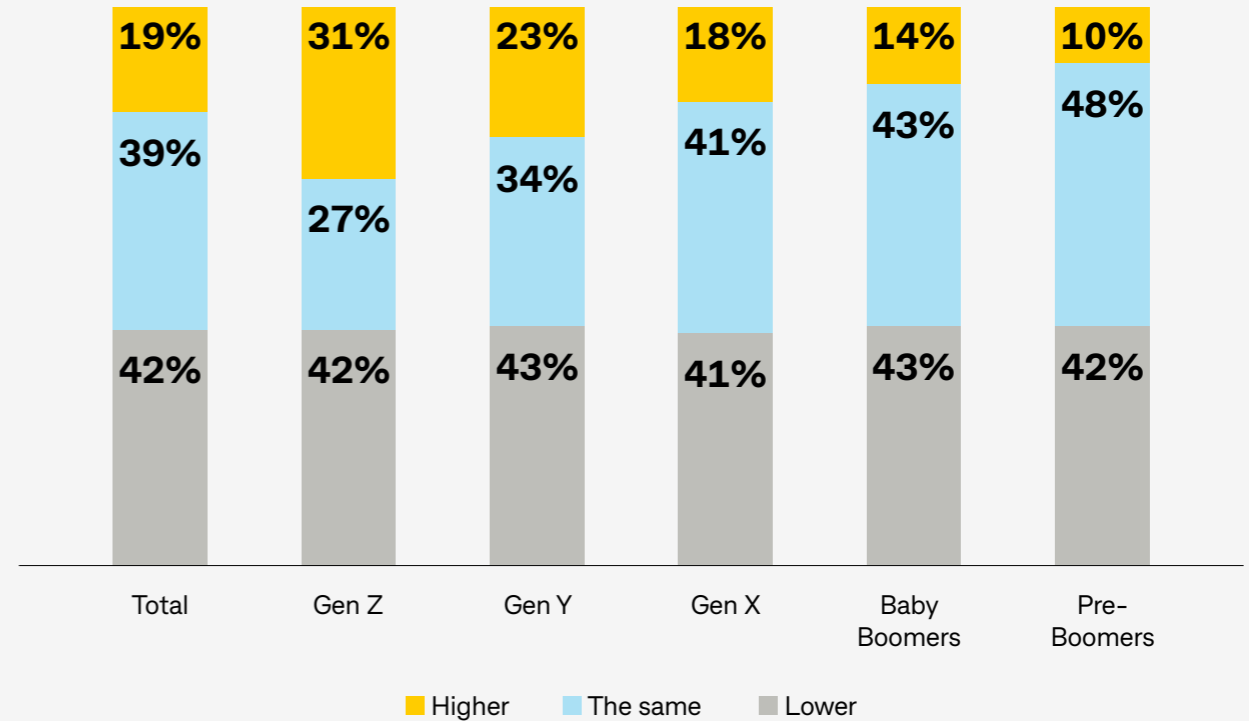
Consumers took a similarly cautious approach to the money they normally would have spent on activities that the pandemic curtailed. Some 40% of consumers directed their unspent money towards savings and investments, with Gens Z and Y figuring prominently. A quarter allocated the money towards necessities like groceries, medication and utilities. Gen Y was the leader in this regard, closely followed by Gen Z.

A similar proportion of consumers, most notably from Gen X and Gen Y, channelled the spare money towards paying down debt. Just 13% redirected the funds into other areas of discretionary spending, again driven by Gen Z and Gen Y. Across the board, Baby Boomers and Pre-Boomers were the generations least likely to have redirected their otherwise idle money.

The crucial question from here is whether a cautious approach among consumers will ease as the economic recovery picks up and confidence improves. To better understand the outlook, we look at consumers' intentions later in this report.

Spending compared to pre-coronavirus levels

Most consumers reduced their spending or left it unchanged during the pandemic



Reallocation of money during the pandemic

Consumers are more likely to save money or spend on non-discretionary items



Saving or investing more

40%



Paying down debt

23%



Spending more on necessities and bills

25%



Spending more on discretionary goods and services

13%

The consumer of 2021

What's important to consumers has changed

Restrictions around movement and activities like socialising and travel forced people to spend their time differently. It also led them to think about what was truly important. As a result, priorities and values have been rebalanced and that will continue to inform future preferences.



Priorities reset as activities forced to change

Confined more to their homes and unable to enjoy many favourite pastimes, consumers filled their time by watching more TV, cooking rather than eating out, spending more time with their partners and children, shopping online, and engaging with social media.

Gen Z and Gen Y were the most likely to say they distracted themselves with the latter two online activities. However, Gen Y, along with Gen X, were the most likely to report they were cooking rather than dining out and having more family time.

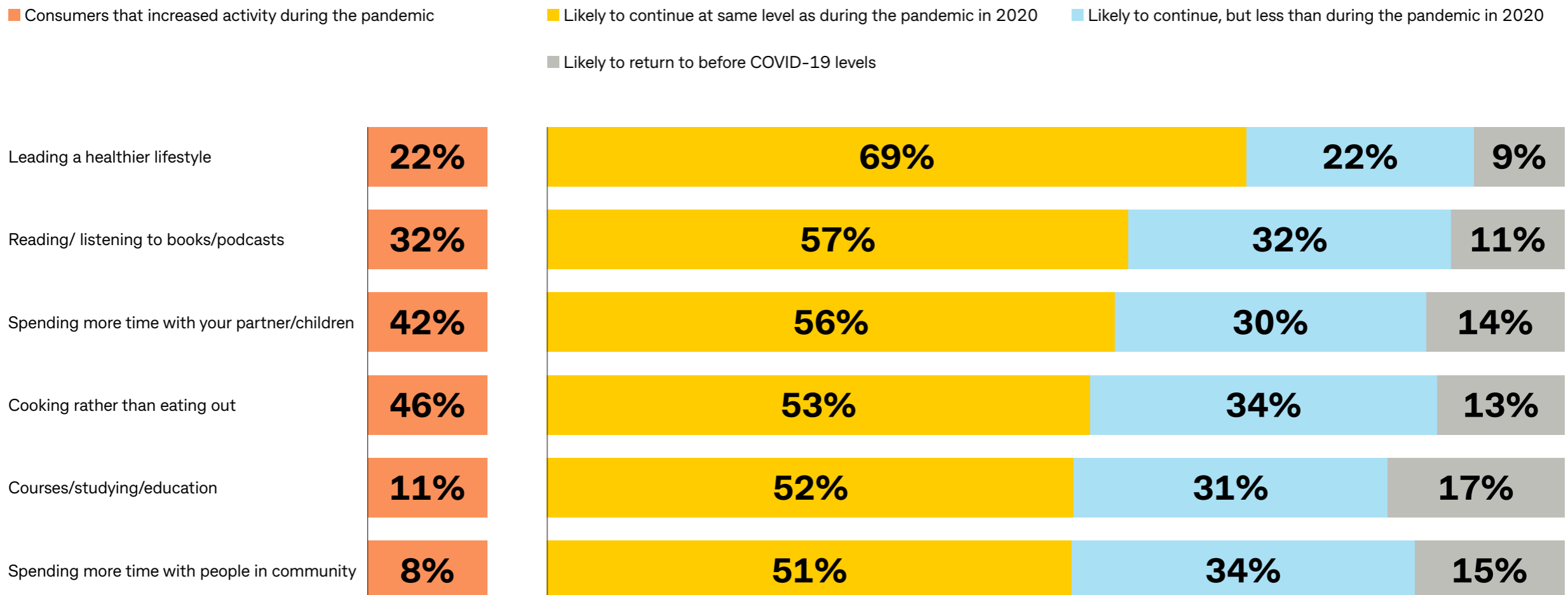
Have these activities become new habits that may influence how consumers think, act and shop? In some cases, yes. More than 55% of those who spent more time reading and listening to podcasts say they will continue to do so as much as they did during the pandemic. Signalling a persistent reset of priorities, 56% of those who spent more time with their partners or children say they will retain this habit, and 53% of those who cooked more at home intend to continue to do so instead of dining out.

Additionally, of the 22% who embarked on healthier lifestyles during the pandemic, 69% intend sticking to their improved diet and exercise regimes. Likewise, of the 11% of consumers, skewed towards Gen Z, who devoted more hours to study, 52% indicate they will keep this up. So, in this way, some positive behaviours have emerged from the pandemic.

While 91% of people increased digital activities, including watching more TV, gaming, and engaging with social media, the majority expect these activities to decrease or revert to pre-pandemic levels. Likewise, most people expect that they will reduce their DIY and household improvement activity and working from home.

Activities that are expected to continue in 2021

Many Australians expect to stick with new activities they did more of during the pandemic



Buy Australian, shop locally

Another apparent change in priorities uncovered by the research is the desire to support Australian online retailers and manufacturers, as well as local suburban shopping centres and neighbourhood stores.

One of the biggest changes in online shoppers' activities during the pandemic was to increase the volume of purchases they made from online retailers located in Australia. Of the 49% of consumers who migrated towards domestic online retailers, 52% say they will continue to do so to the same degree in 2021.

In contrast, of the 19% of consumers who made more purchases from online retailers based offshore, 58% indicate their purchases will either taper somewhat or revert to pre-pandemic levels this year.

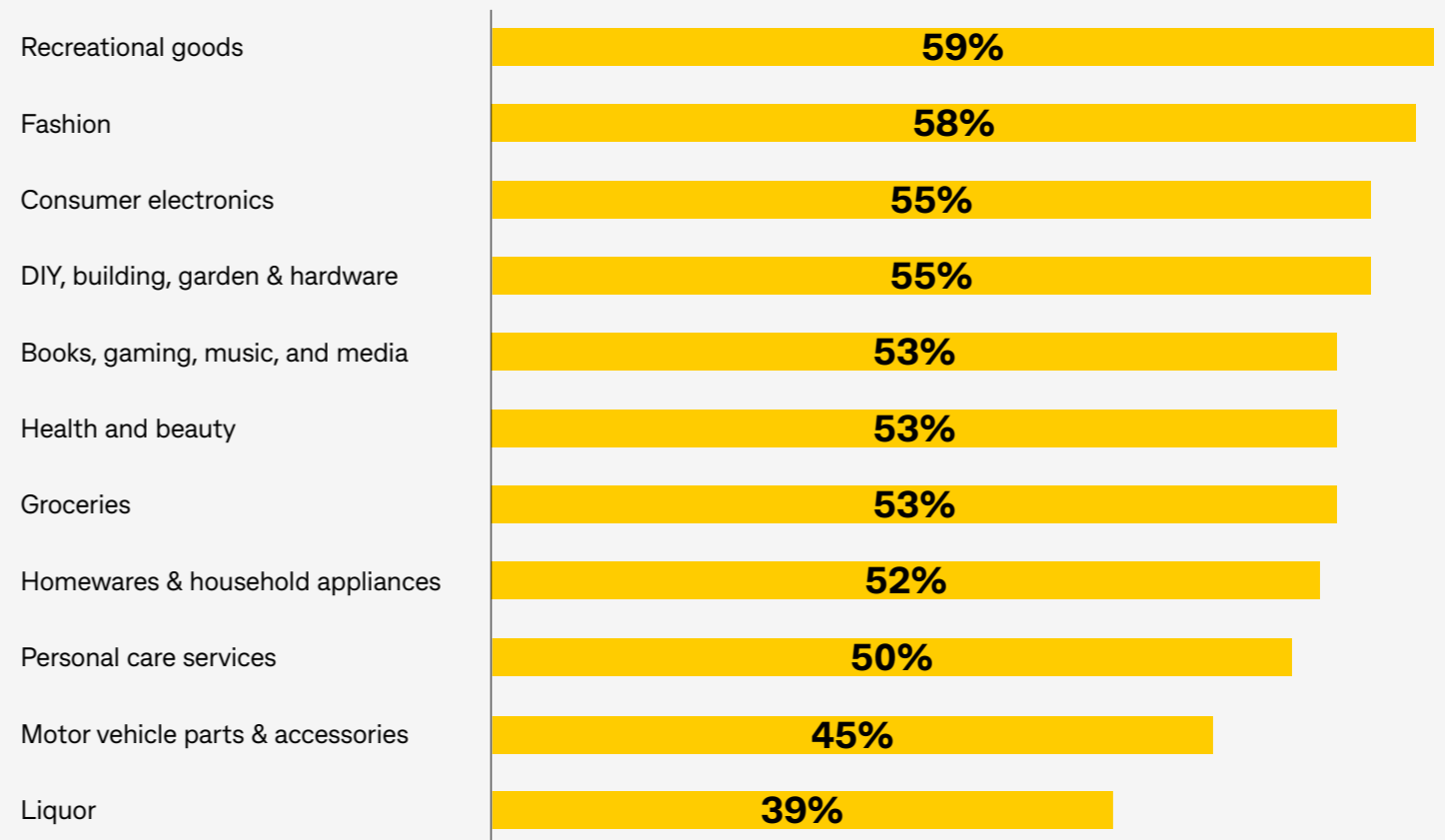
As many consumers worked from home and were forced to shop nearby, the research suggests they may have rediscovered local gems. According to the research, a net 5% of consumers say they will be frequenting their local suburban shopping centres and neighbourhood stores more often in 2021 than they did pre-pandemic.

It remains to be seen if this reflects a permanent desire to support local businesses that experienced difficult times during the pandemic or whether this will fade as people return to workplaces in the CBD and international travel resumes.

However, it is noteworthy that a majority of consumers in eight of the ten retail categories covered, and half the patrons of personal care service providers, say that since the pandemic, it has become more important to them to have options to buy products manufactured in Australia.

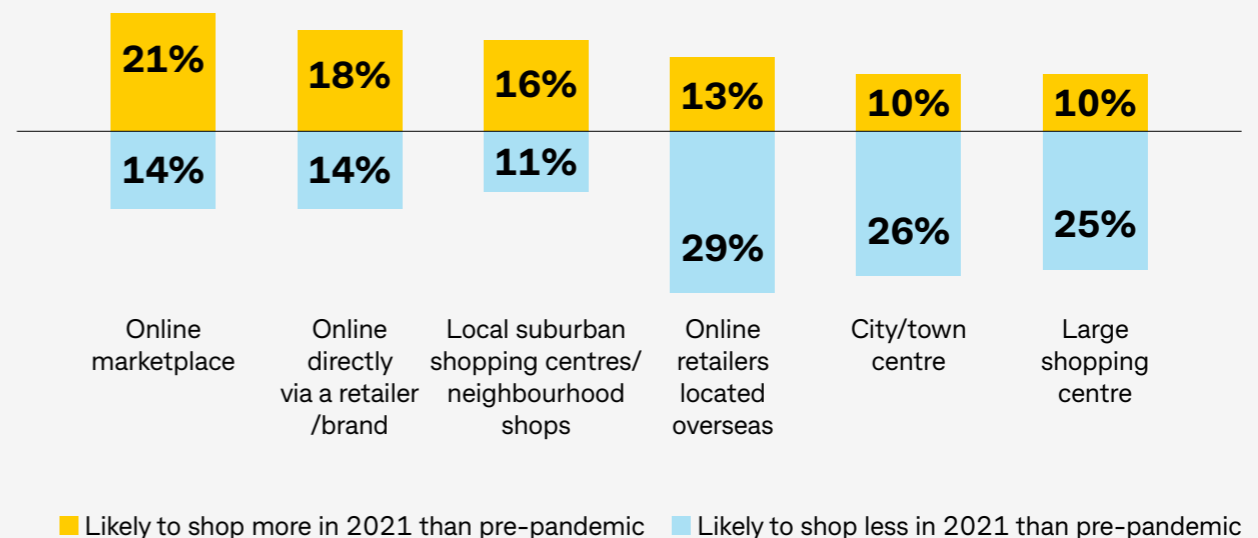
Options to purchase products stocked and made in Australia

Locally sourced products have become more important to most consumers



Change in shopping destinations

A net increase in consumers visiting local shopping precincts is expected



Consumer businesses showcase their versatility

Adapting well to changing needs

In the eyes of consumers, the retail, hospitality and personal care sectors did a great job of flexing their offerings and operations to meet their needs. As a result, some consumers report that the customer experience has improved since the onset of the pandemic.



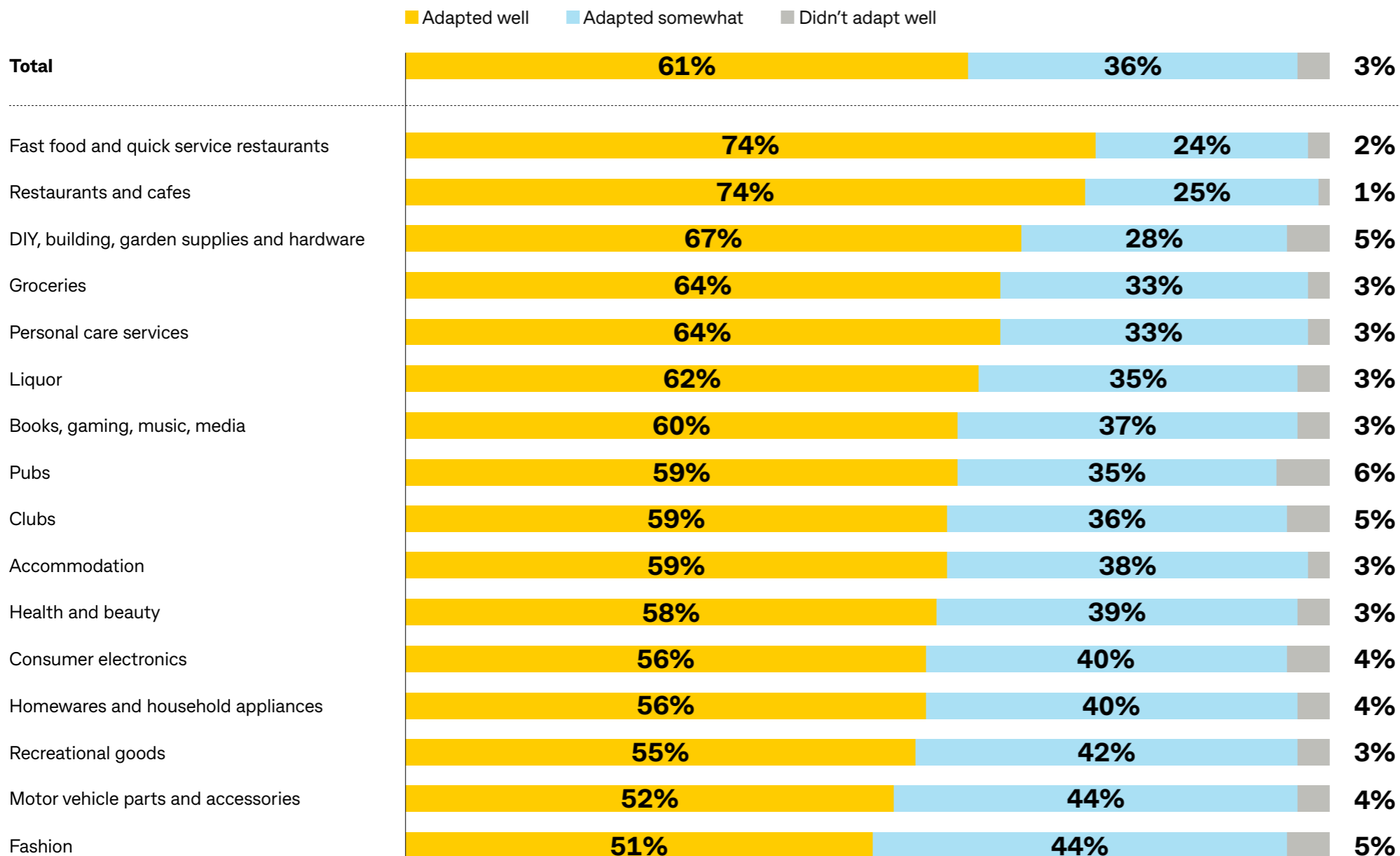
Goodwill among consumers

The pandemic has tested the retail, hospitality and personal care sectors in so many ways. From lockdowns and disrupted supply chains, through to rapidly changing government rules and regulations and dramatic changes in customer needs, consumer-facing businesses have had to adapt quickly time and time again.

Consumers recognise this with 61% believing that most operators have adapted well to the pandemic and swings in customer needs and a further 36% indicating a more moderate performance. The older generations, Baby Boomers and Pre-Boomers, are more likely to acknowledge the adaptation than their younger peers. Nevertheless, consumer-facing businesses have generated considerable goodwill among their customers in a challenging environment.

Adapting to the pandemic and changing consumer needs

Most consumers believe that businesses have adapted well across all categories



“Over the years, retailers have made great strides in understanding the evolving needs and expectations of their customers and adapting their offering accordingly. This placed them in good stead for the abrupt change and disruption brought about by the pandemic”

Jerry Macey
 Executive Manager,
 Consumer and
 Diversified Industries
 Business Banking
 Commonwealth Bank of Australia

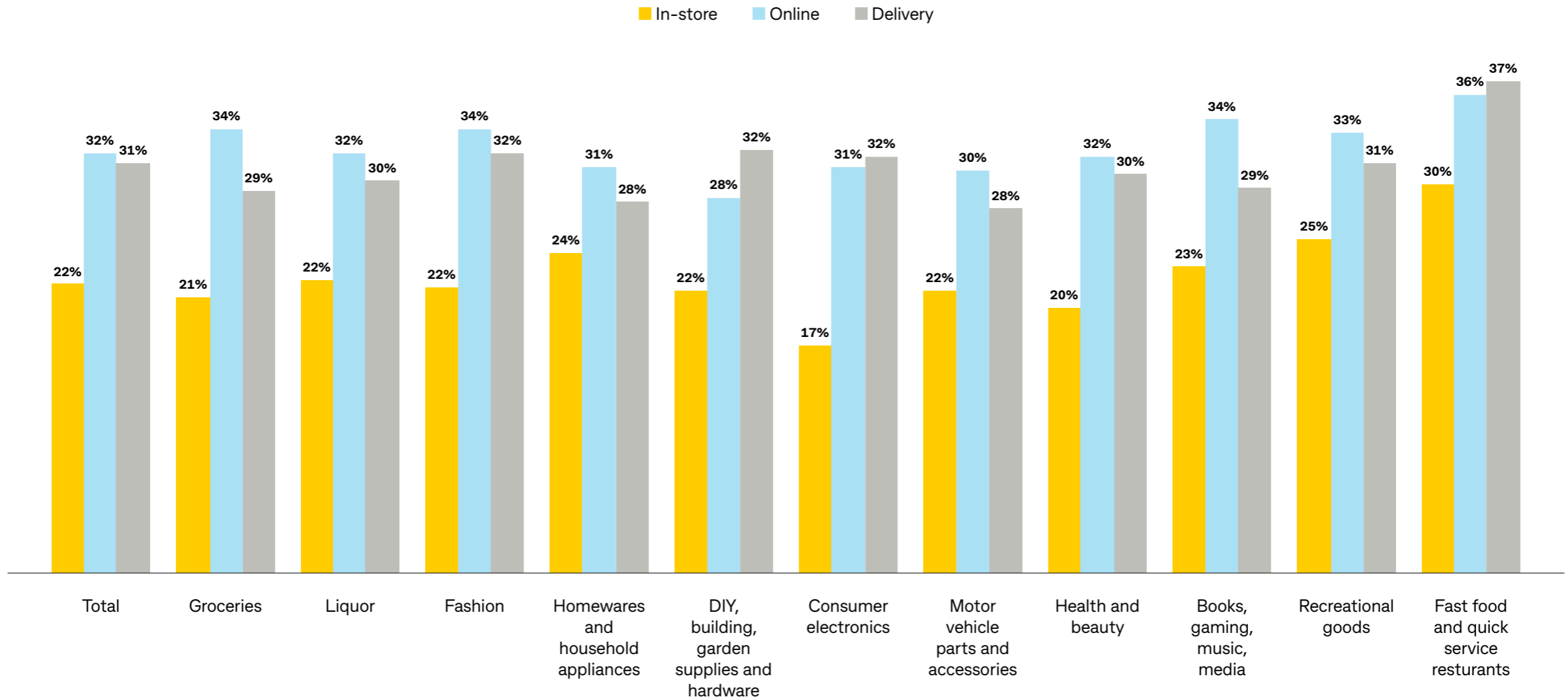
Uplift in the customer experience across channels

Of all the consumer-facing businesses covered in the survey, fast food and quick-service restaurants did the best job of quickly pivoting their operations and offering in the eyes of consumers. Personal care services also rated better than average.

Among the retail categories, those deemed 'essential' during lockdowns – hardware, groceries and liquor – are perceived to have best adapted to the circumstances and consumers' changing needs. Retailers of groceries are viewed as doing a particularly good job of improving the online experience for shoppers, while the DIY and hardware category markedly improved the delivery experience.

Changes to the shopping experience during the pandemic

Consumers report an improvement in the customer experience across channels and categories



Expert commentary:

Matt Newell
Chief Executive Officer,
The General Store



Regaining control in a two-speed market

Matt Newell, Partner and Chief Executive Officer, The General Store

The reality of the pandemic is that it has divided consumer businesses in much the same way it has divided consumers. Some businesses are experiencing significant tailwinds and others are facing tremendous headwinds. In both cases, market conditions have been largely thrust upon them rather than being directly within their control.

For some businesses in areas such as entertainment the nature of market headwinds are prohibitive. These are often well-run businesses with strong underlying strategies, but no matter what they do, they simply can't get people to return.

On the other hand, the businesses leading the way out of the pandemic are capitalising on structural tailwinds and capturing available opportunities. To achieve this and satisfy booming demand, these businesses have renewed their focus on operations and execution.

The pandemic has delivered a confidence boost to positively affected businesses and with revenue flowing through organisations, executives are looking to the future. What they do from here also takes into account insights gained from making major decisions, like shutting down entire store networks, restaurants and venues, and truncating the decision-making process.

For example, the executives who reopened their top performing stores and venues first experienced what a highly profitable, optimised network could look like. For the retail sector in particular, this replaced the traditional expansionary approach to pursuing sheer scale and top line growth, then turning to efficiency and margins.

With good decision-making under their belt and with the confidence of the market, consumer-facing businesses should be considering making bold moves. Tailwinds won't last forever, and businesses have a rare opportunity to set the agenda, rather than simply chase changing consumer preferences.

How were your customers affected?

From the consumer standpoint, uneven experiences during the pandemic have shaped different needs. For consumer businesses, it is important to clearly identify whether their customers have been predominantly positively or negatively impacted because that will inform their focus.

Positively impacted consumers are spending more time with family and at home, exercising more, spending more money travelling locally, and enjoying it. Then there are those that have been adversely affected from a mental health, employment and lifestyle perspective.

The latter group that are under pressure may not be just short on cash but may not have time or energy. Those consumers are looking to have more basic needs fulfilled including well-priced products, good range, and an easy purchasing experience. For retailers, it is therefore important that the supply chain is secure, and items are available at the right time and price.

A lot has also changed for those who have had a more positive experience during the pandemic, and we have seen a huge reset for a large proportion of the population. This has resulted in people wanting to live a healthier, more sustainable and community-oriented existence. As consumers have more headspace to consider these aspects, it creates an opportunity for businesses to pursue something they are passionate about and draw their customers closer.

Consumer businesses like retailers, fast food and hospitality providers are generally excellent at listening to customers and very uncomfortable setting their own agenda which can set them apart given the current dynamic. So, as a business, there is an opportunity to be more attractive to the consumer as they lean into certain causes and make bold moves that do not need to be customer-led.

A good question for consumer businesses to ask at this juncture is 'what will I be famous for'. Once you have identified that central tenet of the brand, it needs to be executed upon. For some businesses, it might be time to refresh the brand, or enhance the physical or online experience. In the retail sector, we are seeing many businesses bringing forward plans that were previously in the 'we will get to it one day' category.

Harnessing gratitude

When we recently spoke to a range of consumers about their retail experiences during the pandemic, one word kept reoccurring. Gratitude. Consumers were grateful that stores remained open, that there were people to help and that they could get what they needed. They were also likely grateful they could order online with physical venues closed and have items delivered to their homes.

Today, that gratitude can be harnessed as consumer-facing businesses start to look further ahead in their planning and strategies with the backing of customers. But things have changed, businesses have learnt a great deal about themselves and consumers at least intend to continue many of the activities they adopted during the pandemic.

Whether they do or do not follow through, the intention is valuable and cannot be ignored. It reveals an opportunity for businesses to play a role in maintaining or changing that behaviour, and leading with what they are passionate about is a great start.

How shopping has changed

The shifts in consumer shopping and spending behaviours likely to persist

During the pandemic, spending in some categories and channels jumped while in others it slumped. While lasting change to some shopper behaviours is expected, the stage is set for many consumers to revert to their pre-pandemic spending and shopping preferences.



Will spending revert to pre-pandemic levels?

During the pandemic, consumers report their spending increased in retail categories including food, liquor, hardware, and books, gaming, music and media. Whereas, amid lockdowns, border closures and health and safety regulations, they say spending on accommodation, eating and drinking out and personal care slumped. Baby Boomers, Gen X and Pre-Boomers are the groups more likely to report cutting spending in these areas.

The big question is: are those new spending patterns ingrained? The majority of consumers say they are not and expect their spending will return to pre-pandemic levels in 2021. That is particularly the case for Gen Z and Gen Y who, as previously noted, drove the uptick in spending across all retail categories.

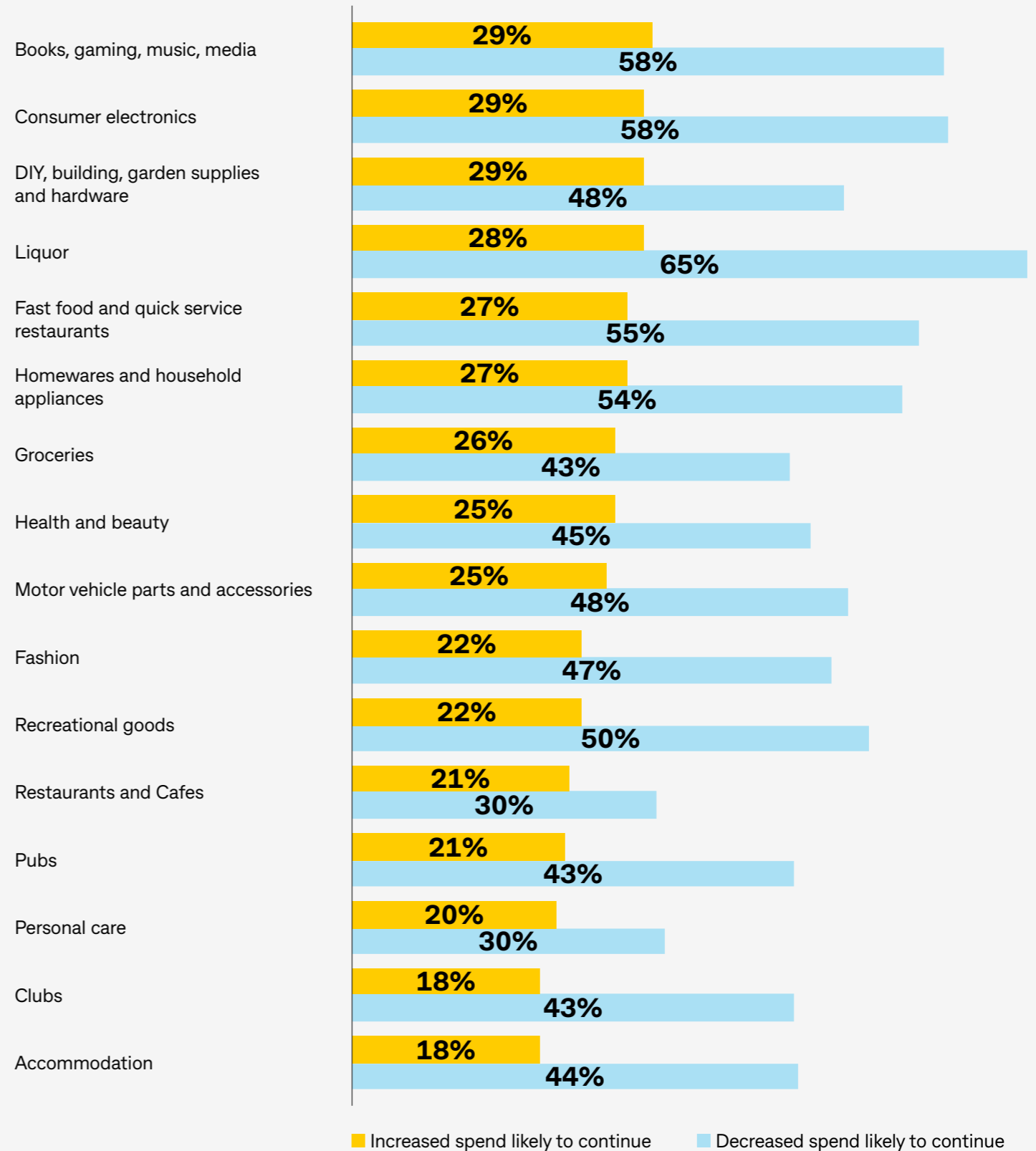
More than 65% of consumers expect spending on groceries, cafes and restaurants, personal care services, and hardware will return to pre-pandemic levels.

We learnt earlier that 42% of consumers actually cut their overall spending levels during the pandemic, 39% didn't change while 19% spent more. The research finds that on average, 44% of those who economised in certain categories last year will continue to do so in 2021. That is most evident in the liquor, consumer electronics, books, gaming, music and media, and fast-food categories.

By comparison, an average of 26% who increased spending in particular areas in 2020 will maintain that higher level of expenditure in 2021. The categories that look to benefit most from those consumers are books, gaming, music and media, consumer electronics, DIY and hardware, and liquor. That will provide some offset to the 44% of economising consumers who intend maintaining their reduced spend in some of these categories.

The likelihood that pandemic spending patterns will continue

Those who decreased spending in certain categories are more likely to continue



The sustained importance of omni-channel

Although overall spending declined during the pandemic, a quarter of consumers increased the proportion of purchases they made online, driven by Gen Z and Gen Y. As a result, 26% of retail purchases are currently made online according to consumers.

Furthermore, almost 40% of consumers were ordering more items online without first viewing them in-store and one third increased their use of click-and-collect services.

More than 80% of the consumers who used click-and-collect services more often during the pandemic say they will continue to use them more than they did pre-pandemic. Furthermore, almost 80% of those who bought items online more frequently without first viewing them in-store have gained the confidence to continue to buy more items online, sight unseen, than previously. This aligns with the earlier findings that more than 30% of shoppers reported better online and delivery experiences.

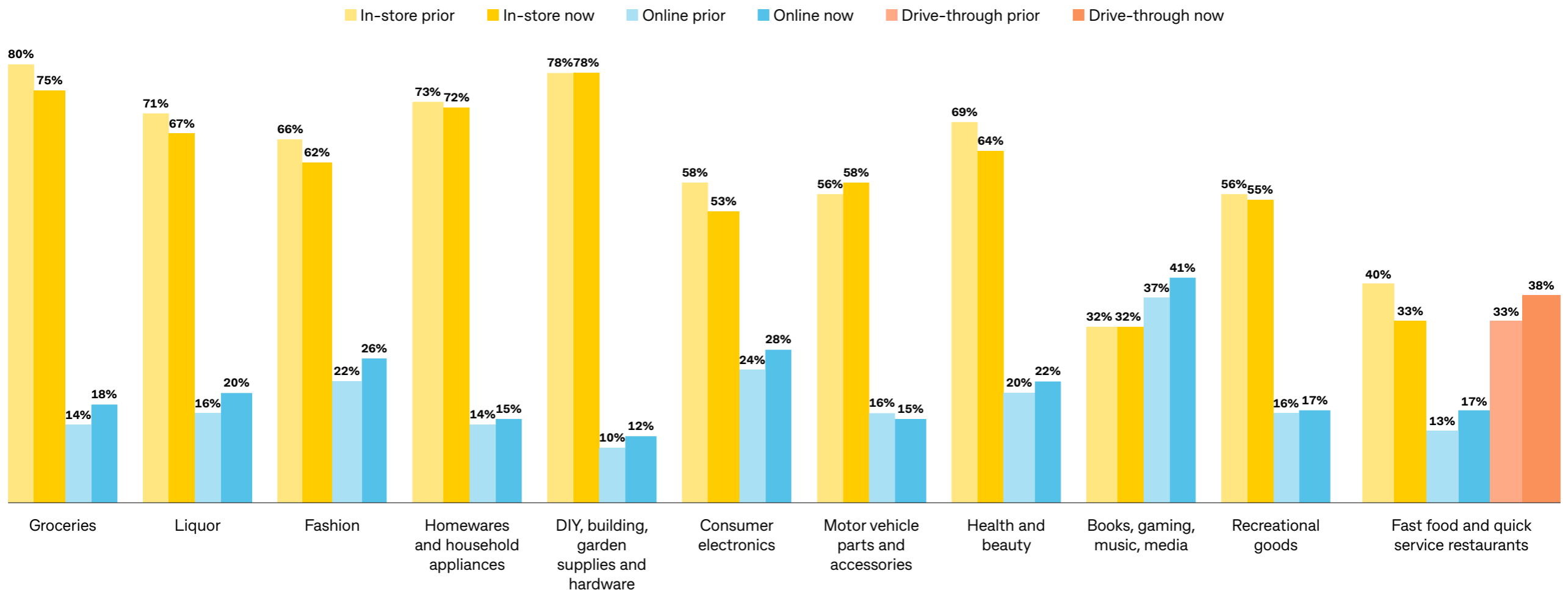
Across the relevant retail and fast-food categories, there has been an average uptick of 2.6% in consumers' preference for online as their preferred channel. Despite this fast-tracking of Australian shoppers' migration to online, in-store overwhelmingly remains the channel of choice.

There are just two exceptions. Consumers now prefer to buy books, gaming, media and music online over in-store, a trend that was catalysed by the advent of online marketplaces well before the pandemic. Meanwhile, drive-through has displaced in-store as the preferred way to purchase fast food.

While overall, consumers still have a strong preference for in-store shopping, the more integrated offerings across channel clearly resonate with the needs of the new consumer. Channel hopping has become a viable option for most generations, including the older ones.

Shopping channels now and before the pandemic

The preference for online has grown, but in-store remains the preference in most categories



Digital payments rise as consumers go cashless

With contactless payments actively encouraged by many consumer-facing businesses during the pandemic, a majority of consumers report using cash less frequently than previously.

There is increased use of mobile wallets, such as Apple Pay, as well as more use of buy now pay later options, and PayPal. Gen Z and Gen Y were the groups most likely to have increased spending relative to pre-pandemic levels, they were also using debit cards and cash more than their older peers.

When we asked consumers how their payment preferences would change in 2021, we found that Gen Z and Gen Y will continue to drive the adoption of mobile wallets. However, their intended use of buy now pay later options differs little from older consumers. In fact, across all generations, the expected use of these pay-in-installment offerings appears low compared with other payment options.

Change in payment methods during the pandemic

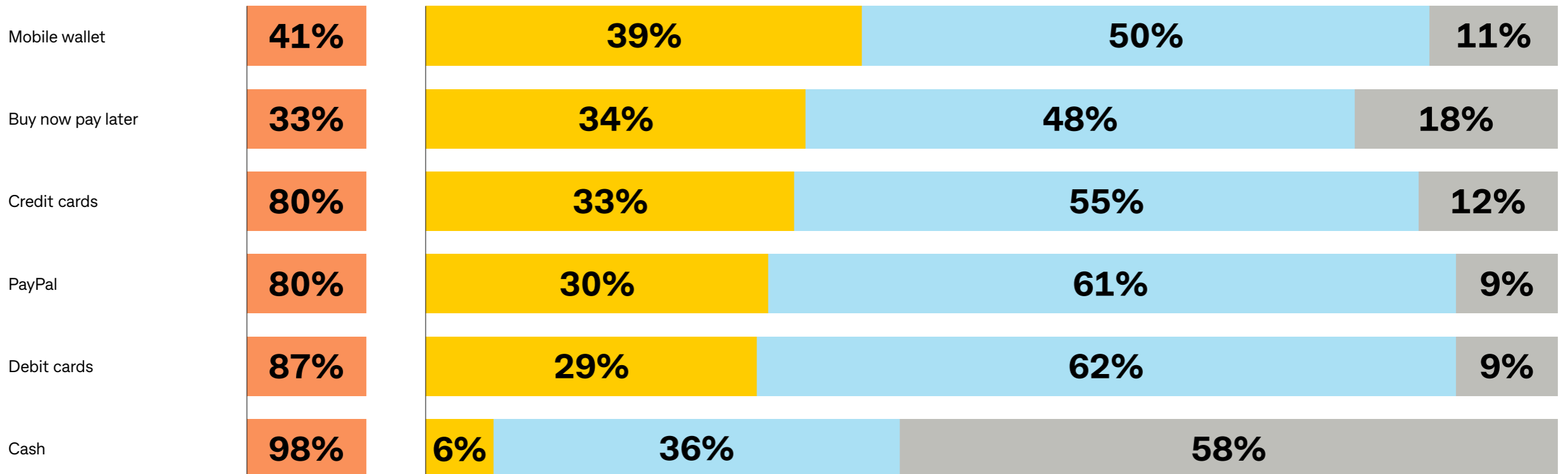
Most consumers decrease use of cash, increase emerging digital payments

■ % use payment method

■ I use more frequently

■ I use the same amount

■ I use less frequently



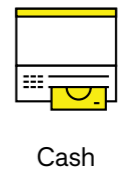
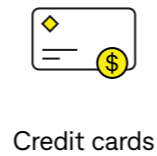
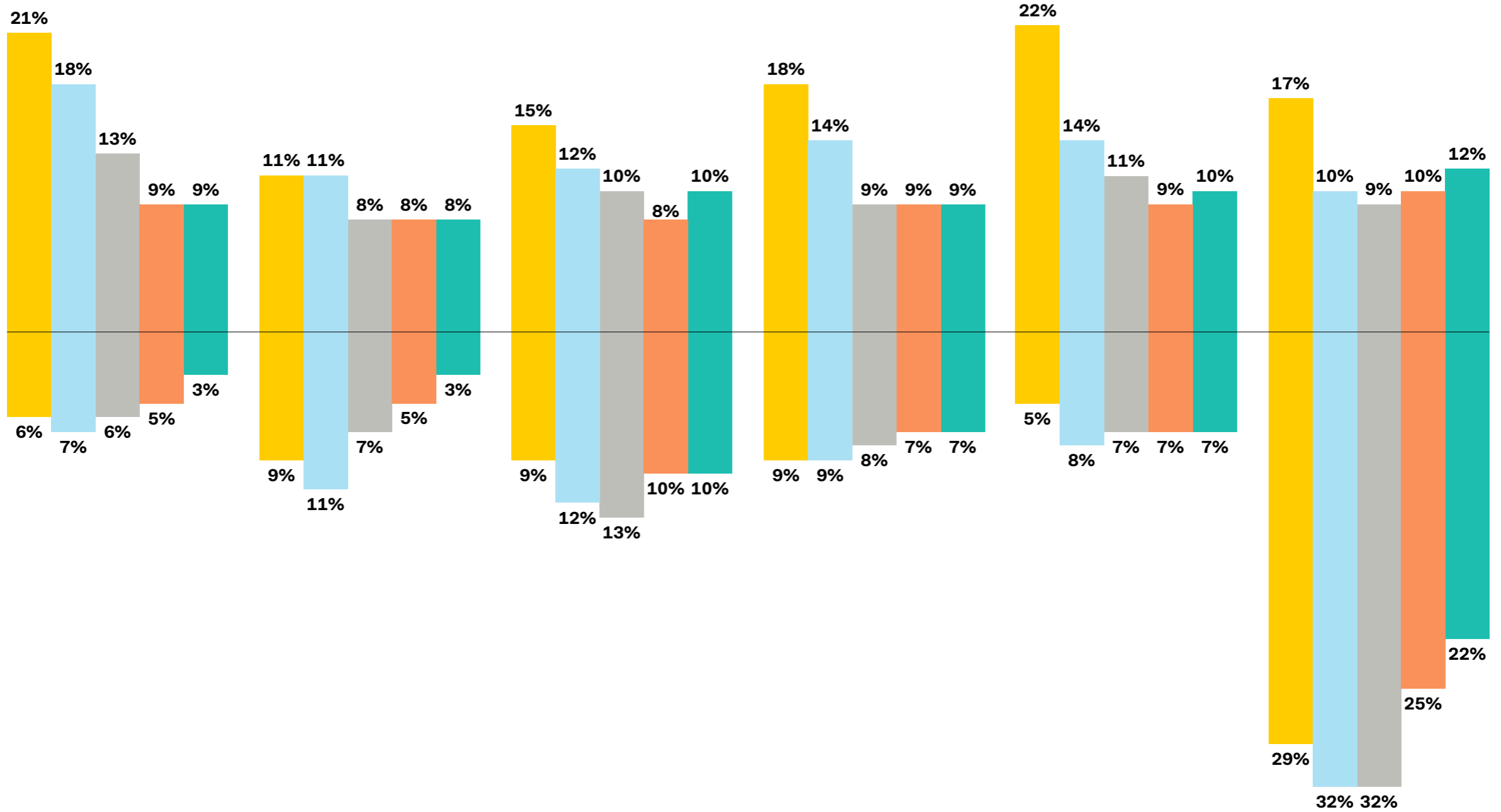
Expected change in payment methods in 2021

Adoption among younger generations will continue driving digital payments

% that are likely to use payment method more frequently in 2021

% that are likely to use payment method less frequently in 2021

Gen Z Gen Y Gen X Baby boomers Pre-boomers



Consumer expectations evolve

Aspects of a positive customer experience

What consumers now expect from their shopping experience has shifted as Australians place greater value on convenience and quality. Safety and layout considerations will also be critical to attracting shoppers back in-store.



What matters most to consumers has shifted (again)

What consumers expect from their retail experience has changed throughout the pandemic and differs depending on where they shop and what they are purchasing.

While a range of factors have gained importance, and some are specific to the pandemic, our previous Retail Insights research showed that many of the aspects in greater demand are perennial tenets of a positive shopping experience.

As we have already established, consumers across all categories are now more interested in products and services that are locally sourced or produced. And with so many people now shopping online and working flexibly, fast, convenient and reliable delivery services and easy to use websites are in higher demand than previously.

For businesses providing accommodation and food services, consumers also consider convenience to be more important, but the one most in-demand factor is for cutlery and condiments to be provided separately to each customer.

Some other factors that were gaining momentum before the pandemic continue to be more crucial to consumers, albeit to a lesser extent than those mentioned above. For example, with elevated delivery volumes, more than one in three consumers in most categories find sustainable packaging to be more important.

Looking back at some of the past Retail Insights research shows that some factors like highly trained and knowledgeable staff and price have moved down the rankings, although are still high on the agenda.

■ More important for 50%+ ■ 40-49% ■ 30-39% ■ 0-29%

| | Cutlery and condiments provided seperately | Options to purchase Australian products | Fast, convenient and reliable delivery | Well located, easily accessible stores | Top quality products and facilities | Easy to use websites |
|---|--|---|--|--|-------------------------------------|----------------------|
| Groceries | - | 53% | 38% | 45% | 36% | 37% |
| Liquor | - | 39% | 34% | 41% | 32% | 33% |
| Fashion | - | 58% | 54% | 48% | 45% | 52% |
| Homewares and household appliances | - | 52% | 51% | 46% | 44% | 43% |
| DIY, building, garden supplies and hardware | - | 55% | 43% | 52% | 44% | 42% |
| Consumer electronics | - | 55% | 52% | 44% | 47% | 45% |
| Motor vehicle parts and accessories | - | 45% | 39% | 42% | 36% | 40% |
| Health and beauty | - | 53% | 47% | 46% | 41% | 42% |
| Books, gaming, music, media | - | 53% | 56% | 47% | 43% | 50% |
| Recreational goods | - | 59% | 53% | 49% | 50% | 46% |
| Fast food and quick service restaurants | 51% | - | 44% | 48% | 45% | 47% |
| Restaurants and cafes | 54% | - | 44% | 53% | 47% | 47% |
| Pubs | 58% | - | 43% | 48% | 51% | 42% |
| Clubs | 52% | - | 39% | 43% | 45% | 38% |
| Accommodation | 56% | - | - | 48% | 53% | 47% |
| Personal care services | - | 50% | 28% | 50% | 46% | 42% |

Safety and digital convenience critical to in-store

For now, the most basic measures around preventing the spread of coronavirus are essential in the eyes of consumers. The majority of consumers want retailers and businesses that offer personal care and hospitality services to provide hand sanitiser for customers and staff, and many believe staff should be wearing personal protective equipment.

As a sign of growing confidence among consumers, fewer consumers rated temperature checks and plexiglass barriers as crucial.

Spacious layouts are also strongly preferred, and strict monitoring and enforcement of customer numbers is expected. Many consumer businesses have already been adjusting these aspects of the in-store experience amid the tightening and easing of social restrictions. However, these are likely to remain a feature of the on-premises shopping experience, particularly for restaurants and hospitality providers.

Another aspect of the experience that consumers now consider more crucial is frictionless use of digital options around check-in and payments which aligns to consumers' aversion to crowds. Again, these were more commonplace among consumers visiting restaurants and hospitality venues but feature prominently across all categories.

■ Definitely something I want 50%+ ■ 40-49% ■ 30-39% ■ 0-29%

| | Hand sanitiser available | Spacious layout | Strict monitoring of guest numbers | Fast and easy QR check in | Contactless payment options |
|---|--------------------------|-----------------|------------------------------------|---------------------------|-----------------------------|
| Groceries | 58% | 45% | 35% | 34% | 35% |
| Liquor | 58% | 42% | 41% | 35% | 33% |
| Fashion | 59% | 49% | 47% | 40% | 38% |
| Homewares and household appliances | 56% | 48% | 40% | 37% | 35% |
| DIY, building, garden supplies and hardware | 55% | 45% | 42% | 36% | 39% |
| Consumer electronics | 55% | 47% | 41% | 37% | 35% |
| Motor vehicle parts and accessories | 52% | 38% | 40% | 35% | 35% |
| Health and beauty | 56% | 45% | 39% | 34% | 32% |
| Books, gaming, music, media | 63% | 47% | 47% | 40% | 36% |
| Recreational goods | 53% | 42% | 38% | 40% | 39% |
| Fast food and quick service restaurants | 61% | 46% | 45% | 37% | 39% |
| Restaurants and cafes | 64% | 54% | 52% | 46% | 41% |
| Pubs | 61% | 54% | 50% | 48% | 41% |
| Clubs | 63% | 53% | 54% | 47% | 40% |
| Accommodation | 61% | 41% | 49% | 41% | 31% |
| Personal care services | 58% | 43% | 46% | 34% | 36% |

Expert commentary:

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What to do when consumers will never be the same again

Jana Bowden, Associate Professor of Marketing and Consumer Behaviour at Macquarie University

The pandemic hit the 'reset' button on consumer behaviour. Brands quickly realised that business was no longer "as usual" after the pandemic set in and strategy, marketing plans, execution, creative, and channels had to be 'rethought' wholesale. But it is not just the initial seismic shifts in consumer behaviour that have challenged business. It is also the continuing transformation in the consumer landscape that has left brands struggling to find ways to stay relevant with the evolving consumer.

There is no shortage of behavioural data that gives brands the answers to who their customers are, what they buy, where they buy from and how they buy. Yet the real key to understanding the changes in consumer behaviour are in understanding why consumers behave the way they do. That is where the opportunity lies.

The pandemic has accelerated key trends in consumer behaviour that were already under way. It has also offered brands tremendous opportunity to adapt, innovate and rethink strategies for engaging with consumers.

How the past has shaped the present

At the onset of the pandemic, consumers were gripped by fear. That anxiety became etched into the consumer psyche and redefined it. It led to the rise of the anxious consumer – a consumer mindset governed by emotion and fuelled by apprehension. Consumers became deeply concerned about their safety, the health and wellbeing of friends and family, and the future in terms of outbreaks of the virus, lockdowns, and vaccination. This psychological scarring effect is the point of origin for the seismic shifts in shopping and spending patterns that followed.

The heightened emotional perception of the environment that consumers experienced led to a raft of new attitudinal and behavioural changes such as panic buying, purchases driven by fear of missing out, and concerns both about being in-store (density) and in contact with high touch surfaces. Consumers were also concerned for their livelihood, employment and the state of the overall economy. The pandemic has changed the consumers perceptions of the world around them. These were all factors that we had not considered before. Emotions rather than rationality became the hallmark of the anxious consumer's new behaviours and routines.

Today, with 12 months' experience of living with the pandemic in Australia, consumers have adapted and are more confident going about their daily lives. The extreme fear that was experienced at the onset of the pandemic has subsided. From a consumer psychology perspective, we have crossed an important chasm - moving from fear to hope.

However, while consumers may not be experiencing the same intensity of fear they once did, there is a residual anxiety that is induced by aftershocks such as sporadic lockdowns, restrictions on travel, concern about the vaccine and lingering uncertainty.

The key question going forward is how can businesses successfully and sustainably engage with these new consumers now, and post-covid?

Shopping with purpose, and shopping for purpose

In the current, more settled state, there are two fundamental changes to consumer behaviour that are influencing how people engage with any business they buy goods and services from.

The first is that consumers are now shopping with purpose. Consumers are a lot more deliberate in the choices that they are making across the 'phygital' (physical and digital shopping) journey, irrespective of the category that they are purchasing from.

For example, in the retail space, having spent increasing time shopping online and via devices such as smartphones, consumers are undertaking more pre-purchase research. Spending more time upfront understanding purchasing options is then compressing the actual purchase phase. As a result, we are seeing reduced browsing time in-store and online and more deliberate conversion.

The second major change is that people are now shopping for purpose, not just with purpose.

Before the pandemic, there was already consumer awareness of the environmental and social impact of brands, but it was at the periphery of the consumer mindset.

The pandemic put a spotlight on community, belonging and human connection and it reshaped consumer value sets. While consumers want a good range, price and convenience, they now expect brands to do more. They expect brands to place people over profit and deliver on issues that matter to them whether it be through sustainability or ethical, social, and environmental impact. Consumers, particularly younger generations, such as Generation Z and Millennials are prioritising the 'why' of brands over the 'what' of brands.

In parallel to this shift in value sets, consumers also want to regain autonomy and control. Amid lockdowns and restrictions, consumers' sense of freedom was diminished. As a result, consumers are desperate to return to a state of pre-pandemic, stress-free normalcy. This tension is driving the renewed sense of community that we are now seeing and the very strong 'buy local, shop local' trend in consumption patterns. The community is our new hub – we are looking for ways to support each other locally, to have an impact, and to be a part of a sustainable system. Our values have changed from being in it individually to being in it together.

Immersing the consumer in the experience

Consumer needs will continue to change as the pandemic progresses and this will require business to constantly rethink their strategy. For physical venues, the top factor is addressing residual anxiety. This includes training staff to be empathetic and aware of consumer needs and expectations, handling disinfectant regimes, social distancing, providing adequate signage, managing density of people and providing clear check-in protocols.

The next step is adding value and connecting the consumer to the brand. Activations in-store that attract consumers and provide curated, unique in-store offers and deals can help drive foot traffic and conversion.

For online businesses, the same logic applies. The core fundamentals come first including an easy to navigate website, rapidly loading site, a process that reduces cart abandonment, and reminders for previously browsed products to encourage purchase intent. Flexible and convenient delivery options are also critical.

Beyond that, digital has become the entry point for the brand experience. Consumers are spending more time researching and the pre-purchase 'inspiration' phase has lengthened. This provides brands with an opportunity to create a more immersive and engaging digital environment.

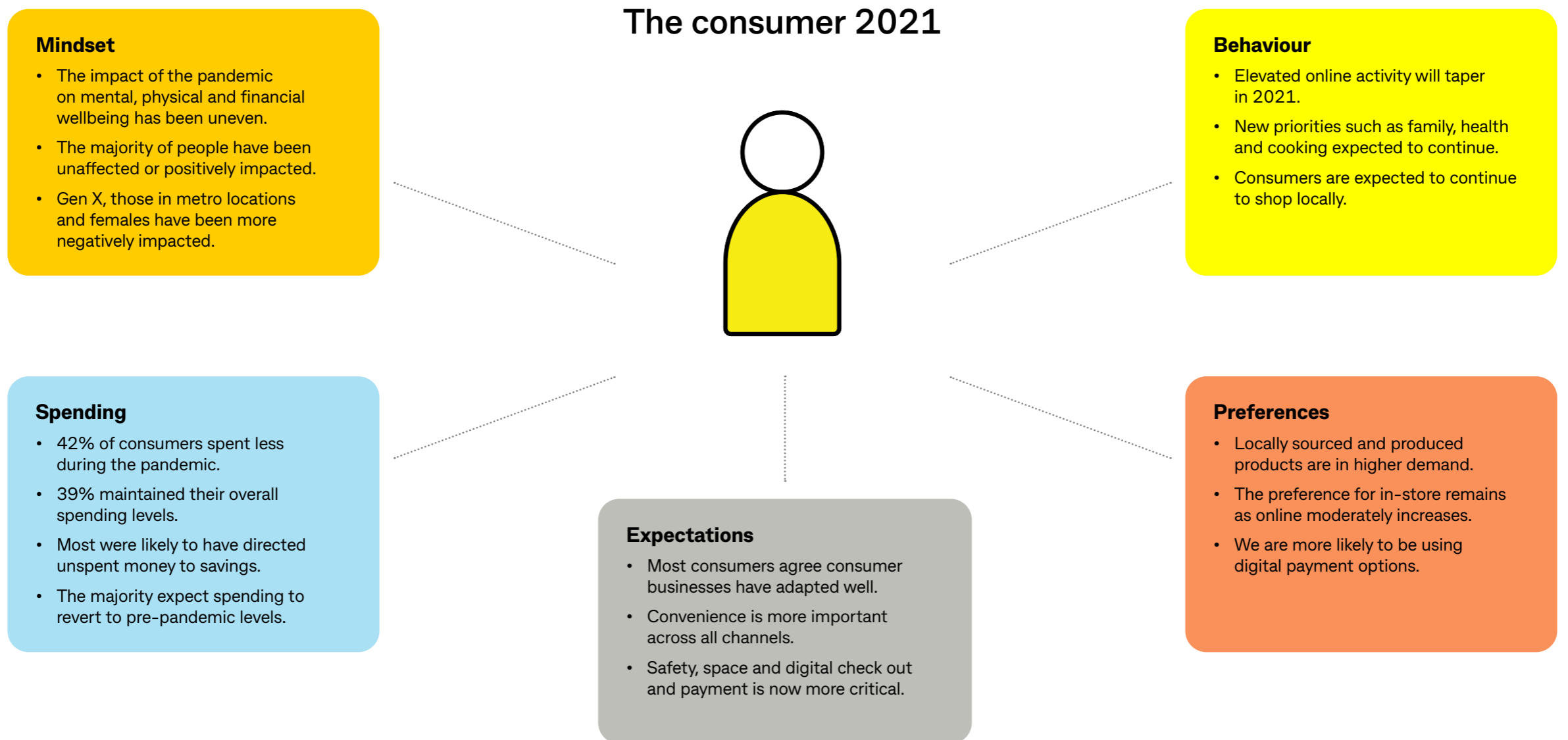
Perhaps most importantly it also offers brands a golden opportunity to create a more immersive platform that allows consumers to explore the brand and its values and purpose – what it fundamentally stands for.

The pandemic has reshaped the way consumers behave and residual anxiety is here to stay. But there are positive impacts of this emerging consumer mindset. As consumers become more deliberate in the way they shop and purchase, businesses will need to traverse these challenges and opportunities ultimately mitigating anxiety and increasing authenticity and purpose.

The new consumer expects brands to deliver products and services that meet their needs at a competitive price and through convenient channels. But – consumers expect more than that from their brands. The consumer is seeking to close the credibility gap. They expect brands to actively demonstrate their role in society, to support community and to take real action on issues that matter to them – not just pay lip service to brand purpose. They are buying 'why' a brand does what it does and no longer just 'what' it sells.

Conclusion

The events of the past year have had a significant bearing on the way that many Australians live, work and shop, with the extent of the impact varying based on demographic factors. Our first Consumer Insights report shows that the way in which consumers were impacted, particularly from an employment perspective, shaped their spending and saving behaviours. We examined five major consumer trends brought about by the pandemic and likely to feature in the year ahead. These are designed to provide insight into the behaviours, expectations and intentions among consumers to help businesses continue to adapt as consumer needs change.



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