

BETTER RESPONSE & RECOVERY THOUGHT LEADERSHIP SERIES:

How is COVID-19 Effecting Retail and Shopper Media?



ABOUT THIS SERIES

These are unprecedented times. Not only have our day-to-day lives been radically changed, but the fast-moving nature of the situation also makes planning ahead highly challenging. The World Health Organization (WHO) advises that the **RESPONSE** phase of a pandemic will be followed with a **RECOVERY** phase – and while we need to adapt to the short-term, preparing for the long-term will be just as important. To that end, UM is harnessing the expertise within the agency to provide practical, actionable media advice that helps our teams and clients better Respond and Recover from the COVID-19 pandemic.

This issue is authored by Amie Owen, SVP, Head of Shopper. Your UM team can help you with further information or arrange action plans around this area.

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1.

RETAIL RESPONSE TO COVID-19

In this issue, we explore retailers' response to a rapidly changing shopper environment. Those advertisers, following shopper media behaviors closely, will need to pivot and re-plan their shopper media as less people enter stores and more tap into click-and-collect models and delivery.

Not only are our buying patterns changing, but the products consumers are buying are different. A shopper that is loyal to 'Brand A' of toilet paper may not be interested in finding 'Brand A,' but

instead purchasing whichever brand is available, in-store or via delivery app. As the pandemic timeframe lengthens, companies will need to understand these changes in behavior to be successful in the "new retailer" world.

We will report on how retailers are handling their media platforms as these behaviors change and what you can do as a brand during and after the pandemic to ensure your brand is still reaching shoppers during these massive changes.

As the pandemic timeframe lengthens, companies will need to understand [shopper behavior] changes in order to be successful in the "new retailer" world.

Shopper media platforms are paused.

As COVID-19 became a reality, retailers were not only experiencing a surge in traffic to their stores but also to their sites. This swell of buying stopped retailers in their tracks. As one can imagine, and likely probably experienced, out-of-stock issues are impacting the lives of people both personally and professionally. Top retailers have halted both in-store and digital media in order to understand their stock challenges and also monitor consumer behavior shifts.

In addition, in-store media signage was not installed for the month of April at many retail stores, to not unnecessarily

put their workers in jeopardy. In the grocery channel, circular printing has slowed, as deals and couponing are shown without products being in stock.

Retailers have turned to supporting their shoppers during these unprecedented times, offering pick-up, delivery, and exclusive shopping hours for seniors. By pausing their shopper media offerings, they have been able to adjust their strategy in a COVID-19 world to create guidelines that ease the shopper experience in their stores as Kroger has done below.

Kroger is taking steps to ensure customers can get their essential items

- Free pick-up is available for **all customers** beginning March 23rd
- Kroger has introduced its *first ever pick-up-only* store to better support customers and communities due to the high demand for pick-up
- Most Kroger divisions are offering **Exclusive Shopping** Hours for Seniors
- *Limits on highly demanded* categories to ensure all customers can get essential products they need

Source: 8451, Kroger 2020.

2.

SHOPPER BEHAVIOR CHANGES

Shoppers avoid stores and stock up on whatever brand is available.

As changes to buying behaviors shift, there is a change in product purchases. In the beginning of March, we saw a rise in Club Store memberships, such as Costco, mostly caused by panic-buying and bulk stock-up trips. According to Foursquare's most recent data report, grocery visits were up 34% versus prior month. Since then, we have seen a decline of in-store visits. When shoppers visit stores, they are hesitant to touch anything that they can avoid. This also applies to opening refrigerated cooler handles in-store. For example, in the beverage category, we see more two-liter bottles fly-off the shelves over single serve items, due to how they were housed in each store, unrefrigerated.

As with online retail models, we are starting to see more adults use online apps and delivery methods. They are also

tending to buy more online, knowing that getting a timeslot, and all their chosen items due to stock issues isn't promised. Overall, 23% of adults are buying more online than they would have prior to this pandemic.

We have also seen a slight shift in brand loyalty. While the shift is somewhat small, advertisers will need to be mindful of their stock challenges and shopper media messaging. The need for a given product and the threat that it will go out of stock, is creating opportunities for shoppers to search for new brands according to Valassis' newly released Consumer Behavior Study (13% more shopper vs. prior month). Advertisers will have to be even more sensitive to create an easy and enjoyable brand experience in order to maintain loyal purchasers.



Source: Valassis, 2020.

3.

BEHAVIORS IMPACTING RETAILER DECISIONS ON MEDIA OFFERINGS

Click and collect along with delivery options are becoming crucial for retail stores.

Shopper media opportunities continue to evolve with new offerings either directly from retailers or media partners. Now that COVID-19 is upon us, offerings will need to pivot. In-store demos and sampling have come to a complete halt. Walmart has pushed out any of their in-store demos to at least June with a longer delay for food sampling. Sampling companies are pushing back distribution events to later this year. Some are thinking about different ways to release the samples to shoppers, as currently most have a form of engagement that shoppers are likely to now avoid.

The biggest change is retail thoughts around new media offerings. Those that don't normally offer delivery or click-to-collect are rolling out models to implement in the near-term. With shoppers looking for less contact while they are shopping, retailers will have to review their overall shopping experience. Finding ways to pay without contact, or frictionless shopping in-store is a topic most retailers are talking about. Another is click-and-collect. Dollar stores most often supports fill-in trips, so they have yet to introduce "grocery pick-up". As early as two weeks ago, this along with updating app advertising inventory are now topics of discussion.

Retailer apps are becoming more popular as Target and Walmart Grocery are seeing close to half a million downloads in one week, and these numbers continue to grow. Shipt and Instacart can't hire employees quick enough to sustain all the orders shoppers are placing on their apps. Advertisers are looking to invest on these platforms, but some are not ready to handle media. The app most prepared for these changing times will be the one to succeed, as user experience sways usage one way or the other. For example, major players like InstaCart, Walmart OG and Shipt are leading the way, giving the ability for brands to promote and advertise their products in their apps. InstaCart is looking to open more inventory within their pick-up and delivery offerings, Walmart OG is allowing more advertisers to invest via online and their app through their search and display placements, and Shipt has been focusing on their search/featured listing and display banner inventory.

US Daily Downloads of Select Ecommerce and Grocery Delivery Apps, March 9-15, 2020

	3/9	3/10	3/11	3/12	3/13	3/14	3/15
Target	39,894	46,993	46,893	47,213	50,312	50,239	53,150
Walmart Grocery	26,708	25,861	25,926	29,415	37,245	47,813	53,974
Instacart	14,265	15,133	19,001	20,689	25,701	33,679	38,543
Shipt	4,013	4,046	4,267	4,418	5,385	6,595	7,285

Source: Apptopia as cited in company blog, March 16, 2020

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4.

PRINCIPLES FOR REACTIVATING SHOPPER MEDIA

As the pandemic became reality, retailers adhere to new media guidelines.

As stock challenges begin to settle down, retail media platforms are slowly reactivating their media. That being said, there are five guidelines that companies

can follow. Simply hitting the pause button to restart media may not be the best course of action.



Creative Content / Messaging

Product use-cases, prior to the pandemic are much different than they are today. A campaign during the Spring that encourages stock-up trips at your nearest grocery store, may not be well received by shoppers today – and retailers have now created guidelines of what messaging can and cannot be used to advertise. Advertisers will need to revisit their creative strategies and ensure that their messaging doesn't come across as

tone deaf. Messaging should also not encourage action such as leaving the house to socialize as most, if not all US states, are now following rules of social distancing. In recent days, we have seen CPG advertising such as Cottonelle's #shareasquare campaign that encourages less panic stock-up trips for toilet paper. We've also seen Coca-Cola rebrand their logo to show space within its letters to promotes social distancing.



Stock / Inventory

Most retail sites have the technology to turn-off media as stock drops under 9%. This helps eliminate a poor shopper journey for online shoppers. In the retail space, advertisers should consider pushing back media efforts if stock isn't available in stores. The last thing we would want to see is signage on shelf advertising a product that wasn't behind it. Within the cleaning category, this is the case. Shopping in-store and seeing empty shelves, eliminates the need for in-store advertising. That being said, keep an eye on in-stock inventory. It is recommended that stock have at least an 80-90% in-stock rate to activate any traditional shopper advertising in stores.



Consumer Behaviors

As discussed earlier, implementing new shopper behaviors is vital for advertisers moving forward. It's important to look at shopper media strategy and determine the following:

- Should we be supporting the same products?
- Has there been a shift in buying patterns in my category?
- Are there any retailers that are important to my business offering new shopper offerings?
- Have any retailers cancelled or postponed their offerings?
- Who should we be targeting, now that shopper loyalty is starting to erode?
- Should we be investing in different media, such as delivery?

The reality of what we are seeing right now is that some of these trends will stay for long-term. Companies that are already investing in these areas such as click-and-collect, delivery, and e-commerce are getting a head start but others will be quick to follow.

Reporting

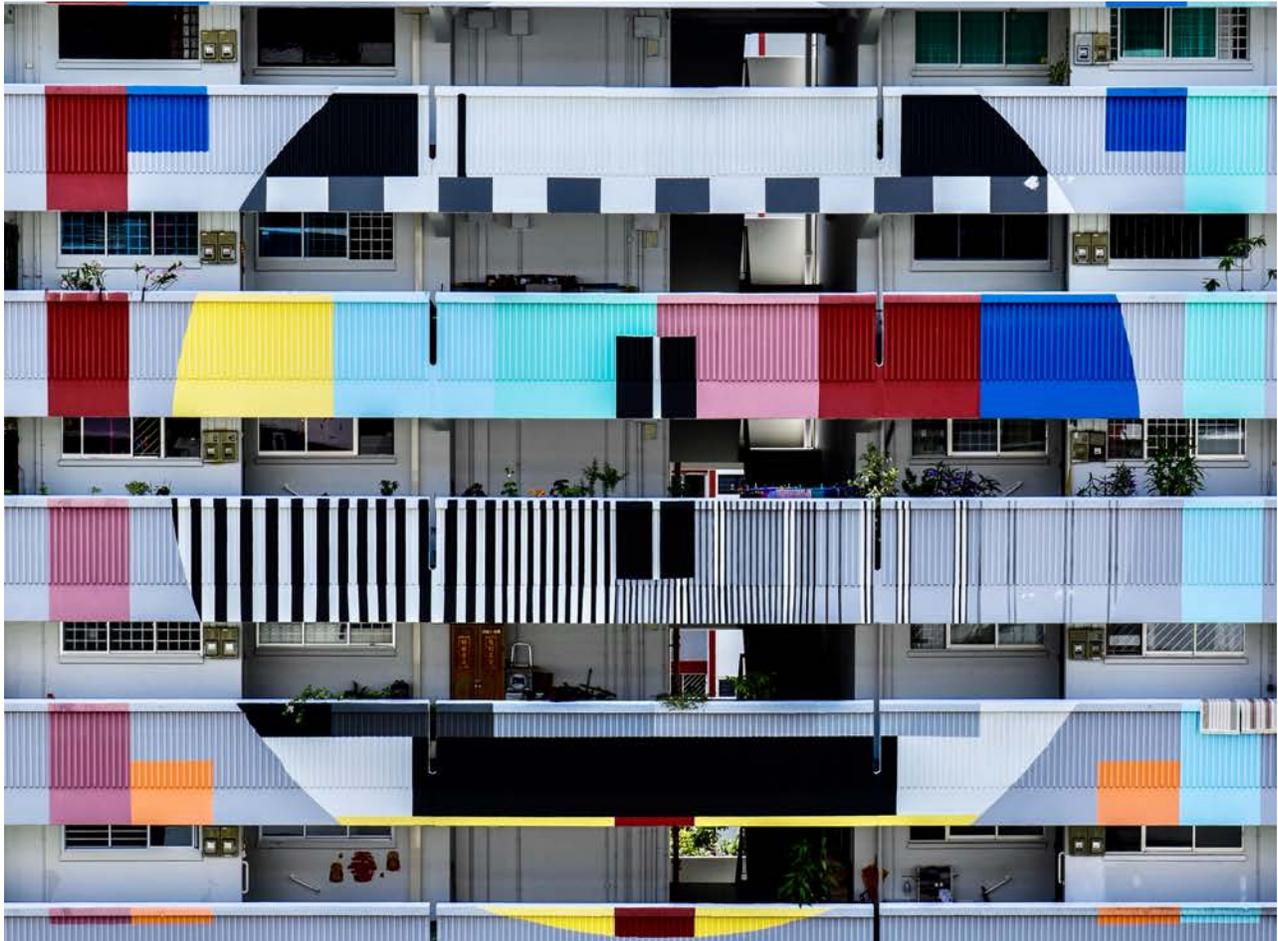
Understanding media performance in this uncertain time is going to help paint the road for future campaigns. As media is on hold or paused, advertisers will need to consider all the avenues they can in order to get learnings against these changing times. Shopper media partners have begun discussions on how we can better comprehend impact, as well as trends like basket size, lifetime buying cycles of

different categories, and even shift in audience segments that are buying certain products. Prior to COVID-19, we were focused on return and incrementality. While these are still important, we now need to tap into our data and reporting to further enrich our learnings as the shopper media space starts to pivot.

Remaining dollars

Because retail media has either shifted or has been put on pause, we recommend re-exploring campaigns and total budgets to ensure dollars are being reallocated to the appropriate shopper media offerings. This should be based on revised flighting,

messaging, and shopper behaviors. As shopper media continues to adapt to behavior shifts, there will be new opportunities for investment, especially in the click-and-collect and delivery app space.



5.

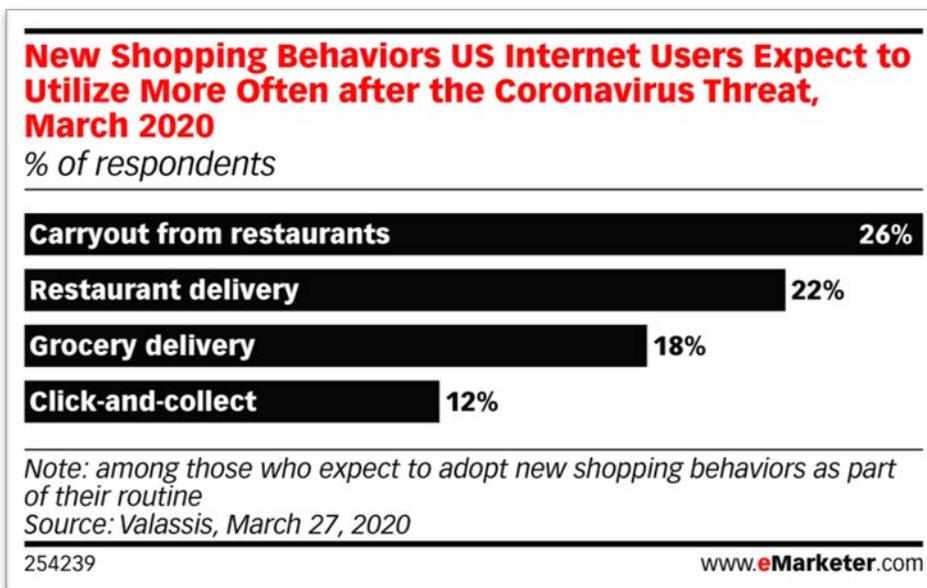
WHAT ARE THE LONG-TERM IMPLICATIONS?

Forty three percent of survey respondents indicated that they are either extremely or very likely to continue to use of online grocery ordering. IRI, 2020.

Will the adoption of these new buying platforms succeed in a future non-COVID-19 world? Most likely. The rate of adoption as of March was almost 30%, showing us that shoppers using online grocery orders never did in the past. As long as shoppers continue to get what they need and have a good experience, they will continue to do so. Advertisers and retailers alike will

have to prepare for this change, and now is a good time to start.

Of these participating in the survey, 18% say they will still use grocery delivery and 12% say they will still use click-and-collect. While this data is only through March, we expect these numbers will continue to rise as we experience our new normal.



To learn more about future shopper strategies, keep in touch with your UM team as we continue to keep you updated on the shopper landscape.



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