COVID-19 and Consumers

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Limitations

Contents

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COVID-19 in the United States

Takeaways

- The US experienced a large wave of new COVID-19 cases this winter. Although the number of new cases has declined from its most recent peak, they remain high and well above the levels seen for most of 2020.
- As of February 24, 21.6 million people in the US (6.5% of the total population) have been vaccinated
- New variants of the COVID-19 virus are emerging. Variants are a concern because they:
  - Tend to spread more quickly
  - May increase risk of severe disease and/or evade natural or vaccine-induced immunity
- To protect ourselves and our communities and speed recovery, it is critical we continue to slow spread by:
  - Wearing masks
  - Staying at least 6 feet apart
  - Avoiding crowds
  - Getting vaccinated when it is available to us

Cases

The initial two waves of COVID-19 cases occurred in early April and around the July 4th holiday, followed by declines in response to restrictions. The number of daily new cases increased dramatically this winter. Although the number of new cases has declined from its most recent peak, they remain high and well above the levels seen for most of 2020. Oregon has generally had fewer cases per million than the US as a whole and had a stronger drop in cases in early 2021.

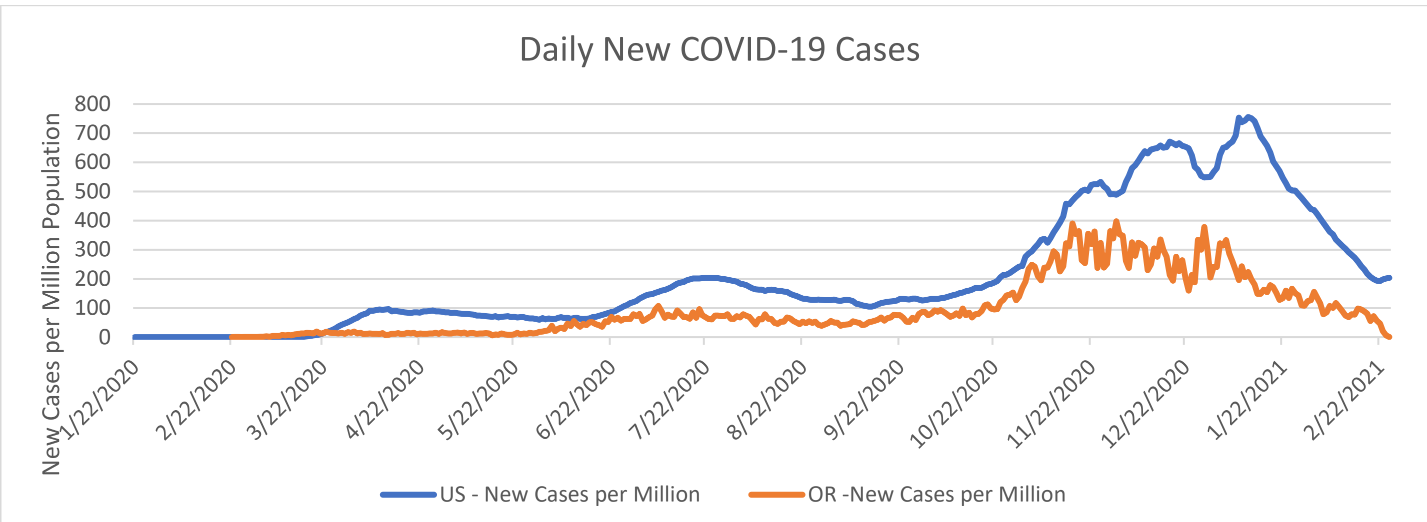

Figure 1- Number of new cases of COVID-19 cases reported in the U.S. and Oregon. (US CDC, Oregon Health Authority)

Cases by Area

The early stages of the pandemic largely affected large metro areas and their fringes.

In the fall of 2020, medium/small metro areas and micropolitan areas surpassed the larger metro areas in terms of the number of cases per 100,000 population.

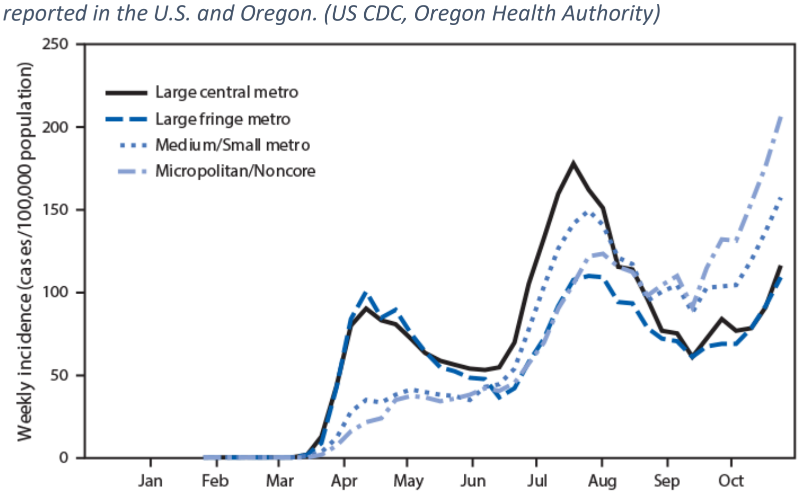

Figure 2 - Number of COVID-19 cases over time by type of area. (CDC)

Deaths

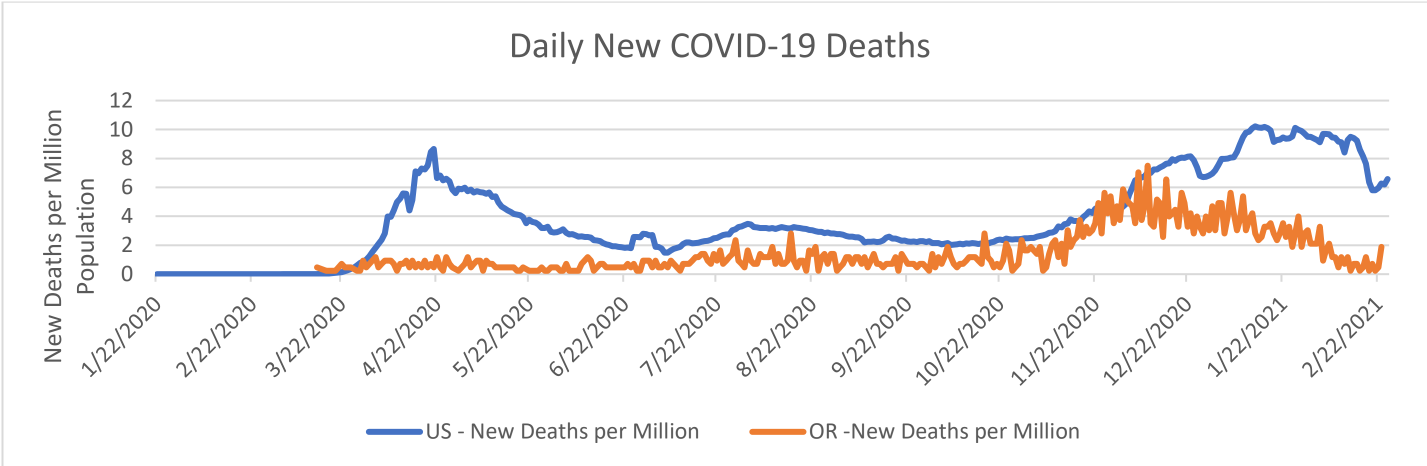

Figure 3-Number of deaths caused by COVID-19 in U.S. and Oregon. (US CDC, Oregon Health Authority)

The first wave of cases resulted in a peak death rate of 8 deaths per day per million people. The death rate then dropped as medical facilities were less swamped and health care workers gained experience in treating the disease. However, following the large third wave the death rate climbed to 10 deaths per day per million people in January 2021.

Vaccination

COVID-19 vaccinations began in the U.S. on December 14, 2020. As of February 2020, there are two approved vaccines, one by Pfizer-BioNTech and one by Moderna, with at least three more potential vaccines in the testing pipeline.

Pfizer-BioNTech

- Reported to be 95% effective* at preventing COVID-19 illness in people without previous infection.
- Approved in the U.S. for people 16 and older.
- Administered in two doses 21 days apart.

Moderna

- Reported to be 94.1% effective* at preventing COVID-19 illness in people without previous infection.
- Approved in the U.S. for people 18 and older.
- Administered in 2 doses 28 days apart.

* These reported efficacy rates are for the SARS-CoV-2 strain (not variants).

As of February 24, 2021, the CDC reported that:

- 91,673,010 doses of vaccine delivered.
- 68,274,117 doses have been administered.
- 46,074,392 people have received one or more doses.
- 21,555,117 people have received two doses.

Attitudes Regarding Vaccination

According to the US Census Bureau Household Pulse Survey released on January 27, 2021, around 75% of the US report that they will definitely or probably get the vaccine. The rates for Oregon are similar, but with a slightly higher proportion saying they "will definitely get a vaccine" (55% compared to 50% for the US).

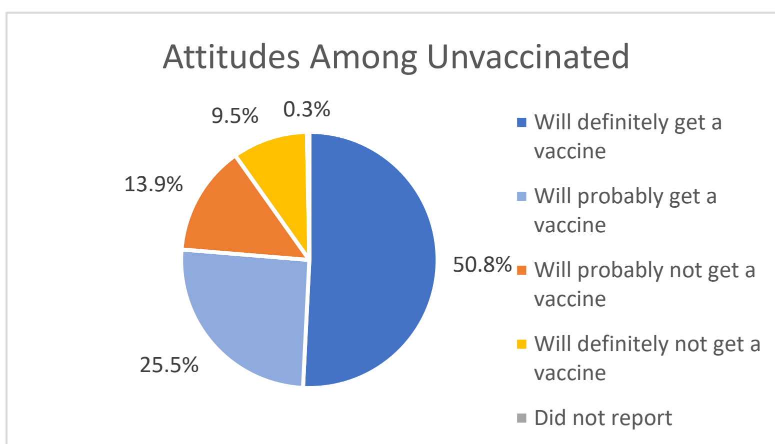

Figure 3- Attitudes regarding the COVID-19 vaccinations. (US Census Bureau)

Respondents who didn't say they would "definitely get a vaccine" were asked about their reasons for not receiving or not planning to receive a vaccine. The most common reasons related to safety: About half (50.9%) said they were "concerned about possible side effects" and a similar proportion (49.7%) "planned to wait and see if the vaccine is safe". A little over a quarter (27.9%) also said they felt that "other people need it more right now".

Attitudes by Area

According to a survey by the Kaiser Family Foundation in December 2020, urban and suburban residents report similar, more positive attitudes towards vaccination compared to rural residents.

Urban residents are the most concerned about COVID-19, while a majority of rural residents believe vaccination is a personal choice and half believe the seriousness of COVID-19 is exaggerated in the news.

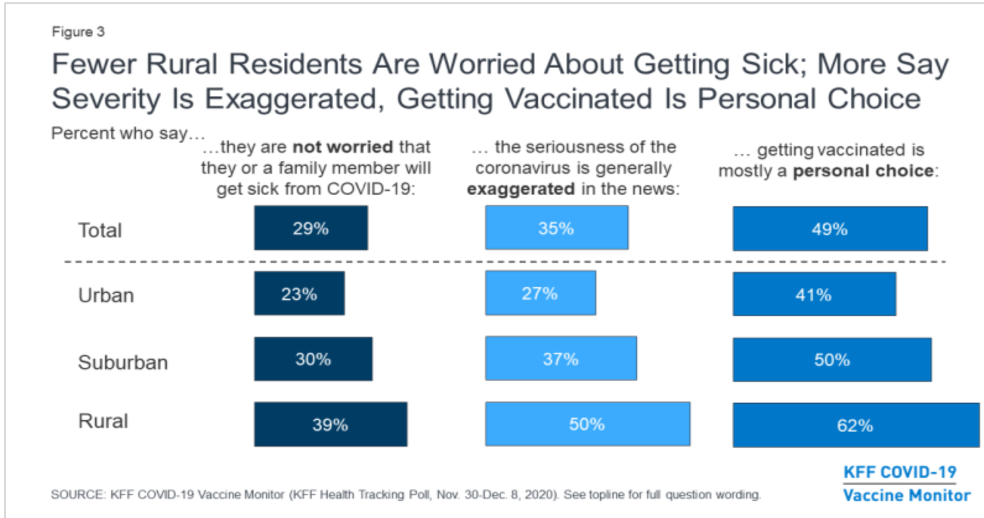

Figure 4- Attitudes regarding COVID-19 by area. (KFF)

Variants of the COVID-19 Virus

There are multiple variants of the COVID-19 virus circulating globally. The following have been detected in the US:

- B.1.1.7 was identified in the United Kingdom. As of January 2021, the UK tentatively reports that there may be an increased risk of death as compared to other variants, with more studies needed to confirm. B.1.1.7 was detected in the U.S. in December 2020.
    - There were over 1,200 cases reported in 42 states in February, up from 76 cases in 12 states in January.
    - According to the CDC, evidence indicates that B.1.1.7 is more contagious than other variants.
    - CDC models predict B.1.1.7 will become the dominant strain in the U.S. in March 2021.
- B.1.351 was identified in South Africa in October of 2020, has similar mutations to B.1.1.7 and was detected in the U.S. in January 2021.
    - No evidence suggests that this variant has any impact on disease severity.
    - Evidence does suggest that a mutation in this variant may resist some antibodies.
- P.1 was identified in Japan in travelers from Brazil. This variant contains a set of mutations that may affect its ability to be recognized by antibodies. P.1 was detected in the U.S. in January 2021.
    - This variant has raised concerns about the potential for reinfection of individuals.
- CAL.20C was identified in Southern California in late 2020. Little is currently known about this strain regarding changes in infectivity or severity.
    - Evidence suggest that this strain makes up a significant portion of recent cases in Southern California, as it accounted for 44% of all samples collected in January.
    - As of January 22, 2021, this variant has been detected in 26 states and at least 6 countries.

According to the CDC, the first three variants seem to spread more easily and may lead to an increase in COVID-19 cases along with a potential increase in hospitalizations and deaths. As of February 2021, studies suggest that antibodies present due to vaccination recognize the first three variants, though more studies are required to confirm. However, the CDC believes that the high transmissibility of B.1.1.7 will drive rapid growth in cases despite a large number of vaccinations being administered. The most effective approach towards containing growth of B.1.1.7 is "universal and increased compliance" with mitigation efforts. According to the CDC new variants are expected to occur over time.

Potential Consequences of Variants

According to the CDC, the mutations present in some variants have the potential to change the effects of the virus in the following ways:

- Spread more quickly.
- Cause either milder or more severe disease.
- Evade detection by diagnostic tests.
- Decrease the effects of therapeutic agents.
- Evade natural or vaccine induced immunity.

The CDC suggests that the ability to evade vaccine induced immunity is the most concerning. With the numbers of people vaccinated growing, there may be immune pressure that favors mutants with the ability to evade immunity. There is no evidence that this has occurred yet.

For more information on the type of coronavirus variants and the number of cases, visit https://www.cdc.gov/coronavirus/2019-ncov/transmission/variant.html.

Consumer Reactions to Pandemic

Takeaways

- Anxiety in the US has decreased from mid-2020 levels. Still, most people report at least some worry about exposure and the effect of COVID-19 on their lifestyle
- Despite feeling that there is still need to take safety precautions, many people are tired of dealing with and hearing about COVID-19
- Most people feel that mental health resources are more important now than ever; about 60% are willing to spend on indulgences to help them get through the pandemic
- About 1/4 to 1/3 of households have immediate financial challenges

After a year spent living with the pandemic, the data shows that many people are developing “COVID fatigue” and are tired of hearing about and dealing with COVID-19. Many people report having made changes to their finances and lifestyle, though many of the changes are modest in nature.

Worry

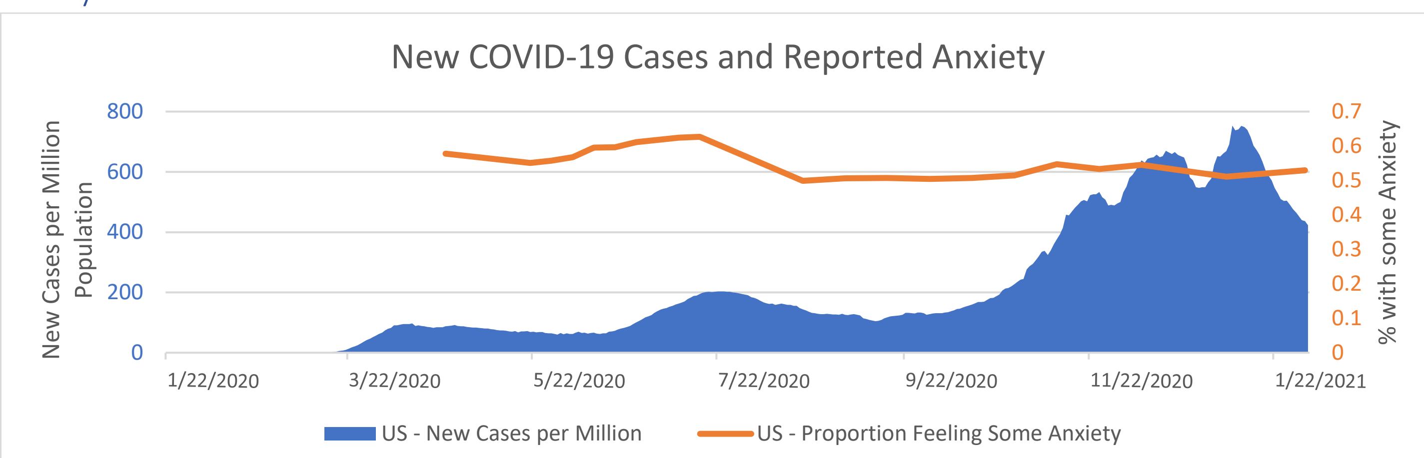

Figure 5- Reports percent of respondents with any answer other than “Not at all” to "Over the last 7 days, how often have you been bothered by the following problems ... Feeling nervous, anxious, or on edge? Would you say not at all, several days, more than half the days, or nearly every day?” (U.S. Census Bureau)

Anxiety increased during the second wave of COVID-19 cases but didn’t increase significantly during the third, more severe wave experienced during the winter.

- Mintel data suggests that 92% of people feel some worry regarding risk of exposure to COVID-19.
- Similarly, 94% of people said that they feel some worry about the effects of COVID-19 on their lifestyle.

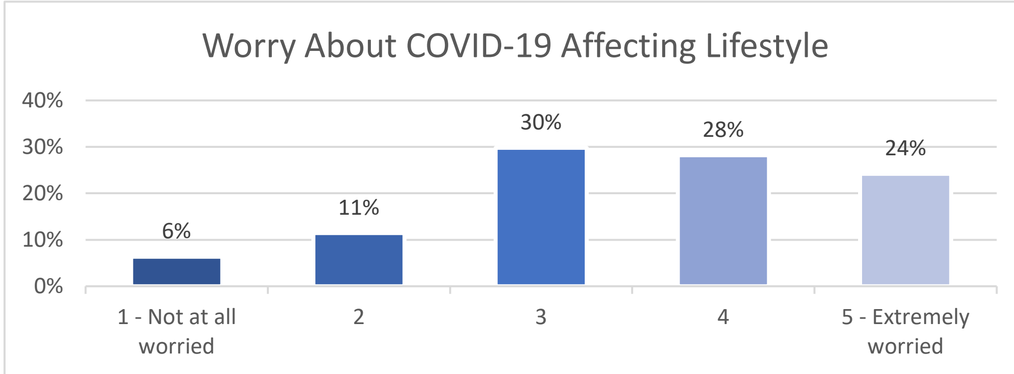

Figure 6- "Worry about how the COVID-19 outbreak is affecting lifestyles" (Mintel, January 2021)

Outlooks and Attitudes

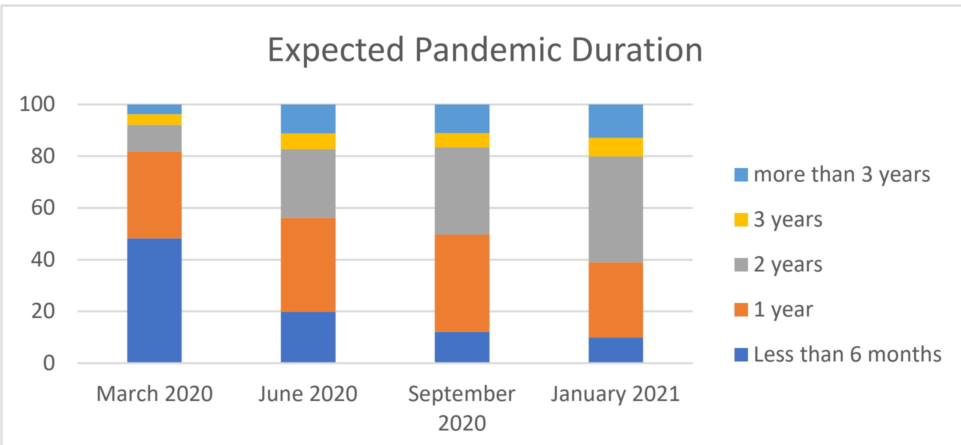

Figure 7-"How many years do you think the coronavirus outbreak will last?" (Federal Reserve Bank of Cleveland)

Data from March 2020 shows that people were optimistic regarding the expected duration of the pandemic. By June, people were less optimistic, evidenced by the fact that around 80% of people expected the pandemic to last 1 year or more. As may be expected, duration expectations increased over time, though most people still expect the pandemic to last at most 2 years.

COVID Fatigue

- Mintel survey data suggests that about 60% of people are experiencing “COVID fatigue”: they are tired of hearing about/dealing with the pandemic.
- Most people (90%) feel that mental health resources are more important now than ever.
- 71% of urban residents and 51% of rural residents said that spending on indulgences is a method of coping with the pandemic.
- Rural residents may be feeling less confident about the post-vaccine period: 78% say that felt to need to continue being cautious given that a vaccine is becoming available compared to 63% of urbanites.

Consumer Confidence

- Consumer optimism for the remainder of 2021 improved in January while confidence in the present dropped.
- The drop in confidence may reflect consumers’ worries about the job market.
- High future expectations may stem from increasing numbers of vaccinations and potential for stimulus.
- Households earning over $125K reported a boost in confidence while those earning less reported decreased confidence.
- Spending in 2021 is expected to be driven by households earning over $125K.

Financial Stability

- Somewhere between a quarter to a third of Americans are dealing with financial uncertainty:
  - A January 2021 Mintel survey found that 41.6% of Americans say they are in a healthy financial situation, with some money left at the end of the month for luxuries or to add to savings, while just less

than a quarter (24%) reported that their financially situation was either tight (just barely making ends meet) or worse.
    - The US Census Bureau conducts a weekly Household Pulse Survey, which found that during Feb 3 - 15 34.9% of adults were living in households where it has been somewhat to very difficult "to pay for usual household expenses during the coronavirus pandemic".
- Few people (2.4%) reported being in serious financial trouble (missed loan repayments or household bills)
- Older adults tend to have healthier financial situations; 32% percent of Generation Z reported "Healthy" compared to 49% of Generation X and older.

Behaviors

Takeaways

- An estimated three quarters of people wear masks in public due to COVID-19.
- About half of people try to limit the time they spend in stores. Most people shop online at least once a month and many shop online more frequently.
- About two thirds of people are refraining from larger planned purchases due to COVID-19.
- Social media use is common (88% use at least one social media site weekly); shopping on social media is not.
- Facebook is still the most common social media platform in both rural and urban areas. However, social media use varies greatly by age. In terms of regular (at least weekly) use:
    - Generation Z uses YouTube and Instagram at the highest rates, 82% and 78% respectively.
    - Older adults use Facebook at the highest rates (75% for Millennials decreasing to 63% for Boomers)

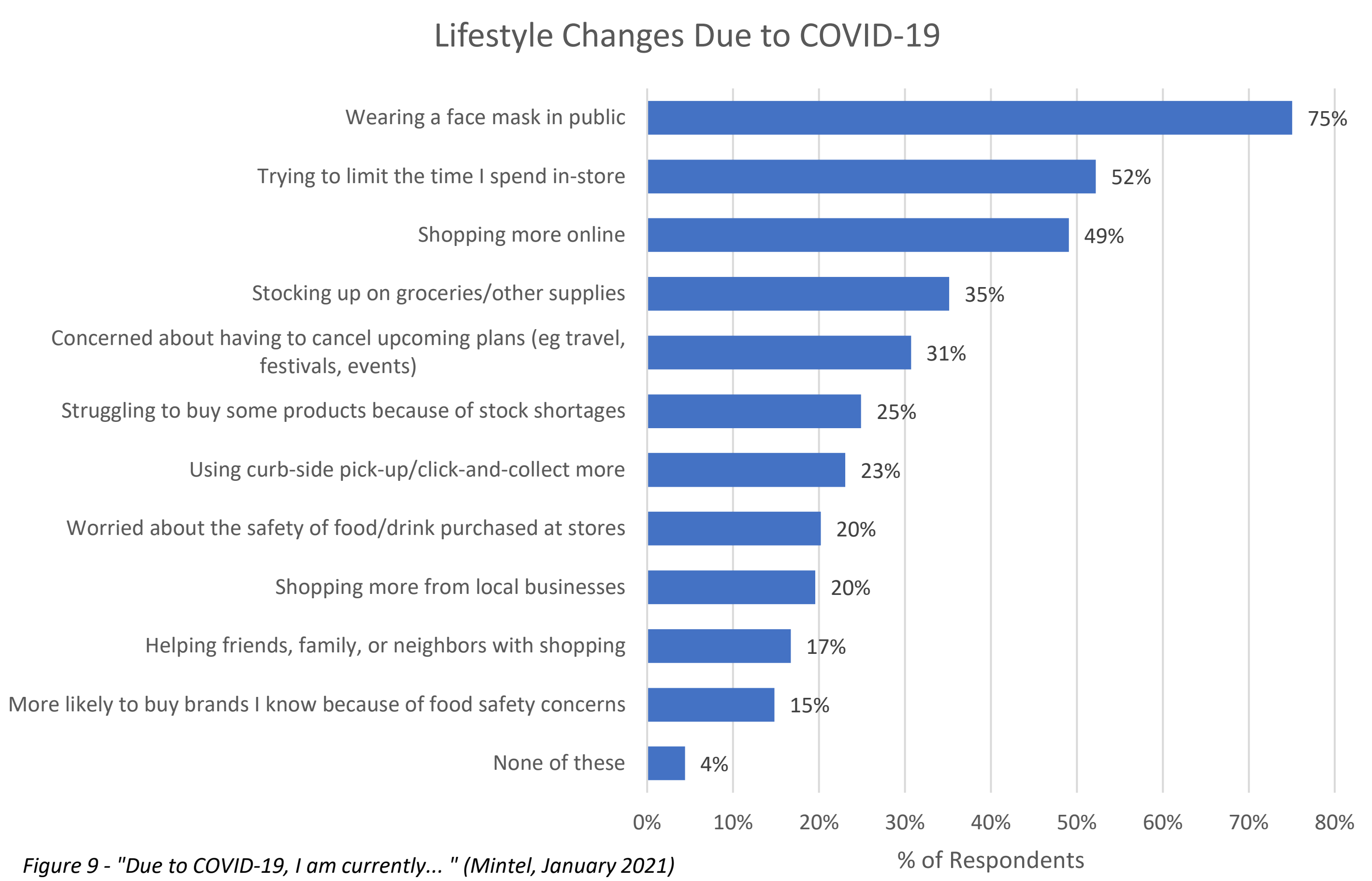

Figure 9 - "Due to COVID-19, I am currently... " (Mintel, January 2021)

Mintel survey data indicates that most people made at least some minor changes to their lifestyle due to the pandemic.

- As of January 2021, three-quarters of people report wearing a mask in public due to COVID-19, the same number reported in September of 2020.; 78% report that COVID-19 has "forever changed how [they] think about health and safety."
- Around half say they try to spend less time in store.
- Around half say they are shopping more online.

During January and February 2021, a survey conducted daily by the Federal Reserve Bank of Cleveland found that about two thirds of respondents reported they were refraining from planned larger purchases due to COVID-19.

Consumers report that they are more comfortable with activities like shopping than they are doing things like riding public transportation.

- 64% of people say they are comfortable shopping in-store.
- While 56% say they feel comfortable dining outside at a restaurant, 45% feel the same about dining inside.
- Going to the gym and taking public transportation had the lowest comfort levels, at 29% and 25% respectively.

Shopping Online During COVID-19

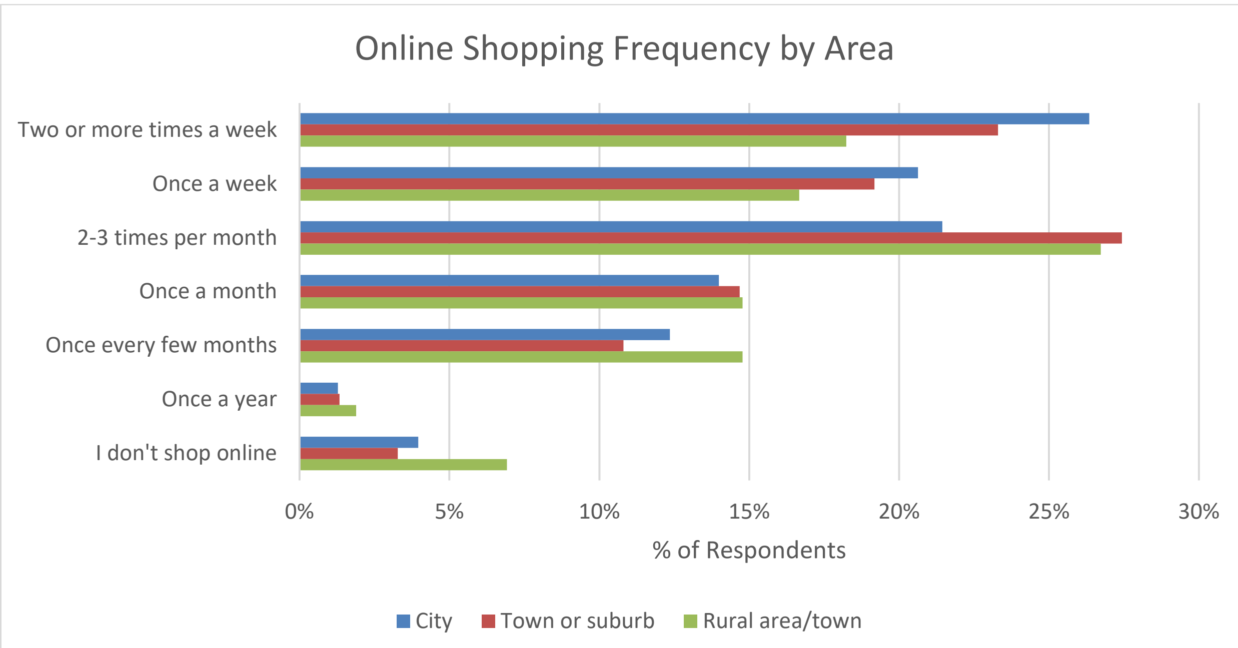

Figure 10 - "On average, how often have you shopped online in the past 12 months?" (Mintel)

According to survey data gathered by Mintel in October 2020:

- Around 80% of respondents reported shopping online at least once per month.
- 26% report shopping online multiple times per week.
- Only 3% of respondents report not shopping online at all.
- Urban dwellers shop online more frequently than their rural counterparts.
- Millennials shop online the most frequently, though all generations report any shopping online at similar values.
- The types of items purchased online follow similar patterns in urban, suburban, and rural areas. The most commonly purchased are clothing and accessories (about 65 % of those who shop online). See Figure 11.

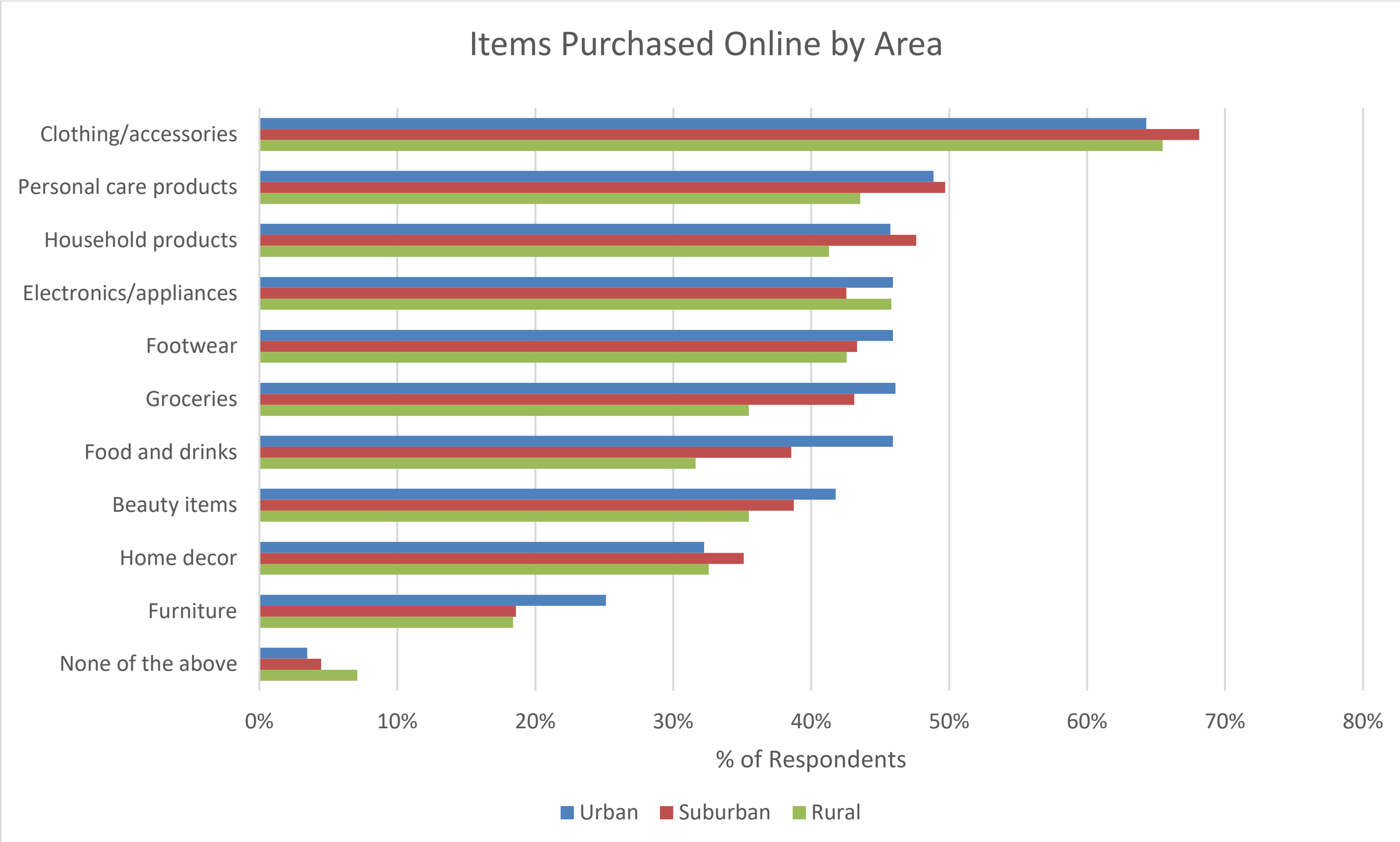

Figure 81 - "Which of the following have you purchased online in the past 12 months? Please select all that apply." (Mintel)

Social Media Use

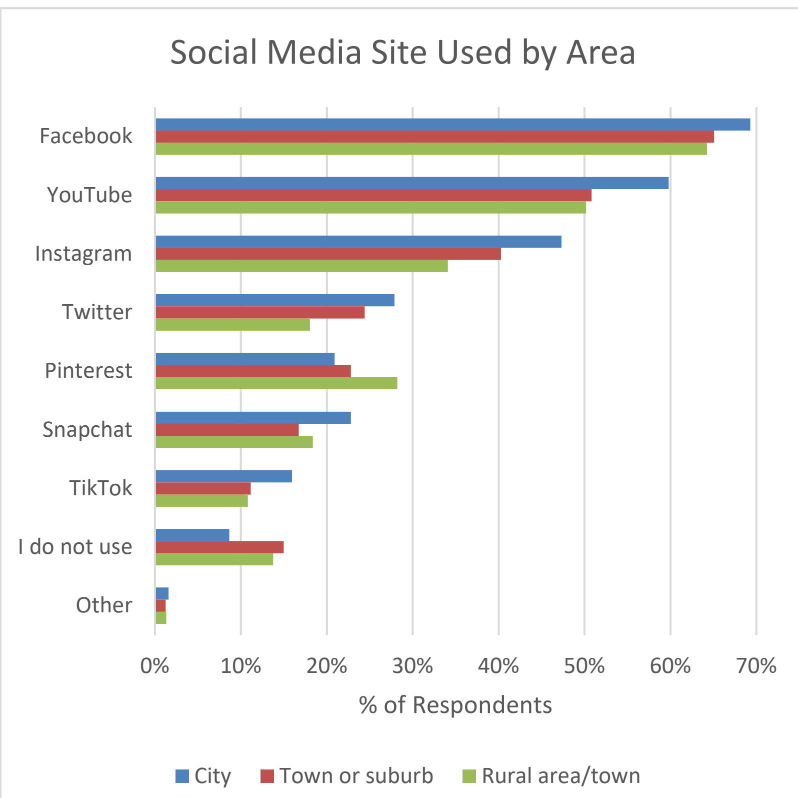

Figure 92-"What social media sites do you use on a regular basis (e.g., at least once or twice a week)? Please select all that apply." (Mintel)

Mintel reports that around half of US adults spend the majority of their leisure time using technology. Mintel also reports that social media use has risen significantly as a result of social distancing measures. Only 12% of people report that they do not use any social media site on a weekly basis.

Social media use is high, but trust is not. When asked what attributes they associated with social media platforms, "Trustworthy" received low responses across the board, with the highest being YouTube at 18%.

Facebook is the most commonly used social media site, with around 70% of respondents reporting that they use Facebook at least once or twice a week.

People report little interaction with brands' social media pages: 38% say they scroll though without interacting with any posts, though only 11% say they avoid brands' social media pages.

Social media site usage varies widely by generation. According to a Mintel survey, based on regular use (at least once or twice a week):

- Generation Z regularly uses YouTube and Instagram at the highest rates, 82% and 78% respectively.
- Millennials regularly use Facebook at the highest rate (75% of Millennials).
- Generation X uses Facebook at the next highest rate; 67% use it regularly.
- Boomers and older report using Facebook at nearly twice the rates of any other platform. 63% of Boomers report using Facebook regularly.

Shopping on Social Media

Shopping on social media sites is not especially common. Around 80% of people report that they shop online at least once a month, but few people report shopping on social media sites.

- As might be expected, people who shop on social media do so on the platforms they spend most time on.
- 25% of people report having shopped on Facebook, the most popular social media site for shopping.
- Around 60% of people report that they have not shopped on any of the major social media sites.
- Consumers are more open to shopping on the social media sites they are familiar with.

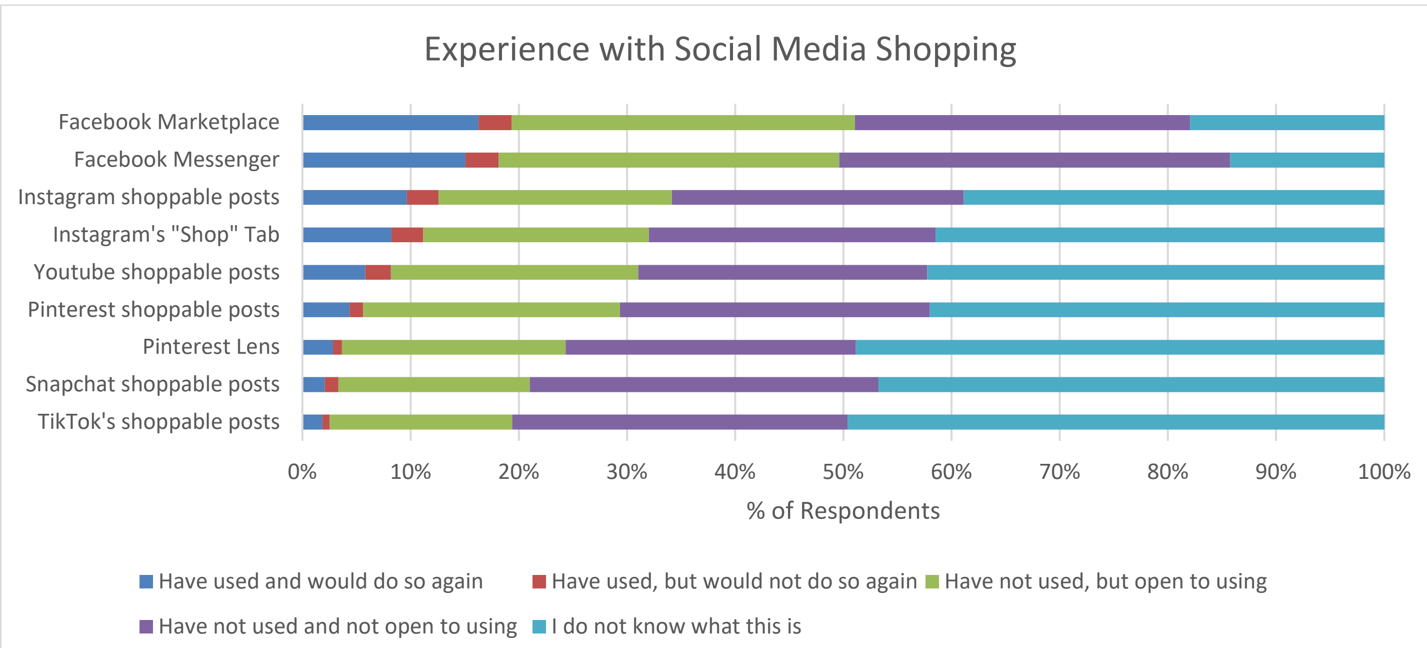

Figure 13- "Thinking specifically about shopping on social media platforms, what is your experience with each of the following?" (Mintel)

Business Strategies

Takeaways

- Know your customers and build trust.
- Move products, services, and marketing online.
- Plan for the pandemic to impact the U.S. economy for some time – at least until second quarter 2021.

Businesses should align their marketing with consumers preferences and values. With many reports suggesting that post-COVID-19 consumers may not shop in person at the levels that they did before, it makes sense for businesses to strengthen or add both online shopping and services as well as online marketing whenever appropriate.

Move Online

The pandemic only accelerated the e-commerce trend. Businesses can respond by providing e-commerce options for both their retail and service offerings.

- Retail businesses can sell online in addition to in-store, as well as offering ordering online for curb-side pickup.
- Service businesses can transition to offering their services online, such as telemedicine, video dance classes, or online personal training. DIY kits are another approach for some service businesses (e.g., meal kits, DIY cocktails, DIY air and nail care kits, etc.).
- Foodservice businesses should offer menus and information online, along with the option to order online for curbside pickup or no contact delivery.

Adapt Marketing

Consumers have become homebodies. Stuck at home, consumers have turned their focus towards their health and the health of their community. When shopping, priorities have turned to necessities, entertainment, and self-care.

- Use targeted marketing to stay connected with customers and form a sense of community. Focus on community building and support, rather than exclusively on sales and profit. Emphasize local products and services rather than status-based consumerism.
- Focus on the trust you have already built with customers.
- People are emotionally stressed and tired of dealing with COVID-19. Support customers and make them feel important. Keep things positive. Where appropriate, emphasis health benefits.
- Some people are also financially stressed and looking for good value: simple, reliable, affordable products.
- Traditional advertising may have a more difficult time reaching the home-bound consumer, so transition to online advertising. Social media is an area in which small businesses can compete with larger ones. Maintain an up-to-date online presence.
- Customers like to shop locally, so advertise locally.
- Use data and analytics to target consumers and revise strategies. Tools such as Google Analytics can help you understand what is and isn’t working on your website and in your marketing campaigns.
- With so many businesses struggling and consumers changing how and where they shop, there is opportunity to gain new customers.

Reflect Customer Priorities

The data shows that customers have different outlooks when it comes to buying during the pandemic. Priorities vary depending on qualities such as age, location, and political affiliation. It is important to know your customers and what they expect from where they shop.

- Build trust - show customers that their needs are being taken seriously.
- Change the in-store experience to reflect customer priorities regarding the pandemic.
- Essentials such as groceries, health care items, household supplies, entertainment, and products and services pertaining to exercise and well-being, will continue to be a priority for home-bound consumers. Products and services to support working from home have also become more important.

Plan Ahead

Although vaccine availability has brought significant hope, emerging COVID-19 variants are a reason for continued caution, even for those vaccinated. While the duration of the pandemic is unknown, it will continue at least over a scale of months. And once the pandemic is over, we will likely face a new normal, with increasing ecommerce, continued focus on home, family, and self-care, and potentially increased working from home. Make long-term plans now to give your business the best possible chance for success.

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