

Rebuild New Zealand: consumer insights

How have New Zealand consumers responded to COVID-19?

PwC conducted two comparative surveys that cast light on how New Zealand consumers were feeling and behaving after the first lockdown – during a period of relative stability – versus the shock of returning to lockdown when COVID-19 reappeared in communities.

When did the surveys run?

Survey 1: 'Peak comfort'

4-11 August, or days 95 to 102 without community transmission. People were enjoying a return to a sense of normality.

Survey 2: 'Renewed concern'

23-30 August, a week and a half into New Zealand's lockdown 2.0.

What did we find?

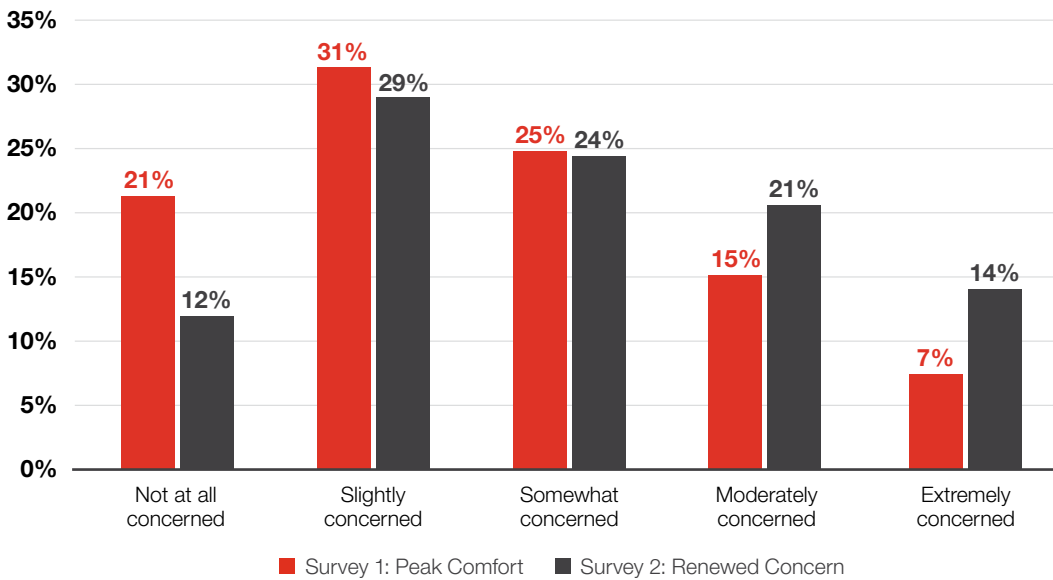
The results of our latest survey show that:

- there was an **expected and quantifiable shift** in consumer behaviour in areas such as digital channel shift, contact fear and financial conservatism as we moved from a state of **complacency and comfort** to a state of **lockdown and renewed concern**
- consumers have **changed their purchasing habits** towards online
- consumers are planning to **moderate their spending** for up to the next five years
- widespread advocacy for the actions taken by our decision makers holds, however **this is starting to erode**
- **contact fear is real** and very responsive to media, particularly in larger cities
- there are **regional differences** in concern levels towards being around those outside of an individual's wider bubble
- concern towards catching COVID-19 remains **unchanged outside of Auckland** despite lockdown 2.0.

Understanding where changes in consumer behaviour are temporary versus entrenched, and the relative strength of these changes, allows for greater business confidence in decision making.

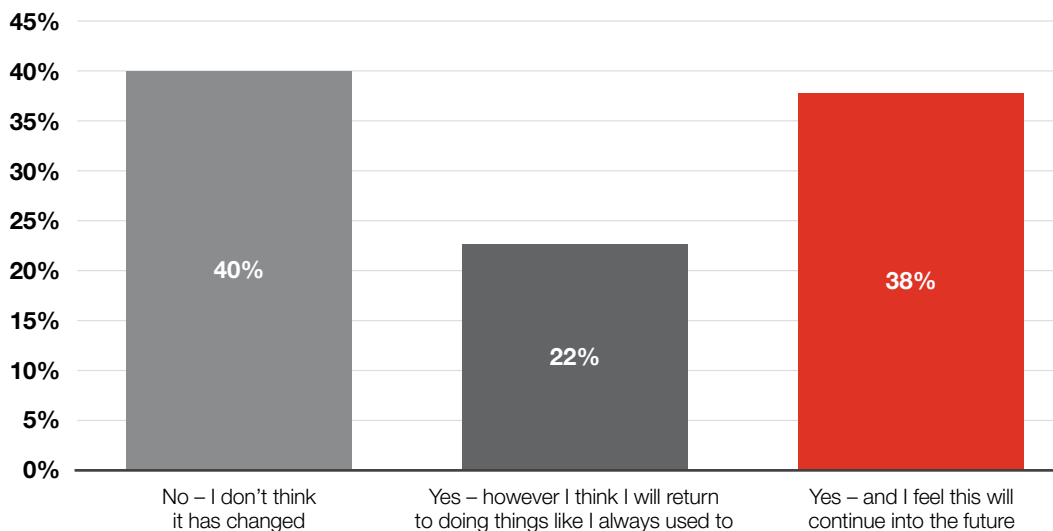
A stark and reactive increase in concern of being in close proximity to others

How concerned are you about being around people you don't know?



Future expected use of technologies and digital services was strong

Do you feel the impacts of the COVID-19 pandemic have changed the way you look at and use technology and digital services?



Survey 1: 1027, Survey 2: 1006, Total: 2033

What are the challenges of changing consumer behaviours?



New Zealanders' contact fear appears stark and reactive

Based on the results of survey 2, there has been a significant increase in the level of concern people feel towards being around people they don't know. The results show:

- an increase from 23% to 35% reporting concern to being around others
- an even greater heightened level of concern in Auckland, from 27% to 46%
- a 12% increase in those indicating this will have a significant impact on how they interact with others
- an increase from 1% to 11% of people who typically use public transport saying they will stop outright
- a significant jump in those who typically use public transport saying they will use it less going forward.



Consumers are wanting more and more from digital services

Across both surveys, 58% of people reported spending somewhat or significantly more time online over lockdown, with only 5% reporting they spent less time online. Also, many New Zealanders reported substantial changes in how these services and tools are incorporated into their lives. The results show:

- 38% reported they will continue using digital services differently in the future
- 26% of people joined up to digital subscriptions. 64% of those plan to continue using the digital subscription they purchased
- digital behaviours most highly reported to persist include working out and exercising at home, trying new and different brands and products, and online supermarket and food shopping
- 71% of people required to work from home see themselves doing so more in the future.

Key take outs:

People are changing their travel practices and moving away from public transport, at least for the short term.

Working practices have changed forever and working from home is likely to be far more prevalent.



Support for decisions behind lockdowns remains strong, but is eroding

People's attitudes to the decisions made to eliminate COVID-19 remain largely positive, but there are indications that further relapses will eat into confidence. A decline in advocacy for decision makers will likely impact future levels of social compliance, and should therefore be borne in mind when it comes to any future business planning and decision making. The results of survey 2 show:

- a high base of support for decision makers' actions continued, even in lockdown 2.0
- a decrease from 71% to 66% of those reporting they would convince others that the decisions made were right
- a decrease from 80% to 77% of those reporting they think the decisions made were fair
- an increase in Aucklanders reporting concern towards catching COVID-19 from 39% to 53%
- no increase in concern towards catching COVID-19 outside of Auckland.

Business planning needs to factor in COVID-19 resurgence and the prospect of further lockdowns, although public tolerance is waning.



Financial impacts of COVID-19 appear to be widespread and significant

55% of people surveyed reported that the financial impact has been detrimental, with 15% reporting this impact as extremely detrimental. The results show:

- 68% of people would adopt a somewhat or significantly more conservative approach to how they prioritised saving and would minimise spending in the future
- 64% of people reported that they would look to either somewhat or significantly minimise current and future debt
- the approach to savings and debt was heightened in Auckland, but not related to lockdown 2.0
- 22% of people reported that they expected this conservative attitude to endure for five years or more
- 53% of people that reported no detrimental financial impact still indicated they will adopt a financially conservative approach going forward
- 70% of people agreed New Zealand is well placed to recover strongly as a country and economy.

As was evident after the Global Financial Crisis, many households are going to be spending less and saving more.

What are the opportunities for business leaders?

1

Continue to invest in your digital strategy and online offering



Plan for further volatility in consumer behaviour if we continue to see future lockdowns introduced. While behaviours will not likely be as significantly disrupted as those caused by the initial lockdown, we can expect to see continued changes to consumers' behaviour as we oscillate between states of comfort and complacency versus those of uncertainty and fear.

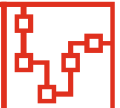
Consider conducting an assessment of the current state of your mobile and social presence and approach. Evaluate your website, search engine optimisation (SEO) marketing and

distribution using data-led customer insights, segmentation and benchmarking against local and global consumer trends.

Gain a clear understanding of your critical action areas in line with your organisation's strategic focus, including priorities for short term actions (e.g. UX fixes, better customer communication) and long term considerations (e.g. distribution models, customer data-led marketing, enterprise resource planning solutions). Make your investments fit for purpose and make them count.

2

Link your supply chain and fulfillment to online channels



Review your supply chain framework and calibrate to improve visibility. Consider how new tools and technology can provide greater intelligence and also allow rapid modelling of alternate supply and transportation scenarios.

Make your supply chain more resilient by:

- training your teams to be skilled at working in different parts of the business, allowing flexibility to meet changing demand from different channels
- reviewing your supply contracts to introduce flexibility and responsiveness where it is lacking and would support better business continuity
- considering your product and services portfolio mix to de-risk delivery and capitalise on opportunities
- planning for alert levels to rise again so that you're ready with a strong and rapid response.

3

Review your organisation's footprint and locations



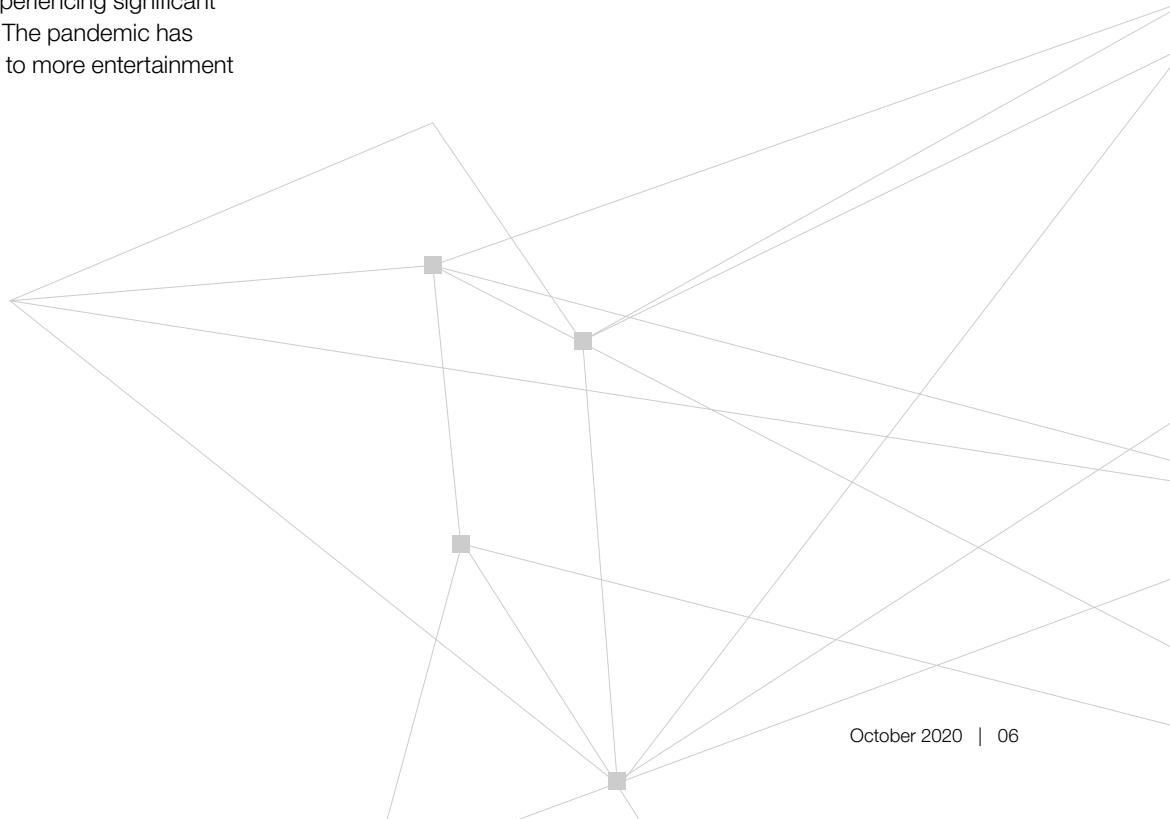
Consider a portfolio review of your organisation's property commitments in light of changing channels, consumer footfall and supply chain integration.

For office occupiers it seems inevitable that our workplaces will continue to evolve. For larger organisations seeking to provide choice for employees and retain talent, we expect hub and spoke models to increase. This is where organisations will have multiple premises, embrace flexible space that facilitates more face to face interaction, and support an element of work from home for focus tasks and work-life balance. These strategies will require fit for purpose technology and locations that are well connected to public transport. The lease/ownership profile of your organisation and an ability to flex your footprint are also important considerations.

The retail sector was experiencing significant change before COVID-19. The pandemic has only accelerated the trend to more entertainment

and engagement-focused strategies as well as the adoption of omni channel sales and fulfillment platforms. Many retailers will likely struggle to return to pre-COVID trading levels and need to consider store rationalisation options and increase focus on location, e-commerce platforms, distribution channels and systems.

The industrial and logistics sector has been the most resilient through COVID-19. The sector was strongly favoured before the pandemic and the shift to e-commerce platforms and associated fulfillment strategies has strengthened the demand for industrial space. Many industrial occupiers are experiencing storage demand and require larger footprints. However, occupiers should consider balancing this with third party logistic (3PL) options and satisfying increasing demand through better technology and supply chain management.



About the survey

What did we do?

- Nationally representative sample
- Survey 1: 1027 respondents, Survey 2: 1006 respondents, Total: 2033
- Globally influenced approach
- 2 rounds of 10 minute online surveys

What did we explore?

Contact fear – How people interact with unknown individuals and groups.

Digital channel shift – How the jolt into digital ways of working, living and communicating might transform the way people use digital services.

Financial conservatism – Understanding attitudes and behaviours towards financial management in times of uncertainty.

When did the surveys run?

Survey 1: 'Peak Comfort'. Conducted from 4-11 August, or days 95 to 102 without community transmission. People were enjoying a return to a sense of normality.

Survey 2: 'Renewed Concern'. 23-30 August, a week and a half into New Zealand's lockdown 2.0.

How we can help

Please reach out to any of the contacts listed if you would like a more in-depth understanding of the data collected or for slices that may be relevant to your industry.

Our team can work with you to develop an approach that responds to recent changes in consumer and employee behaviours.

We can assess the potential impact to your business, and help you tailor your channel choice and supply chain options, optimise your location, and respond to changing customer experience expectations.

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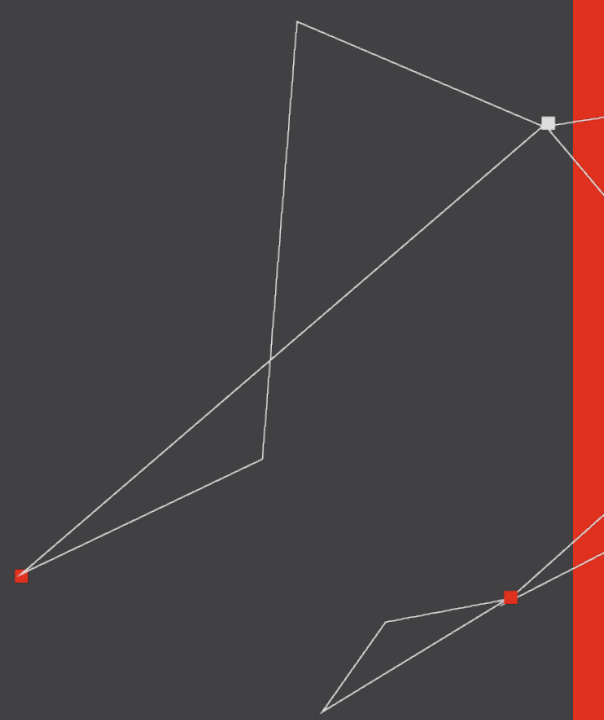
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The reported data is based on two nationally representative online surveys. Survey one was conducted from 4-11 August 2020 with a sample size of n=1027. Survey two was conducted from 23-30 August 2020 with a sample size of n=1006. A significance level of 5% was applied to determine statistical significance.

This content is accurate as at 9 October 2020. This content is for general information purposes only, and should not be used as a substitute for consultation with our professional advisors. If you wish to understand the potential implications of COVID-19 for your business, please get in touch. To find an advisor and to see more of our general COVID-19 guidance for businesses, please visit www.pwc.co.nz/covid-19

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