

LANSON'S
LONDON NEW YORK



What people think,
feel and do

Perspectives on consumer spending habits through COVID-19

Key Findings
October 2020



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Perspectives on consumer spending habits through COVID-19

Introduction

To better understand how changes caused by the coronavirus crisis will impact brands and retailers across the UK over the long term, Lansons partnered with research house Opinium for its study **“Consumer Spending through COVID-19: How the crisis has changed our spending behaviour.”**

Our spending habits are unlikely to return to normal. The crisis has had a profound impact on the way we spend and shop and this shift is likely to have long term changes on how we interact with brands and businesses. The research was conducted in two waves over the course of 2020. The first wave was conducted in May amongst a nationally representative sample of 1,222 UK adults (aged 18+). The second wave was conducted in August and consisted of another nationally representative sample of 2,001 UK adults (aged 18+). It revealed these key findings:

1. A nation of more informed spenders
2. Utilitarian spend is on the rise
3. Building a connection now is key
4. Consumer spend turns local
5. Hidden behaviours matter too

1. A nation of more informed spenders



1. A nation of more informed spenders

Reported spending fell dramatically throughout the initial national lockdown, and as the nation remained in their homes, so has their reliance on debt.

With spending and credit card usage declining, UK consumers are taking greater control over their money. As a result, they continue to feel more informed, free and optimistic about their spending habits.

Consumers feeling informed does suggest that many have used this time as an opportunity to take stock and review their spending habits. Evidence from banks' own data shows that the use of online apps has increased significantly during lockdown, as consumers grow in confidence, check their finances more regularly and benefit from the convenience and 24-hour access to their bank account.

Encouragingly, even those most likely to be struggling financially due to the crisis still report feeling more informed in today's environment – a sign, perhaps, that the efforts financial services providers have made to support and navigate consumers through the crisis is cutting through. Although some of these initiatives such as debt repayment holidays have meant that, as a nation, we are actually paying back less than before, a more informed consumer who is less reliant on credit card debt can only be seen as a good thing.

As we enter the economic recession, uncertainty over the future has made us more cautious, and a reduction in credit card debt will stand household finances in good stead over the coming months and years.

1. A nation of more informed spenders

Opinium research:

25%

are focussing on reviewing their household bills to make sure they are getting the best deals



67%

feel informed about their spending habits, up from 60% in May



58%

feel relaxed about their spending, up from 53% in May



53%

feel optimistic about their spending



1. A nation of more informed spenders

Opinium research:

50%

feel positive about their spending, up from 43% in May



37%

are spending less on credit card/loans, increasing to 41% amongst low income households



43%

believe this change will continue after the crisis, 13% say it will become the new normal down from 19% in May



“Now is absolutely time to go through all your essential and non-essential expenses; cancel what you don’t need and get the best deal on what you do need.”

1. A nation of more informed spenders

Other supporting facts:

Net repayments of £15.9bn between March and June meant that **consumer credit shrank by 3.6% year-on-year in July.**



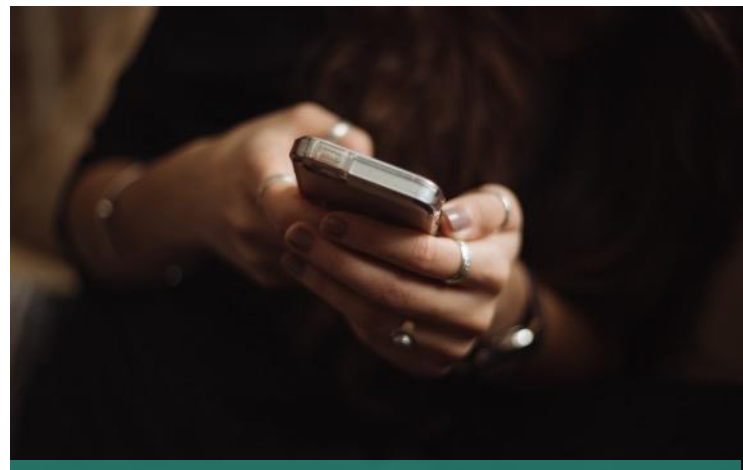
Gross borrowing was £20.7 billion, around **20% lower than the monthly average of £25.5 billion in the six months to February 2020.** Repayments of consumer borrowing increased a little on the month, to **£19.5 billion from £18.2 billion in June.**



1. A nation of more informed spenders

Other supporting facts:

Since lockdown started on 23rd March, TSB's own data shows that the average **number of customers registering for the mobile app has nearly trebled** from just over 1,270 to **almost 3,480 every day**, reaching over 4,000 on some days. TSB's research also revealed that **lockdown has prompted more people to take a closer look at their finances** with a quarter (25%) saying that they have started to check their bank online balance more since lockdown began.



1. A nation of more informed spenders

Expert commentary from
Lynn Beattie, Mrs MummyPenny



“It is hugely positive to see that more people are reviewing their finances on a more regular basis. ***I believe time and uncertainty come into play here.*** We as a nation have more time to spend those precious few hours reviewing the household budget and consider this ***a priority given the future is so uncertain.***”

Now is absolutely time to go through all your essential and non-essential expenses; cancel those bills that you really don't need and get the best deal on those that you cannot live without. Arrange that re-mortgage, switch your energy provider or move to a different broadband provider. The time you spend on this will be worth it for the potential of saving hundreds a month. ***Since the pandemic hit, I've seen a huge increase in people asking me about protection, investment, savings and even energy switching through my MrsMummyPenny blog and on social.***

We have become more tech savvy, realising that ***apps make understanding our personal finance lives much simpler and easier.*** They give valuable information to enable more informed decision making.”

1. A nation of more informed spenders

What to do next?

Uncertainty over the future has made us more cautious but a reduction in credit card debt has left the nation feeling more informed, free and optimistic

- Consumers are still malleable, **now is the time to build loyalty** before the full force of the economic recession hits
- **Invest in your CRM programme**, record your customer preferences, contact them at the right time with the right message, and notice when customers have lapsed to try and win them back
- **Test and refine your marketing**, ensure communications are reflective of the sensitive and ever changing public mood



2. Utilitarian spend is on the rise



2. Utilitarian spend is on the rise

- **Despite consumers feeling positive about their spending habits, the initial rush that followed the tentative opening of the high street continues to fall short of pre-pandemic levels.**

With the nation taking stock of their spending, they are also prioritising their purchases on the things they need. And this became significantly more important during initial lockdown. As this value-spend mentality become more important, so will rewarding spending. Quality hugely outweighs quantity and getting value for money is now a number one spending priority.

For those experiencing a fall in monthly income during the crisis, it's not surprising that they are watching their spending more closely. But this is also an indication that consumers are becoming less frivolous with their spending. As quality becomes more important it is not necessarily about getting the cheapest product but genuinely assessing whether the things we buy will make our lives easier or better.

This trend is likely to continue, as the reduction in spending on non-essentials becomes the number one priority for consumers in 2020. Brands and retailers will need to work harder for their share of consumer spend. Those which visibly demonstrate quality, value for money and the tangible benefits of their products will be the ones that will come out as winners from the crisis.

2. Utilitarian spend is on the rise

Opinium research:

51%

are prioritising their spending on the things they need, up from 46% in May



54%

This behaviour has become particularly important for those from lower income households as they watch their spend more carefully



38%

The top spending priority in 2020 continues to be to reduce spending on non-essentials, up from 31% in May



68%

vs. 15% believe quality is more important than quantity



2. Utilitarian spend is on the rise

Opinium research:



Getting best value for money continues to be the number one spending priority, up from 62% in May



“We are questioning every purchase, is it something that we really need? And are we getting the best value for money?”

2. Utilitarian spend is on the rise

Other supporting facts:

Non-essential purchases slumped 47.7% in April, due to the closure of pubs and restaurants



Although non- essential spending has seen a recovery since the lockdown due to the opening-up of the economy, **it was still down by 4.7% year-on-year in July**, according to Barclaycard



Recreational spend, which includes outings to cinemas and theatres, fell **17% year on year**, and spending on holidays **remained 57% behind August 2019**, according to the Lloyds Bank Spending Power Report



2. Utilitarian spend is on the rise

Expert commentary from
Lynn Beattie, Mrs MummyPenny



“Spending on “needs” versus “wants” has changed. Particularly for people from lower income families. We are questioning every purchase, is it something that we really need? And are we getting the best value for money?

Spending has not recovered to pre-lockdown levels since the economy has re-opened. There was the initial rush back to normal, but it then slowed and is now lower than last year. This will continue as the uncertainty in the economy and for job prospects carries on.

Quality over quantity consideration has risen, with an emphasis on purchases lasting and the number one spending priority keep increasing in importance: value for money! ***We want our hard-earned pounds to go even further.***



2. Utilitarian spend is on the rise

What to do next?

Brands and retailers will need to work harder for their share of consumer spend.

- **Cheapest isn't always best.** Focus on visibly demonstrating quality and value for money through relevant offers and discounts
- **Reward spending responsibly.** Loyalty cards and points offer an opportunity to tap into the nation's value-spend mentality
- **Solve don't sell.** Demonstrate the tangible benefits of your products and how they can make your customers' lives easier



3. Building an emotional connection now is key



3. Building an emotional connection now is key

Over the course of the coronavirus crisis we have experienced a seismic shift in the way we spend and shop.

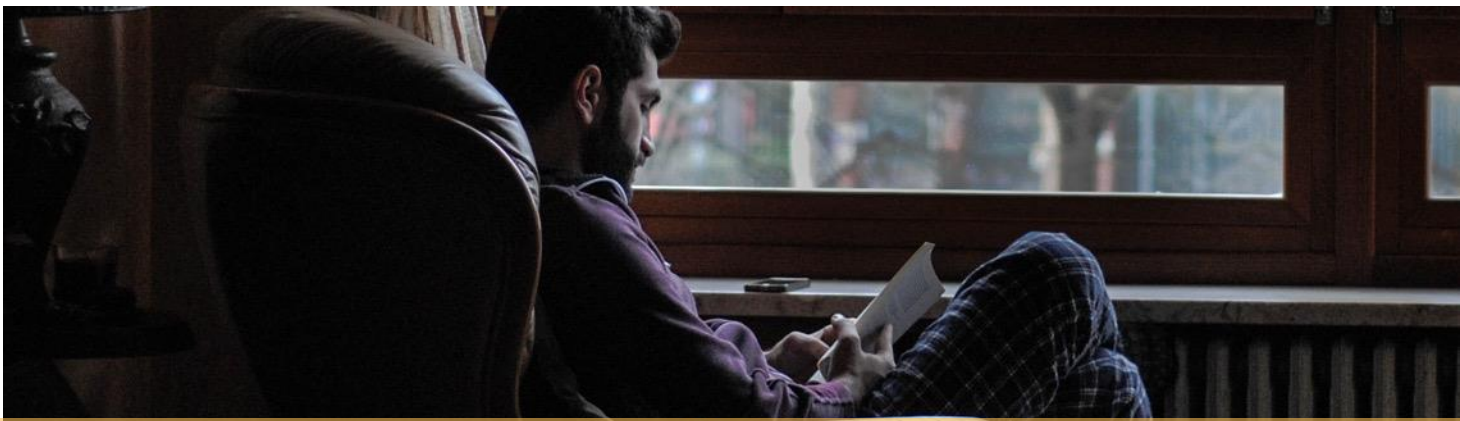
Brands have never had a more crucial role to play in our lives, offering guidance, hope, safety and even just a distraction.

The threat for both consumers, and therefore brands, is the financial downturn. With consumer confidence slumping and many experiencing a decrease in their disposable income, consumers are tightening their belts and returning to the brands and products that they know and trust.

With a recession now in play, honesty is the most important value that consumers want from brands. Now is the time for brands and businesses to communicate with consumers and build trust and loyalty.

Those brands that do, will win over their customers, ensure they keep coming back and have the opportunity to form long lasting relationships.

Building a connection now is key.



3. Building an emotional connection now is key

Opinium research:

51%

Honesty has now moved from being the second most important value in May to the most important value that consumers want from brands, up from 44% in May



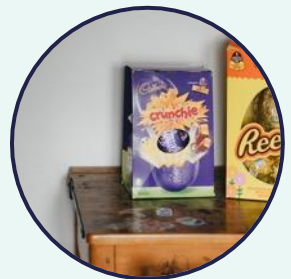
62%

vs. 15% believe familiarity is more important than novelty up from 56% in May



27%

are spending more with British brands since the coronavirus outbreak



“In times of uncertainty we automatically return to the brands that we know and trust.”

3. Building an emotional connection now is key

Other supporting facts:

GfK Consumer Confidence in the United Kingdom continues to be negative, holding steady at -27 points in July 2020, amidst significant job losses and the end of the furlough scheme



Opinium's "Marketing in a crisis" report shows that **nearly a quarter of the UK are experiencing an average decrease of 34% of their disposable income**. Over half of UK consumers are taking more time to consider what they buy during lockdown, nearly half are becoming more thrifty with their purchases and a similar proportion are sticking with the brands they usually buy from



3. Building an emotional connection now is key

Expert commentary from
Lynn Beattie, Mrs MummyPenny



“In times of uncertainty we automatically return to the brands that we know and trust. Those who have always been there to support us throughout our lives.

As an influencer I have seen a rise in PR from brands using ***people like me*** to represent them. ***A real-life trusted person talking about a brand they genuinely are a customer of and use day in, day out.***

The reliance on small business has been huge this year and there has been a real shift to supporting small businesses with our spending to help them to stay afloat. ***Those businesses on our high streets have been a lifeline, with a friendly face – more than likely the business owner – serving us every day.***

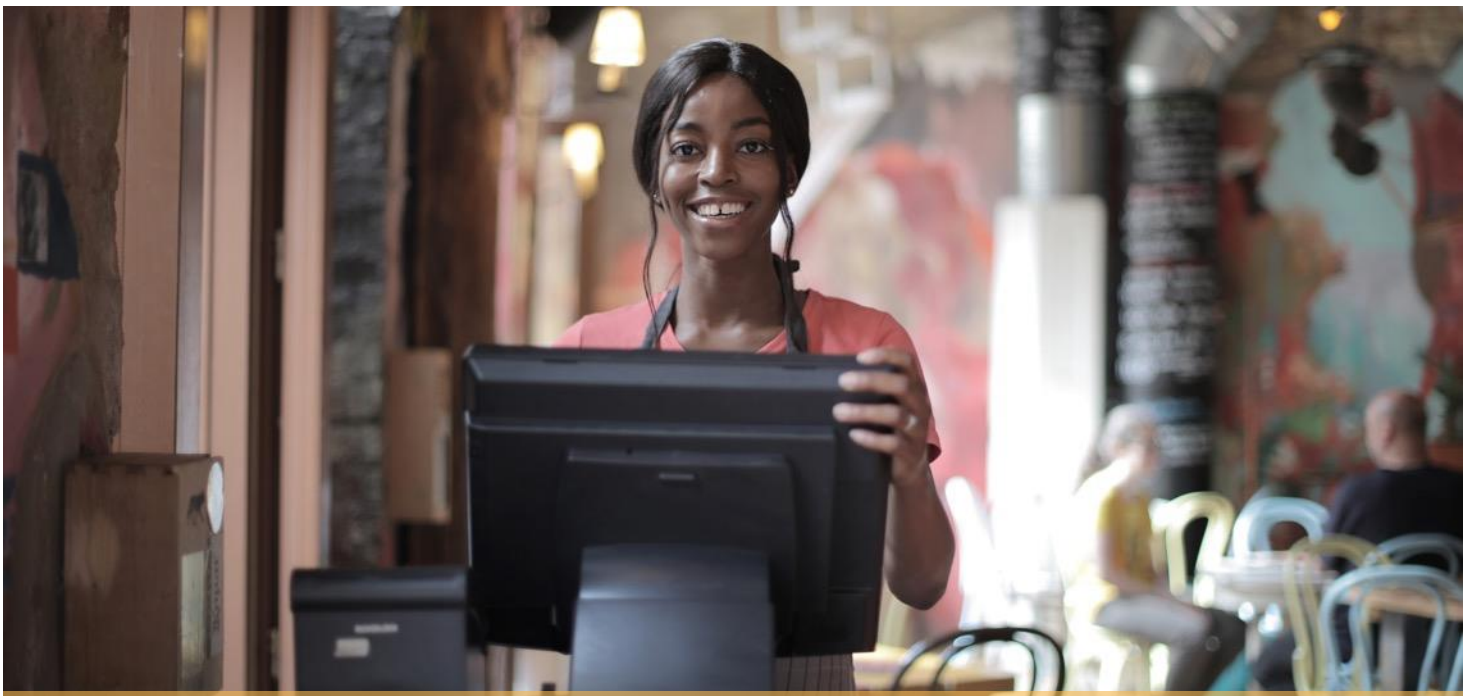


3. Building an emotional connection now is key

What to do next?

Brands have never had a more crucial role to play in our lives, offering guidance, hope, safety and even just a distraction.

- **Don't stay silent**, now is the time to communicate with consumers to build trust and loyalty
- **People buy people**, show empathy, project your personality in your communications and follow through with your actions
- **Be authentic**, brands doing good is now the new hygiene factor, but over signalling your support will lead to accusations of insincerity and purpose-washing



4. Consumer spend turns local



4. Consumer spend turns local

Despite online spend increasing exponentially during lockdown, consumers still seek physical over virtual spending.

As the local community becomes the core focus for people during the crisis, we are seeing a shift in consumer attitudes and a buoying sense of community around our local businesses. During this period of slowing down, taking stock and reflecting on what really matters, many of us are realising that the experience of shopping small, supporting local businesses and at the same time being more sustainable is worth an extra few pounds.

Looking to the future and beyond the crisis, there are signs that this spending behaviour is here to stay. Consumers tell us that purchasing locally is the second most important spending priority for them in 2020, and many believe that spending with local businesses will become the new normal.

Small businesses have a unique ability to serve their customers and their communities with a touch of personality and individuality that the likes of Amazon can never hope to attain. While small businesses may not be able to compete financially with big brands instantly, there is a lot they can do to be successful, build communities and serve loyal customers time and time again.

4. Consumer spend turns local

Opinium research:

55%

vs. 21% believe
physical spending is
more important than
virtual spending



39%

are spending more
with local businesses



77%

believe spending with
local businesses will
continue after the crisis



34%

believe it will become
the new normal



4. Consumer spend turns local

Opinium research:

27%

Spending locally is the second most important priority in 2020



18%

plan to prioritise supporting the local high street in 2020



“There is something hugely reassuring about the interaction you get when spending with a local small business.”

4. Consumer spend turns local

Other supporting facts:

Transaction data provided by digital banks Revolut and Starling, who between them have 4.25 million UK customers, found **newsagents like Nisa and McColl's have seen a surge in purchases**. Nisa saw 15 per cent more purchases and the value of them increased by half, while McColl's saw 7 per cent more transactions in March and the value up 22%



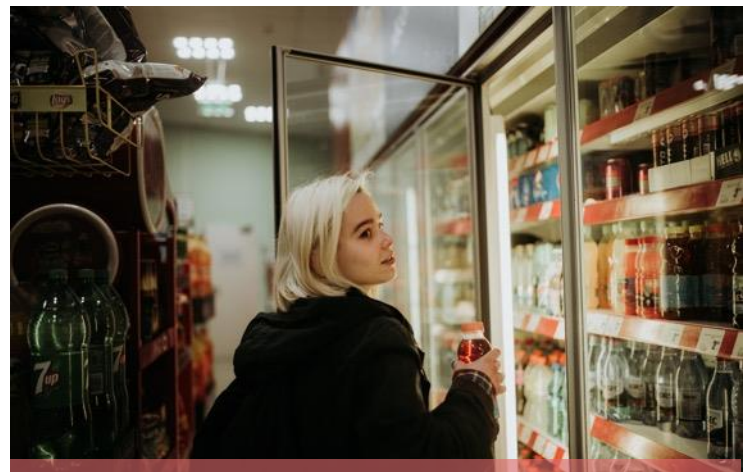
Organic vegetable box delivery companies faced unprecedented demand for their food as a result of the coronavirus outbreak. Abel & Cole, which puts out 55,000 food boxes a week on average, saw more than 25% increase in orders in March.



4. Consumer spend turns local

Other supporting facts:

Non-essential spending was down by 4.7% year-on-year in July although an improvement on the 22.3% reduction in June. An increase in local shopping was a major contributor in this recovery, with **45% of UK consumers choosing to support nearby businesses and 20% visiting local stores more often.**



4. Consumer spend turns local

Expert commentary from
Lynn Beattie, Mrs MummyPenny



“Spending has shifted hugely to local and small business. ***There has been an overwhelming sense of supporting the community.*** Of course, these local businesses may be more expensive, but ***we want to support our local community, keeping our spending local.***”

Sadly, we can all see how vulnerable small, local businesses are to the effects of Covid-19 and lockdowns (whether national or local). ***It's up to us to put our money where our mouth is and maintain momentum on spending local.***

Thankfully, four fifths of us believe that the local small business spending will continue after the pandemic. ***Local business provides so many differentiating factors, unique products, great quality, homemade and service with a conversation and smile.*** There is something hugely reassuring about this sort of interaction.

These factors are what we want – and need – during difficult times.”



4. Consumer spend turns local

What to do next?

Small businesses have a unique ability to serve their customers and their communities with a touch of personality and individuality

- **Personality counts**, big brands also have the opportunity to project unique personalities too
- **Think local**, focus communication and actions on how you are supporting local communities and empower customers to do the same
- **Demonstrate sustainability**, think about how and where your products are sourced



5. Hidden behaviours matter too



5. Hidden behaviours matter too

As Covid-19 has disrupted business routines, supply chains and operating models, consumers are placing more emphasis on reliability and honesty from the companies and brands they buy from.

Not only how they treat their customers outwardly but also how they behave inwardly towards their own staff. During the height of the pandemic, communicating with authenticity was key. The clear winners were those brands who adapted well, protected shoppers and behaved responsibly and empathetically towards their customers, but also employees. Those who didn't are in danger of losing their customers' good will forever.

As we continue to feel the effects of the pandemic, this sentiment remains the same. Consumers continue to have high expectations from brands and ensuring business practices and communications are reflective of the sensitive public mood is key.

Many brands are stepping up to the plate. The majority of consumers believe the functionality of brands across most sectors to be largely the same as pre-pandemic and in the main are positive about the places and brands they buy from.

However, as consumers tentatively return to the shops, they will continue to be fearful and anxious about their financial wellbeing and physical safety for some time.

In this tough environment, as we become more discerning on what and who we spend with, retailers and brands will not just need to think creatively about how to make shopping a seamless and reliable experience, but also how they clearly project their values and follow through. Those who don't face the risk of collapse.

5. Hidden behaviours matter too

Opinium research:

51%

Reliability is the second most important value when spending with companies, up from 46% in May



37%

Fairness sits within the top 3 values



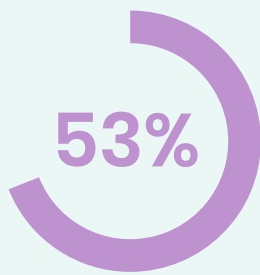
54%

are positive about the places they shop at, up from 44% in May



5. Hidden behaviours matter too

Opinium research:



are positive about the brands they buy from, up from 43% in May



“We now place more emphasis on supporting brands that demonstrate they genuinely care about customers, staff, and society.”

5. Hidden behaviours matter too

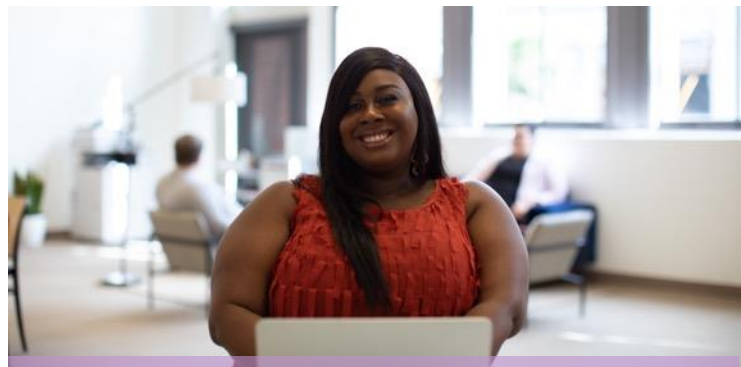
Other supporting facts:

Edelman trust barometer conducted between March 23rd – 26th 2020 concluded that:

91% of people in the UK agree brands must do everything they can to protect the well-being and financial security of their employees and their suppliers, even if it means suffering big financial losses until the pandemic ends

64% of people believe **how well a brand responds to this crisis will have a huge impact on my likelihood to buy that brand in the future**

21% of people in the UK **have convinced other people to stop using a brand that they felt was not acting appropriately in response to the pandemic**



5. Hidden behaviours matter too

Other supporting facts:

From priority shopping hours for NHS staff and the elderly to restricting the number of products per customer, Tesco rolled out a raft of rules to make sure the nation had access to groceries and could shop in safety. According to Opinium's "Marketing in a crisis" report, this paid off with consumers, with **59% viewing Tesco as responding most positively to the crisis.**

Sports Direct's Mike Ashley initially refused to shut his shops during the lockdown, arguing they were an "essential service". He backed down and apologised after a huge backlash from staff, MPs and the media but this didn't go unnoticed with consumers. **According to YouGov, in the first week of lockdown (23/03 – 30/03) the company's UK Index score – a measure of overall brand health fell from 1.1 to -18.4.**



5. Hidden behaviours matter too

Other supporting facts:

Ocado sparked outrage from customers on social media after offering to refund anyone who paid for its “Smart Pass” service in March. Smart Pass holders pay £10.99 a month and are guaranteed unlimited deliveries free of charge, while also receiving monthly offers. The online grocer took to Twitter to apologise to the growing number of Smart Pass holders who were unable to access any delivery slots but were still being charged for the service.



5. Hidden behaviours matter too

Expert commentary from
Lynn Beattie, Mrs MummyPenny



“If a brand demonstrates that they look after their employees, their customer service is likely to be exemplary as well. One follows the other, and ***we are placing more emphasis on supporting brands that demonstrate they genuinely care about us as customers, about their staff, and about their role in society.***

Many people have been influenced by how brands have reacted to the pandemic, affecting future buying decisions. If we deem the behaviour to be inappropriate, then we are unlikely to buy from that brand again.

I believe it is right ***consumers should have high expectations of the brands they spend with – I know I do.*** It is absolutely our prerogative. Especially at a time where values and ethics have become as, if not more, important as product and customer service.”



5. Hidden behaviours matter too

What to do next?

Retailers and brands will not just need to think creatively about how to make shopping a seamless and reliable experience, but also how they clearly project their values and follow through

- **Remind yourself of your purpose and values**, don't just say what you are doing, actually do it
- **Think about how your brand can help in the fight**, look for opportunities to innovate and make a difference
- **Don't just think about your outward behaviours**, how you treat your staff says a lot about you as a brand



Conclusion: what to do next?

Over the course of the next few weeks and months, brands and retailers will face a myriad of new challenges. Our survey of consumers highlights five priorities for what brands and retailers can expect in a life after Covid-19.

If you would like to speak to a member of the Marketing Communications team about any of these issues, do get in touch.

1. A nation of more informed spenders

Uncertainty over the future has made us more cautious but a reduction in credit card debt has left the nation feeling more informed, free and optimistic

- **Consumers are still malleable, now is the time to build loyalty before the full force of the economic recession hits**
- **Invest in your CRM programme, record your customer preferences, contact them at the right time with the right message, and notice when customers have lapsed to try and win them back**
- **Test and refine your marketing, ensure communications are reflective of the sensitive and ever changing public mood**



Conclusion: what to do next?

2. Utilitarian spend is on the rise

Brands and retailers will need to work harder for their share of consumer spend.

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Conclusion: what to do next?

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Conclusion: what to do next?

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About the authors

Claire Southeard



Claire is a marketing communications specialist. She develops compelling narratives and value propositions to sit at the heart of multi-channel campaigns and thought leadership. This includes advising organisations on the role of purpose, sustainability, diversity and inclusion and social responsibility as part of a holistic reputation management strategy, working with C-Suites and senior comms professionals to balance words with action for authentic and transparent communication.

A former video producer, Claire's expertise is also in producing storytelling content that connects audiences with strategy in ways that are memorable and influential.

Alexa Nightingale



Alexa is a Research Director and partner at Opinium and heads up the financial services division. Her experience comes from across the financial services category working across consumer and business audiences, to help shape brand and communication strategies, evaluate market trends and increase the strategic responsiveness of organisations.

About the authors

Lynn Beattie, Mrs MummyPenny



Lynn Beattie – aka Mrs Mummypenny – is a personal finance expert writer, author, radio presenter and commentator, who launched the Mrs Mummypenny brand in 2013 whilst on maternity leave with her third child. Dedicated to sharing her top personal finance, money saving and budgeting tips, Lynn's mission is to help people start a money saving journey. Appearing on the BBC and ITV, she has also been featured in The FT, The Guardian, The Sun, The iWeekend, Sunday Times, Huff Post. Her book, The Money Guide to Transform Your Life, is available now.

Lynn left the corporate world in June 2015 after launching Mrs Mummypenny. She worked for 16 years in various commercial and finance roles for companies including EE, Tesco and HSBC. She qualified as an ACMA management accountant in 2002, not long after finishing her maths degree from Brunel University. The risk leaving the corporate world behind to launch Mrs Mummypenny paid off. Her blog content, media appearances and brand partnerships provide impartial guidance on personal finance ensuring people get great value from every pound spent. Lynn thrives on helping thousands of people save money and work towards financial freedom.

About Opinium

OPINIUM is an award-winning strategic insight agency built on the belief that in a world of uncertainty and complexity, success depends on the ability to stay on pulse of what people think, feel and do. Creative and inquisitive, we are passionate about empowering our clients to make the decisions that matter. We work with organisations to define and overcome strategic challenges – helping them to get to grips with the world in which their brands operate. We use the right approach and methodology to deliver robust insights, strategic counsel and targeted recommendations that generate change and positive outcomes.

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Opinium Research is a member of the British Polling Council and abides by its rules. Under these rules we are required, when requested, to make information available from survey results that have entered the public domain. These include, but are not limited to, the name of commissioning client, fieldwork dates, methodology, size and composition of sample, and data tables showing the text of the questions asked, the order in which they were asked and the answers given to them.

About Lansons

Based in London and New York, Lansons is a leading independent reputation management consultancy, 100% owned by people working in the business. It has been voted agency of the year seventeen times since it was established in 1989 by its Chair, Clare Parsons and Chief Executive, Tony Langham. Lansons has over 100 people (35 of whom own the Limited Liability Partnership), has won over 90 major awards, and works for more than 100 national and international clients. Through its membership of the international networks PROI Worldwide and Global Communication Partners (GCP), Lansons delivers global expertise and strategic advice.

At the same time Lansons has been featured in the Great Places to Work 'Best Workplace' rankings for each of the past sixteen years. Lansons' consultants are experts in media, investor, political, regulatory, employee and change, crisis, digital and international communications. In 2019, Lansons announced its acquisition of Intermarket, the specialist strategic communications consultancy based in New York.

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