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**That Makes Cents**
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# Keeping up with consumer insights

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**Bobby Stephens:** Hi, everybody. Welcome to another episode of That Makes Cents, the show where we get real about the consumer industry. Today, we've got another one of our quick take episodes focused on these very uncertain times. This one is all about consumer data. More specifically, we will get an introduction to some brand-new insights around consumer sentiment and all kinds of great consumer behavior data that we're seeing from Deloitte's Global State of the Consumer Tracker and the Center for Consumer Insights' InsightIQ dashboard.

Joining us today are the two gentlemen behind these insights: Steve Rogers, who leads the Consumer Industry Center, and Jeff Simpson, who heads up the Center for Consumer Insight at Deloitte. Thank you both for coming on the show today. Would love it if you could just tell all of our listeners a little bit about yourself. Steve first, then Jeff.

**Steve Rogers:** Thanks, Bobby. This is Steve. I am, as you said, the managing director of the Consumer Industry Center, and I've been studying consumers and companies within the consumer space for about 15 years; really interested in how those two interact. Jeff, over to you.

**Jeff Simpson:** Great. Hi, this is Jeff Simpson. I am a principal in our Consumer practice, and I spend a lot of time looking at consumer data, customer data, to try to understand and help our clients think through how to better help their customers.

**Bobby:** Perfect. It sounds like a match made in heaven. I've, Jeff, worked with you for a while and, Steve, I've gotten to know you well in the last six months to a year, so this will be a great conversation. I'd like to just start with some background on our consumer research and really a quick overview of the data that we have and how your two great sources of insights—global and US—work together.

**Jeff:** I think "work together" is the perfect way to characterize it. Traditionally, primary research has been the driver of customer strategy and customer insight across a lot of our clients' companies. But increasingly, over the last six or eight years, there have become available a bunch of new data sets, emerging data sets, around how these consumers are behaving that serve to supplement and augment what we've done for years with primary research. So it's really how those two things come together that is the secret to doing a better job here. Steve and I actually work very, very closely together. We're curating some of the newest sources of data on the market. For example, Bobby, about $450 billion of credit and debit card behavior from about 4,000 banks across the country, the use of cell phones—about 80 million in the US—and seeing how and where people are moving around the country. We're working with large credit bureaus to understand things like financial health for about 280 million Americans. Then we're working very closely with Steve to augment all that with really good primary research.

**Steve:** In combination with Jeff's observable data, we've gone out and looked at some intentional and attitudinal data, surveying about 15,000 consumers every two weeks. We're active in 15 countries, which represent the major economies around the globe. It gives us insight into their intention, how they see the world, view the world, etc. It gives us a margin of error of plus or minus three. So it gives us some insight to couple with what Jeff's looking at.

**Bobby:** Perfect. Between the two of you, we've got a ton of data available. I really like the diversity of sources as well. It feels like, as you start to combine them, you can get a clearer picture of what's happening. So for this quick take, what I'd like to do is actually present a couple of those initial insights and get some of your key takeaways from both a US and a global perspective on how those trends are playing out.

First, from what I've seen, it seems like there's a positive uptick in consumer sentiment, but that positive uptick maybe isn't quite translating into positive behaviors like spend and mobility, or at least it isn't on a uniform basis. If we look globally, look in the US, we see a positive uptick, but spend, for instance, is still contracted in many areas. Am I interpreting that right, Steve?

**Steve:** Yeah. The consumer right now is looking at the throes of a two-front crisis. What started off as a public health care crisis has morphed into also an economic crisis, as we've seen slowdowns in economies around the globe. So the world is still a pretty anxious place. It has improved since last month, but most of the countries still show some anxiety as consumers try to navigate their own personal health and safety, as well as their financial well-being.

As you look across the globe, the things we used to do, take for granted—going to the store, going to a hotel, taking a flight, eating out in a restaurant—have become somewhat more perilous in people's minds, which obviously has impacted how they intend to spend. So they're balancing their needs and wants in this new environment. What we've seen across the globe is, as the consumer gets more comfortable with the new normal, they are returning to the store. The feeling of safety in the store has gone up, in most cases, across the globe. When it comes to venturing out, though—travel, going to a hotel, taking a flight—where that feels a little more risky, it's staying somewhat muted. As consumers try to navigate this new normal—and I think you see countries opening up around the globe—we're seeing different behaviors start to emerge. But I think there's more pent-up demand than we're actually seeing in the data. I know, Jeff, you've been looking at that from a US front.

**Jeff:** Absolutely. We just came through a holiday weekend, and we saw, in the states that have opened up, a nice pop of that pent-up demand, Steve. I love that characterization. The challenge, I think, we're going to have going forward is, once you get through that sort of "Oh, we're back out" and that optimism, the reality of the financial issues that are hitting many of our consumers is really going to play out. I think the positive sentiment we're seeing is largely optimism and hope that things get back to normal.

But when you look at the underlying reality of employment and some of the financial situations in the countries you're doing your survey—and we're certainly looking deeply at what's happening in the US—the reality is, there's just not going to be as much open to buy. The statistic that I've been looking at very closely lately is, we looked at our overall spending year-over-year, and it's down about 450 basis points. That's spending across all of retail. That's three-plus trillion dollars of spending. That's down year-over-year, 450 basis points. That number rarely moves more than 40 or 50 basis points. So year-over-year, you'll see very small movement in the overall spending. To see it down 10x what it normally is, that's a meaningful number.

So I do think there's some pent-up demand. I do think there's some optimism with many of our retail clients that says, "If I just unlock my doors, business will get back to normal." But the underlying reality of the financial situation, I think, is going to impair a consumer's ability to come back and spend at levels equal to what they were last year. So I think we're going to have to watch this very closely for the next six or eight months to really understand how and where things settle back to normal.

**Steve:** Yeah, I think you're right about that, Jeff. As you look across the globe, concerns over health and safety have subsided somewhat, but concerns over financial well-being have increased, in particular in the two largest economies: in China and here in the US. One in four consumers are worried about making an upcoming payment, and about 40 percent of consumers are worried about losing their job. That's not counting the ones that are already filing for unemployment, which is one of the largest numbers we've seen in a long, long while.

**Jeff:** Steve, we know in the US, as we look at the COVID stimulus checks that hit in home in April, we saw a really nice pop in a bunch of discretionary categories. Many of the CEOs at retailers have been out in the recent earnings calls, talking about the fact that they felt the pop from those stimulus checks. While that's great, and it certainly serves as an accelerant to get people back out and spending, the reality is, if you got your stimulus check and you went out and spent, but then you're in a service role and your job is . . . you've got fewer people coming in, I think this is one of the . . . I don't hear a lot of people discussing this, and I think it's a really important dynamic that, Steve, I know you and I will watch closely.

But let's think about the fall and college football. They're saying a 100,000-person stadium, the max number of people they're going to let into that stadium is 20 or 30,000 people. Okay. So that's great. We'll have college football with 20 or 30,000 people in the stands, but the economic reality of that is fewer pretzels sold, fewer tickets sold, fewer hotel rooms sold. That's what I'm talking about: the long-term implications of some of this stuff. Social distancing . . . Restaurants in the state that I live in are only allowed to seat at 20 or 30 percent of their capacity to facilitate some of the social distancing rules. That's certainly safe, but if I'm a waiter or waitress in those restaurants, I'm only going to have 20 to 30 percent of the clientele. Therefore, my tips are only going to be 20 to 30 percent of what they were historically. So I think there are longer-term implications that I don't think people have fully wrapped their head around yet.

**Steve:** Yeah, I think you're absolutely right, and having to figure out those new economic models to make those businesses work. Absolutely.

**Jeff:** Yes, yes.

**Bobby:** As we're thinking about consumer behaviors, both during the heart of the crisis and as we move slowly and safely, hopefully, toward whatever a new normal looks like, I saw in the data that convenience has been playing an increased role—and it's been doing this for years—but a really increased role in decision-making around consumer preferences during the crisis, both at the beginning and even now. But over time, we've seen, maybe, a shift from stockpiling essential staples early in the crisis, when things were almost completely unknown, to now a little bit of inching back toward more traditional shopping and bargain-hunting for nonessentials, things like that, that we would equate to more traditional retail and consumer behavior.

Are we seeing that, and can you elaborate? How much of that is an economic impact, and how much of that is just shoppers—as you mentioned, Jeff—hoping that things go back to normal and trying to elicit those types of normal behavior?

**Jeff:** Yeah. I think you touched on a couple of really important dynamics that were, to your point, Bobby, already in place. This move toward convenience, this move toward home delivery, was already having an effect on many of our clients and many of the retail brands that we work with. But there's no question that COVID has taken us up that curve 12 to 18 months faster than we would have gone normally. So there was a trend toward home delivery. UberEATS and GrubHub have begun to take more and more share of the QSR and prepared food categories than our grocery clients.

So that dynamic has been in place, but this has obviously accelerated that. Any time something like that happens, you basically create new segments of consumers that say, "You know what? I prefer having my McDonald's delivered to my house versus going through the drive-through and sitting in line." So you now get these behaviors that get baked into the everyday routines that these consumers exhibit.

That's going to have an impact. So we're seeing a significant acceleration in things like dark restaurants and dark stores. UberEATS and GrubHub will go pick up McDonald's, Wendy's, any of the QSR meals at a dark restaurant. You've increasingly got these brands launching these dark restaurants to do nothing but fulfill home delivery. Now, for them, selling a hamburger is selling a hamburger. It's good for them, because they're selling more hamburgers, but the business model of a dark restaurant versus the restaurant that's on Main Street in prime real estate is very, very different. So I think, over time, you're going to see this shift in the way these people run these businesses and how they meet this demand. The demand has clearly shifted.

The second piece, Bobby, that I think you're touching on here is, there's been a really profound impact on what we call the value proposition. I started my career on the client side at a department store chain—and I love the department store chains; 30 percent off, 40 percent off, 50 percent off—that high-low pricing strategy was a lot of fun. Coupons, and the gamification of getting the best possible deal, was great. But over the last few years, those folks have really, really suffered in the face of the EDLP or the everyday low price retailers. The Walmarts and the Targets of the world, with their everyday low price, have given customers more confidence that if I go shop on a Tuesday at a Target, I'm going to get a better deal than if I have to go hunt down a coupon and shop at a department store. So that shift has been underway for quite a while, but it's very clear in the data that since COVID hit, the mass merchants have taken more and more share at a much faster rate than they have been historically. That's a behavior that we think is going to stick. We talk a lot about the new normal. That's a behavior that we think is going to stick going forward.

**Steve:** Yeah, I mentioned, as you look across the globe, go into the store, people are more comfortable with it now. We've all experienced it when we walked into our local grocery store, etc. But it's still pretty low. Only four in 10 tell us that they're comfortable going to the store, and it'll be interesting, as that continues to climb, as more of us get more comfortable going into a store, what is our definition of convenience? I think Jeff hit it really well. We're starting to see shifts, and it's led by the younger cohort. The under-35 crowd are not only using those delivery services and buy online, pick up in-store more, but they're also leading in some traditional in-store categories like alcohol purchased online, etc.

So you're starting to see some of these traditional in-store categories seek models out that make it more convenient to buy. Initially it was born out of a sense of "I need to be safe, I need to keep myself safe," but I think increasingly, it'll stick because it's more convenient. So it'll be interesting to watch those trends as they continue, and how sticky are they?

**Jeff:** Yeah. That's a great point.

**Bobby:** Steve, you started to allude to some differences and some variabilities among what I'd call traditional cuts for marketers and retailers and those who have been in the business of the consumer for a while, such as age, but also geography, both globally and in the US. Do you think the two of you could share a few of the more interesting contrasts that we seeing along traditional demographic lines there?

**Steve:** Yeah. Along traditional demographic lines, we're seeing the younger cohort lead in a lot of ways, in the sense that they're willing to pay more for convenience or at least saying they are. You probably . . . like me, I've coached my mom how to use some of these delivery services when it comes to grocery and whatnot. So they're starting to see an uptick there. But in a lot of ways, the online stuff is no surprise. Younger cohorts are gravitating to that.

As you look across the globe, safety seems to be driving a lot of behavior. South Korea is a really interesting case in point. They didn't really close down their economy, and they were trending in an upward direction. Then they had that flare-up in Seoul not too long ago. We saw them zigzag back to safety. What's interesting there is that their feeling of safety in the store is lower today than it was a month ago.

So how does that inform consumer behavior as we try to open up in the US? If we see certain outbreaks in states, will we zigzag back? Will we see some returns to BOPIS, etc.?

Meanwhile, when you look at a place like Germany, they, too, had an outbreak, but we see their numbers continue to climb. Their feeling of safety going to the store is improved. Also, their sense of financial security seems to have improved over the course of the last month. Social safety nets start to inform consumer behavior, back to the point Jeff was making about how people are feeling about their own financial well-being.

Jeff, I'd be really interested to know what you're seeing in the data in terms of traditional demographics and the like. Are you seeing some real changes in behavior?

**Jeff:** Yeah. It really builds on the piece that Bobby, you, and Kasey and the team published last year. We called it the Great Retail Bifurcation. What's so interesting about, Steve, all the things that you're talking about is, if you watch the news, and you see the stock market making these big jumps, it took a hit early, but it's actually bounced back to an extent that we think is untethered from the financial reality, economic reality, of what's really going on out there. So there continues to be this bifurcation of those that have and those that are going to be impaired going forward. Their sentiment, their willingness, their likelihood to spend—all that stuff falls along those lines as well. If you watch the news and you see what's happening with the stock market, you'd actually be pretty optimistic. Things are opening back up, the stock market's reacting positively to it—boy, this is starting to feel good again. But it's completely untethered from all the stuff we've been talking about around service jobs and the viability of those jobs to actually make a living.

As we look demographically at how people are behaving, we see the exact same split. Those in those lower economic groups, they're more fearful. They're less confident. They're feeling the reality of this, whereas those at the higher end that are still shopping these big brands see this as a buying opportunity. One of the best things in the research that you published, Steve, that came out early—and I watch it every week when you update this—is the likelihood to buy a nonessential item if I got a good deal. That number kept popping up, and I was like, "Wow."

I was talking to a group that owns a bunch of auto dealerships across the country, and they're actually seeing fantastic new car sales, and it was on more expensive vehicles. So I think there's this perception that if I have a little more economic flexibility, and I get a great deal, boy, I'm going to take advantage of this opportunity, this depressed economic condition, because I can. But those that are in service jobs, that don't have that flexibility, after the $1,200 stimulus check, what's on the horizon for them? I think those economic realities underpin the attitudinal stuff that you're picking up on in your work.

**Steve:** It is interesting on that front, on the nonessential items—it's gone up across all economic categories, but it's definitely muted amongst the lower-income. I think it's not until we see those stimulus checks run out, and people living without a paycheck for a longer period of time, that we'll really see some true bifurcation happening, but it's definitely starting to happen.

**Jeff:** There's an interesting discussion this week with one of the firms that holds a bunch of real estate, malls, lifestyle centers, in retail. One of the things that they're concerned about and trying to think through is, okay, if in fact this stay-at-home, work-at-home thing takes hold to any degree, 10, 15, 20 percent of the workforce no longer has to go into an office. What is the impact going to be on us in terms of those people's patterns—getting breakfast in the morning, getting coffee, and those types of things? There's really profound implications to all of this stuff.

I think the important thing is that we really keep a close eye on it over the next eight to 12 months. Because that's when I think things are going to settle back down into whatever this new normal is, and then we'll be able to react. Right now, there's just so much volatility, I don't have a high level of confidence that we really know what the new normal looks like yet.

**Bobby:** I think that makes total sense. So it'll be important to watch this for a while and see how it turns out over a longer period of time. I think there's a natural human psychology thing here to try to get to some sort of a resolution as soon as possible to make ourselves feel more comfortable, but watching consumer sentiment versus behavior evolve over the coming weeks and months is probably going to be a very important thing. Heck, I'd like to have you guys maybe back in a few months to talk about what you're seeing so we can make that real.

But to close out the conversation—I like to do this with all of my guests—what's one thing that you're seeing in the data that maybe you haven't hit on, or you have already, that you just want to shine another light on?

**Jeff:** Well, I'll jump in on that one. I think this notion that we've accelerated the adoption of things like food delivery, grocery delivery, I'm really interested to see what that new level is. I'll give you some data. Online grocery shopping was 1 or 2 percent of the overall business for a long time. That has been the last bastion of bricks-and-mortar loyalty. E-commerce has not affected grocery to the extent it has many of the other retail categories.

But we saw throughout the crisis, and even today, it's popped up to 13, 15 percent of the overall business. Now, I don't think it's going to stay there, but it's not going back to 1 or 2 percent. It's going to go back to something in the 8 to 10 percent range, maybe. That is such a huge shift in such a short period of time. I think it's going to take a while to see how this plays out.

For example, I mentioned earlier . . . I was talking to one of the real estate folks, actually one of the major landlords for a couple of the big grocers in the country. The question they were asking us is, "Do I need these grocery pickup lanes? Is that real? Is that going to happen? We're increasingly having our tenants asking us, 'Do we need to have grocery pickup lanes for the big trucks that are going to be delivering this stuff? Does that become a new part? Should I be building a drive-through window in my grocery stores?'"

All of these behaviors are going to require very different business models and very different reaction. You can't turn the knob on that stuff overnight. So as these behaviors settle back down, I think there's going to be this ripple effect, Bobby, in both the business models, all the way down—not just the talent profiles, the people that get hired, but the real estate strategy around how our clients serve their customers' needs, which is why it's never been more important than today that you embrace this outside-in view of what's happening with the consumer. Every one of our clients has great data on how their clients spend with them, but they've got to pay more attention to all these other behaviors, because I think they give you a peek into what the future of retail is going to look like.

**Steve:** Yeah. Taking a macro view in how we might think about the global data, I think there are two takeaways for me. One, as we try to reopen it as an economy here in the US, what can we learn from other economies that are trying to open up? Are we going to be more like the South Korea example that I shared, where their health concerns are tracking with their financial spending? Or are we going to be like Germany, where they, too, have health concerns, but there's something different going on financially for them?

Then secondly, from a policy standpoint, as you look at major economies across the globe in how are they approaching putting their people back to work. I mentioned that China, we saw a spike in concern over losing a job and a spike in concern over paying upcoming bills. Meanwhile, in Germany, they've gone down in both categories. I think that has a lot to do with the social safety net. Jeff alluded to our social safety net here in the States.

So how do we think about getting people back to work? How do we think about keeping the consumer healthy from a financial well-being standpoint? How do we do that equitably will be an interesting thing to watch as we learn from other countries and the approaches and tacks they're taking.

**Bobby:** Amazing. Thank you, guys, seriously, both for the time and insight today. There's really a lot to chew on. You have a ton of topics, economic uncertainty and bifurcation. An interesting contrast by country or locality or age demographics. Data that's indicating some behaviors that have been there for a while accelerating through this, some out of need and some out of, frankly, desire, because it might be a better experience for a certain portion of the consumer base. And just an overall bit of uncertainty or lack of clarity on where we are going to land in the coming months, in terms of the "new normal"—all of that, I feel like, shining a light on the fact that a mix of internal and external data covers lots of different aspects of consumer behavior, and sentiment is important.

That really does it for our quick take today. If you'd like to dive deeper into the numbers and the research, you can start by checking out the State of the Consumer Tracker, just by searching for it on deloitte.com, or you can find my guests, Jeff Simpson or Steve Rogers—or even me, if you want, Bobby Stephens—on LinkedIn. So we'll see you all on the next episode of That Makes Cents.

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