



How does the road to consumer recovery look like?

August 2020

# Introduction

With the movement restrictions easing gradually, several countries are striving to bounce back to normalcy. Factories and shops are resuming operations, and workers are returning to work. However, the drastic measures taken to contain the pandemic spread have severely disrupted lives, especially those of the less fortunate, and affected businesses. The economic activity is highly unlikely to rebound to the pre-COVID-19 levels immediately. This is because the rising number of infections (in a few countries), the extension of lockdown, social distancing norms, and safety concerns may result in a vicious cycle of low demand and supply. Consumers are likely to spend with caution and save more to prepare for worse times. On the other hand, businesses will likely be averse to investing in capital projects and hiring due to economic uncertainties. Low demand is expected to translate into low sales, which combined with labour shortages (due to reverse migration), will reduce production and supply of goods.

As businesses resume activities, there are concerns regarding consumers' personal health and financial well-being that can affect their consumption behaviour. There are questions around how early will consumers return to work, shops and malls, theatres, and restaurants; and recommence travel. With the possibility of a prolonged pandemic and several outbreaks (being witnessed in other parts of the world), will there be a permanent change in consumption patterns and future demand? How would the pandemic affect the consumer industry and what can the industry do to adapt itself to these defining changes?

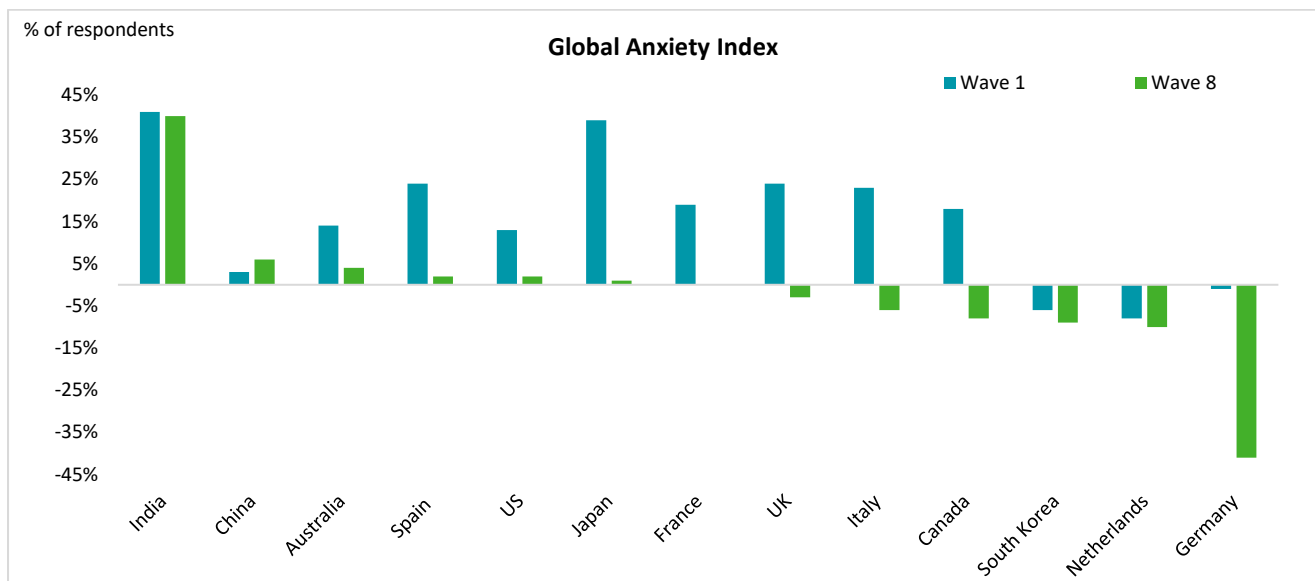
To find answers to these questions, Deloitte has been conducting bi-weekly surveys of 1,000 consumers from each of the 18 countries, including India. The survey's objective is to analyse consumer sentiments, consumption patterns, saving intent, as well as preferences for travel, discretionary, and essential products. It has captured participants' responses every alternate week since 19 April 2020, and each survey is reported as 'Waves'. While the surveyed nations are at different stages of the pandemic crisis and lockdown at any given week, various survey questions capture the changes in consumption behaviour compared with previous periods to measure the relative improvement or deterioration in customer sentiment.

This report captures a few interesting findings from the surveyed nations, with a particular focus on India. The findings are intriguing and in many instances, trends in India defy those seen in the other surveyed countries. The number of infections is increasing in India at a pace faster than that in a majority of other surveyed nations. Since the last week of May, India has moved up the rank (in terms of the number of infections) from 10th to 3rd (at the time of writing this article).

## Consumers are cautious

The collective net anxiety index (measuring anxieties concerning personal health, safety, and finance) has declined substantially in recent weeks from levels seen in the first wave (in April) in all countries, except in China and India where the indices have remained close to levels seen in April (Figure 1). This could be because of the rising number of infections in India and a recent surge in the number of cases in China. In India, the intermittent and extended lockdown in several parts of the country, economic uncertainties, and social distancing and isolation norms are affecting consumers who are worried about their physical well-being, financial health, and employment opportunities.

**Figure 1. Global anxiety index has eased for all nations, except India and China**



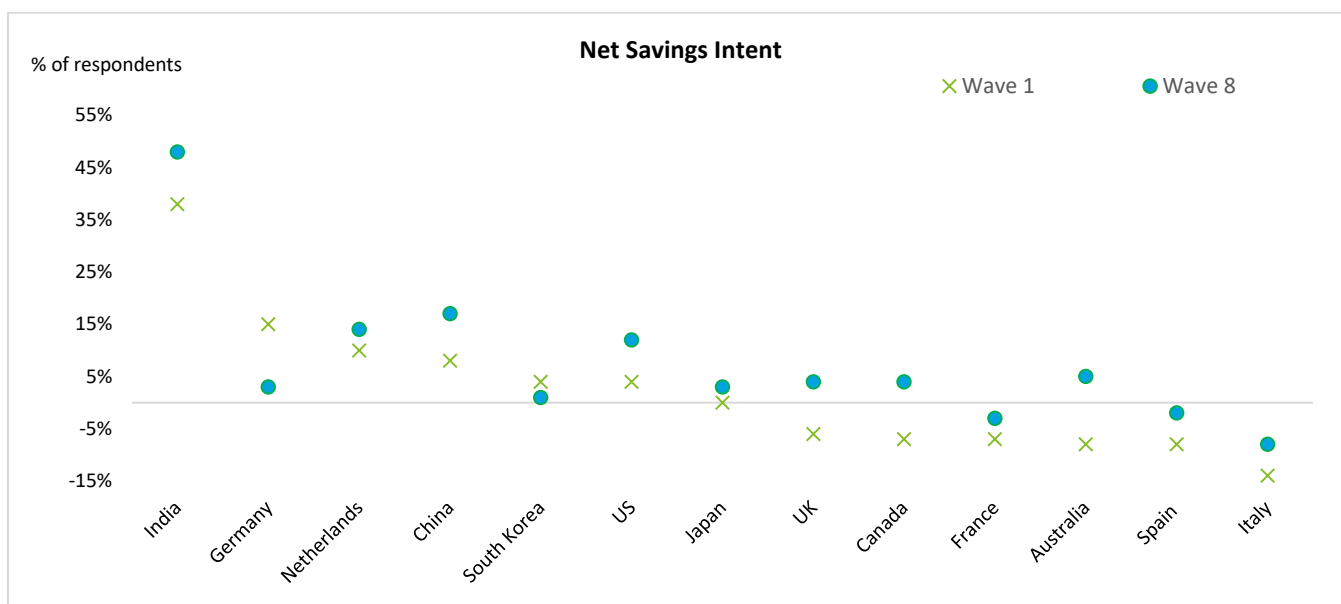
**Source:** Deloitte source of consumer tracker; [Link](#)

**Note:** Consumers were asked to respond to the prompt, “I am more anxious than last week”. The net responses for each country were aggregated to derive the global anxiety index. A positive index reflects that on aggregate, more respondents have chosen to “agree” and “strongly agree” to the question than to “disagree” or “strongly disagree”. Wave 1 refers to survey dates between April 15 and April 17; Wave 8 refers to survey dates between July 21 and July 25.

High unemployment and financial stress due to the prolonged pandemic and curtailed economic activity (forced by lockdown) have increased saving intent amongst consumers across countries since the beginning of the survey (Figure 2). Saving intent amongst the younger population of a few Asian nations is higher, indicating concerns around high youth unemployment in these nations.

Consumers in India have the highest saving intent; this is rising at a pace faster than that of the other surveyed nations. This could be because of the lack of a social security system that compels consumers to save more to hedge against uncertain times. Although the possibility of losing jobs is the biggest concern amongst Indian consumers across age groups, the older section of the population is more worried about job opportunities as options for this age group are skewed and scarce.

**Figure 2. Net saving intent has increased; India has the highest such intent**



**Source:** Deloitte source of consumer tracker; [Link](#)

**Note:** Consumers were asked about their overall forward spending intent for the next four weeks compared with the prior four-week period. Net spending intent is estimated as the percentage of consumers who were inclined to “spend more or a lot more” subtracted from the percentage of consumers who wished to “spend less or a lot less”. Wave 1 refers to survey dates between April 15 and April 17; Wave 8 refers to survey dates between July 21 and July 25.

### Demand for consumer durables may remain subdued

Higher saving intent amongst consumers does not bode well for the demand for ‘more discretionary’ consumer goods, which is also evident in the survey (Figure 3). Consumers across the world have expressed their reluctance to spend on items such as new vehicles, furnishing, electronics, and travel in the near future. Decisions around a few of these spending intents are influenced by restrictions on movement and social interactions, and consumer fear of contracting the virus. However, other discretionary purchases are probably being deferred because consumers are worried about their ability to meet short-term and long-term obligations, and future purchasing power. Although the spending intent has improved for such discretionary items since the beginning of the survey (due to easing of restrictions and improved sentiment, as evident from the global anxiety index), a majority of the consumers are not yet ready to hit the road, take a flight, or dine out.

An interesting observation amongst Indian consumers is that they are more willing to spend on discretionary items in the near future (despite having higher anxiety) than consumers around the world. However, the willingness is severely affected because of the rising infections and several regions going into intermittent lockdown. For instance, after the easing of the nation-wide lockdown, sentiments improved sharply as a large percentage of the respondents aspired to buy more in the near future in Wave 5 (which was the week after Unlock 1) compared with the previous few weeks (Figure 3). However, the willingness to spend dramatically declined between Wave 5 and Wave 8 (the latest week) as several cities and states went back to strict lockdown due to the escalating number of infections. This implies that a strong pent-up demand exists in India. However, as long as uncertainties and anxiousness around the pandemic prevail, demand may remain suppressed.

**Figure 3. Net spending intent on discretionary items remain low**

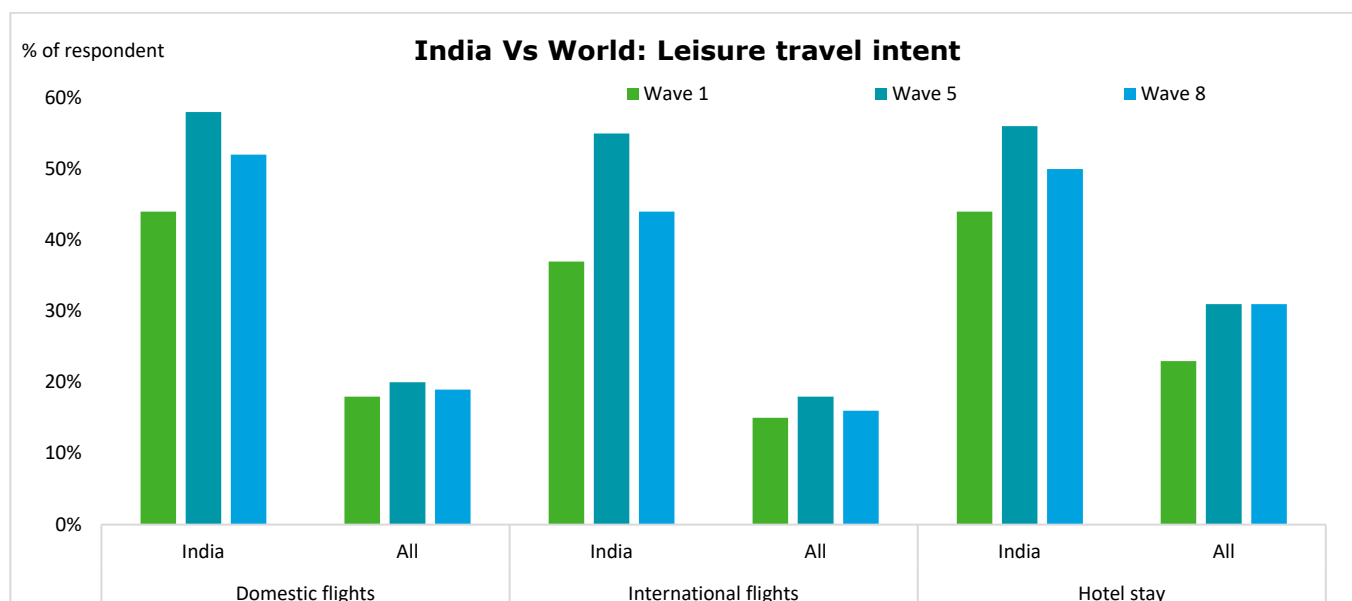
	Apparel/Footwear			Electronics			Entertainment			Furnishing			Restaurants			Travel			Vehicle fuel/Oil		
(% of respondents)	Wave 1	Wave 5	Wave 8	Wave 1	Wave 5	Wave 8	Wave 1	Wave 5	Wave 8	Wave 1	Wave 5	Wave 8	Wave 1	Wave 5	Wave 8	Wave 1	Wave 5	Wave 8	Wave 1	Wave 5	Wave 8
Australia	-40%	-16%	-23%	-28%	-17%	-18%	-4%	-6%	-4%	-43%	-26%	-28%	-34%	-2%	-17%	-72%	-35%	-45%	-55%	-9%	-17%
Canada	-50%	-20%	-20%	-39%	-23%	-19%	-16%	-14%	-11%	-50%	-30%	-27%	-45%	-15%	-13%	-72%	-51%	-47%	-61%	-23%	-15%
China	20%	27%	23%	6%	22%	16%	16%	21%	18%	-15%	2%	0%	5%	18%	12%	-31%	1%	-6%	0%	23%	23%
Germany	-3%	-5%	-7%	2%	-8%	-12%	15%	3%	3%	-4%	-12%	-11%	-9%	-6%	-8%	-30%	-18%	-20%	-10%	-8%	-7%
Spain	-44%	0%	-17%	-25%	-7%	-16%	-2%	-2%	-10%	-51%	-28%	-37%	-49%	-4%	-19%	-64%	-24%	-40%	-46%	-5%	-10%
France	-28%	-9%	-14%	-24%	-14%	-21%	-6%	-5%	-5%	-38%	-26%	-25%	-36%	-7%	-20%	-44%	-19%	-28%	-38%	-3%	-9%
India	3%	30%	20%	5%	35%	24%	41%	45%	41%	-6%	19%	10%	-12%	16%	1%	-16%	13%	-6%	7%	33%	22%
Italy	-38%	-12%	-11%	-26%	-11%	-20%	2%	-12%	-15%	-58%	-35%	-37%	-41%	-20%	-16%	-63%	-30%	-30%	-49%	-10%	-5%
Japan	-40%	-18%	-25%	-21%	-10%	-14%	-19%	-11%	-22%	-37%	-24%	-27%	-38%	-11%	-23%	-69%	-29%	-44%	-27%	-13%	-14%
South Korea	-15%	-9%	-20%	-26%	-16%	-25%	6%	2%	-2%	-37%	-35%	-44%	-7%	-6%	-8%	-55%	-50%	-41%	-18%	-12%	-13%
Netherlands	-19%	-7%	-3%	-14%	-12%	-8%	3%	-3%	-6%	-30%	-22%	-16%	-25%	-4%	-6%	-67%	-40%	-28%	-51%	-23%	-10%
UK	-40%	-19%	-8%	-31%	-24%	-8%	0%	-1%	2%	-41%	-28%	-20%	-50%	-25%	-10%	-63%	-38%	-25%	-58%	-27%	-12%
US	-30%	-9%	-15%	-19%	-9%	-11%	-4%	-3%	-1%	-27%	-15%	-14%	-18%	0%	-3%	-50%	-27%	-28%	-38%	-6%	-7%

**Source:** Deloitte source of consumer tracker; [Link](#)

**Note:** Participants were asked the question “How much do you plan to spend on each of the following items over the next four weeks compared with the past four weeks?” The decline in buying intent from the previous period (Wave 7) is depicted by orange coloured entries, while green denotes an increase in buying intent. Wave 1 refers to survey dates between April 15 and April 17; Wave 5 refers to survey dates between June 10 and June 12; Wave 8 refers to survey dates between July 21 and July 25.

A similar pattern is seen amongst Indian consumers regarding their intent for leisure travel (Figure 4). Despite higher anxiety about safety concerns, Indians have been keener on future leisure travel than consumers globally (averaged across the sample countries) and in countries with fewer infections (such as China and Germany). That said, the intent lowered between Wave 5 and Wave 8 as the number of infections continues to rise in India.

**Figure 4. Leisure travel intent is higher in India vis-a-vis the global average**



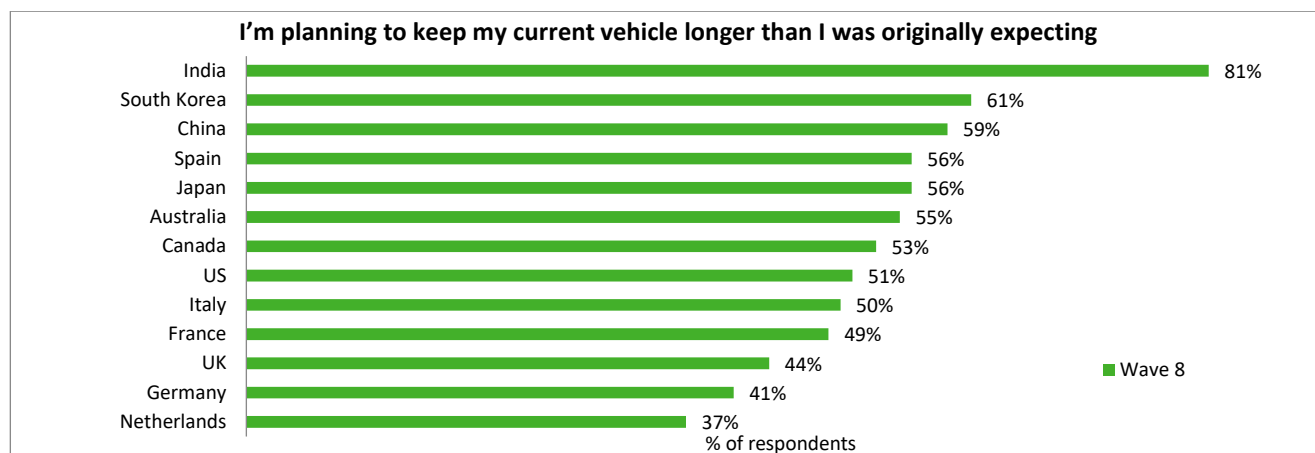
**Source:** Deloitte source of consumer tracker; [Link](#)

**Note:** Percentage of the participants who responded to the question “planning to travel for leisure in the next three months”. Wave 1 refers to survey dates between April 15 and April 17; Wave 5 refers to survey dates between June 10 and June 12; Wave 8 refers to survey dates between July 21 and July 25.

More consumers are willing to postpone spending on big-ticket items to keep liquidity for immediate or emergency needs. For instance, a majority of the respondents are willing to retain their older vehicles longer than they had originally expected (Figure 5). In India, consumers’ intent to retain their existing vehicles is the highest, suggesting a subdued demand for auto vehicles may be expected in the next few months. However, the upcoming festival season in India may offset the trend somewhat.

On the other hand, demand for essential goods remains robust as consumers from most nations continue to stockpile groceries, household goods, medicines, and other essential items.

**Figure 5. Consumers are willing to keep their current vehicles longer than they expected**



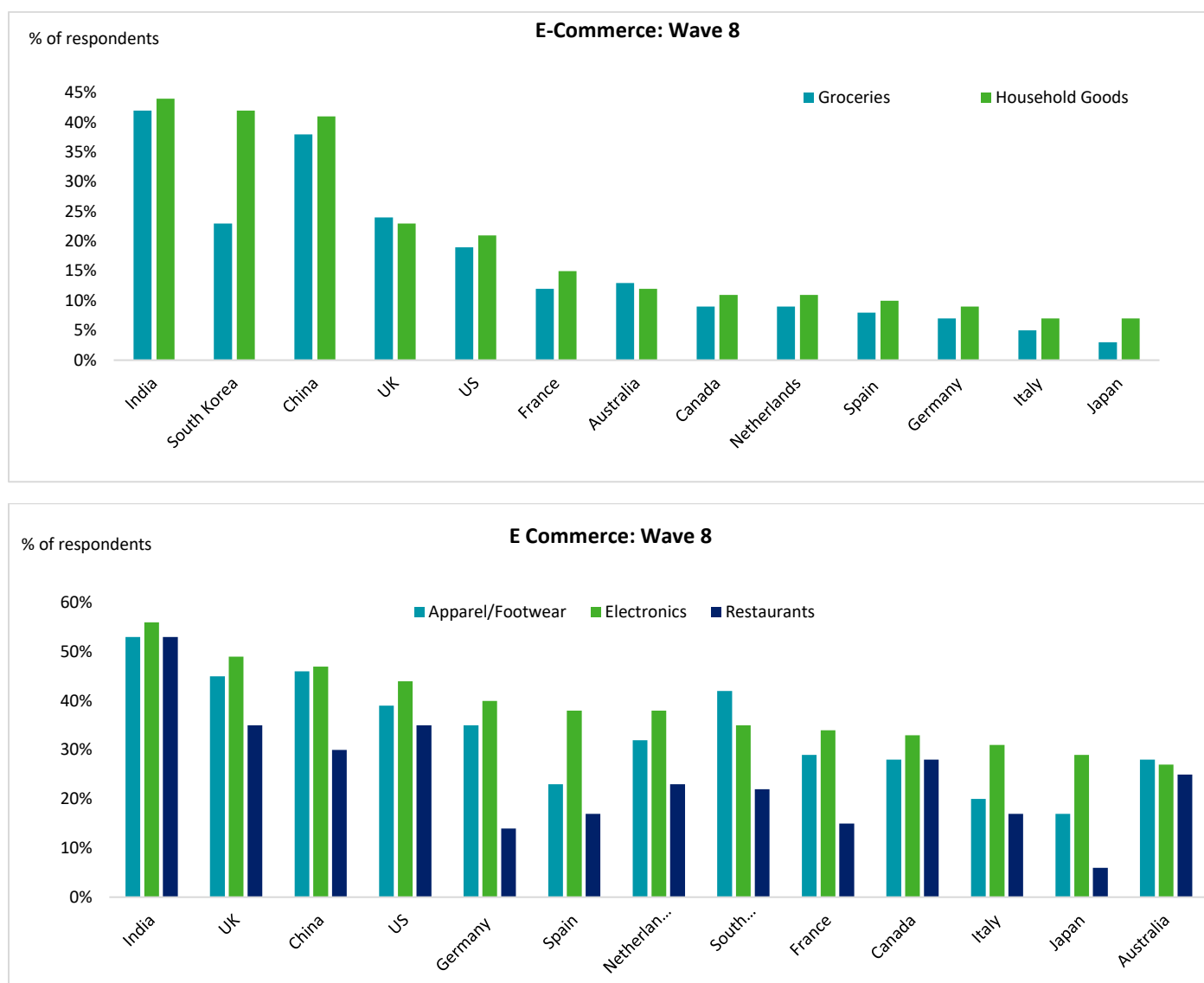
**Source:** Deloitte source of consumer tracker; [Link](#)

**Note:** Percentage of the participants who responded to “I am planning to keep my current vehicle longer than I was originally expecting”. Wave 8 refers to survey dates between July 21 and July 25.

## The rise in e-commerce

A majority of the countries have shown an improvement in consumer sentiments towards going to stores compared with the results in April (when the survey began). This improvement suggests that retailers in these nations have upped their safety precautions and standards to attract consumers to their stores. However, relatively more consumers prefer buying discretionary goods online, while visiting stores mostly for essential goods, such as household goods and groceries (Figure 6). That said, there is still considerable apprehension about going to stores, especially amongst consumers from a few Asian nations (Japan and South Korea). These nations remain wary of the virus spread based on their past experiences.

**Figure 6. E-commerce trends for discretionary and essential items**



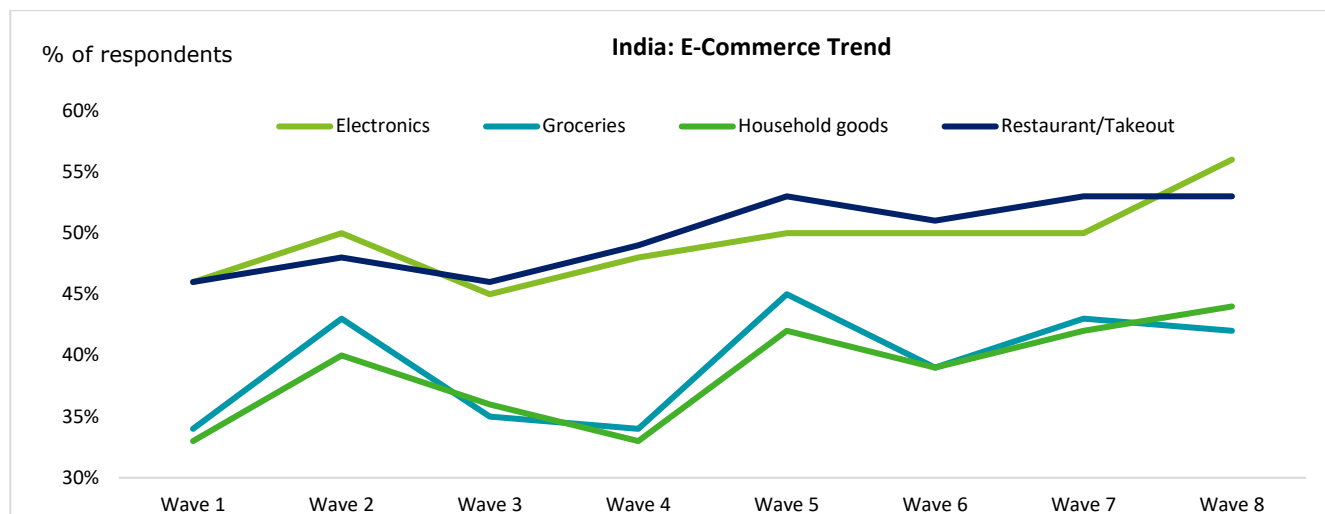
**Source:** Deloitte source of consumer tracker; [Link](#)

**Note:** Percentage of the participants who responded to “Intend to spend over the next four weeks” and “intended purchase channels”. Wave 8 refers to survey dates between July 21 and July 25.

In India, the e-commerce trend has been dominant as consumers have gravitated towards reducing exposure to infection by avoiding point-of-sale terminals and cash transactions. A larger number of customers are ordering their purchases online irrespective of the nature of goods being bought (discretionary versus essential items) as seen in Figure 6. Moreover, with the number of infections rising, the preference for online purchases is going up (Figure 7).

This is also substantiated by the fact that consumers have greater willingness to pay more for convenience (such as ordering online) amongst Indian consumers. This has resulted in favourable growth in the Indian e-commerce industry even after the easing of restrictions.

**Figure 7. E-commerce trends in India are rising for discretionary and essential items**



**Source:** Deloitte source of consumer tracker; [Link](#)

**Note:** Percentage of the participants who responded to “Intend to spend over the next four weeks” and “intended purchase channels”. Wave 1 refers to survey dates between April 15 and April 17; Wave 2 refers to survey dates between April 29 and May 1; Wave 3 refers to survey dates between May 13 and May 15; Wave 4 refers to survey dates between May 27 and May 29; Wave 5 refers to survey dates between June 10 and June 12; Wave 6 refers to survey dates between June 24 and June 26; Wave 7 refers to survey dates between July 8 and July 10; Wave 8 refers to survey dates between July 21 and July 25.

### What does it mean for the consumer industry?

With every survey, it is observed that countries are experiencing fluctuating trends, indicating uncertainties and anxiety about the future. As long as there is no medical advancement, uncertainties will keep consumers wary of spending. The survey findings have implications for the hospitality and automotive sectors, retailers, and a host of other consumer-oriented businesses. A few trends (such as rising demand for online orders) are emerging and it is up to the industry to strategize to adapt to the new normal.

In India, the number of infections is sharply rising, suggesting that the return to normalcy may not be near. The economy is expected to contract this fiscal year. If the pandemic prolongs, stress on consumers will increase and their ability to spend will reduce. That said, the survey suggests that there is pent-up demand amongst consumers that aspire to spend more, despite higher anxiety. However, consumers will likely prioritise well-being, which will determine their consumption patterns and behaviour. There will be demand for goods sold online as local and regional lockdowns restrict mobility and people prefer staying at home. If the industry desires to convert this potential demand into actual demand and translate into revenues, suppliers of goods and services have to adapt to the new normal. They also need to improve consumer confidence by following the best safety practices.



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