

Impact of COVID-19 on price sensitivity in the consumer goods industry

Re-running research to compare consumer choices
in the U.S. and Europe pre- vs. during COVID-19

April 2020



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| Impact of COVID-19 on consumer price sensitivity

As experts in helping companies to optimize their pricing and revenue management strategies, we have received many questions around **changing price elasticities** and whether brands should **conduct pricing research now**.

Analyses of **previous crises**, combined with our deep understanding of **consumer decision behavior**, provides us with a unique perspective on these topics (skimgroup.com/covid). With our analytical roots, we also strongly believe in a data-driven approach to our recommendations.

This is the reason we recently re-ran pricing research to provide evidence to the [practical advice we offer for companies adapting pricing strategy](#) following COVID-19.

Here we share our findings and implications for brands.

Re-running pricing research to answer questions like:

- How/have price elasticities changed during COVID-19?
- Are consumers deciding differently now?
- How does price sensitivity vary across categories and countries?
- Should brands conduct pricing research now?

| About the pricing re-run studies

8



Re-run of 8 pricing studies across CPG / FMCG categories

87

Consumables & non-consumable brands



United States & European countries



n= 21,276



Original studies fielded: Dec 2019 - first week of March 2020
Re-run fielded: First 3 weeks of April 2020



Identical research set up ([SKIM Virtual Shelf](#)) conducted pre- and during COVID-19
+ few questions to gauge feelings of completing survey during the crisis



| Insights

Overall, consumer price sensitivity remains consistent across categories (pre-COVID-19 vs. now)

Deep dive:
Consumers are less sensitive to price changes in large packs and more sensitive to price changes in smaller ones.

-32%

Decline in sensitivity for brands dominant in larger packages.

Shoppers tend to keep to their brands

Assuming they are available on shelf

99%

Correlation between the base cases

There is a consistent shift to larger pack sizes across categories

13%

Relative growth of larger packages

| Implications

Our research shows some consistency with earlier results, as well as new trends coming back.

We can still consider using pricing research to inform long-term strategies.

While the results of this study suggest minimal changes to price sensitivity, we can't blindly say 'let's do research now.' The answer depends on many variables: as each country, each category and each retail outlet is different. The time frame in which you 'need' to make a decision is also an important element to consider. In any case, the shelf life of research is likely to be much shorter than usual, and we should continue to question results more than usual as the situation continues to change and evolve.

Arm yourself now for upcoming retailer negotiations

Relying on old consumer insights will create much uncertainty with your customers bracing for a recession. There is a need to renew your knowledge and understanding of the market dynamics.

Adopt an agile pricing research approach for long-term success

As consumers develop new purchase habits or revert to their "old" ones, it's important to keep a pulse on price sensitivity. Your research plans should include regular validation, multiple runs of identical studies and supplement primary research with external data sources

Questions?



Contact us to discuss what this means
for your category



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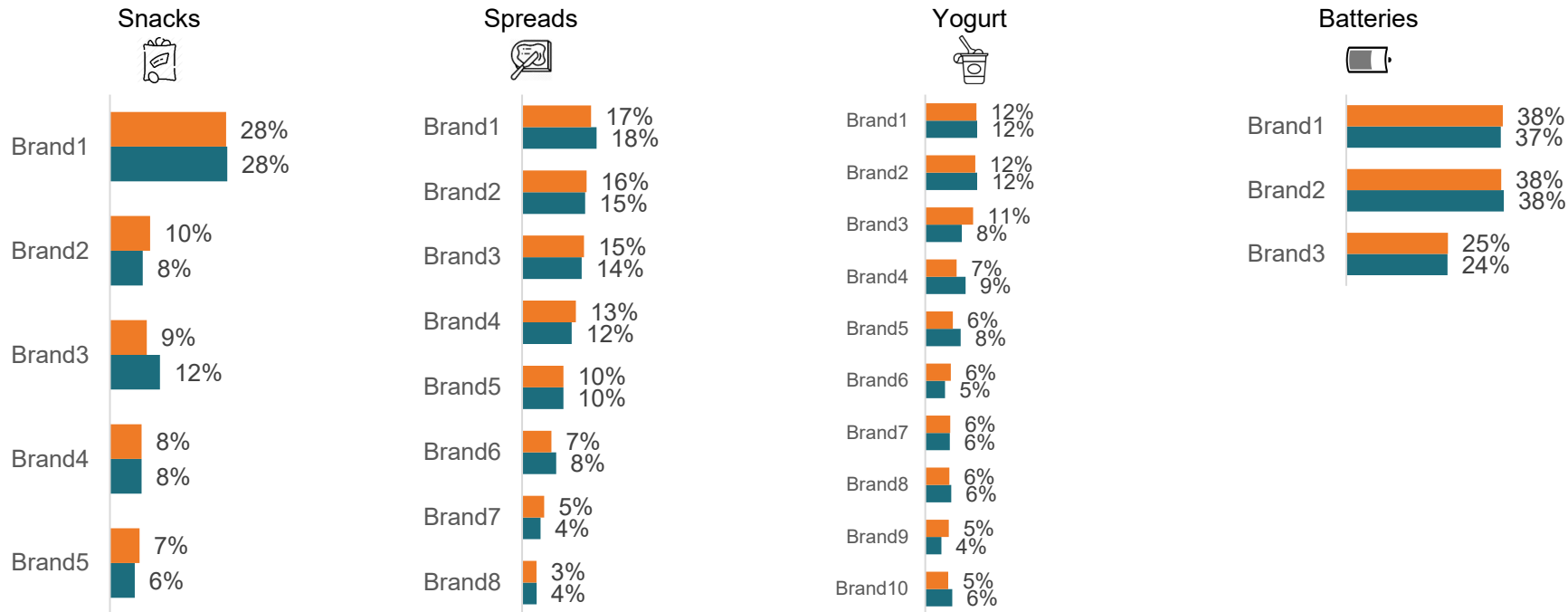
For more inspiration + more pricing tips

Visit our **COVID-19 and Decision Behavior Disruption** knowledge center for more content in this series, including **Pricing and NRM success strategies: Adapting after the crash**

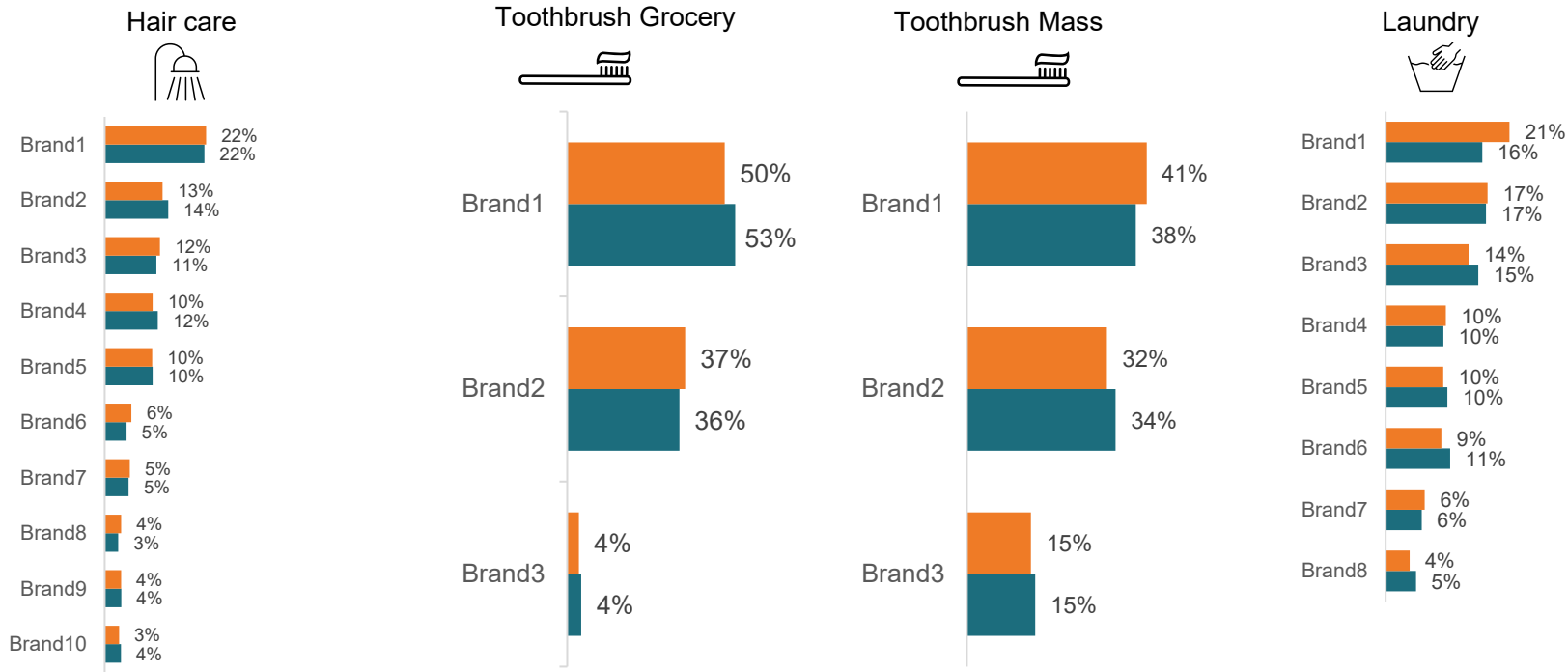
Appendix

- Detailed study results
- Additional COVID-19 questions
- About SKIM

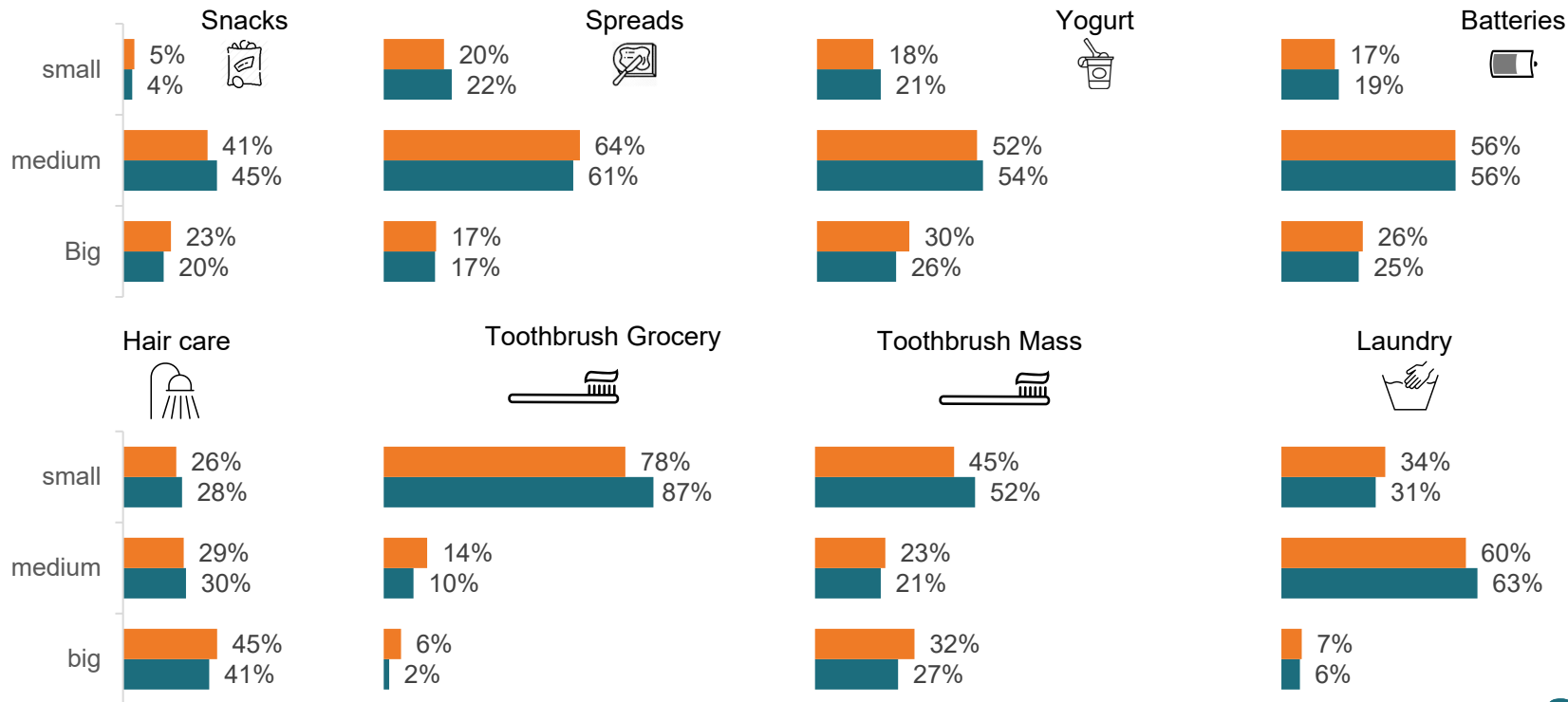
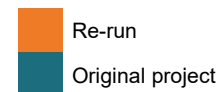
No major shift in brands bought in the base case scenario



No major shift in brands bought in the base case scenario



Across all categories and countries, we clearly see a trend towards big packages



| What is Price Elasticity?

$$\text{Price Elasticity (PE)} = \frac{\text{Relative change in share (\%)}}{\text{Relative change in price (\%)}}$$

A measure of price sensitivity, calculated by dividing the relative change in preference share by the relative change in price

For FMCG categories, price elasticity is generally negative:

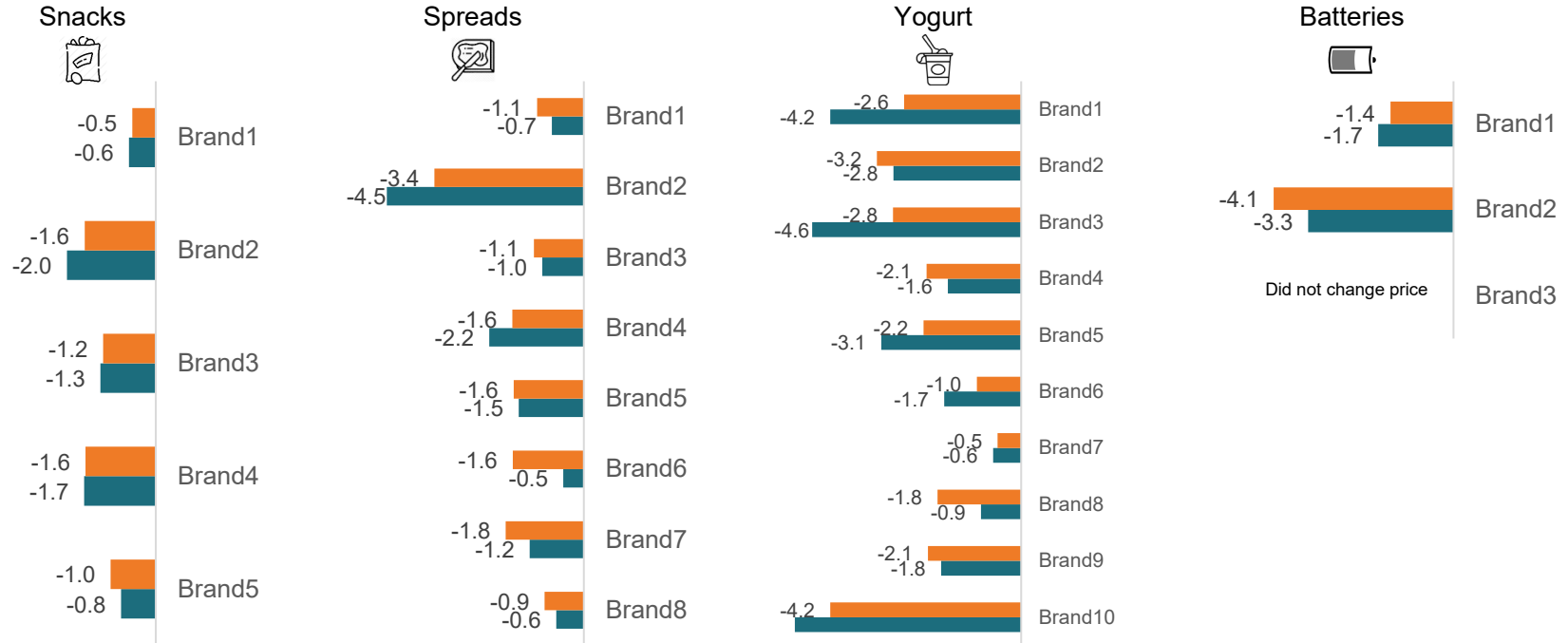


and vice versa:
when price decreases,
preference share increases

4 important scenarios to consider

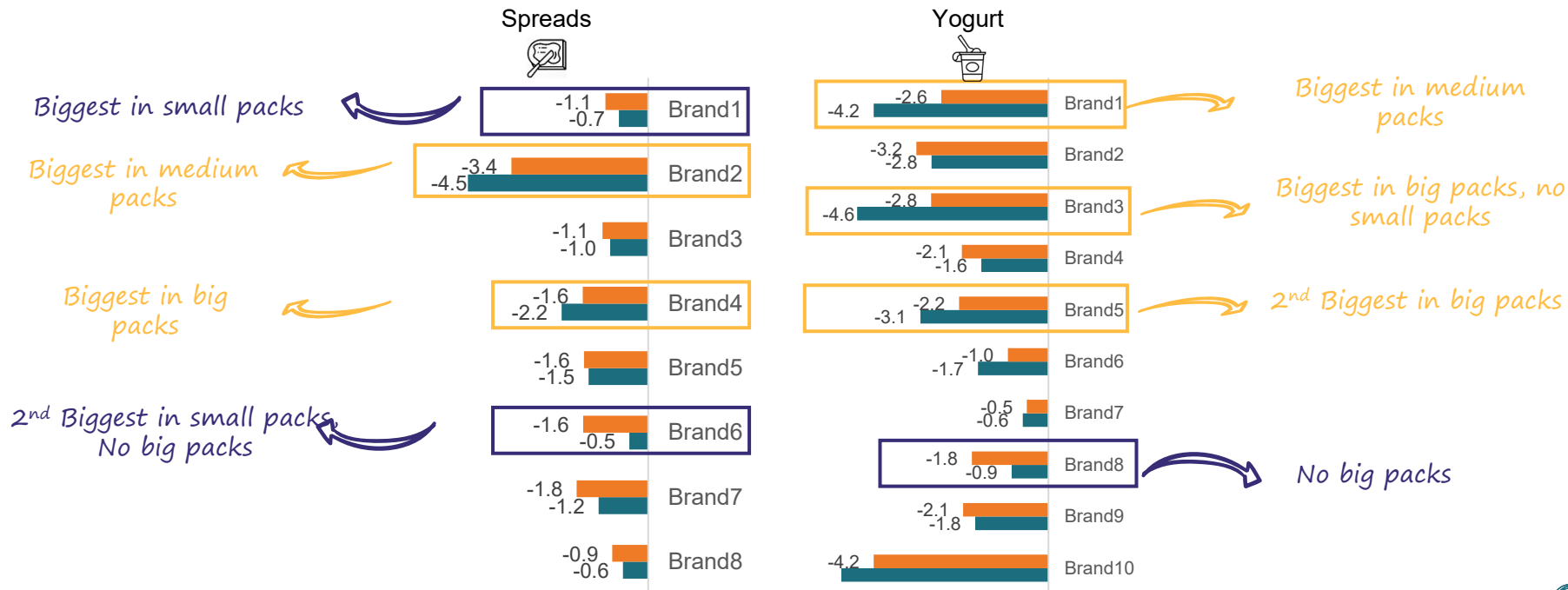
- **Price decrease & high price elasticity** ($PE < -1$)
Prices go down, and more than proportional share is gained, It is likely that the additional share compensates for the lower price per unit (i.e. revenue gain)
- **Price decrease & low price elasticity** ($-1 < PE < 0$)
Prices go down, and less than proportional share is gained – too little to compensate for the loss in price (i.e. revenue drop)
- **Price increase & high price elasticity** ($PE < -1$)
Prices go up, and more than proportional share is lost (i.e. revenue drop)
- **Price increase & low price elasticity** ($-1 < PE < 0$)
Prices go up, and less than proportional share is lost. It is likely that the price increase compensates for the loss in share (i.e. revenue gain)

When looking into the elasticities, most variation is in the consumable category, with limited differences at brand level



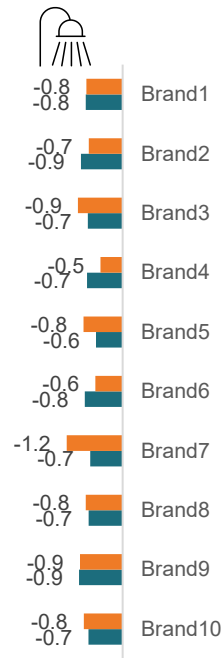
This can be explained by the fact that smaller packages became more elastic, bigger packs less

We ran multiple other splits, size is the 'only clear trend' that has been spotted

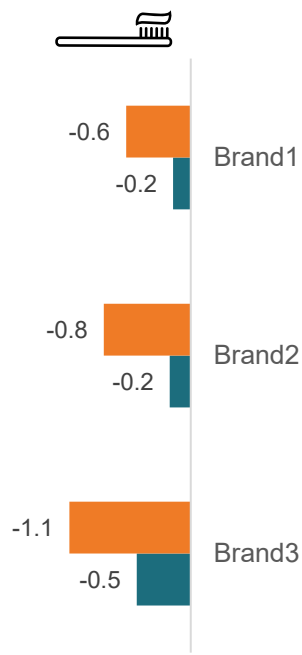


Brands in the toothbrush category (grocery channel) became more price elastic. Hair care remained similar

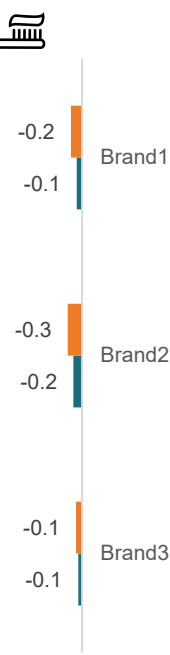
Hair care



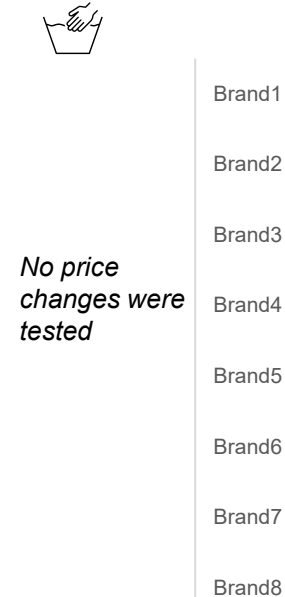
Toothbrush Grocery



Toothbrush Mass



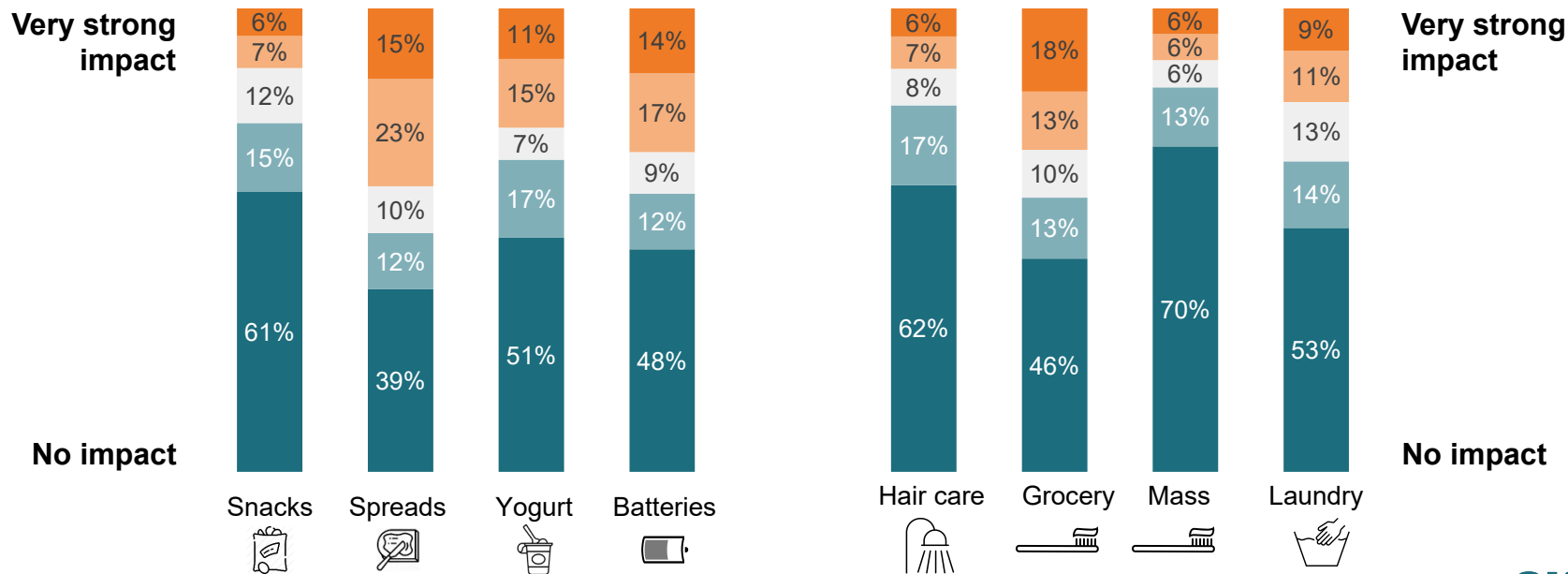
Laundry



No price changes were tested

Even though the majority state they are not impacted, ~30% answered differently due to the COVID-19 situation

To what extent do you feel that the current situation concerning the COVID-19 outbreak had an impact on the answers that you provided in this survey?



Consumers do not feel that their buying behavior of spreads has changed due to the health crisis

Spreads category

Most people do not think that COVID-19 has impacted much of how they do grocery shopping. They would not change the type of spreads they would buy, unless it is not available on the shelves, which can happen in the current situation.

Some say they are looking for the best deals and lower prices more than before, since they are more careful with spending.

Moreover, some state that they would buy larger packs to avoid going out for groceries as often.

Lastly, some respondents say they changed their behavior towards healthier choices and vegan spreads seem to fit the purpose.

“

“Have to be a bit more considerate with money right now. But it also makes me even more likely to use plant-based as it keeps for longer than butter does.”

“I go to the store less but buy the same products as long as they are available”

“I would buy larger quantity to last longer to save me going out shopping more often”

“Whilst the current situation has made me slightly more careful about my groceries spending, I have always looked to buy the best value spread although I am prepared slightly more for a top branded product.”

Consumers do not feel that their buying behavior regarding snacks has changed due to the health crisis

Snacks category

Very few said that COVID-19 impacted their responses about their crisps preferences in the survey.

Most say that they are keeping on with their lives and it doesn't affect what they eat unless it is out of stock; their tastes, flavor preferences, opinions about the brands haven't changed.

Their shopping habits haven't changed a lot either, only the frequency of shopping has changed.

A few people mentioned that with uncertainty surrounding the economy, they might focus more on the cheaper options. In addition, most of the respondents said that they based their choices on a usual situation (before or after the pandemic).



'I was just virtual shopping, if it had been a real exercise then all the shelves would be empty, and I wouldn't have been able to buy anything!'

'I concentrated on what was being asked - it was about snacks and not what everyone is talking about - made a refreshing change.'

'It hasn't affected what flavours I like.'

'because it was more about my choice out of a given selection.'

'I do not see why the virus would impact my thoughts on this great new product. It still looks tasty!'

'snacks are needed at any time.. and especially at this time we all deserve a treat.'

Consumers do not feel that their buying behavior regarding batteries has changed due to the health crisis

Batteries category

Respondents do not really feel that the COVID-19 crisis has had an impact of their answers: in fact, they can still buy the things they need and nothing about their behavior on batteries purchases has changed. Some say that the only thing that changed is that, if they needed to buy batteries during the crisis, they bought more than they would have normally, but their choice of brands hasn't been affected.

Some others also underline the fact that batteries are not something you buy often during the year. So they bought them long before the COVID-19 crisis and still have them in stock.

Fewer people say they use more batteries since they are staying more at home (appliances, kids games etc..).



'I did not need to buy batteries during the health crisis because I have a stock at home'

'Coronavirus has no impact on my choice of batteries'

'I would tend to do a little piles of stock for all devices that need batteries'

'I have always needed batteries and the current situation does not change my purchase and my frequency'

'Before containment, I bought the same, but I admit I bought a little more to be ahead and to find myself stranded.'

Based on OE, studies on prices, innovations, size and healthier products might be impacted during confinement.

60% experienced no impact from the COVID-19 outbreak

- Some mentioned it did not change their eating habits
- The situation did not change their preference and taste
- They did not consider the COVID-19 situation when answering the questionnaire

"I have not changed my breakfast habits."

"No impact with respect to my answers because I put myself in situation of no coronavirus and the choices I could do after the outbreak to buy these Yogurts"

30% experienced small to big impact

- They are worried stock will run out and are therefore less price sensitive towards products
- They lost their job and therefore pay more attention to their spending budget
- They rush the shopping experience to avoid social contact. Therefore, they grab the basics and stick to known products. Their appetite for new products has decreased
- Some mentioned they pay more attention to a healthier diet, now that they are confined. Some also said they have more time for meals
- Some also mentioned they purchase larger volumes, now that they are making fewer shopping trips

"I do not have the same desires and the same budget right now than normal"

"I purchased more products in small quantities or use products such as Yogurts to cereals with lots of packaging. I prefer buying products that last longer, that are a larger format, such as large cheese pots example"

Consumers do feel that their buying behavior regarding laundry detergent has changed due to the health crisis

Laundry detergent category

About half of people do think that COVID-19 has impacted the way they buy laundry detergent. 20% of people think that COVID-19 has significantly impacted their shopping decisions regarding laundry detergent.

Some people are more cautious about price as COVID-19 might affect people financially, leading to a more limited budget in shopping.

Moreover, some state that they would buy larger packs to reduce the number of times they have to go shopping in store.

Fewer people mentioned they buy more detergents they are cleaning their clothes more often.

Lastly, some respondents say their behavior towards products with anti-bacterial effects has changed

“I want a laundry soap that I know will be effective in killing germs & sanitizing my clothes, without added chemicals & fragrance.”

“I usually buy the bigger bottles of detergent so i don't have to shop as often.”

“Normally I would shop a different brand if I had coupons for it, this time I was looking for a less expensive brand with my husband being out of work because of the covid we need to save where we can.”

“I had to purchase more laundry detergent due to the pandemic. Every time my family or I go out, we always wash our clothes immediately to prevent us from contracting or carrying COVID-19.

“I tend to look for laundry detergent that have anti-bacterial effects these days due to the paranoia of having the virus on my clothes.”

“I am much more price conscious”

“Money is a big concern and I have to look for the best deal on my favorite detergent.”

“I am looking at price of items more than ever and getting a better option or “more” for my money..”

“sterilizer”

“I find myself cleaning more and doing laundry more.”

“Product availability in stores due to people stock piling due to corona.”



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Consumers do not feel that their buying behavior regarding shampoo has changed due to the health crisis

Shampoo category

A majority of people do not think that COVID-19 has impacted the way they buy shampoo. 13% of people think that COVID-19 has significantly impacted their shopping decision regarding shampoo.

About 13% of people claim they would buy larger packs or buy in bulk to reduce the number of times they need to go shopping in store.

Moreover, about 6% of people claim that they would select a cheaper product for financial reasons. However, people would most likely still choose a trusted brand.

As some products might be hard to get at this point, some people are forced to switch to new brand.

Lastly, some mentioned that they would stick with their current products and brand as they cannot go to the store and try out new ones.



"I chose cheaper products because I'm not spending a lot on shampoo and conditioner right now with the COVID 19 and economic uncertainty it's caused.."

"I will be purchasing the cheaper option moving forward, and prioritizing price per ounce."

"TRYING TO SAVE MONEY BUT GET SOMETHING FOR EVERYONE HAIR TYPE"

"I am now trying to buy in bulk or buying products available in bigger size, so I don't have to go to the stores as often."

"I have been laid off temporarily. Even though there are specific brands I prefer to buy, at this time, I would probably have to purchase lower cost but at the same time a brand I trust."

"Buying necessity vs likes.."

"I wouldn't spend time looking for new products. I would grab what I've used in the past to spend less time in the store."

"I have not bought my usual shampoos & conditioners in the last 3 months. I usually buy higher-end brands that aren't that easy to get now."



In Grocery, about half of consumers feel that their buying behavior regarding toothbrushes has changed due to the health crisis

Toothbrush category (Grocery channel)

Most (53%) people think that COVID-19 has impacted the way they buy toothbrushes to some extent. Only 11% of people think that COVID-19 has significantly impacted their shopping decisions regarding to toothbrush though.

About 6% of people claims that they would buy in bulk to reduce the number of times they have to go shopping in store.

Moreover, respondents state that as they are paying more attentions to personal health and cleanliness, they are also changing toothbrush more often, thus leading to buying more.

Some people who indicated that COVID-19 has impacted their shopping behavior also claim that they are more price conscious.

“

“I cannot go out to the grocery store as much due to COVID-19, so I often bought multiple different toothbrushes to "stockpile" when I would almost always just make one purchase in a normal situation.

“Consider number of product in package and price

“I am buying less so I went with cheaper products.

“We are changing our toothbrushes more frequently, pay attention to every aspect of avoiding germs/cleanliness. The survey was a reminder to buy more toothbrushes!.”

”

In Mass, this percentage is a bit lower, as consumers do not feel their buying behavior regarding toothbrushes has changed much

Toothbrush category (Mass channel)

In the Mass channel, less than half of respondents think that COVID-19 has impacted the way they buy toothbrushes. With 12% of people thinking that COVID-19 has significantly impacted their shopping decisions regarding toothbrushes.

About 23% of people claim that they would buy in larger packages to reduce the trips to stores.

Moreover, some people would possibly try out new products as toothbrushes play a key role in oral care and cleanliness.

Lastly, another reason they are stocking up on toothbrushes up is that they are afraid of that there might be limited stock of toothbrushes in the near future.

“

“I have more downtime to really focus on the quality of toothbrushes I purchase vs. any run of the mill, get the job done type.”

“Looking for cheaper things than before.”

“I am buying in bulk more often.”

“I am more careful in what I choose for oral care.”

“Now that we are under restrictions, I'm more likely to buy more toothbrushes because customers aren't just hoarding toilet paper. They're hoarding so much more! Thanks for asking. 😊”

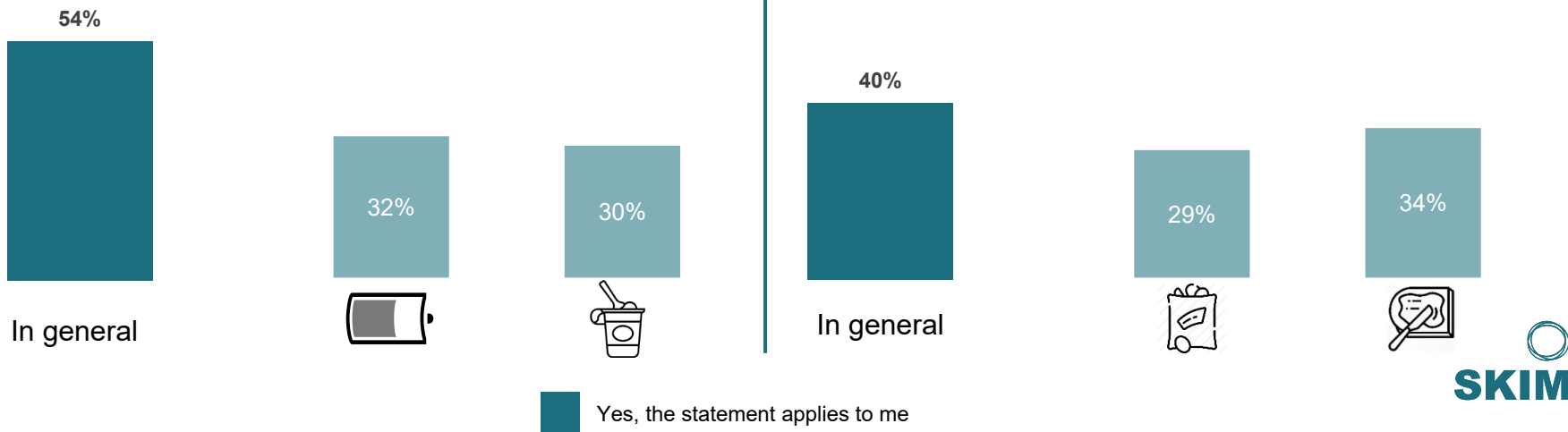
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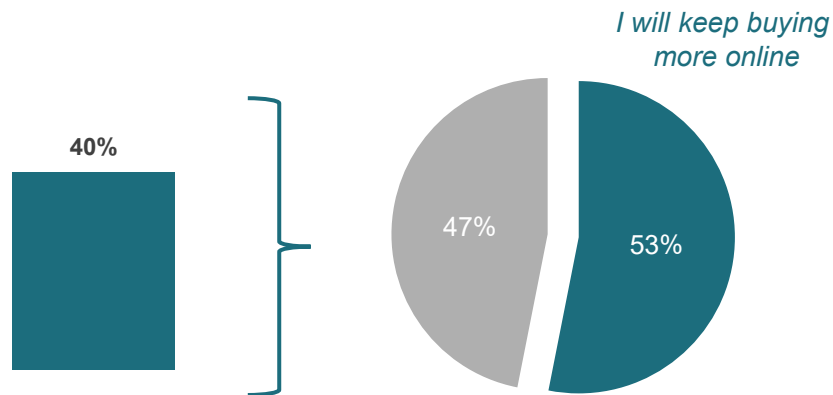
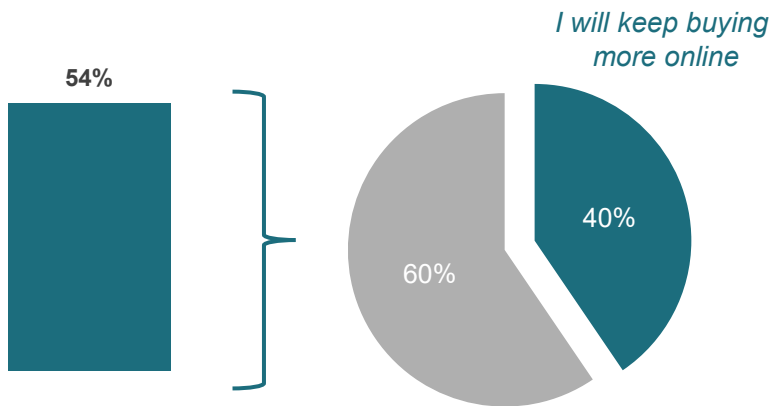
As expected, the COVID-19 outbreak led to more online shopping

*The current situation concerning the COVID-19 outbreak, have led to an accelerated shift from shopping in physical stores to online shopping.
And specifically for this product, does this statement apply to you?*



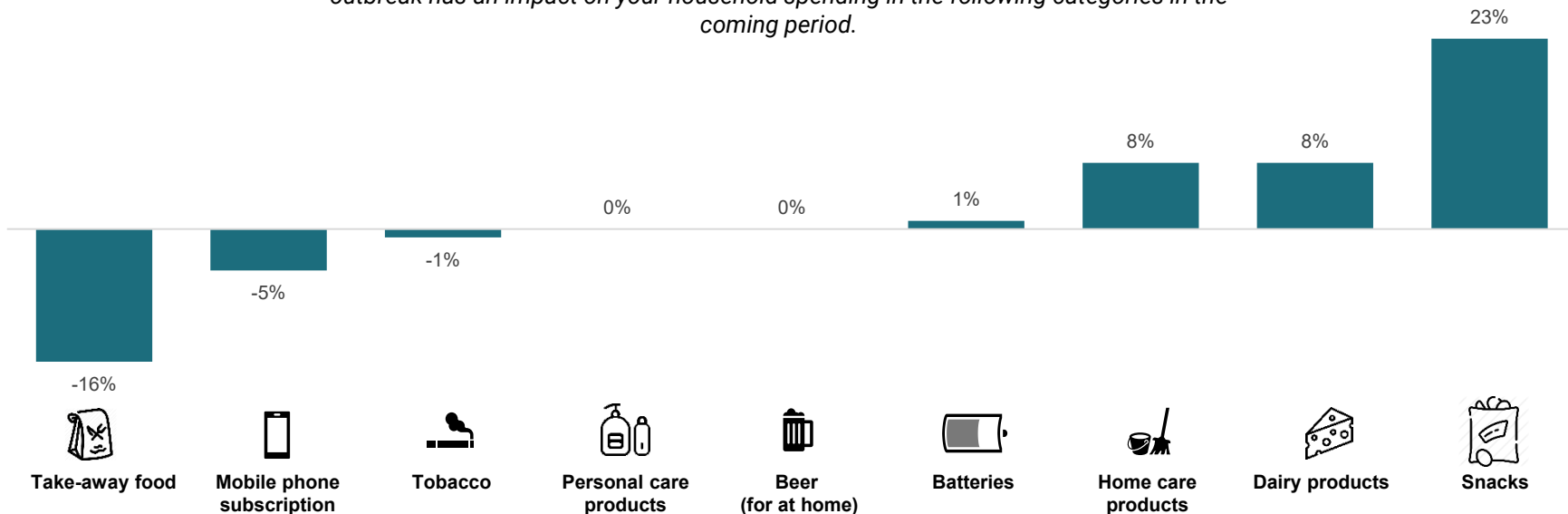
About half will continue to buy more online when everything is “back to normal”

Please imagine when the COVID-19 situation is over and everything is "back to normal", which statement do you think is most applicable to you?



Snack, dairy and home care product will be bought more often

To what extent do you expect that the current situation concerning the COVID-19 outbreak has an impact on your household spending in the following categories in the coming period.



About SKIM

SKIM is a global insights agency helping leading companies thrive by understanding decision-making. To stay ahead in today's environment, it's critical to know how decisions are made and how the changing environment influences decisions for consumers, healthcare and B2B professionals.

To understand how decision-making has changed (and how it hasn't!), we adapt sophisticated research techniques and develop new innovations to address this new reality. *The result?* Practical brand communications, revenue management, product innovation, e-Commerce, and advanced analytics recommendations you can use to propel your business forward, both online and offline.

What sets SKIM apart is our decision behavior expertise + deep analytical and choice-modeling roots + a thorough understanding of the marketing challenges brands face. This unique combination, along with our creative thinking, is the reason why strategy consultants and leading companies, from Fortune 500 to digital disruptors, have continued to partner with us for decades.

With 9 offices around the world and 150+ enthusiastic SKIMmers ready to help crack your business case today, *how can we team up with you today?*

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decision
behavior
experts

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