

Understand consumer choices in times of uncertainty COVID-19

Latam Thermometer | March 18th, 2020



The novel Coronavirus (COVID-19) arrived in Latin America through Brazil on February 25, and has since reached 90% of the countries in the region. It is quickly spreading and leading to extreme measures such as quarantines, closed borders, and governmental policies to help the economy.

Since its main impacts on the region in terms of consumption started to happen last week, for now, comparable cases help us understand how FMCG will be affected by the epidemic in Latam. In what follows, we look into the current COVID-19 impacts on other regions, how it will probably affect Latam, and how the region responded to H1N1 back in 2009.

How has FMCG already been affected during the current COVID-19 outbreak elsewhere?

Through the COVID-19 outbreak in China, we observe growth for cleaning and personal care categories, thanks to new health-related habits. Foods also grow because of people's increased consumption at home. Categories such as disinfectants, for example, achieved triple-digit growth in the last weeks, and Snacks have also grown.

In countries like the UK and Ireland, hand wash products, including sanitizers, grew by 15% in the last 12 weeks to February 23rd. In Thailand, the population is avoiding going out and crowded areas, resulting in a 4% decline in shopping trips for groceries (January 2020 vs. December 2019), and a 43% increase in online grocery shopping transactions (January 2020 vs. January 2019). A reduction of frequency but an increase in volume per shopping trip has also been perceived in Portugal since late January.

In the long term, the risk for FMCG consumption lies in the possibility of a recession due to unprecedented pandemic effects. For reference, according to Google News, so far the COVID outbreak has been mentioned 30x more times in the media than SARS back in 2003, or 100x more than Ebola in 2014. In such a severe crisis, despite a short-term boom as consumers try to secure supplies, FMCG spending could be negatively affected if the economy does not recover along 2020.

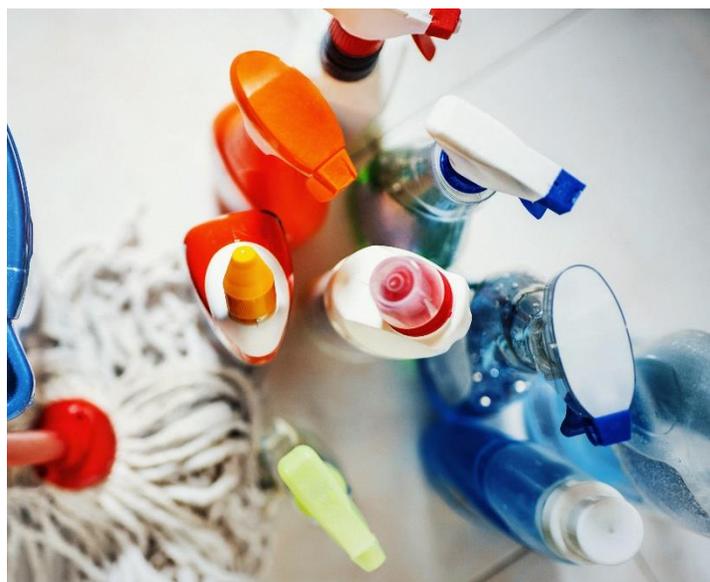
How will the COVID-19 outbreak impact FMCG consumption in Latam?

As in other regions, increased health concerns will boost demand for hygiene-related products: Toilet Paper, Paper Towels, Cleaners, Facial Tissue, Disinfectants, Detergent, Wipes, and Surface Care are all products that could benefit from it. If this short-term shift permanently changes consumers' preference, the epidemic could reverse the downward trend in categories such as Cleaning Accessories and Surface Care, which have been losing penetration in Latin America in the last years. Or even help others that have low/medium penetration – such as Facial Tissue and Paper Towels – reach more customers.

Also, because of quarantines, consumers will try to “stock up”, aiming to guarantee their needs for a longer period, resulting in an increase in spending on FMCG products during the early days of the outbreak. In such a scenario, essential Food and Beverages items will likely benefit, as they respond to consumers' basic needs (Bread, Water, Snacks).

In channels, we can expect a loss in frequency as fewer shopping trips are made. Also, beyond the increased convenience of proximity channels for consumers trying to avoid leaving their vicinity, in countries where Cash and Carry is already established, it could be an option for stock-up purchase missions, as consumers try to save buying larger quantities of Food and Paper items, for example. E-commerce, even if still small in Latam, is the fastest-growing channel, and could benefit both from a higher frequency of its current users and from reaching new customers, as people avoid going out to shop.

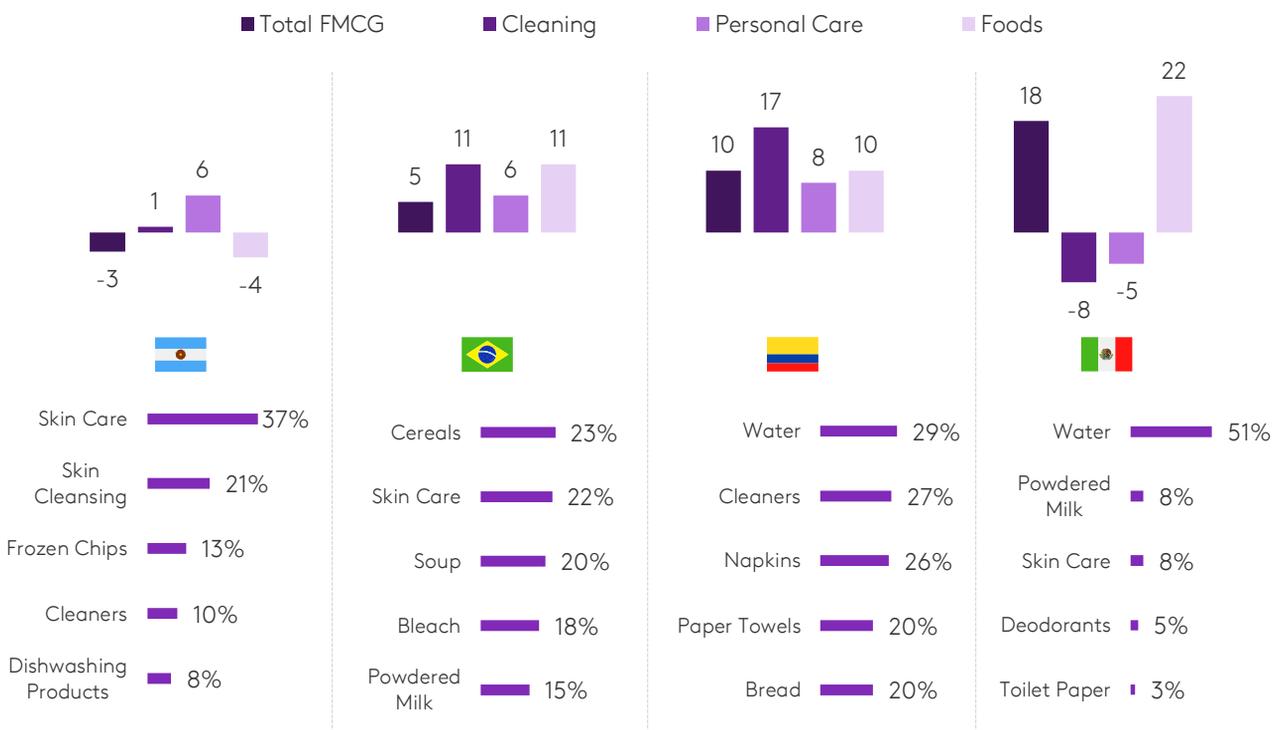
As for FMCG consumption in the remainder of 2020, it will all depend on the seriousness of the crisis provoked by the epidemic in Latam, but institutions such as the OECD have already revised downward the regions' GDP forecast for 2020, and FMCG is likely to suffer as a result. As the epidemic is evolving extremely fast, new revisions will probably be made in the next weeks.



What happened with consumption during the H1N1 outbreak in 2009?

Back in 2009, we had another Pandemic. H1N1 had minor effects compared to the current COVID-19 outbreak, which is evolving 70% faster. But consumers' reactions back then led to an increase in FMCG purchases, especially during the peak (May-Jul 09). The baskets driving growth were Foods, Personal Care and Cleaning products, as people stayed more at home. There was a concern to maintain their supplies and increased their hygiene habits. Most channels lost frequency with an increase in volume per trip in proximity channels, but in C&C as well in some countries, as consumers sought to stock up their needs (especially for Foods).

2009 vs. 2008 (Basket volume change)*
 *Except BR All data May/09 vs. Previous month



May-July 09 vs. 08 (Category volume change)

Kantar Thermometer will keep measuring

Kantar will be following up closely the impact of the pandemic on Latin American consumers and their choices for the next weeks. As the situation rapidly evolves, we will release updated thermometers over the latest impacts on purchase and behaviour. Also, follow our local thermometer for more information about your country.

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