Dentsu Navigator: COVID-19 Recovery

Wave 32
July 2022
In the third year of the pandemic, our lives continue to be impacted by the COVID-19 pandemic – and likely will continue to be for the foreseeable future.

Since March 2020, dentsu has fielded a monthly US consumer survey, the results of which are packaged into our dentsu Navigator: COVID-19 Recovery reports.

This report is the twenty-seventh iteration. You can read previous waves on dentsu.com.

Survey Methodology

- Administered through online research panel, Toluna
- Fielded on July 14th 2022
- Random sample of 1,000 US respondents
- Age 18-70 years old
- Representative weighting across gender, age and race/ethnicity (using latest publicly available US Census numbers)
WHERE WE’VE BEEN: THE PAST FOUR WAVES

APRIL

Ready to Move on, Yet Remaining Wary

Consumers continue to express optimism heading into summer – they feel the pandemic is getting better or under control and increasingly comfortable with public activities. However, cases in the US have grown in recent weeks and wariness remains. We see financial pressure hit a threshold – with budget-consciousness becoming a ‘new normal’. Many Americans plan to swap typical purchases for lower-cost alternatives.

MAY

Little to No Shift in Consumer Sentiment

Consumer optimism is holding steady. There has been minimal shifts in consumer sentiment over the past month. However, that also means wariness remains – a sizeable share of consumers continue to be concerned about health risks. At the same time, there is an eagerness to resume public activities such as travel and going to the gym. What may prove a bigger damper on consumer spirits and activity than COVID is increasing financial stress due to inflation.

JUNE

Financial Concerns Take Over

Consumer optimism towards the pandemic is holding steady, as far as health risks, future variants and the overall trajectory of the pandemic are concerned. However, recent concerns over the impact of the pandemic on the U.S. economy, combined with other factors, have grown substantially, with 7 out of 10 Americans saying they are very or extremely concerned for the economy, planning to be more budget conscious and scale back discretionary purchases.

JULY

Pandemic Indifference

As COVID cases climb in the US, some consumers remain wary, but many others express growing indifference. While our survey finds people once again feel the pandemic is headed in the wrong direction, they are no more concerned for their health or future variants that months prior – in fact, concern continues to decrease. This proves what we’re seeing anecdotally: As COVID has transitioned from an acute emergency and gov’t restrictions have evaporated, many individuals are simply ‘over’ COVID.
Stages of Consumer Crisis Response: Slowly & Cautiously Moving Forwards

While consumer progress through the Stages of Crisis Response has once again become more linear, further data in this report indicates that they continue to be wary. Despite 24% of respondents identifying as in ‘Post-COVID Life’, 3 in 10 continue to identify as in either ‘Coming to Grips’ or ‘Initial Shock’, with an increase among consumers ‘living the new normal’.

<table>
<thead>
<tr>
<th>Asking Consumers To Self-identify With The Stages Of Crisis Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>INITIAL SHOCK</td>
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<tr>
<td>----------------</td>
</tr>
<tr>
<td><strong>WAVE 29</strong></td>
</tr>
<tr>
<td>APRIL</td>
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<tr>
<td><strong>WAVE 30</strong></td>
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<tr>
<td>MAY</td>
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<tr>
<td><strong>WAVE 31</strong></td>
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<tr>
<td>JUNE</td>
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<tr>
<td><strong>WAVE 32</strong></td>
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<tr>
<td>JULY</td>
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</table>

Q: When it comes to a public health crisis such as the COVID-19 outbreak, there are often “phases” of how the response unfolds. Thinking about how the outbreak has impacted you and your daily life, which of the following phases do you feel like best applies to your current situation?
Consumers’ optimism about the TRAJECTORY of the pandemic is decreasing

A majority of consumers – 62% - continue to feel the pandemic is heading in the right direction. However, the rise of COVID-19 cases is leading more consumers to feel pessimistic than in the last three months.

Q: Which of the following statements best describes how you feel about the trajectory of the pandemic in the US?

- It is over
- It is under-control
- It is getting better
- It is getting worse
- It is out of control

62% feel optimistic - 38% feel pessimistic

- 8 points since JUNE
Concern for the HEALTH risks of the pandemic is decreasing slightly

44% of Americans are concerned, the lowest number in over a year. The slow but steady decline is occurring despite an increase in cases, indicating that consumers are less concerned about the health implications of catching COVID than they were earlier in the pandemic.

Q: How concerned are you about the risks of the pandemic to your health?

56% Not/Somewhat concerned
+3 point since JUNE
44% Very/Extremely concerned
Little to no change to concern for FUTURE VARIANTS

While consumers are less concerned than they were in the beginning of the year, there has been minimal change since May. Those ‘very’ or ‘extremely’ concerned did increase by 2 percentage points, but overall sentiment has not shifted significantly.
Consumers’ COMFORT IN PUBLIC has stabilized for the summer

Consumer comfort does appear to have a seasonal trend and to have stabilized for summer 2022. We’ll look to see if comfort levels remain strong as the latest COVID wave grows.

### Consumer Comfort or Discomfort Going Out In Public

<table>
<thead>
<tr>
<th>Month</th>
<th>Comfortable</th>
<th>Uncomfortable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. '21</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>March</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>April</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>June</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td>August</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>Oct.</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>Nov.</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>Jan. '22</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>Feb.</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>Mar.</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Apr.</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>May</td>
<td>74%</td>
<td>26%</td>
</tr>
<tr>
<td>Jun.</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>Jul.</td>
<td>70%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Q. In the context of COVID-19, how comfortable are you currently going out in public?
Minimal changes to consumer participation in or sentiment of specific activities, though travel has seen a collective decline in participation

Q. In the context of COVID-19, how comfortable are you currently doing the following activities?

### Consumer Comfort Doing Specific Activities

*Among those that participate in said activities*

<table>
<thead>
<tr>
<th>Activity</th>
<th>% I do this and feel fine</th>
<th>% I do this but feel uncomfortable</th>
<th>% I do not do this because I feel uncomfortable</th>
<th>% that are participating, either fine or uncomfortable</th>
<th>% change MoM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery shopping</td>
<td>65%</td>
<td>25%</td>
<td>10%</td>
<td>90%</td>
<td></td>
</tr>
<tr>
<td>Health/Medical-related appointments</td>
<td>60%</td>
<td>29%</td>
<td>11%</td>
<td>89%</td>
<td></td>
</tr>
<tr>
<td>Non-grocery shopping</td>
<td>60%</td>
<td>28%</td>
<td>12%</td>
<td>88%</td>
<td></td>
</tr>
<tr>
<td>Working at my office/place of work</td>
<td>57%</td>
<td>25%</td>
<td>18%</td>
<td>82%</td>
<td></td>
</tr>
<tr>
<td>Entertaining guests at home</td>
<td>61%</td>
<td>18%</td>
<td>21%</td>
<td>79%</td>
<td></td>
</tr>
<tr>
<td>Dining indoors at a restaurant</td>
<td>56%</td>
<td>24%</td>
<td>21%</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>Staying overnight at a hotel</td>
<td>57%</td>
<td>23%</td>
<td>20%</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>Domestic travel</td>
<td>49%</td>
<td>27%</td>
<td>24%</td>
<td>76%</td>
<td>-3</td>
</tr>
<tr>
<td>Exercising at a gym</td>
<td>47%</td>
<td>21%</td>
<td>32%</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>Attending an indoor party</td>
<td>50%</td>
<td>23%</td>
<td>27%</td>
<td>73%</td>
<td></td>
</tr>
<tr>
<td>Going to a bar</td>
<td>48%</td>
<td>20%</td>
<td>32%</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>Attending live events</td>
<td>46%</td>
<td>22%</td>
<td>34%</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>International travel</td>
<td>34%</td>
<td>20%</td>
<td>46%</td>
<td>54%</td>
<td>-3</td>
</tr>
</tbody>
</table>
Concern for risk to the US ECONOMY remains high

Last month, concern over the U.S. economy grew back from 63% to 69% - not surprising given the talk of a possible recession on the news and the continued backlash of the pandemic and the supply chain crisis. This month, concern has decreased; however, it remains quite high overall.

Concern About Risks the Pandemic Poses to the US ECONOMY

Q: How concerned are you about the risks of the pandemic to the US economy?
When it comes to personal finances, consumers’ worries remain high

Both American’s consciousness towards their budgets and outlook on their financial situation have changed little, if at all, from when we surveyed in June. Sentiment clearly reflects stress from rising inflation, hiked interest rates and the threat of a recession.

Q1. In the past month, do you find yourself being more or less budget conscious when shopping than in previous months? Q2. Which of the following best describes how you expect your personal financial situation to change over the next month?
Most consumers expect to reduce discretionary spending and many will “trade-down”

Consumer habits are holding steady into July. We see fewer consumers plan to reduce spending on essentials vs. discretionary purchases; however, almost 3 in 5 are likely to switch to lower-priced alternatives and that will likely impact essential purchases.

Q: How likely are you to do the following over the next few weeks?

- Household Essentials
  - April: 42%
  - May: 44%
  - June: 48%
  - July: 45%

- Discretionary Purchases
  - April: 58%
  - May: 63%
  - June: 70%
  - July: 68%

- Purchase brands that offer more value
  - April: 67%
  - May: 68%
  - June: 73%
  - July: 71%

- Switch to lower-priced versions of regularly purchased products
  - April: 49%
  - May: 54%
  - June: 59%
  - July: 58%
Consumers are likely to keep scaling back purchases across all categories

Inflation and other economic concerns continue to drive consumers to reduce spending across categories – there have been minimal changes in intent towards spending on specific categories since June.

Categories Consumers Plan to Reduce Spending On

Q: Which of the following specific categories are you likely to scale back on over the next month? Please select all that apply.

Dining out 64% 63%
Luxury goods 59% 59%
Fashion/clothing 58% 58%
Entertainment 58% 58%
Travel 53% 51%
Beauty/grooming 53% 51%
Households repairs/upgrades 38% 38%
Groceries 38% 38%
Exercise/wellness 36% 32%
Household necessities 28% 25%
None of the above 6% 7%
Implications for Marketers

Re-evaluate media and marketing activations to align with consumer activity levels.

Now into the third year of the pandemic, it’s clear consumer comfort and activity levels tend to increase in warmer months. This summer, consumer appear particularly eager to resume special gatherings such as attending parties and live events, engaging in domestic travel and staying in hotels. Consumers have also picked up regular routines such as working or eating out, while the warm weather is discouraging them from taking risks at the gym. Marketers should evaluate their media spend to more heavily invest in out of home and “on-the-go” formats. And, if appropriate, welcome consumers back into public life with in-person activations.

Remain agile as consumers remain wary.

For consumers, the risks of the pandemic continue to be more variable and personal than ever before. While there is greater consensus and optimism that the pandemic is headed in the right directions, around half or more of consumers remain concerned about health risks and future variants. Brands should support consumers in whatever stage they're at and be ready to pivot communications and activations as needed.

Prepare for consumers to make trade-offs while purchasing across a number of categories.

We are seeing consumers’ sense of financial strain accelerate as a larger swath of the population reckon with inflation and its ramifications. This will influence consumers’ purchasing decisions across essential and, especially, discretionary items. While they are less likely to reduce purchases of household essentials, our survey finds consumers are increasingly likely to reduce spending on dining out, entertainment, luxury goods and apparel. Brands can help make these decisions easier by positioning their products in the context of value – either something “more bang for buck” or something priceless and worth spending money on.
Thank you

About dentsu

Part of dentsu, dentsu international helps clients to win, keep and grow their best customers and achieve meaningful progress for their businesses. With best-in-class services and solutions in media, CXM, and creative, dentsu international operates in over 145 markets worldwide with more than 45,000 dedicated specialists.

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