

WHITE PAPER

By Renee Lindquist,
Data Scientist,
Appriss Retail

Keely White,
Data Scientist,
Appriss Retail

Dr. Adi Raz, DBA,
Vice President Data Sciences
and Operations
Appriss Retail

The initial COVID-19 shutdowns followed by stay-at-home recommendations dramatically changed consumer purchases. This white paper shows what categories were winners and losers in key retail segments.

The Impact of COVID-19 on Key US Retail Segments

Introduction

The impact of COVID-19 can be seen in every facet of society. Not only did people's day-to-day lifestyle have to change, but companies have also been forced to adapt to survive in this new normal. The retail sector has been hit particularly hard during this time and their challenge is twofold. First, although cities are in various stages of reopening, the consensus remains that it is best to stay home when possible and avoid unnecessary trips. Second, millions of people were either laid off or furloughed since March 2020 and have had to make tough decisions about where to spend their money. This paper aims to look at the latter issue and investigate trends about what people are buying and not buying during this turbulent time.

Through the COVID-19 pandemic, record high increases in unemployment, and a looming recession, many retailers have seen immense losses in sales. In the months of March to July of 2020, the retailers reviewed in this study saw an average 16.8% decrease in year-over-year sales. While news of meat shortages and panic buying of paper products made major headlines, there have been other shifts in consumer spending that has largely been overlooked.

In this article the Appriss Retail Data Science team is using anonymized data from eight multi-channel US retailers to identify the sales trends of key retail segments, from pre-COVID time through October 2020. We intend to analyze and publish multiple articles as the Coronavirus pandemic evolves, with this piece being the fourth in our series.

Methodology

Appriss Retail used the anonymized point-of-sale (POS) data from eight multichannel US retailers that continued service throughout the pandemic either through in-person shopping at physical stores or through online purchases. Sales were grouped into phases to account for shoppers switching their shopping frequency with the closures of brick-and-mortar stores. Therefore, instead of just defining only two analysis periods, pre-lockdown and post-lockdown, this analysis uses six three-week periods to clearly separate different phases of the beginning of the pandemic. The first few phases are clearly defined as states began rolling out stay-at-home orders one after another.

After initial stay-at-home orders ended, states varied on the timing and execution of the reopening of stores, gyms, and other services; therefore, longer term trends into October were calculated monthly. These phases of lockdown and reopening were established to better evaluate whether changes in the sales of certain items represent just a passing trend or a sustained change.

These phases are defined in the table on the following page.

Table 1: Defined Phases Referenced Throughout¹

Phase 1: February 28 - March 19	Represents the beginning of the coronavirus pandemic. COVID cases and deaths were on the rise internationally, but its impact was not yet felt in the US. The World Health Organization officially declared COVID-19 a pandemic on March 11, but states did not start issuing shelter-in-place orders for almost another two weeks. Reports of panic buying ensued in some parts of the country; items such as paper towels, toilet paper, and immune supplements became extremely hard to find.
Phase 2: March 20 - April 9	Represents the transition to shelter-in-place for many Americans. On March 19, California was the first state to issue a stay-at-home order with 33 states following suit by the end March. During this phase retailers, dine-in restaurants, and all non-essential services were closed to attempt to minimize community spread of the virus. With many Americans temporarily out of work, the CARES act was signed March 27 to provide direct payments and expand benefits to Americans to keep the economy from sliding into a recession.
Phase 3: April 10 - April 30	New York City takes the brunt of COVID cases. Many believe that staying at home for a few more weeks would result in the end of the pandemic. Phase 3 represents Americans accepting their new stay-at-home lifestyle to get the virus under control.
Phase 4: May 1 - May 21	Some states allowed their stay-at-home orders to lapse and began the initial phases of reopening the economy. Restaurants, bars, and retailers reopened with varying levels of mask and social distancing requirements. People slowly started returning to work, going out, and attempting to return to a pre-pandemic lifestyle.
Phase 5: May 22 - June 11	With widespread reopening, the United States began to see another surge of positive cases in places that largely escaped the first wave in March and April. However, states did not go back to the same full lockdown as April; many restaurants and retailers were able to remain open for pickup orders.
Phase 6: June 12 - July 2	Mid-June, cases continued to surge throughout the US, but the response was largely left to the states and individual cities. There was no uniform policy on safety precautions for retailers since regions were all in different stages of reopening and facing varying severity of the coronavirus.
Phase 7: July 3 - October 31	Post-lockdown data was analyzed through the end of October.

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In the months of March to July 2020, the retailers used in this study saw an average 16.8% decrease in year-over-year sales.

Essential Household Items

Items such as toilet paper, paper towels, and immunity supplements were in high demand and often sold out in the days leading up to the stay-at-home orders. This spike in demand is obvious among Appriss Retail clients' data. Initially, these items saw an average sales increase of 70.56%, followed by a steadily decline as the pandemic wore on, but remaining average of 20.77% higher than 2019 over the same period. United States retailers were forced to limit the purchase quantity of these items per consumer, due to the high increase in demand.

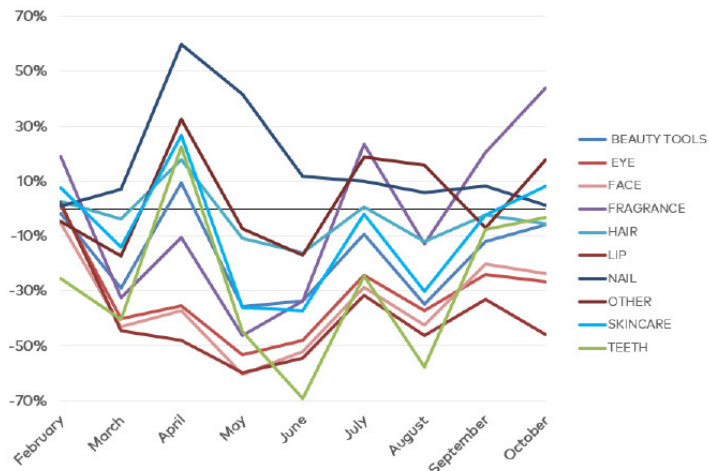
Another set of items that also saw greatest supply shortage and massive increases in sales during the COVID-19 pandemic were household and personal cleaners and sanitizers. Appriss Retail clients saw a 229% increase in year-over-year sales of these items. Hand sanitizers saw an average 1390% increase throughout the entire period studied, with sales of these cleaning and sanitizing items peaking in phases two and three and remaining steadily higher than prior years. Immunity supplements were also scarce throughout the beginning phases of the pandemic, as Appriss Retail clients saw an average 83.5% increase in year-over-year sales of these items. These supplements, however, like paper products saw the largest increase in the first phases of the issued stay-at-home orders with a steady drop off throughout.

Beauty

The beauty industry has been on a rapid upward trajectory since the early 2000s and was recently valued at \$532 billion prior to the COVID pandemic². This industry has been very resilient, managing to expand during multiple recessions. In 2001, Leonard Lauder, chairman of the beauty brand Estee Lauder, coined to term Lipstick Index to explain the increased sales of cosmetics despite the recession in the early 2000s. Lauder's reasoning was that lipstick was relatively cheaper substitute for other luxury goods yet still had the same feeling of splurging for oneself³.

Cosmetic sales also saw a modest increase during the 2008 recession, but sales during this pandemic and ensuing recession look differently. Overall, among Appriss Retail's clients, there was a 16.9% decrease in beauty sales, but whether the demand for these goods is in decline is a bit more complicated. Makeup is often the first thing to come to mind when people refer to the beauty industry,

Year-over-Year Change in Beauty Sales



Retailers saw an average 28.2% increase in year-over-year sales for at home beauty products such as hair dye, nail care, artificial lashes, as well as self-care items such as face masks and lotions.

In contrast, classic cosmetic products such as lipsticks and eyeshadows have dropped by an average of 33.1%.

As Americans were forced to stay at home, many turned to outdoor activities. This led to a spike in sales for almost every recreation with wheels. The sales of workout and exercise apparel has largely dropped.

but it also includes skincare, fragrances, and personal maintenance products.

Makeup sales have historically remained strong even through recessions, however, the COVID-19 pandemic has not only affected the disposable income available to consumers, but it has also dramatically altered how people live. Not only are Americans leaving their homes less, but masks cover the majority of one's face. Within the retailers observed for this study, beauty related item sales have declined 22.7% in 2020 since March. In phase two alone, following states shelter-in-place orders and the closure of most brick-and-mortar stores, retailers saw a 46.42% decrease in makeup and cosmetics sales. By phase three, retailers started to adapt with an ecommerce focused strategy and increased promotions to lure back their consumers with mixed results.

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There is the possibility that classic cosmetic product sales may rebound as the pandemic wears on. In China, which was first hit by the pandemic, cosmetic sales have started to rebound with a focus on eye shadow palettes and eye makeup with beauty influencers and brands promoting mask friendly makeup⁴. Since the summer, while sales are still below 2019 levels, they are slowly starting to tick back up in all categories except lip products. Since July, fragrance sales are up 61% relative to the first four months of the pandemic and up 15% from 2019 sales. With the United States about to enter its third wave of the coronavirus outbreak, sales of self-care and self-maintenance products are likely to continue the same positive trends.

Outdoor Recreation

As Americans were forced to stay at home, many turned to outdoor activities. This led to a spike in sales for almost every recreation with wheels. Mountain bikes, cruisers, roller skates, skateboards all saw sustained year-over-year increases in sales of over 100%. Sports items and exercise equipment also saw increases after the initial shutdowns; however, those increases disappeared as the lockdown wore on, though likely due to limited stock at retailers rather than decline in demand. Sales for items such as kayaks saw an average 186.3% increase in 2020, and pool and water equipment increased 42% in year-over-year sales throughout all the phases. Despite the increase in the purchases of equipment used for various outdoor activities, the sales of workout and exercise apparel has largely dropped.

As retailers started opening in May, so did most of the National Parks. Television ads for travel and exploration increased with a focus on exploring nature. The number of visitors to the National Parks has been increasing slowly over the years, and every summer, they prepare for their annual increase in visitors as schools across the country go on summer vacation⁵.

The year 2020 was no different, except this time, the increase in visitation was largely fueled by first time visitors. Appriss Retail's clients saw an average 498.37% increase in year-over-year sales of camping stoves and grills in 2020.

Retailers also saw a 59.57% increase in the year-over-year sales for base camp tents. These items peaked in sales during phase three, when doctors informed Americans of their belief that there was significantly lower transmission of the disease in the outdoors, and the United States outlined plans for the reopening

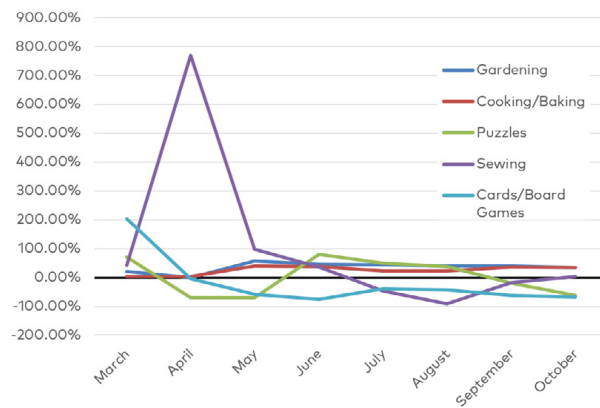
of national parks.

Hobbies and Supplements

Stay-at-home orders have altered the everyday lives of many Americans; 43% of Americans now work from home, and many schools have closed and attempted to proceed virtually⁶ allowing many Americans to foster new hobbies and activities. Whether it be baking banana bread, puzzles and games, or various social media challenges, there has been a surge of hobbies during the COVID-19 pandemic. Consumers have taken the money they would have spent on vacations

Gardening and yard work sales is a sustained trend of approximately 40% higher sales than in 2019 through the entire pandemic.

Year-over-Year Change in Hobby Sales



and eating out and have channeled it into finding new ways to entertain themselves at home.

This reflects in Apriss Retail clients' sales trends during the COVID-19 pandemic. Small group activities, such as games, cards, knitting, and puzzles saw a steady average of 73% increase in year-over-year sales during the first three phases of the pandemic, an increase that is as significant as the increase in year-over-year sales of health supplies. Across Apriss Retail clients, sewing machines and other sewing materials saw a 750.3% increase in year-over-year sales in the first few weeks of the pandemic before dropping back down again. Many Americans also turned to puzzles and board games during this time, and while Apriss Retail clients saw a modest spike in sales of these items, it does not seem to reflect the actual trend seen across other retailers like Amazon⁷.

Many Americans took to outdoor hobbies such as gardening and yard work. Gardening and yard work have been proven to improve one's Circadian rhythm and overall sleep quality and length. It is also shown to decrease stress and promote rest through exposure to environment and physical exercise⁸. Gardening and yard work sales is a sustained trend of approximately 40% higher sales than in 2019 through the entire pandemic.

One of the most popular hobbies during the pandemic was baking and cooking. As many shared on social media, people were returning to the kitchen to try new recipes when at home. Apriss Retail clients saw a 23% increase in year-over-year sales of kitchen gadgets in just the first three phases of the stay-at-home order. Like gardening, this trend has sustained through the entire pandemic. Also similar to gardening, scientists have found that baking and cooking is one of the most effective activities when it comes to promoting rest and sleep⁹.

Appriss Retail clients had a 37% average increase in dietary supplements throughout the pandemic. Immunity supplements such as Vitamin C and D saw an 84% increase in year-over-year sales.

Year-over-Year Change in Sleep and Rest Supplements



Overall, retailers saw a decrease in year-over-year sales of sleep aids and supplements since the lockdowns started on March 20, with the increase in July and August likely due to the stress brought on by the second coronavirus wave. Other supplements, such as dietary and immunity supplements, saw the opposite trend during the same period. Appriss Retail clients had a 37% average increase in dietary supplements throughout the pandemic. Immunity supplements such as Vitamin C and D saw an 84% increase in year-over-year sales.

Conclusion and Limitations

The aggregated data used here crossed several different segments of retail within the US, it does not represent the entirety of the Appriss Retail client base. Appriss Retail's global transaction database does not track the same metrics for all retailers, therefore each metric analyzed may represent a different crosscut of retailers. In every case we ensured that multiple (and similar) retailer segments were included in each section to reduce the risk of segment differentiation driving any reported differences. As new information becomes available, we will continue to monitor and report on the trends examined above.

To our client family: Thank you for your efforts during this pandemic. Regardless of which of our solutions you may have deployed, rest assured that Appriss Retail is a trusted, financially stable partner throughout this recovery period.

Our objective is to use both de-identified metadata from own clients and data from reputable sources to present a factual representation of this once-in-a-lifetime event. 📖

FOOTNOTES

¹<https://www.ajmc.com/view/a-timeline-of-covid19-developments-in-2020>

²<https://www.businessinsider.com/beauty-multibillion-industry-trends-future-2019-7#1-traditional-retailers-experiment-with-beauty-1>

³https://en.wikipedia.org/wiki/Lipstick_index#:~:text=The%20lipstick%20index%20is%20a,during%20the%20early%202000s%20recession

⁴Christine Chou, "Huda Beauty catches the eyes of Chinese consumers," Alizila, March 30, 2020, alizila.com

⁵<https://www.nps.gov/aboutus/visitation-numbers.htm>

⁶<https://www.cnbc.com/2020/05/04/why-many-employees-are-hoping-to-work-from-home-even-after-the-pandemic-is-over.html>

⁷<https://www.forbes.com/sites/joanverdon/2020/04/01/sales-of-board-games-crafts-puzzles-soar-as-america-stays-home/?sh=1a5ebb4f62b0>

⁸<https://www.nytimes.com/guides/smarterliving/how-to-find-a-hobby#:~:text=More%20sleep,,hobbies%20actually%20got%20better%20sleep>

⁹<https://www.dailymail.co.uk/news/article-8393705/How-BAKING-help-sleep.html>

¹⁰<https://www.ox.ac.uk/news/science-blog/having-trouble-sleeping-try-gardening>

Americas +1 949 262 5100

Europe/Middle East/Africa +44 (0)20 7430 0715

Asia/Pacific +1 949 262 5100



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