

worldpay
from FIS

FROM DISRUPTION TO INNOVATION

COVID-19, U.S. Consumer Behavior and the New Normal

What's Inside...

| | |
|---|-----------|
| Introduction: Acceleration, Adaptation and Persistence | 3 |
| eCommerce: From Fringe to Foundation | 4 |
| Restaurants: Weathering a Perfect Storm | 7 |
| Delivery: Bridging the Gap | 8 |
| Streaming Services: Entertaining in Place | 11 |
| Forecasting Future Purchases | 14 |
| Key Takeaways | 17 |
| Methodology | 18 |
| About FIS | 18 |



Introduction: Acceleration, Adaptation and Persistence

COVID-19 is fundamentally altering virtually every facet of modern life in the U.S. What only recently represented “normal” seems far removed from our experience today. A “new normal” is emerging from the disruption of the pandemic.

The outlines of a new normal are being drawn collaboratively every day, measured in small individual changes that collectively signal a textbook tipping point. Our survey of over 2,000 U.S. consumers in June 2020 seeks to quantify some of those contours.

- **Acceleration.** Our “new normal” builds on the momentum of trends well underway prior to 2020. COVID-19 pulls the future faster with an urgent call for digital transformation.
- **Adaptation.** COVID-19’s jarring disruption has pushed U.S. consumers to adapt, fast-tracking adoption of new products and services by necessity. We’ll look at how consumers are adjusting.
- **Persistence.** Our survey found COVID-19 impacting U.S. consumer behavior in ways likely to persist well beyond the dramatic disruptions we’ve experienced in the first half of 2020.

The survey examines consumer sentiment about restaurants that are the beating heart of communities, small businesses with the innovative spirit communities need in abundance. We’ll look to changes in behavior around delivery, eCommerce and use of streaming services during the pandemic. Finally, we’ll examine consumer sentiment on travel and forecast near-term U.S. consumer purchasing trends.

The study seeks to better understand U.S. consumer behavior, so that those charged with serving their needs can best support them, their families and our communities in these challenging times.

U.S. consumer behavior during the pandemic...



58% are spending more online



35% frequented businesses offering loyalty and rewards programs more



38% are buying more groceries online



58% are ordering more restaurant take-out, curb side pickup and delivery



42% made more purchases through their mobile device



26% tried a new-to-them delivery service



33% reported buying things they didn't need during lockdowns to “stay sane”



27% subscribed to at least one new digital streaming service



42% are choosing to buy from more local/independent small businesses



58% postponed big trips and won't rebook for 5.9 months on average

eCommerce: From Fringe to Foundation

Consumers gravitated to the convenience, speed and efficiency of eCommerce long before 2020. Online shopping has evolved over the past two decades to transform commerce as we know it. Once a fringe curiosity, online shopping has emerged as an essential foundation of commerce.

eCommerce is revolutionary for innovative technologies, inspired merchants, and for the consumers that benefit from virtually unlimited choice, competitive pricing and exceptional experiences. With COVID-19, eCommerce has become more: a genuinely essential component of the modern human fabric.

eCommerce is essential. eCommerce is foundational. During the pandemic, eCommerce was often the only commerce possible.

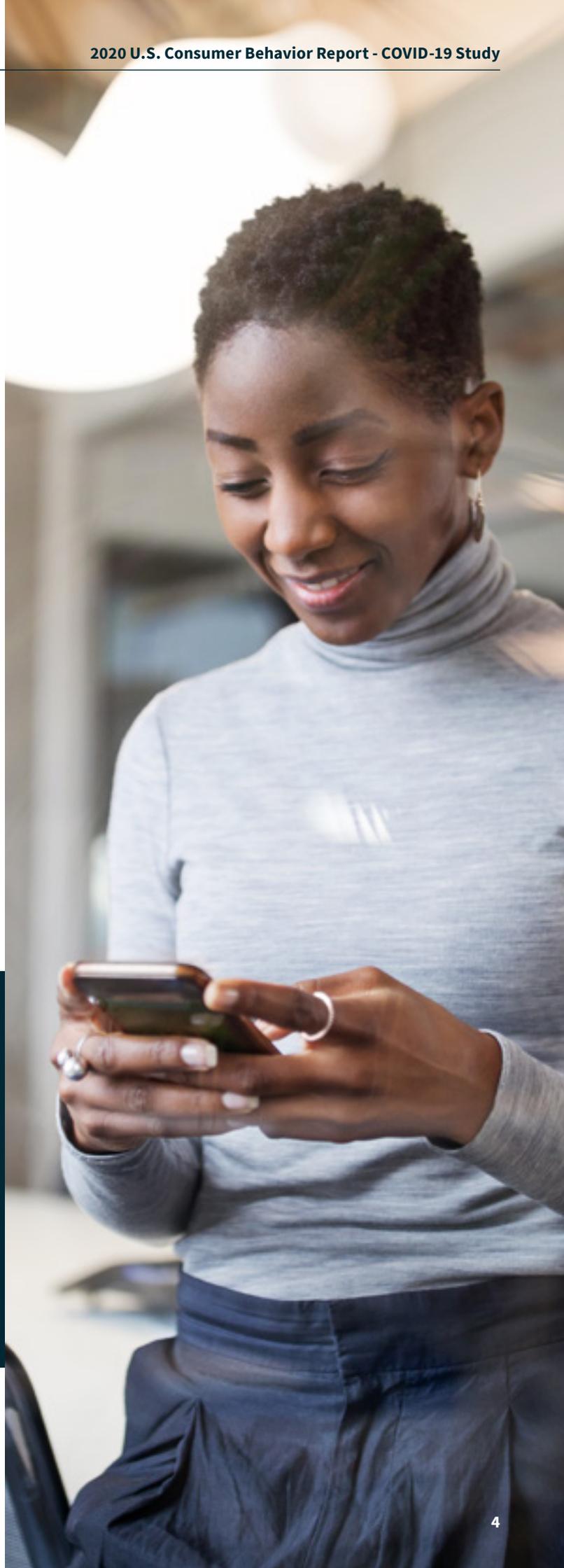
Among those consumers who shop online, **58%** of U.S. consumers agreed that they are spending more on eCommerce during COVID-19; **21%** said they spent less online and **21%** reported no change in online spending.

Increased online spending during the pandemic isn't limited to digitally native Gen Z. To be sure, **65%** of those aged 18-45 in our survey reported spending more online. Yet slightly more than half (**51%**) of consumers aged 55 and older also report more eCommerce spending.

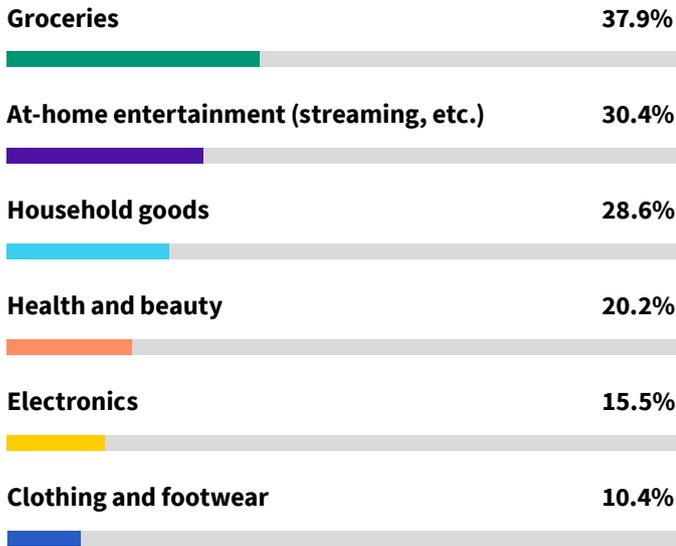
We asked... "How much of your shopping was purchased online before and during COVID-19?"

| Prior to 2020 | % of total spend on eCommerce | Since COVID-19 |
|---------------|-------------------------------|----------------|
| 36% | < 10% | 22% |
| 28% | 11% - 25% | 24% |
| 24% | 26% - 50% | 28% |
| 7% | 51% - 75% | 15% |
| 5% | > 75% | 10% |

One in four U.S. consumers reported at least **50%** of their shopping taking place online during the pandemic, while **over half (53%)** of respondents used eCommerce for at least **25%** of their shopping.



We asked... “Where has your online spending increased since COVID-19?”



Grocery saw the biggest spike, with **37.9%** of consumers reporting increased spending on groceries online. Consumers reported spending more on streaming services and household goods to better manage lives spent increasingly at home, while consumers also spent more on health and beauty products even in an age of social distancing.

U.S. consumers spent more online on electronics and clothing during the pandemic in aggregate, though each category diverged by age. Younger generations purchased more clothing and footwear online (**25.8%** of 18 to 24-year-olds) while **12.9%** of those over 55 reported fewer online clothing purchases. Electronics also saw big increases among 25 to 34-year-olds (**31.6%**) while **21.8%** of those over 55 reported decreased online spending on electronics.

Consumers are embracing digital transformation across the demographic spectrum



58% of U.S. consumers agreed that they are spending more on eCommerce during COVID-19



65% of those aged 18-45 in our survey reported spending more online.



51% of consumers aged 55 and older also report more eCommerce spending.

Additional U.S. consumer online shopping trends from our survey:



TECHNOLOGY

42%

made more purchases through their mobile device

22%

made more purchases through voice-activated assistants like Alexa or Google Home



SANITY

37%

purchased more non-essential items to keep me/my family occupied at home

33%

reported buying things they didn't really need during lockdowns to "stay sane"



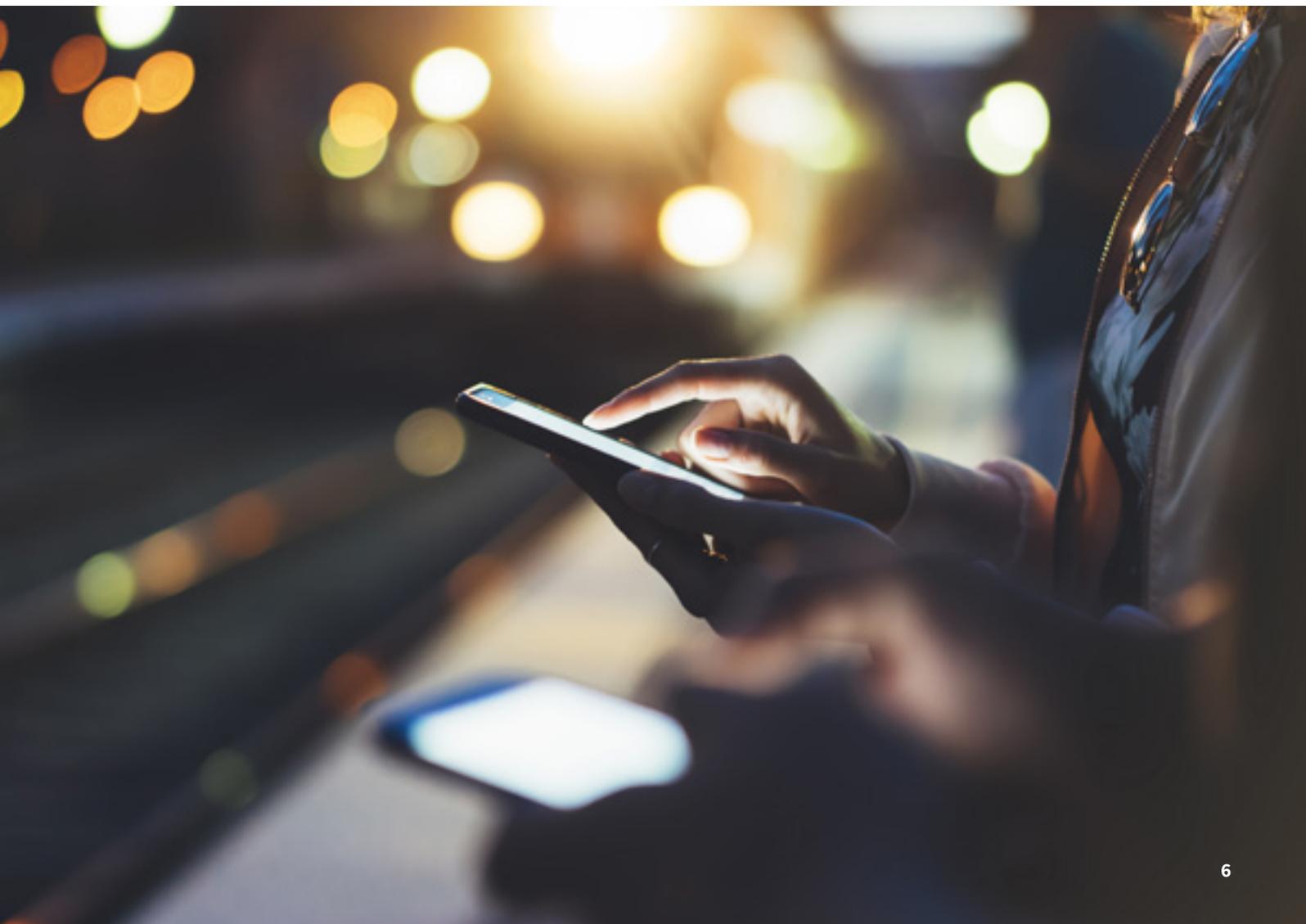
LOYALTY

42%

are choosing to buy from more local/independent small businesses now

35%

frequented businesses offering loyalty and rewards programs more now



Restaurants: Weathering a Perfect Storm

Many industry observers have described COVID-19 as a perfect storm for the U.S. restaurant industry that has witnessed a dramatic contraction. Going forward restaurants face uncertainty from shifting regulations, rising sanitation costs and lowered capacities to accommodate social distancing.

Acknowledging the immense challenges, our survey offers optimistic news for the future of U.S. restaurants. Whatever shape the new normal eventually takes, our survey finds strong, resilient and inspiring consumer support for community restaurants across the U.S.

Strong customer loyalty can translate to a bullish future for restaurants: 61% of consumers indicated an obligation to support their favorite dine-in restaurants more than usual going forward. Consumers are expressing loyalty to their favorite restaurants by adapting to the available alternatives, with 58% ordering more take-out, curbside pickup and delivery.

KEY RESTAURANT FINDINGS

- **61%** of consumers reported that they feel obligated to support their favorite restaurants by dining in more than usual when it's safe to do so.
- **58%** of consumers reported ordering take-out or drive-thru more often during COVID-19 to support their favorite restaurants.
- Consumers showed empathy for the plight of restaurant staff, with **49%** of restaurant goers noting their concern for how restaurants supported their staff during lockdowns.
- **68%** of U.S. consumers plan on eating out at least once a month in a "new normal," down from **78%** of respondents who ate out at least once a month prior to COVID-19.
- **Expect fewer older diners.** Respondents 55 and over were most likely (**26%**) to be frequent diners prior to COVID-19, while only **9%** expect to dine out that frequently going forward.
- **Expect fewer frequent diners.** Only **7%** of respondents indicated they're likely to go out five times a month or more in a new normal, compared to **17%** prior to COVID-19.



Delivery: Bridging the Gap

Delivery plays a central role in connecting business and consumers through better customer experiences. U.S. consumer expectations around convenience, cost and customization of delivery services were high and on the rise before our current situation.

The impact of COVID-19’s social distancing requirements, stay-at-home orders and business operating restrictions elevated delivery from consumer convenience to practical necessity. The new normal accelerates delivery from “nice-to-have” to what is often becoming an essential service.

U.S. consumers are gravitating to delivery services for an ever-increasing range of products and services since the onset of the pandemic. **26%** of respondents in our survey tried a new-to-them delivery service during COVID-19. Millennials (25 to 34-years-old) were most likely to try a new delivery service, while **13%** of consumers age 55 and older tried a new delivery service in recent months.

We asked... “Have you tried a new delivery service during COVID-19?”



- Yes
- No, I was already relying on most delivery service types
- No, I’m satisfied relying on the services I like
- No, I don’t rely on delivery services

Grocery was the most popular choice among those trying new delivery services, cited by **54%** of new delivery customers. Local restaurants were close behind, with **45%** of new delivery customers exploring local restaurant delivery. Household goods and alcohol delivery are also proving popular.



Delivery: Bridging the Gap (continued)

We asked those who tried a new delivery service during COVID-19...

“Which delivery services did you try for the first time due to COVID-19?”



- Groceries/meal kits
- Local restaurant delivery
- Small household goods
- Large household goods
- Alcohol

Will new consumer patterns formed during COVID-19 persist? In the case of delivery services, the answer is a definitive “yes.” Our survey found that U.S. consumer behaviors adopted during the pandemic will indeed persist beyond our current moment.

We asked those who tried a new delivery service during COVID-19...

“Will you continue using the services you’ve tried during the pandemic?”



- Yes, some of the services
- Yes, all the services
- No, none of the services
- Not sure/don't know

Digital technologies lead the way in delivery ordering: **48%** of consumers cited smartphones and other mobile devices as the way they placed orders, with desktop and laptop computers a strong second cited by **37%** of consumers in our study. Smart technologies including digital voice assistants are emerging as a delivery concierge, cited by **8%** of consumers.



Delivery: Bridging the Gap (continued)

We asked... “How do you generally place an order for delivery services?”



- Mobile device
- Desktop or laptop
- Smart tech (Alexa, wearables, Home IoT)
- None of the above

Delivery subscriptions are firmly in the mainstream with nearly half (49%) of U.S. consumers more open to consider a delivery membership with a major retailer like Amazon Prime.



- Indicated they used delivery services for items purchased in store prior to COVID-19
- Made a first-time purchase from a retailer using delivery
- Reported ordered online and picking up at retailers and restaurants more often



Delivery: Bridging the Gap (continued)

We asked... “Since COVID-19, how likely are you to try these alternative delivery methods?”

Delivery membership like Amazon Prime:



Local shop parcel pickup:



Amazon Hub Lockers:



Courier like DHL for fresh groceries:



Drone delivery:



- Likely
- Unlikely
- Undecided

Delivery hubs aren't just for big retailers. U.S. consumers were equally open to considering parcel pickup at a local small business (35%) as they were at major retailer like Amazon Hub Lockers (31%).

Willingness to consider drone delivery is strongly correlated with age. The youngest respondents in our study were by far most receptive to the idea (49% of those 18-24, compared to 29% overall).

When it comes to delivery service cost, 40% of U.S. consumers are more willing to consider paying for delivery services than they were before COVID-19, while 29% indicated a willingness to pay more for faster delivery during the pandemic.



Streaming Services: Entertaining in Place

The U.S. consumer shift from linear television to streaming entertainment was well underway with consumers in the driver's seat, engaging with digital entertainment at the time, place and device of their choosing.

COVID-19 accelerates the consumer trend already in progress. Stay-at-home orders means more time at home, and for many that's meant more time enjoying their favorite digital streaming services like Netflix, Amazon Prime and Disney+.

That's translated to more new subscribers: **27%** of consumers in our study reported subscribing to at least one new digital streaming service during COVID-19. U.S. consumers are also spending more time streaming: **22%** more on average during the pandemic (7.7 vs. 6.3 hours/week).

U.S. consumers are binge-watching compared to pre-pandemic, with our survey showing a 50% increase in those streaming more than 15 hours a week.

| Prior to 2020 | Frequency | Since COVID-19 |
|---------------|----------------------|----------------|
| 27% | < an hour | 24% |
| 28% | 1-5 hours | 21% |
| 23% | 6-10 hours | 22% |
| 10% | 11-15 hours | 14% |
| 12% | > 15 hours | 18% |



Consumers want to help and support local businesses



42%



buy from more local/
independent small
businesses now



61%



feel obligated
to support their
favorite restaurants
more than usual



75%



would consider
purchasing from
a company based
close to my home



73%



would consider
purchasing from a
company that supports
the local community



Forecasting Future Purchases

Travel and tourism industries face a future filled with great uncertainty. The survey shows that uncertainty manifesting into consumer reluctance to travel. U.S. consumers were on average not comfortable to travel for nearly six months – the beginning of 2021.

We asked... “Are you planning on taking domestic trips when you’re able to do so?”



- Yes, once travel restrictions are lifted
- No, I'm not currently planning future domestic travel
- Not sure yet, will wait and see

We asked... “Are you planning on taking international trips when you’re able to do so?”



- Yes, once travel restrictions are lifted
- No, I'm not currently planning future international travel
- Not sure yet, will wait and see

58% of U.S. consumers postponed big events, trips or major purchases in 2020 due to COVID-19. On average they’ll wait **5.9 months** before they’ll consider rebooking.

We asked those who postponed big trips, events or purchases...

“When do you think you might reconsider booking a big trip or making a major purchase?”



- By the end of summer 2020
- By the end of 2020
- In the first six months of 2021
- Not within the next year
- 5.9 / Average (months)

How merchants treated their customers during the pandemic will likely figure prominently in future business. We asked U.S. consumers...

“Are you satisfied with how companies handled COVID-19 for postponed bookings, refunds, etc.?”



- Satisfied
- Not satisfied
- Not sure



Forecasting Future Purchases (continued)

We asked...“Do any of the following give you confidence to make purchases in the near term?”

Full refunds guaranteed, i.e., refund not credit:



Transparency, i.e., clear cancellations policies:



Flexibility to change bookings even if in 2021:



Extended returns policies on purchases:



Business supports my community during COVID-19:



Ability to use my credit card to secure bookings:



Proximity of the business to where I live:



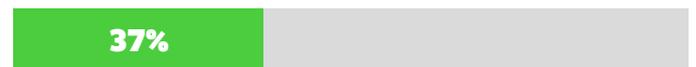
How a company treats customers during COVID-19:



Ability to take out insurance in advance:



Access to flexible credit, i.e., Buy Now Pay Later:



Forecasting Future Purchases (continued)

We asked...“How likely would you consider purchasing from a company based on the following?”



- Based close to my home
- Supports the local community
- Supported me/my family during COVID-19
- Provides updates on local stock/deliveries

We wanted to find out what types of items U.S. consumers most wanted to purchase by age group, once a “new normal” settles in. Clothing and footwear (**21%**) were most popular among 18 to 24-year-olds, followed by spending on going out for shows/theater (**16%**). For all other age groups, vacations were the number one “wish list” item, cited by **29%** of U.S. consumers overall, including **41%** of those 55 and over.

Finally, we wanted to know whether the experience of the COVID-19 pandemic had changed attitudes about charitable giving.

We asked...“Will you try and give back to charities more than usual because of COVID-19?”



- Yes
- No
- Undecided



Key Takeaways

#1 CX Reigns Supreme – At Any Distance

Like all global citizens, U.S. consumers are living through times of great uncertainty due to COVID-19. With so much focus on our individual and collective well-being, experiences must be perfect when it comes to commerce. Anything less and you've gifted your competitors. However, whenever and wherever you engage your customers, their experience is paramount.

#2 Loyalty Matters – Now More Than Ever

Throughout our survey we see clear and abundant evidence that efforts to court the long-term loyalty.

Your customers are attentive to how they and their communities are treated, and they respond in kind. Hard-earned customer loyalty turns out to be an essential lifeline for merchants in challenging times.

#3 Small Businesses Can Thrive

Conventional wisdom holds that smaller businesses are less well equipped to withstand the economic disruption of COVID-19. Most small businesses face daunting challenges. Conversely, small businesses are often best able to turn a crisis to opportunity through their traditional strength as innovators. Small businesses that draw upon these strengths to adapt can and will thrive in the future.

#4 Passive Timelines Are Obsolete

From the smallest shop to the largest enterprise, traditional business planning is increasingly obsolete. That was true prior to 2020 and it's undeniable today. The pace of change is accelerating. The future is arriving faster than models could anticipate. As the impacts of COVID-19 vividly demonstrate, planning and executing on the infrastructure of tomorrow requires urgent action today.

#5 Digital Transformation Is Now

What if suddenly, your primary channel to engage customers practically ceased to exist? Now we know, as COVID-19 propelled digital-first to literally digital-only. Consumers are adapting, fence-sitters are converting, and the far-off future is accelerating into the present. Whatever your size, whatever your business, digital transformation needs to take place now.





Methodology

2,028 U.S. consumers from all 50 states were surveyed to assess changes in their behavior in response to COVID-19. The research was conducted by Research Now on behalf of FIS in June 2020. For single response questions, totals may not add up to 100% due to rounding. For multiple options questions, totals do not add to 100% as respondents could select more than one option.

About Worldpay from FIS

Worldpay from FIS (NYSE:FIS) is a leading payments technology company that powers global commerce for merchants, banks, and capital markets. Processing 75 billion transactions topping \$9T for 20,000+ clients annually, Worldpay lifts economies and communities by advancing the way the world pays, banks, and invests.

We create secure and scalable innovations that connect commerce across all geographies and sales channels. The company's integrated technology platform offers a unified and comprehensive solution set to help clients run, grow, and achieve more for their business.

With a 50+ year history in financial services, we remain ahead of the curve to outpace today's competitive economic landscape. By delivering simple, streamlined, and secure experiences for all of our clients and their customers, we embody commitment to every aspect of the financial services industry.



www.fisglobal.com



getinfo@fisglobal.com



twitter.com/fisglobal



linkedin.com/company/fis

© 2020 FIS

Advancing the way the world pays, banks and invests™ Worldpay, the logo and any associated brand names are trademarks or registered trademarks of FIS. All other trademarks are the property of their respective owners. 999165



**ADVANCING THE WAY THE WORLD
PAYS, BANKS AND INVESTS™**