



Consumer Sentiment

CONSUMER SENTIMENT AND THE COVID-19 PANDEMIC

New Challenges in 2020

Consumers are facing several new challenges in 2020, due to the COVID-19 pandemic and its economic impacts. Understanding the emotional toll these challenges impose can help credit unions serve their members more impactfully.

Increasing Anxiety and Stress

From an emotional perspective, the crisis heightened consumers' already existing financial stress and anxiety. Many were living paycheck-to-paycheck, with 4-in-10 unable to use cash (or equivalent) for an unexpected \$400 expense.¹ The pandemic added a new layer of worry to these pre-existing concerns.

Much of this additional anxiety was due to fear of catching the illness. Although the level of fear has moderated over time, as of late June 2020 over 69% remained concerned about contracting the virus.²

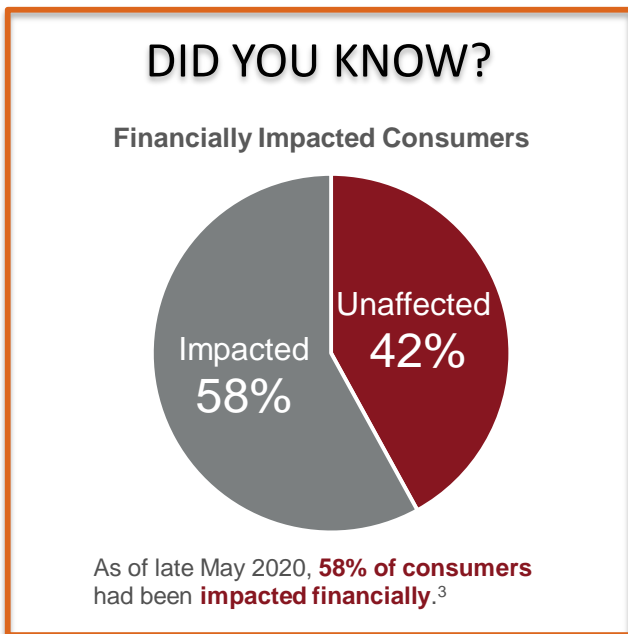
From an economic standpoint, consumers have many reasons to be anxious. News about layoffs, furloughs, and record levels of unemployment claims contributed to this anxiety.

Another dominant emotion was frustration. Disruptions in daily routines, stay-at-home orders, lost incomes, difficulty getting unemployment benefits, and challenges with home schooling children were among the many contributing factors.

Despite the prevalence of so many negative emotions, several consumers retained hope and gratitude, reflecting a fundamental optimism. Hope remained the top emotion through the first few months of the crisis.⁴

Emotions have changed over the course of the pandemic, and there's a good chance they'll continue to evolve.⁵

Emotions in June 2020



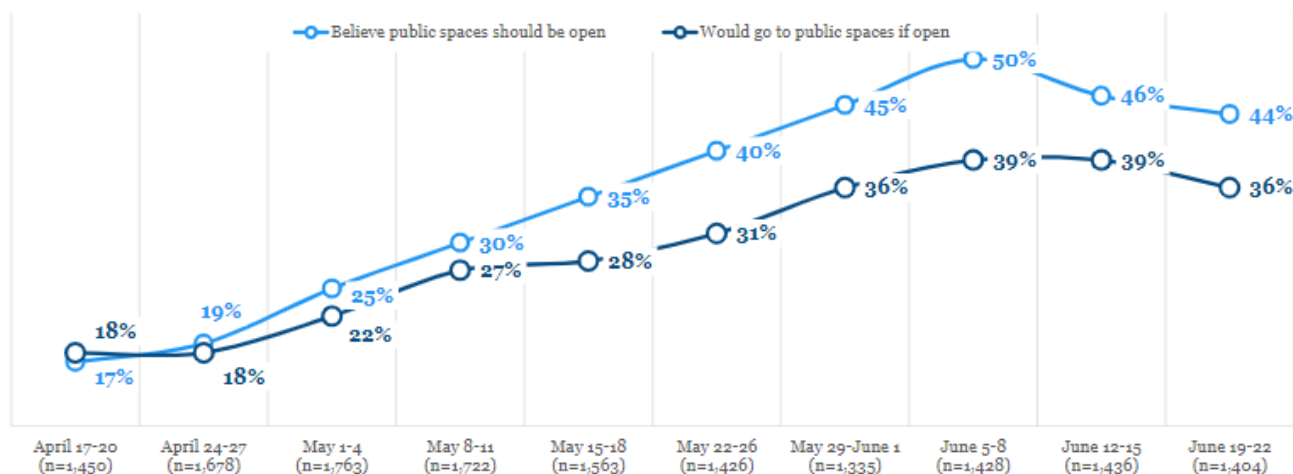
	Trend since...	
	April	May
Highest		
Hopeful	—	—
Anxious	▼	—
Frustrated	—	▲
Grateful	▼	▼
Content	—	▼
Restless	▼	▼
Safe	▼	▼
Bored	▼	▼
Lowest		

Emerging Consumer Sentiment Themes

Tension exists between the competing forces of the consumer's desire for normalcy vs. a fear of the virus. Although not as high as the beginning of the crisis, in June 2020 consumers were still fearful of many public activities due to virus concerns. Yet, nearly half of Americans wanted businesses to reopen.⁶

The desire to open businesses steadily climbed while fear of the virus decreased until June 2020, when the number of confirmed COVID-19 cases surged – especially across the South. The surge caused an abrupt reversal of the trend, reflecting the tension between these competing desires for normalcy and safety.

Opening stores (non-grocery), restaurants, bars, gyms, and other gathering spaces to the public*



It thus became apparent that the number of COVID-19 cases, closing/reopening of the local economy, and consumer sentiment are all interrelated. The ups, downs, and unpredictability will likely continue.⁶

Over time, many consumers became more convinced that the crisis will linger. As of May 2020 most believed the disruption would last through at least the end of the year.⁷ According to a WalletHub survey, 80% of Americans believe employment won't recover until 2021.⁸ When asked when we'll return to normal, one-fifth of consumers said "never."⁹

Different Groups Have Different Pandemic Experiences

Although early sentiment suggested that “we’re all in this together,” emotions and attitudes differ across consumer groups, based on political affiliation, gender, region, age, and race. Political affiliation drives very big differences in consumer sentiment about the pandemic.

Less concerned:

- Political Right, Boomers, Men

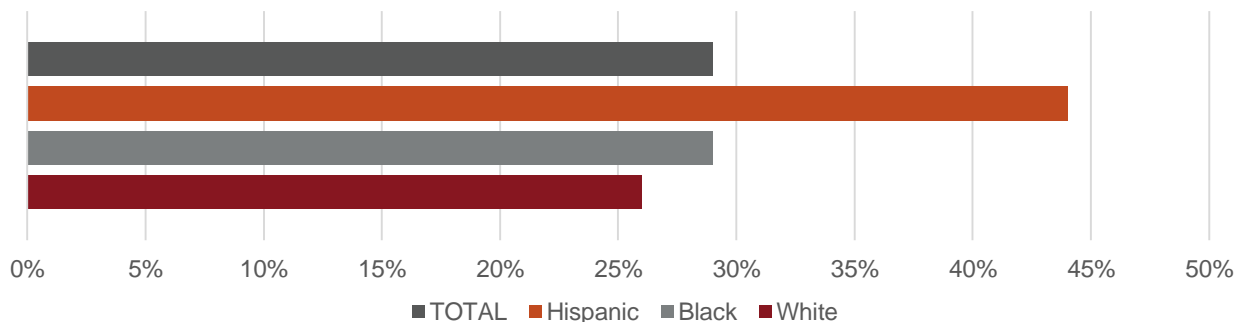
More concerned:

- Political Left, Women, Millennials, People of Color, households with kids, lower incomes



- People of color are feeling more anxious, overwhelmed, fearful, and lonely.¹⁰
- Hispanics and African-Americans are far more likely to be essential workers, putting themselves at risk.
- African-Americans have a mortality rate more than twice the rate of White Americans.¹¹
- Nearly half of Hispanics have suffered reduced income, much more than other groups.¹²

Someone in household lost a job or took pay cut (%)



Understandably, Hispanics are extremely worried about financials. They’re also concerned about their children’s education; it’s important to them and many feel they can’t sufficiently help their children with remote schooling. Meanwhile, Asian-Americans feel under attack, due to animosity and lost business.

Sentiment differs across geographic regions, based on the number of COVID-19 cases. Initially, consumers in the Northeast were most concerned but that is evolving along with the surge in cases in other regions of the country.

Beyond these groups, consider how individual consumers are experiencing the crisis in unique ways, especially those who are:

- Working from home vs. unemployed
- First responders and healthcare workers facing daily stress to save lives vs. those who are retired and largely unaffected
- Younger people living in cities and protesting racial discrimination vs. those who are partying without social distancing in beaches and bars
- Diagnosed with, or know someone who passed away due to COVID-19 vs. those who believe the country is overreacting

When viewed through the lens of individual circumstance and experience, it's easy to see why there's a wide variety of emotions and attitudes.

Pre-existing Trends Will Intensify

This disruption will likely accelerate several trends, and they're likely to endure beyond the pandemic.

Digital dependency has accelerated out of necessity as consumers are staying home and seeking contactless interactions. There has been growth in the reach and frequency of many types of interactions, such as Zoom conferences,

telemedicine appointments, and contactless payments. This is impacting banking as well. According to J.D. Power, more than a third of retail banking customers anticipate increasing their usage of mobile and online banking services after COVID-19.¹³

Hygiene innovations and signals will tell consumers when it's safe to participate in public activities, such as shopping and going to branches. According to J. Walker Smith, Chief Knowledge Officer, Kantar "If I had to bet, I'd say that hygiene will be to the 2020s what digital was to the 2010s."¹⁴ In this context, hygiene is about sanitizing and cleaning surfaces and spaces, but is progressing to include technology and monitoring innovations. In the meantime, more of consumers' lives will take place at home.

Increased self-sufficiency may endure as a trend. It started with DIY haircuts and new backyard vegetable gardens. In the face of constraints, consumers are becoming more creative in developing solutions. Kantar suggests that readiness will become a sign of success or status, which certainly could impact how consumers think about their finances.¹⁵ Consumers' desire for financial preparedness, including insurance, will likely increase. Already there are indications that consumer demand for life insurance has increased during the pandemic.



Looking Ahead

COVID-19 concerns and its effect on local economies will continue to influence consumer sentiment. In addition, differences of opinion across consumer groups, based on demographics, geographic location, political affiliation will persist. When thinking through how to help members manage financially, questions to consider include:

- **How might you make it easier for members to make good decisions and set new goals? How might you relieve some of their stress?**
 - It was already hard for many members to make financial decisions due to confusion, lack of time, inertia, lack of resources, and mistrust.
 - Consumers and economists expect unemployment to remain high until 2021.
- **Individual members are experiencing the pandemic in different ways. How might you ensure your credit union is empathetic, relevant and providing value to your members?**
- **Many aspects of this pandemic are hard to predict. Are you doing enough scenario planning to consider alternative future situations?**
- **Are you doing enough to ride the wave of increased digital activity?**

Sources

- ¹ Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2018 – May 2019", May 28, 2019
- ² C Space. Lerman, Katrina and Zale, Renee. *Confronting the Curve: A Divided Present, a United Future*. June 25, 2020. Slide 41.
- ³ TransUnion, "The COVID-19 Pandemic's Financial Impact on U.S. Consumers", June 5, 2020
- ⁴ C Space. Lerman, Katrina and Zale, Renee. *Confronting the Curve: A Divided Present, a United Future*. June 25, 2020. Slide 38
- ⁵ C Space. Lerman, Katrina and Zale, Renee. *Confronting the Curve: Signal or Noise?* June 11, 2020. Data on slide 21.
- ⁶ C Space. Lerman, Katrina and Zale, Renee. *Confronting the Curve: A Divided Present, a United Future*. June 25, 2020. Slide 43
- ⁷ Gallup, "In U.S., More Optimism About Pandemic, Less About Duration", June 3, 2020
- ⁸ WalletHub, "Coronavirus and the Future of the Economy: 73.5 Million Americans Plan to Look for More Pandemic-Proof Job", June 2, 2020
- ⁹ C Space. Lerman, Katrina and Zale, Renee. *Confronting the Curve: A Tale of Two Countries*. June 4, 2020. Slide 23
- ¹⁰ Kantar, "High-growth Segments at High Risk", March 2020
- ¹¹ APM Research Lab, "The Color of Coronavirus: COVID-19 Deaths By Race and Ethnicity in the U.S.", July 8, 2020
- ¹² Pew Research Center, "Majority of Americans who lost a job or wages due to COVID-19 concerned states will reopen too quickly", May 15, 2020
- ¹³ The Financial Brand, "Big Banks Benefitting Most From COVID-19 Digital Shifts", April 27, 2020
- ¹⁴ Kantar, "Pandemics, Politics & Business: Closing the Distance on the Future of Marketing", March 25, 2020

Additional Resources

- [Social Protests' Impact on Consumer Sentiment](#)
- [Addressing Members' Financial Anxiety During & After COVID-19](#)
- [Serving the New Digitally Connected Membership](#)

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