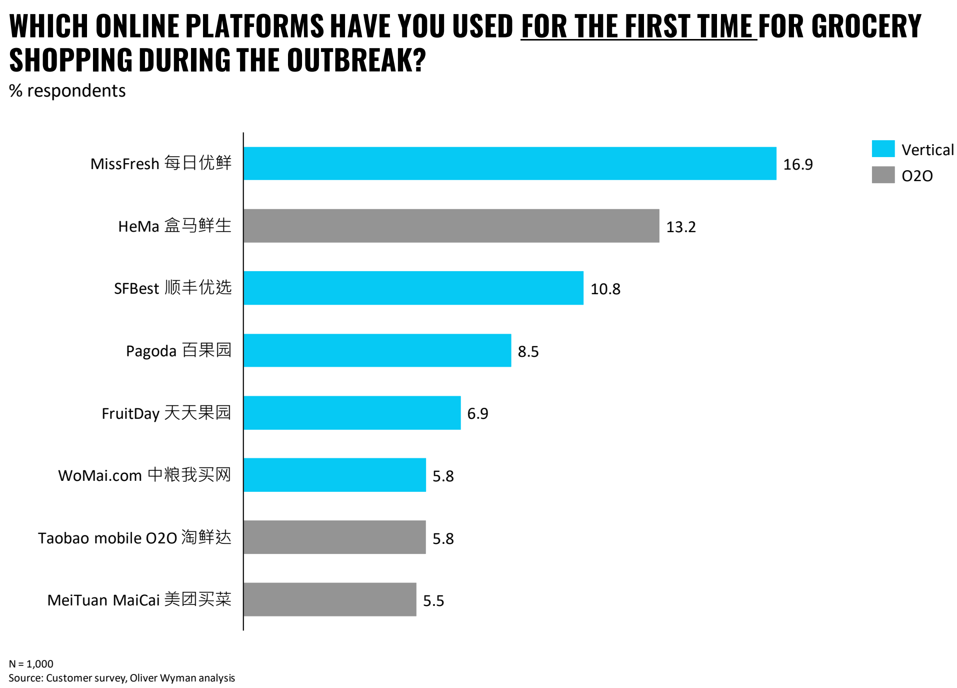
SURVEY AMID COVID-19 OUTBREAK REVEALS DRASTIC SHIFT IN CHINESE CONSUMERS' DIET, POSING A MASSIVE OPPORTUNITY FOR E-COMMERCE PLAYERS

80% of those surveyed have altered their diet, and 56% have explored new platforms for grocery shopping

SHANGHAI, March 3, 2020 - According to a recent Oliver Wyman survey of Chinese consumers, eight out of 10 respondents said their food choices have changed during the COVID-19 outbreak, and half of them reported a substantial change. The consultancy also found in the survey that Chinese e-commerce players are the biggest winners. This is because 62% of the respondents said they have shopped more often online for food in the past month, and 56% said they have expanded their reach to other online grocers for their food purchases during the outbreak.

Explosive growth among e-commerce platforms; new platforms have benefited the most
China is the largest e-grocery market in the world, and it had already exhibited very strong momentum. The stay-at-home control measures during the outbreak have only accelerated the speed of adoption. Reflecting this, 56% of survey respondents reported that they have gone beyond their go-to online platforms to other online grocery platforms to meet their needs.



Besides e-grocery giants, a number of smaller players have benefited. The clear winners in gaining new traction among the consumers surveyed include MissFresh 每日优鲜 (17% of the respondents said they have used the platform for the first time), HeMa 盒马鲜生 (13%), and SFBest 顺丰优选 (11%). Vertical e-grocers, including Pagoda 百果园 (9%) and FruitDay 天天果园 (7%), and O2O players, including Alibaba's delivery service Taoxianda 淘鲜达 (6%) and MeiTuan MaiCai 美团买菜 (6%), have also benefited.

Unsurprisingly, with their already-high penetration rates, traditional market leaders, such as Tmall, Taobao, and JD, and established players, such as Dmall and Suning, have achieved less prominent new-user acquisition. However, the substantial increase in basket size and shopping frequency among their existing customers has been highly lucrative.

"Consumers are being more demanding, especially with heightened health concerns. This scenario lays the path for emerging vertical e-commerce players to catch up with or even leapfrog established integrated players. We view the current climate as a huge opportunity for smaller and niche e-commerce players. While larger players are clearly the first stop for most consumers, out-of-stock situations have driven them to explore other platforms. Niche players with strong branding together with well-built merchandising and supply chain capabilities have the upper hand in capturing and retaining this traffic overflow," said **Jacques Penhirin, Partner and the Head of Greater China Retail and Consumer Goods Practice, Oliver Wyman**.

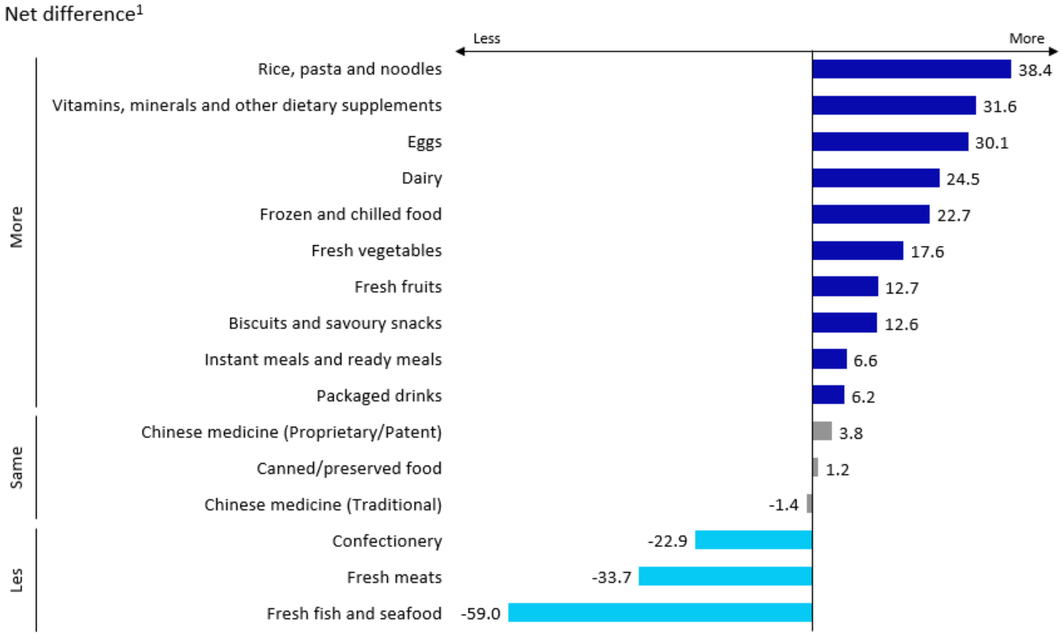
The survey also found substantial differences across age groups. Grocery's online penetration rate decreased from an overwhelming 94% in the 25 to 34-year-old age group to 72% in the 55 to 65-year-old age group. The younger generation is also more enthusiastic about trying out new e-commerce platforms, with 63% in the 25 to 34-year-old age group exploring new platforms while only 28% in the 55 to 65-year-old age group doing so.

Social e-commerce has also received a boost. As people are staying at home more, WeChat groups have emerged as a group-buying channel for residential communities. In this regard, 32% of survey respondents said they have shopped more often than usual using social e-commerce. An additional 9% said they had had their first experience of social e-commerce during the outbreak.

Drastic purchase shifts across most product categories

IN THE PAST MONTH DURING THE OUTBREAK, DID YOU PURCHASE MORE, THE SAME, OR LESS OF THE PRODUCTS WHEN COMPARED TO NORMAL?

Net difference[1]



N = 1,000; 1. Net difference between % respondents with increased purchase and % respondents with reduced purchase
Source: Customer survey, Oliver Wyman analysis

Rice, pasta and noodles sales have been boosted. Out of the 42% of survey respondents who increased their purchase volume in this category, 55% made purchases to stock up. A similar trend has taken place with regard to instant meals, including instant noodles and reheated meals, where 28% of survey respondents increased their purchase volume, and 42% of them made purchases to stock up.

Eggs and dairy have become a winning protein alternative. With the reduced availability of fresh meat, 35% and 33% of survey respondents reported an increase in their purchase volume of eggs and dairy products, respectively. Chinese consumers have also become more conscious about their health and immunity during the outbreak. So, unsurprisingly, fresh vegetable and fruit purchases have also seen similar uptrends of 40% and 37%, respectively.

Frozen and chilled product purchases have seen healthy growth in their role as substitutes to fresh meat and seafood. Specifically, 43% of survey respondents said they have increased their purchase volume of frozen and chilled products. Among them, 57% switched to frozen and chilled products for stocking-up as a result of disrupted supply chains.

Vitamins, minerals and supplements (VMS products) have gained traction as people have become increasingly health-conscious.
VMS products have become instinctive go-to buys as Chinese consumers increasingly seek ways to strengthen their immune systems against potential infection. Unsurprisingly, 38% of survey respondents said they have purchased more VMS products, without any significant purchasing-habit differences across age groups.

Despite the increased media coverage of Chinese medicine, the general public has not been overwhelmingly swayed to purchase a lot of Chinese supplements. Merely 18% of survey respondents said they have increased their consumption of proprietary Chinese medicinal supplements, and 14% said they have increased their consumption of traditional Chinese medicine.

"For the categorical changes, the shift might revert back to the norm over time in many food categories. However, the positive trend for VMS products is likely here to stay. This resurgence of the prevention mindset could be a real game changer, which creates even more opportunities for various healthy food players. Superfood, very popular in the West, is finding its Chinese version," said **Penhirin**.

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About the survey

The online questionnaire was fielded in Mainland China in February 2020. Oliver Wyman surveyed 1,000 consumers about their food and grocery shopping preferences during the COVID-19 outbreak. Of the 1,000 respondents, 40% were male and 60% were female; 72% respondents have a monthly income between RMB10,000 and RMB25,000. Geographical distribution represents the urban population distribution in China.

About Oliver Wyman

Oliver Wyman is a global leader in management consulting. With offices in 60 cities across 29 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 5,000 professionals around the world who work with clients to optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit www.oliverwyman.com. Follow Oliver Wyman on Twitter @OliverWyman.