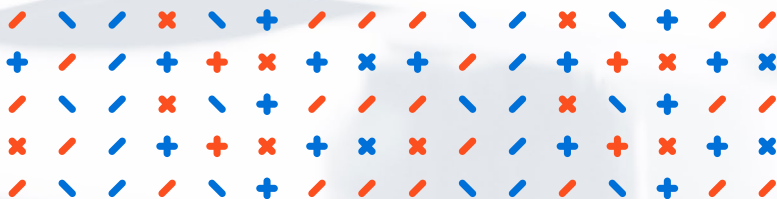


COVID-19 Industry Trends Report

Changes in Consumer Shopping Habits
Drive Referral Traffic & Revenue



The arrival of the **COVID-19 pandemic** and its continued impact on consumer behaviors will be the subject of research articles and case studies for years to come. Here, we offer a preliminary overview of **how these behaviors changed** for participating Talkable brands and consumers during the first three months of the pandemic: March through May of 2020.

The COVID-19 pandemic has **accelerated an already shifting trend toward online purchase behavior**, solidifying certain assumptions while calling others into question.

Observation: AOV vs. Time to Purchase and Shrinking Purchase Windows

Case in point, while one would assume that during an uncertain time such as a pandemic and the economic fallout associated with it, consumers would tighten their wallets and take longer to make purchase decisions.

Instead, as spending became more concentrated in online sales, buyer journeys shortened:



Median Time to Purchase

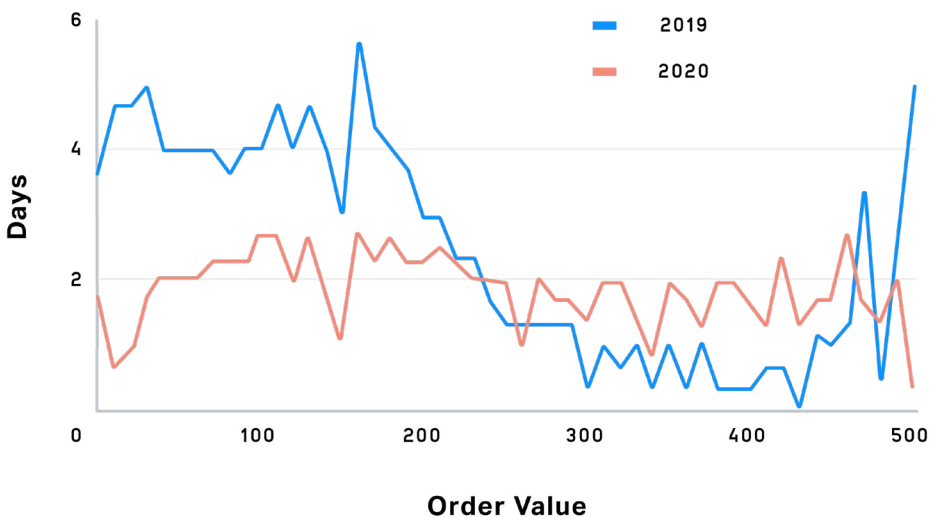
Pre-COVID (March - May 2019): **4 days**

During COVID (March - May 2020): **2.5 days**

Difference: **37.5% YoY decrease** in Time to Purchase

Additionally, and perhaps even more surprisingly, we observed key differences in the correlation between Average Order Value (AOV) and Time to Purchase year over year:

Average Order Value vs. Time to Purchase



Last year, time between share and purchase **increased exponentially** at dollar values higher than \$120, indicating that consumers were **taking their time** to make larger purchase decisions.

During the first 3 months of the pandemic, there was in fact **very little, if any, correlation** between higher AOV and Time to Purchase.

Analysis

We deduce that these trends are due to **newly limited touchpoints** in the buyer journey. The presence of COVID-19 means there is little to no opportunity for in-store comparison shopping, and therefore more consumers are **taking friends' recommendations at face value**.

Observation: Increased Shares Translating to Increased Revenue

In a related trend, we saw a **sharp increase in both Advocacy Percentages and Referral Revenue** during the first 3 months of the pandemic.

Total Referral Revenue

63% of participating brands **grew more than 15%**

Advocacy Percentages*

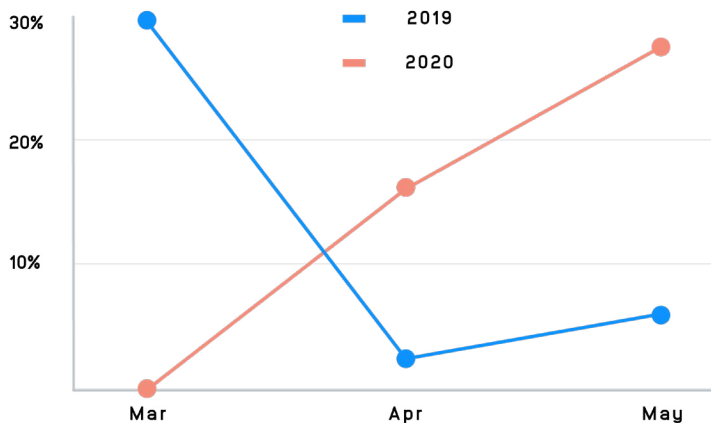
Overall advocacy percentages for all participating brands **grew 15%** in April 2020 compared to **0% growth** in April 2019

*Advocacy Rate = Sharers/Referral Campaign Impressions

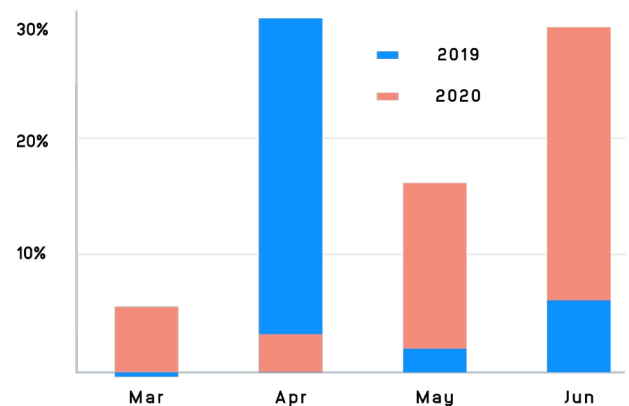
Referral Revenue Increase

Across the board, participating brands enjoyed **49% overall growth** in referral revenue during the time period compared to 40% growth the previous year. Note the continuous trend upward in 2020, as opposed to the peaks and valleys of 2019:

Referral Revenue Growth % YoY



New Referral Sales



Total Referral Revenue

Pre-COVID (March - May 2019): **\$39,769,675**

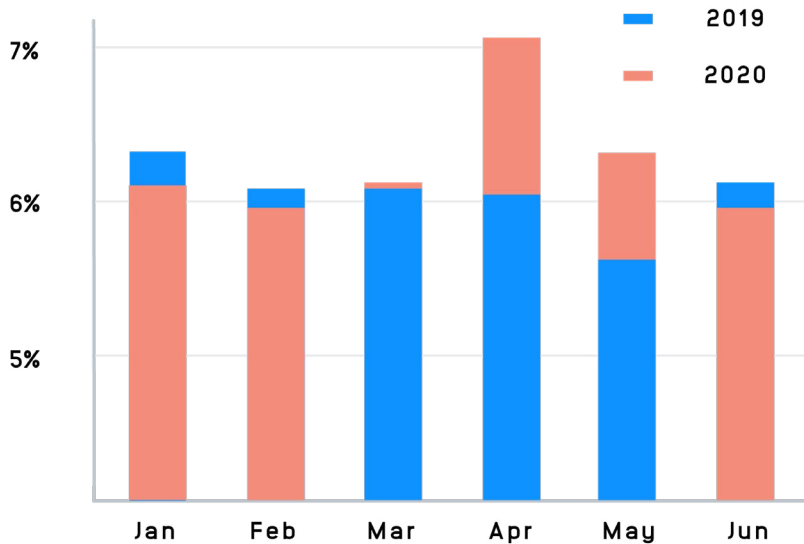
During COVID (March - May 2020): **\$41,086,949**

Difference: **3% YoY increase** in Total Referral Revenue

Observation: Increased Shares Translating to Increased Revenue (cont'd)

Advocacy Percentage Increases

The willingness to share (advocacy percentage) has not only **increased** across the board, but has **accelerated** under COVID-19. Advocacy percentages grew by 3% from February to March, and **over 16% March to April**:



This trend coincides with the assumption that while consumers were guarding their pocketbooks at the start of the pandemic, **they began opening up as time went on**. However, that increase was not explosive, but rather a gradual, cautious increase that was predominantly **driven by word of mouth referrals, loyalty programs, and discounts**.

Observation: In-store Loyalty Carries Over Online

As shopping behaviors made a dramatic shift from offline to online, brand loyalty seemed to follow suit. **Brands that enjoyed an offline brick and mortar presence pre-pandemic saw huge gains** in impressions, advocacy, referral revenue and overall sales as those customers moved online:

Top Brand Insight Averages

Both Online & Offline Presence

- 66% saw Impressions **grow by 84%**
- 64% saw Advocacy Percentages* **grow by 33%**
- 77% saw Total Sales **grow by 125%**
- 57% saw Referral Revenue **grow by 317%**

*6% larger share of New Customers than online only brands

Online Presence Only

- 67% saw Impressions **grow by 88%**
- 53% saw Advocacy Percentages **grow by 41%**
- 78% saw Total Sales **grow by 74%**
- 71% saw Referral Revenue **grow by 104%**

Further, advocates who shared products from brands that **used to have** offline presence (i.e., brick and mortar shops that have since closed due to COVID-19) were **35% more likely to refer a friend successfully** compared to online-only stores.

Observation: Repeat Purchases Accelerate for All Participating Brands

We also observed an **increase in repeat purchase rate** across the board. While advocates at offline stores who successfully referred a sale have a **20% higher Repeat Purchase Rate** than those at online only stores, overall Repeat Purchase Rate increased for all participating brands:



COVID Impact Stats - Year over Year

Repeat Purchases Pre-COVID (March - May 2019): **1.33**

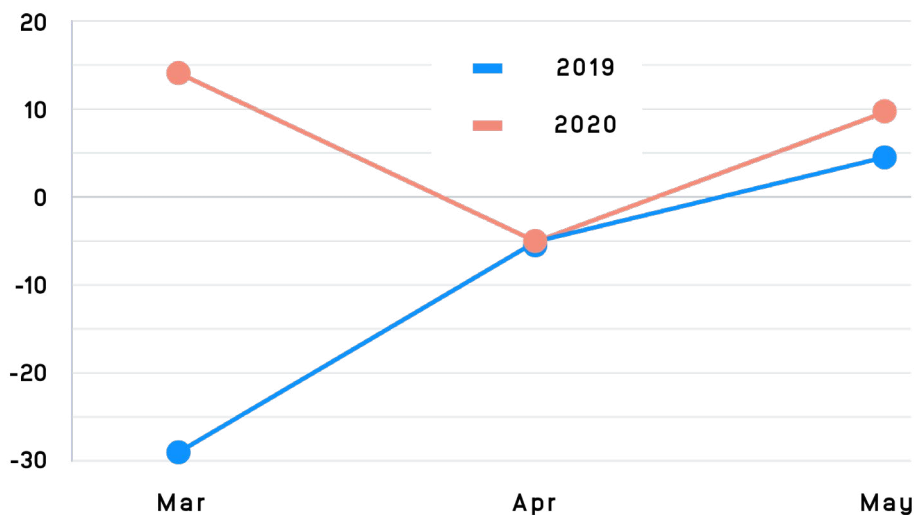
Repeat Purchases During COVID (March - May 2020): **1.44**

Difference: **8% YoY increase** in Repeat Purchases per Use

Observation: Overall Sales Down, but Climbing

Total sales are down year over year, as COVID-19 concerns contributed to a **30% drop** in total sales in March 2020, compared to **14% growth** the previous year.

However, April 2020 recorded a **5% drop** in overall sales, which is **almost identical** to the drop in 2019, while May 2020 saw sales **grow more than 10%** month over month vs only 5% the previous year:



Key Takeaways

COVID cratered sales overall in March, which has historically been a time of growth. That combination created some pretty demoralizing YOY data. However, **the trend line has climbed upward continuously since then**, cancelling out traditionally slower months of April and May and contributing to an **overall increase** in key categories for the quarter.

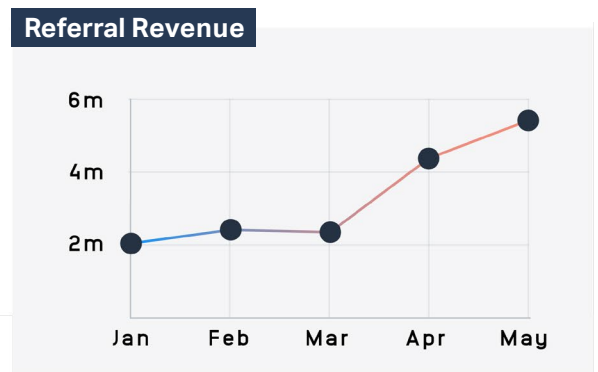
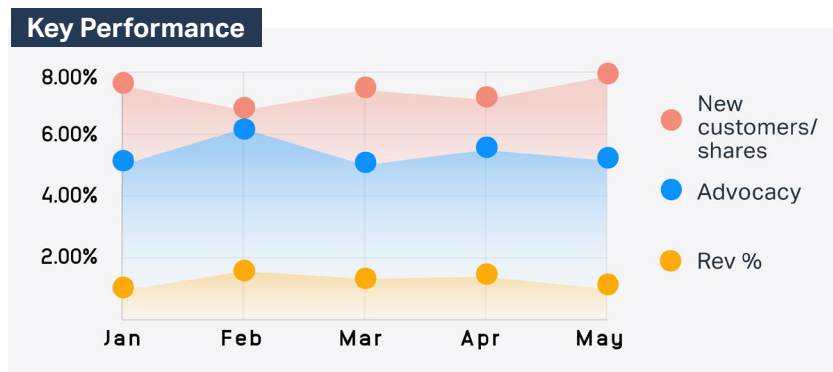
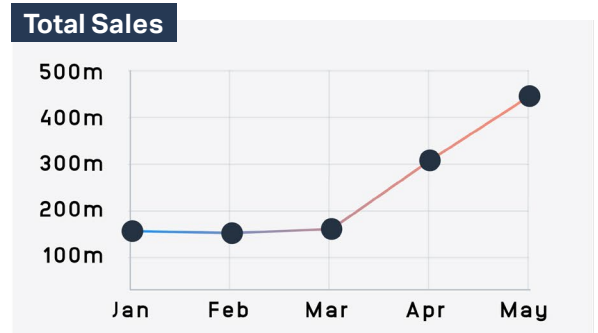
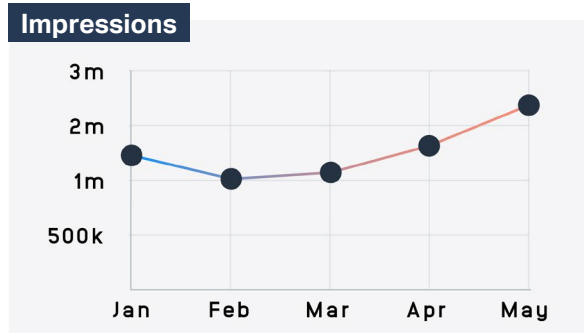


Industry Insights: Furniture & Home Goods

Participating offline & online furniture and home goods brands experienced a **boost in impressions & sales**, which greatly impacted referral behavior. People started **sharing more and buying more** from those shares (ie. increased Advocacy Percentage):

Home Goods

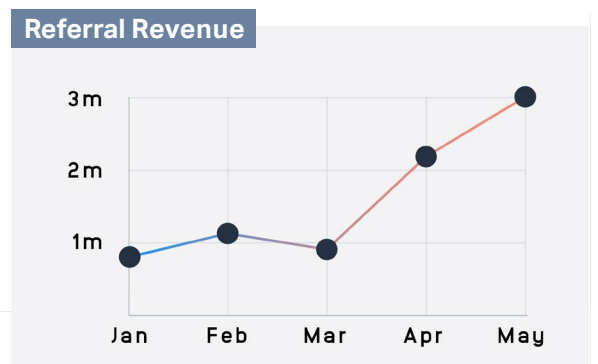
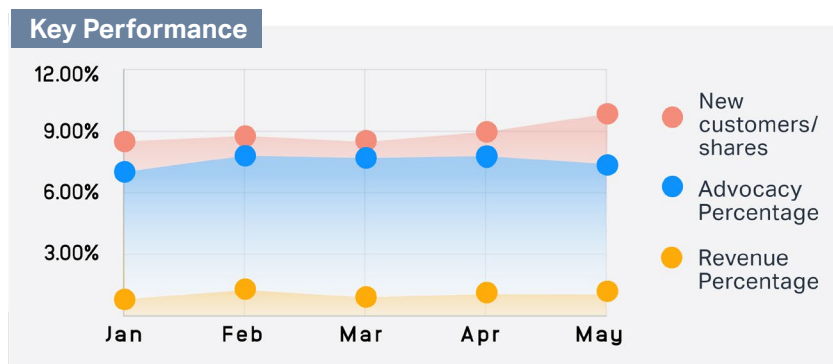
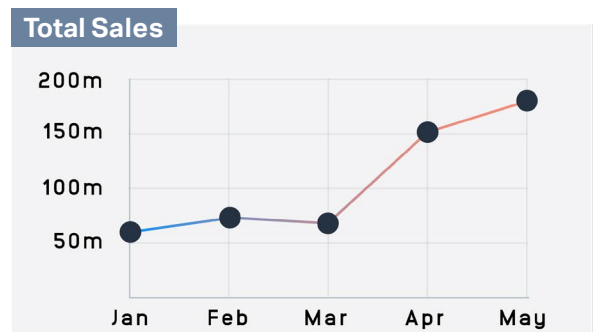
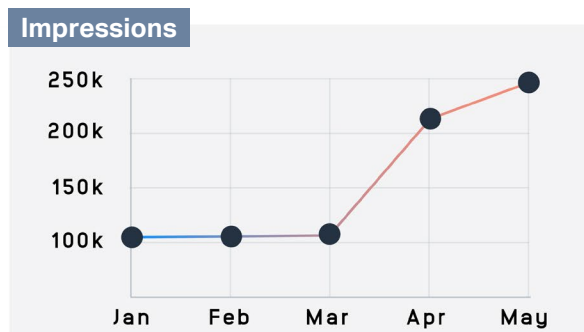
Count Sites	
Jan	26
Feb	26
Mar	26
Apr	26
May	26



Category Hero: Mattresses

- 204% increase in Referral Revenue vs March 2020
- 175% increase in Total Sales vs March 2020
- 147% increase in Referral Revenue vs February 2020
- 160% increase in Total Sales vs February 2020

Count Sites	
Jan	7
Feb	7
Mar	7
Apr	7
May	7

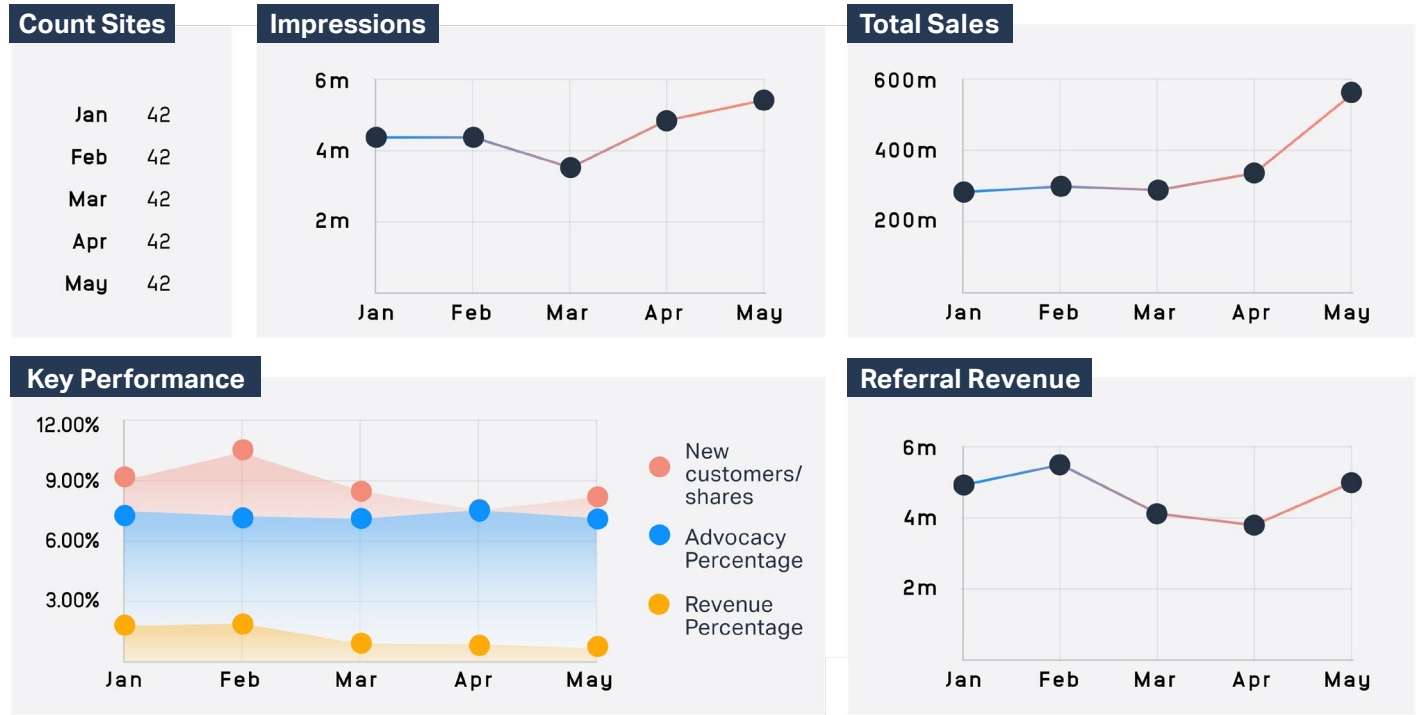




Industry Insights: Apparel & Footwear

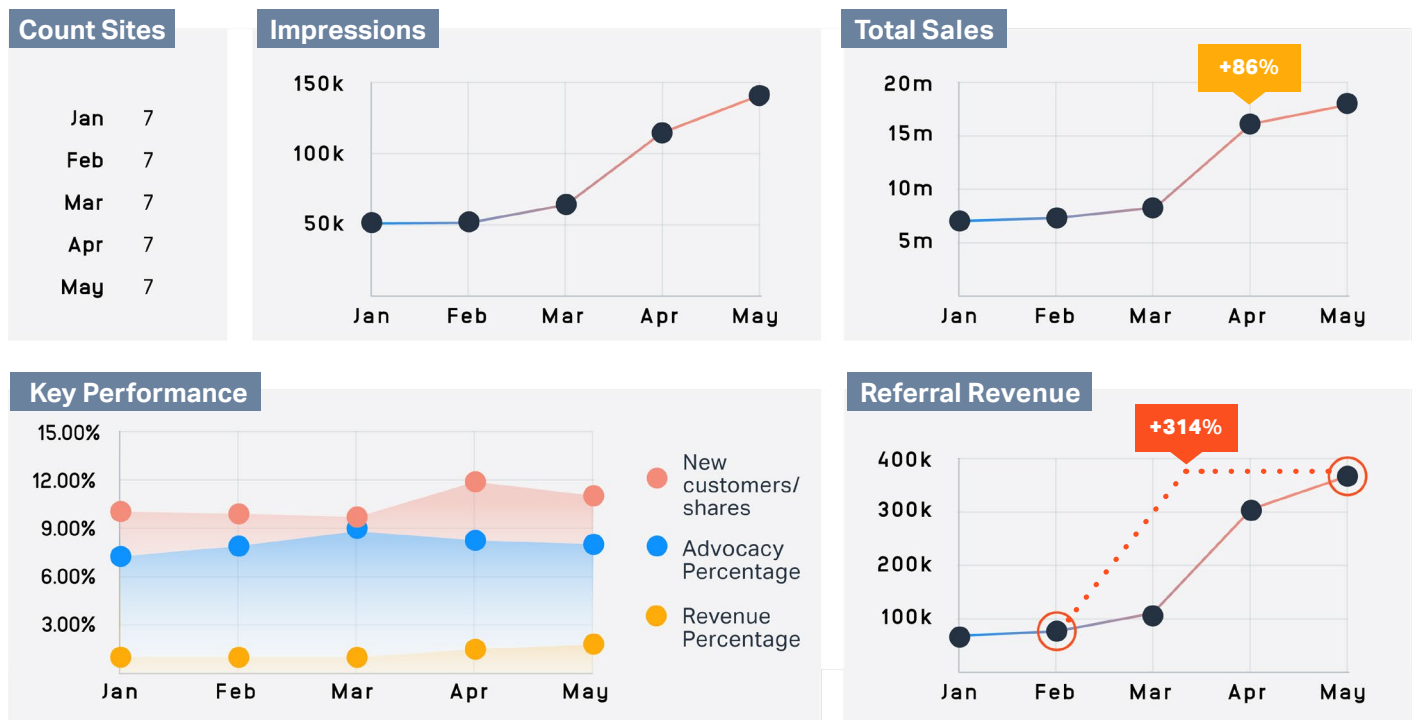
While advocacy percentages have hovered around 7% for most of the year, **total site sales started to increase significantly starting April**. Total sales **grew by 25%** March to April (MoM) and **67%** April to May (MoM):

Apparel & Footwear



Category Hero: Activewear & Athleisure

- 164% increase in Total Revenue
- 86% increase in April alone
- 314% increase in Referral Revenue May 2020 vs Feb 2020





Industry Insights: Beauty

Beauty saw a **54% spike in referral revenue** from March to May along with **60% growth in total revenue** during the same period.

"Beauty stood out as one of the fastest growing online categories throughout the pandemic, and one of the most innovative in the customer shopping journey. We saw beauty sales soar across demographics when we compared an average week pre-COVID with week on week data throughout the crisis. With an **overall 37% increase** in the number of beauty shoppers on the app, millennials, Gen Z, and Gen X all had a **more than 20% increase in spend** in the beauty category, with millennials leading the way with a 32% increase."

Klarna.

Beauty

Count Sites

Jan	32
Feb	32
Mar	32
Apr	32
May	32

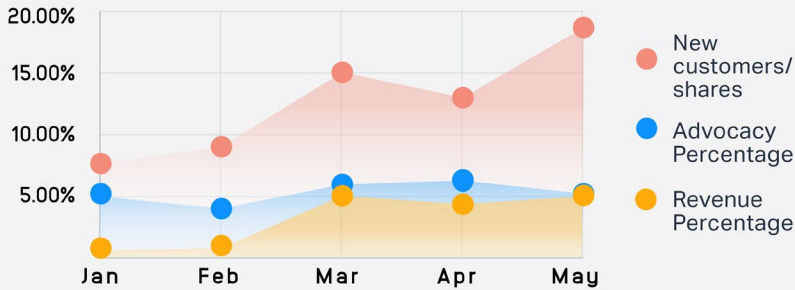
Impressions



Total Sales



Key Performance



Referral Revenue



Category Hero: Skincare

Skincare specifically played a major role in the growth of the industry. **Multi-brand retailers** such as Sephora showed **100% referral revenue growth** in this category from May to March 2020.

- **45% increase** in Referral Revenue from March to May 2020
- **96% increase** in Total Sales from March to May 2020
- **100% increase** in Total Sales from February to May 2020

Count Sites

Jan	19
Feb	19
Mar	19
Apr	19
May	19

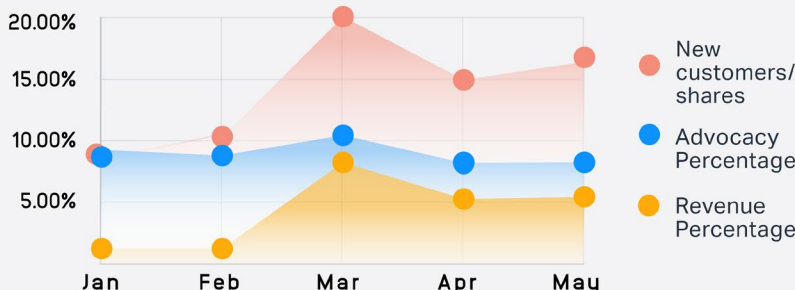
Impressions



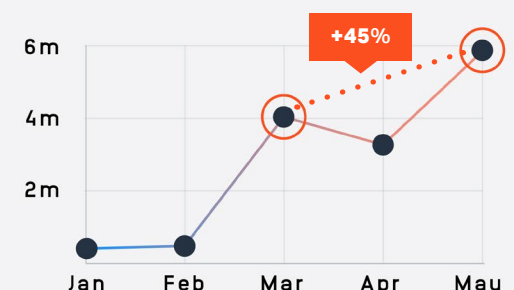
Total Sales



Key Performance



Referral Revenue

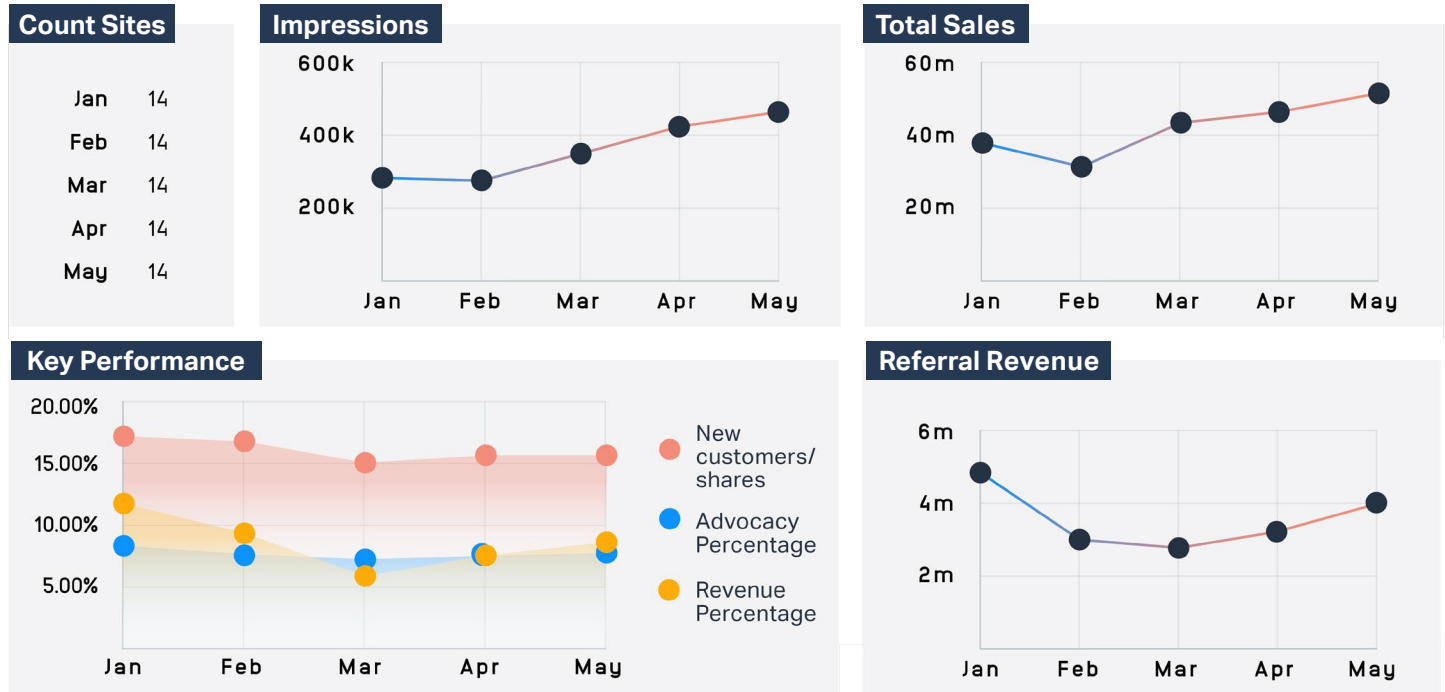




Industry Insights: Food & Beverage

The Food and Beverage industry grew rapidly in March 2020 — **by 26% in total revenue** compared to February, and ultimately **by 47%** during this time period. Advocacy behavior stayed the same at 7%, though **referral revenue grew by 36%**.

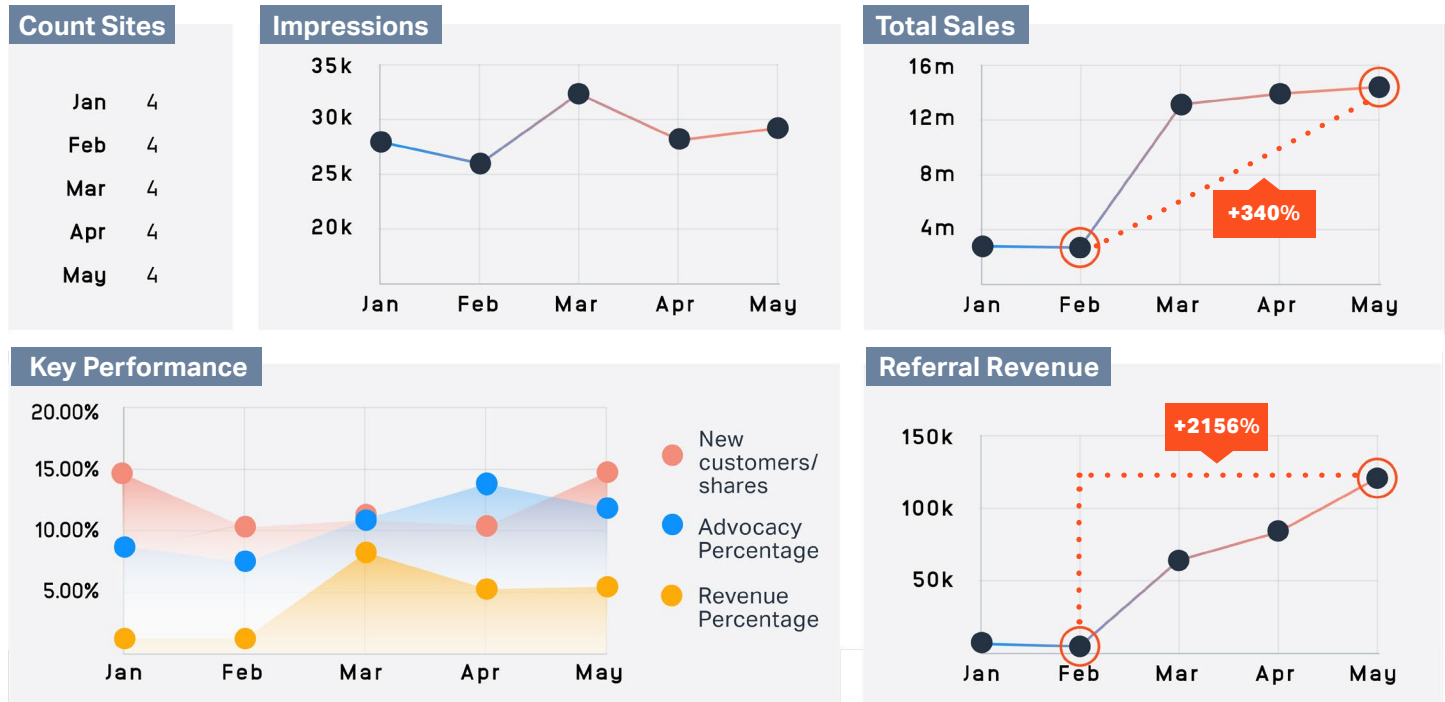
Food & Beverage



Category Hero: Groceries

- 86% increase in Referral Revenue from March to May 2020
- 2156% increase in Referral Revenue from February to May 2020
- 10% increase in Total Sales from March to May 2020
- 340% increase in Total Sales from February to May 2020

The food category hero was groceries and snacks, particularly **online grocery sales**. We saw the traditional January spike in meal plan company sales as more people resolved to eat better after the new year, but **did not see the usual decline in the following months**. Stores boosted total sales in March by 298% compared to February and **continued growing in April & May**. This is definitely a non-standard trend, but easily explained in today's pandemic environment.





Industry Insights: Health & Wellness

While maybe not surprising, the health and wellness category enjoyed a **106% increase in Referral Revenue in May** compared to February. As people were shut out of gyms and traditional recreational areas, more turned to online fitness programs, **utilizing recommendations from friends** to navigate the overwhelming number of choices available.

While the beginning of the new year is always a busy time for this industry, a **May revenue spike is definitely not typical**; last year there was an 11% decrease in Referral Revenue for health and wellness over the same time period.

Vitamin sales, in particular, drove a large portion of the health and wellness industry growth, as more **shoppers moved their vitamin and supplement purchases online, while also buying more**. As one recent study points out:

Vitamin users typically index as more health-conscious overall. They're more likely to buy organic groceries, eat less fast food, exercise more, and take more trips to the doctor.

Yet it's pretty safe to assume that with the COVID-19 health crisis, more people are turning to vitamins and supplements to try and stay healthy and boost immune function. Based on the growth trend, it appears to be **converting some of those who never take vitamins into daily users**.

(Source)

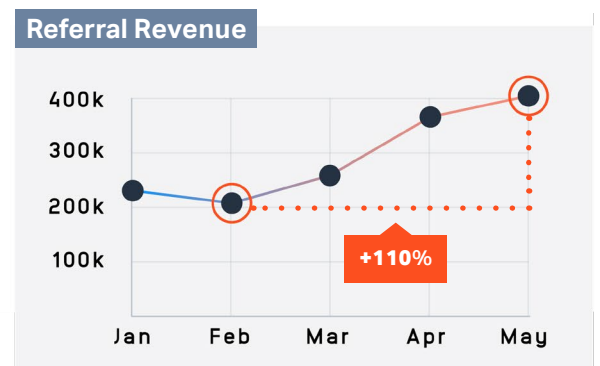
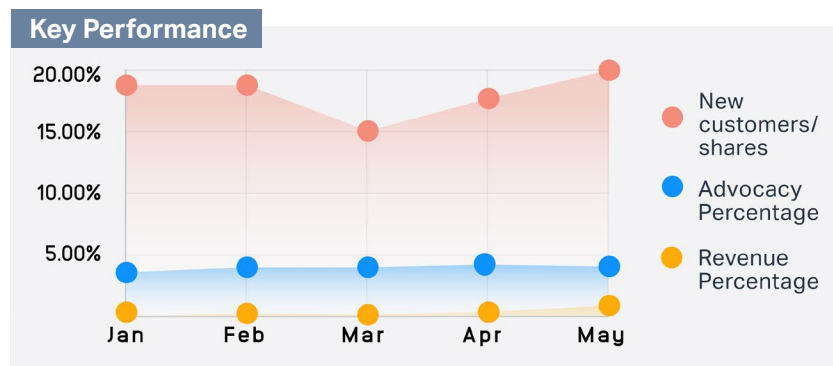
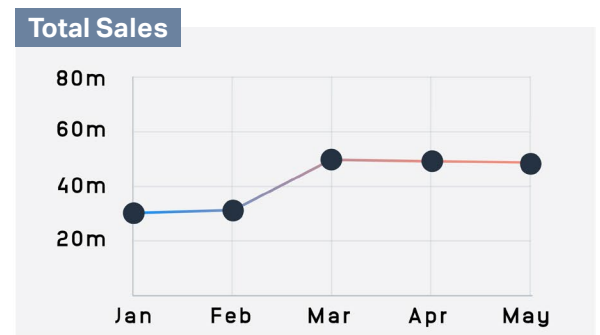
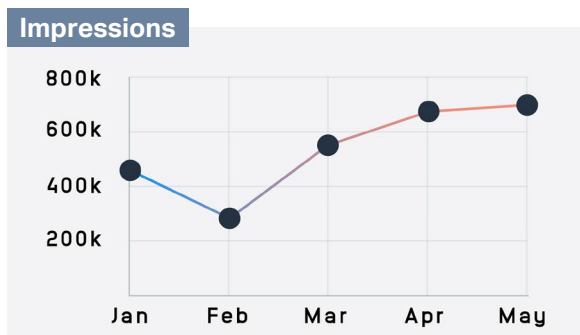


As a result, this category saw both an **increase in sales to current vitamin and supplement shoppers** as well as an **explosion of new buyers concerned about the pandemic**, resulting in the large increases in Referral Revenue in May 2020:

Category Hero: Vitamins

- **81% increase** in Referral Revenue from March to May 2020
- **110% increase** in Referral Revenue from February to May 2020

Count Sites	
Jan	11
Feb	11
Mar	11
Apr	11
May	11





Thanks for reading



Our mission is to help great companies grow

Talkable is changing the way companies acquire and retain customers, by **quantifying and accelerating** the oldest marketing channel ever — word of mouth. We don't just build refer-a-friend programs. **We make them succeed.**



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