

Week in review

Leadership in the 'next normal', consumers move from crisis to recovery, digital giants report Q1. PLUS an in-depth look at the impact of COVID-19 on Consumer Electronics.



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Leadership past the peak

Our era will be defined by a schism: The period before COVID-19 and the period after – ‘the next normal’. The next normal is expected to bring significant shifts in economic and social structures and is already forcing leaders and businesses to rethink and re-evaluate all facets of their activity. Changes to how businesses work and their focus on smaller, nimble teams, matching talent and not structures to challenges, shifting to an agile operating system, and flattening internal structures to delegate decision-making authority are only a few examples of what we can expect in the post COVID-19 organization.

As we see an increasing number of countries easing restrictions and starting on their journey to the next normal, leaders and companies turn their attention to what skills and strategies will be needed on the road to recovery and beyond.



*From surviving to thriving:
Reimagining the world after COVID-19*
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*Beyond coronavirus: The path to the
next normal*
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*Back to work: Recovery from
COVID-19 will require resilience*
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How are attitudes and behaviours evolving through the crisis?

As we move towards a post-outbreak future, last week Global Web Index (GWI) released Wave 3 of its multi-national study revealing how the impact of the Coronavirus is evolving through the crisis into the recovery phase.

Waves one and two proved the unprecedented impact on the consumer landscape. This third wave analysis of 17 markets considers a variety of themes, including whether signs of recovery will see growing optimism, whether delayed purchases and vacations will become a reality, and whether new behaviours such as video conferencing and online shopping across a range of categories will persist. Unsurprisingly there are often demographic influences at play.

In terms of transition back to 'normal', GWI reports that it's likely to be slow, as people's concern for safety and personal risk will limit their return to public places. This anticipated gradual shift is also reflected in the growing number of people who expect the length of the outbreak to last six months or more. This increase was most pronounced in Germany, Italy and Spain, and while directionally China showed the same pattern, it remained the most optimistic market.

From an advertising perspective, while over half of the global respondents approve of brands continuing to run 'normal' activity, this was the least favourable action. Actions ranking most highly included providing practical information to help, pledging money, running promotions or offering flexible payment terms (see chart). The appeal of promotions emerged in several places across Wave 3 of the study, indicating that value-for-money in the coming period will be critical.

The spike in use and diversification of media consumption seen in Wave 1 showed signs of slowing in Wave 2, and this continued into Wave 3. It is suspected that initial enthusiasm was replaced by fatigue, but also that easing of lockdown measures are simply reducing time in the day for these activities. That said, especially among the younger demographics, there is evidence they are focusing more on the activities that were already popular i.e. spending more time on social media, messaging, videos and streaming services.

Levels of approval for brand activities

% who strongly or somewhat approve of brands doing the following at the moment



Question: Many brands and companies are trying to decide how best to respond to the coronavirus/COVID-19 outbreak. To what extent do you approve/disapprove of them doing the following at the moment? Chart illustrates combined responses for Strongly Approve, Somewhat Approve. Base: 15,274 internet users aged 16-64 in 17 countries. Source: GlobalWebIndex Custom Research, April 22-27

Read GWI's own review and full report [here](#)



Q1 2020 earnings show resilience in digital

Some aspects of Facebook's Q1 earnings call were reminiscent of a pre-coronavirus era. Despite a deceleration in revenue growth (constant currency basis) from +26% in Q4 2019 to +19% in Q1 2020, the call gave cause for optimism. Facebook's user base continues to grow, increasing by 100 million in Q1 2020 which is a 100% increase versus last year, its family of apps now topping out at three billion monthly users. When the outbreak was in its infancy many speculated that Facebook's reliance on small businesses, making up 40% of its revenue, would be its weakness. Facebook has answered these concerns with a pivot toward free-to-use commerce tools, which seem to have stemmed the potential fall.

At the beginning of this crisis some questioned the outlook for Google. Yet Google, as with Facebook, has shown surprising resilience. Google's reported revenue rose 13% versus last year, although down on the 17% increase seen in Q4 2019. Google's results across both search and display fall on the optimistic side of projections and YouTube results continue to impress with a growth in revenue versus the previous quarter. Aside from the numbers, it was the comments of CFO Ruth Porat that will interest most marketers. Porat's language was deliberately positive and although this is standard in investor relations, she did say that the 'earliest signs of recovery' were present.



Reading the tea leaves on Facebook's Q1 2020 earnings

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What drove Facebook and Alphabet stocks higher after earnings?

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Meanwhile Amazon is experiencing the highs most expected, but has also suffered some unforeseen lows. As a snapshot, the pandemic has done nothing but strengthen Amazon's position with its ad revenue division growing at a rate of 44% over Q1 reaching \$2.9bn. Overall the online sales giant achieved \$75.4bn in revenue but made only a \$2.5bn profit. This is where we see the lows – profit is down from \$3.9bn the previous year and owner Jeff Bezos is warning that margin may be squeezed further in Q2. Amazon have announced a \$4bn spend package to meet COVID-19 expenses such as demands in PPE for staff. This is tipped to wipe out the rest of that profit margin in Q2, hence the fall in share price following the call. In comparison with many platforms and media owners, Amazon is faring well and best-positioned to further its commercial dominance post-crisis.



Google ad revenue slowdown suggests optimism for broader market
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Amazon's ad revenue defies Coronavirus crunch
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Category Deep Dive: Consumer Electronics

This week, the latest data and intelligence on COVID-19 and its impact on Consumer Electronics. We've split the latest (and best) research into three sections on the business, consumer and brand impact of the virus. We are defining Consumer Electronics as electronic devices such as smartphones, TVs, computers, gaming consoles, bought for personal rather than commercial use.

In this issue: Gamers' paradise, 5G delay, the Olympic gap, and Covidmeters to help tackle the crisis.

A black laptop is open on a white desk. The screen displays the number '01' in a large, bold, orange font, with the word 'Business' in a bold, black font below it. To the left of the laptop, a black smartphone lies on the desk. In the background, a window with a black frame shows a blurred view of a white building and a green plant. The overall scene is brightly lit, suggesting an office or workspace environment.

01

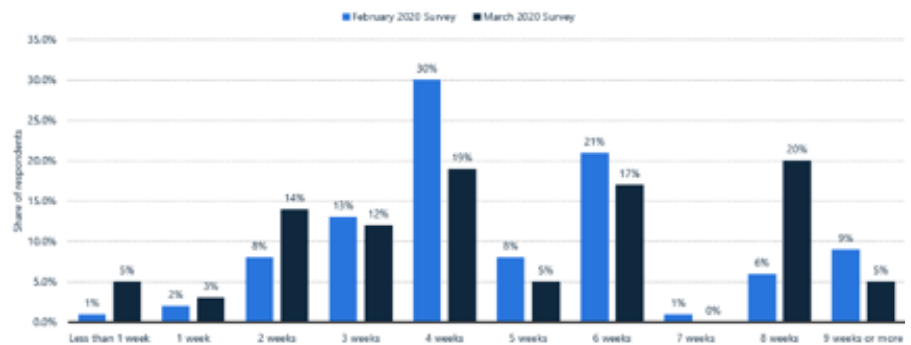
Business



1. Supply shock followed by collapsing demand stunts sales

With 5G launches, the Olympics and strengthening consumer sentiment, 2020 was set to be a year of sales and margin recovery for the global consumer electronics industry¹. The coronavirus outbreak has put paid to that, with the outbreak in China significantly disrupting the consumer electronics supply chain. Although manufacturing is now getting back up to speed in China, smartphone supply chain disruption is likely to extend through to Q3².

Figure 1: Supply delay expected by global electronics manufacturers due to COVID-19 in 2020



With the epicentre of the virus now in western markets, the main challenge is dealing with dried up demand as consumers are locked down. AB Research believes that global smartphone production will fall 'by as much as 30% in the first half of 2020' with IDC forecasting that 'the European smartphone market is likely to fall in value by more than a quarter this year', in the worst case a 'value drop close to a half'³.

2. Weakening consumer sentiment will delay 5G handset adoption

The aftermath of the coronavirus will be a recalibrated economy shaped by consumers with significantly reduced spending power. At one end of the spectrum, this is likely to impact the entry-level segment in emerging economies⁴ but of more concern for handset manufacturers is the impact on users upgrading to high-end devices.



Many commentators believe that consumers will hold off purchasing a new handset as the new economic reality begins to bite:



Consumers, under these uncertain times, are likely to withhold making many significant discretionary purchases. This means the replacement cycles are likely to become longer,"

Tarun Pathak, Associate Director at Counterpoint Research

Global System for Mobile Communications (GSMA) found that 80% of UK consumers did not plan to upgrade their phones, with IPSOS data in Table 1 also evidence of a weakening consumer sentiment.

Table 1: Consumers in key 5G markets

| % consumers who say Coronavirus will have an impact on personal finances | |
|--|-----|
| Japan | 56% |
| Italy | 41% |
| Australia | 40% |
| US | 37% |

Impacting flagship 5G products

With consumers' appetite for upgrading their phones likely to be significantly blunted, handset manufacturers are assessing when best to roll out their 5G handsets. There is speculation that Apple might move the iPhone 12 launch – its first 5G phone – scheduled for September this year into 2021 as a result. In addition, JP Morgan cited 'multiple bottlenecks in EVT (engineering verification test) due to recent travel restrictions imposed globally'⁵ compounding the problem. According to this analysis, 'Apple may also shy away due to concerns that sales may not back up market expectations'.

Impacting rollout into mid-tier devices

The impact of this disruption could be to curtail the rollout of cheaper 5G phones. Qualcomm, a chip manufacturer, had hinted at some cheaper mid-tier launches⁶:



we will see exciting products over the next few weeks at very interesting price points."

Vikrant Jain, Qualcomm Business Development Director

However, some analysts are sceptical as to whether this remains likely.



No sooner had 5G smartphones started to gain some traction and break into the market in significant numbers than the outbreak triggered a suppression of its near-term growth, pushing out the development and introduction of affordable 5G phones”

David McQueen, 5G Devices Research Director, ABI Research

This could impact the growth potential of 5G handsets, at least in the short term.

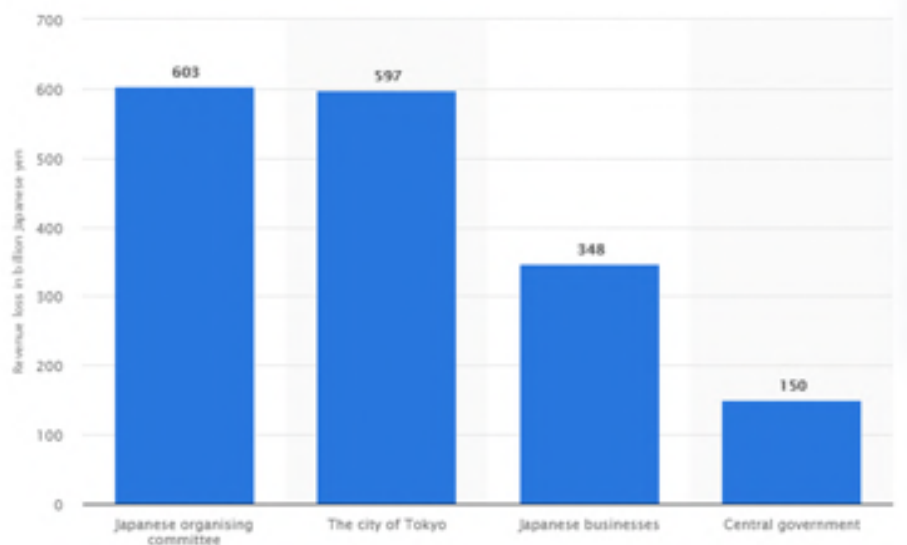
3. Olympics delay dampens prospects of consumer electronics uptake

Major global sporting events are a key trigger for purchases of high-end consumer electronics. The cost of hosting the Tokyo Olympics is already estimated at \$12.3bn, but its further postponement or cancellation could also significantly hit TV manufacturers as it is a showpiece event for showing off the technology. As noted by Bloomberg Intelligence:



the broadcast of the Tokyo Olympics in 8K was expected to be a key driver of premium TV sets in 2020 but with risk the games may be delayed or cancelled outright rising, consumers may delay purchase of these sets”.

Figure 2: Cost of the Tokyo Olympics as of March 2020



Source: Worldwide, RTE, as of March 2020

02

Consumer





1. Want it but can't afford it: Consumer electronics are becoming increasingly woven into the fabric of our lives during lockdown, but financial concerns limit purchase intent of big-ticket items.

Consumer electronics are becoming even more essential to people's everyday lives. From Zooming clients, to Google Classroom and neighbourhood WhatsApp groups, digital platforms have become the only way for people to work, get fit, be educated and entertained. People are more relaxed about screen time hours for themselves and their children, a huge culture shift from just a few weeks ago. Going forward, with lines between home and work blurred, this is a trend set to continue.⁷

As the economic impact of the pandemic grows, with population lockdowns now affecting regions that produce approximately 80% of global GDP⁸, concerns about personal finance are beginning to outweigh concerns about health⁹. Globally, 43% of people expect the pandemic to have a 'big' or 'dramatic' effect on their household finances, ranging from 32% in the US to 35% in Europe and 44% in Asia Pacific.¹⁰

Consequently, while people are using consumer electronics to spend more time online, consuming more media¹¹, their financial concerns, mean they are delaying big-ticket purchases.¹² Globally, approximately a quarter of people have delayed purchasing a TV, laptop/tablet/PC or smartphone. They are planning to buy them either when the outbreak is over in their country (28%), or when the outbreak begins to decrease (21%).¹³ In terms of which large purchases will be made first, holidays and clothes are the highest priority, followed by personal electronics and then cars or luxury items.¹⁴ This is being reflected by sales in China, where retail sales revenue of household appliances and consumer electronics fell by 30% in Q1 2020, compared to a fall of 18.5% across all retail sales.¹⁵

In the event of a prolonged economic downturn, consumer loyalty will become considerably harder to maintain. With price comparison tools at their fingertips and advocates advising them to 'switch and save' consumers will be well-equipped (and encouraged) to shop around.¹⁶ When it comes to buying consumer electronics, 18% think they will wait for promotions or offers, rising from 10% in the US to 22% in Latin America.¹⁷

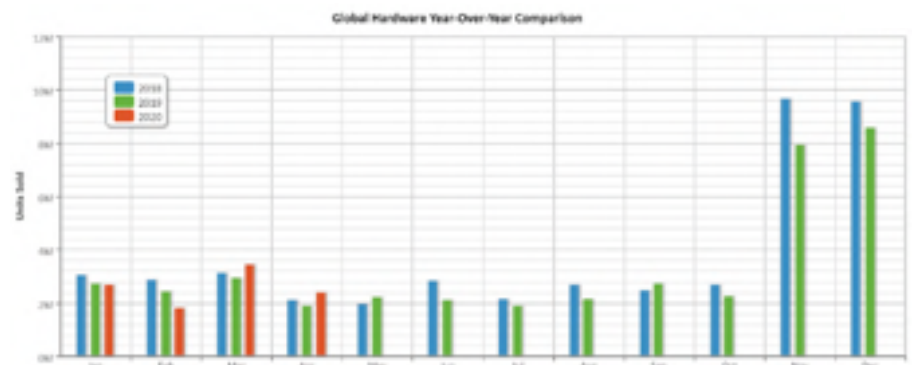


2. Gaming is bucking the consumer electronics trend

Pre-pandemic, large numbers of consumers were already digital gamers. Nearly half (46%) of the world's adults had a console at home in 2019, and 36% said they used it to play games at least monthly, rising to 47% of global Gen Z. Meanwhile, 59% of global smartphone owners played games on their devices at least weekly. While gaming skews young and male, significant proportions of women and seniors also claim to game.¹⁸

As lockdowns continue, so does the search for quality indoor entertainment. Many consumers are turning to gaming for escapist (and time-consuming) fun and a way to keep in touch with friends and schoolmates through online play.¹⁹ Online gaming has increased by 75% during peak hours in North America, while streaming is up 12%.²⁰ Traffic to game-streaming site Twitch has reached record highs, and recently released AAA titles like *Animal Crossing: New Horizons* and *DOOM Eternal* have broken franchise sales records.²¹

Figure 3: Search interest comparing 'how to cut' vs. 'how to dye' hair



Source: vgchartz.com

Consequently, many markets have reported a surge in demand for hardware, leading to stock shortages that are being exacerbated by supply chain disruption. According to Nintendo, global sales of the Switch portable games device increased by more than 150% during March.²² While global growth in gaming hardware sales was down YOY for January and February, it spiked in March as the lockdown came into effect.²³



Some governments are capitalising on gaming's energised status by partnering with developers to insert public health messages into popular games. In the UK, developers including Activision Blizzard, Codemasters and Rebellion are working to promote Public Health England's 'Stay Home, Save Lives' campaign by sharing the message via in-game messaging and ads in titles such as Dirt Rally 2.0, Candy Crush Saga and Sniper Elite 4.²⁴

3. Wearable tech boosted by the focus on health, and the potential rollout of government-sponsored COVID-19 tracking technology

The pandemic has brought health to the forefront of people's minds and created an increased interest in health-related products, including wearable tech, with sales projected to increase.²⁵ With older consumers particularly vulnerable to the impact of COVID-19 and many too afraid of infection to visit a hospital for treatment of other ailments, a variety of health-focused sites, apps and wearables are enabling users to gain health and diet information from home.²⁶

A number of consumer electronic brands, including Fitbit, are planning to turn their wearable technology into social distancing and Coronavirus symptom trackers. The success will be dependent on consumer uptake which will be heavily influenced by factors such as trust in brands and governments, data privacy and geo-politics.²⁷



03
Brand



1. Tech companies show their support

Like many sectors, the tech industry is offering support where they can in this time of crisis by donating medical essentials, providing vital funding and relief to key workers as well as keeping consumers entertained.

Apple CEO Tim Cook recently announced that he had sourced 20 million masks to be distributed to medical workers as well as announcing that Apple is now working to design, produce and ship face masks to those fighting on the frontline of the pandemic. Samsung is scaling up mask supplies along with donating \$29million worth of funds and goods. Sony announced a \$100 million fund aiming to offer support to people around the world affected by the virus. Dell has is also donating money and providing tech essentials to those working on ending the pandemic. HP is stepping in by donating thousands of 3D-printed essentials to hospitals mobilising their technology and production capacity to offer a helping hand. Smart TV brand Sharp has halted its production of TVs and has turned its factories into face-mask production sites.

Sony's PlayStation recently announced a \$10 million fund to help developers hit by the impact of the pandemic. The initiative hopes to encourage people to stay at home as well as keep small independent developers afloat. The brand is also making a range of their games free to help keep users entertained during the lockdown, an approach also adopted by other brands such as Google's Stadia Gaming and Microsoft's Xbox.

In Italy, Limbix Italia donated virtual reality headsets to a hospital in an attempt to improve the emotional and psychological wellbeing of the medical workers. The VR set offers calming visualisations as well as guided breathing techniques aimed at reducing stress and anxiety in medical staff working long shifts treating Coronavirus patients.

Huawei provided protective equipment and technology solutions in Italy to help share learning and they also donated a number of Tablets and Smartphones.



2. Tech companies help with virus contact tracing and early symptom detection

Notwithstanding privacy concerns expressed by some consumers, Apple and Google have developed contact-tracing software with the purpose of telling people if they have recently been in contact with someone infected by the virus. The software, available later this month, will be inputted into billions of iPhones and Android devices offering people the option to access a constant log of other devices they come near to, creating a 'contact tracing' feed of the virus.

Facebook is also having talks with the US government about ways they could use their data to track the spreading of the virus. Opinions on virus contact tracing are mixed due to the initiative sitting on a fine line between usefulness and breaching consumer privacy.

The Danish government has already teamed up with IT service provider Netcompany to develop the 'COVIDmeter', a system allowing users to input and monitor Coronavirus symptoms as well as the 'Mobile Proximity App' which tracks the tracing of the virus through a constant log of nearby devices.

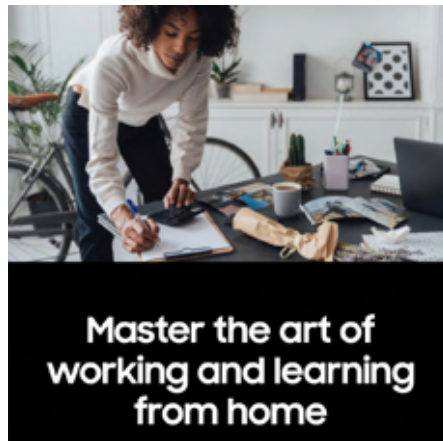
Smartwatch brand Fitbit has recently announced a partnership with Stanford University and other wearable brands. The researchers are working to create a new feature capable of detecting the virus from skin contact with the device. The belief is that smartwatch sensors could have the ability to detect symptoms of a viral infection such as high temperature and elevated heart-rate among others. The software would be capable of spotting unusual patterns, letting the user know if they might have contracted the virus before the symptoms become clearly apparent.



3. Tech messaging tapping into lockdown behaviour

Tech companies are still actively deploying media investment, with examples of them advertising the effectiveness of their products in helping consumers navigate the coronavirus period²⁸.

Maintaining productivity while working from home



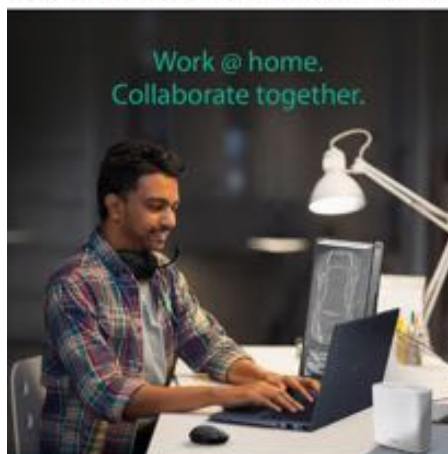
Example: Samsung (Australia): 'We've got the tools that will ensure you never miss a beat'



Example: Dell (Global): 'Don't fall behind on studies while staying indoors'



Example: Asus promotes work collaboration





Tapping into staying connected to loved ones



Example: HP promotes 'staying connected'

Tapping into e-sports as sporting events are cancelled



Example: Sony promotes e-sports

Tapping into short-form streaming during lockdown



Example: Samsung (Australia): 'The Sero TV's rotating screen will become your favourite way to watch all your mobile content'



4. Gaming brands capitalise on lockdown with increased media investment

Gaming brands are increasing significantly their media investment to capture bored consumers stuck at home. US TV ad impressions doubled for gaming brands from 16 March through to 15 April in comparison to the previous 30 days. The gaming sector has upped its television advertising to an estimate \$17.3million in March 2020, \$5.3 more than February spend. Nintendo was the biggest spender, with an estimate spend of \$14.6million, (\$3 million more than in February) and the biggest spot allocated to the launch of Animal Crossing. The brand currently own 55.4%²⁹ of the industry's ad impressions.

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Thank you

