

NRI Group Urgent Proposals Regarding Measures for Covid-19 No. 4

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## Effects of the Spread of Covid-19 on Japanese Consumer Behavior

### — Promoting the Real-Time Visualization of Consumer Activity Using Cashless Payment Information —

Takeshi Mori, Center for Strategic Management & Innovation  
Hiroyuki Hayashi, Marketing Science Consulting Department  
Hiroyuki Nitto, Consulting Division  
Nomura Research Institute, Ltd

#### ■ Summary

- To ascertain the effects that the spread of Covid-19 is having on consumers' daily lives, Nomura Research Institute (NRI) conducted an urgent internet survey of approximately 3,000 Japanese respondents in March 2020.
- Nearly 80% of respondents said they believed economic conditions or stock prices this year would deteriorate/decline, while close to 50% expected their household income to fall. These figures were significantly higher than in the survey done at the end of last year.
- Since the spread of Covid-19, respondents have been shopping in-store for daily necessities less frequently, yet they are stocking up whenever they do shop and making internet purchases more than before. This suggests that, at least in terms of daily necessities, short-term expenditures are likely on the rise.
- The government should periodically tabulate and publish cashless payment information in certain categories, e.g. by business type, by prefecture, etc. By using cashless payment information, it would be able to ascertain—almost in real time—which specific sectors and regions are seeing a downturn in consumer spending, and to what extent this is happening. Together with other data such as behavioral changes gleaned from questionnaire surveys, this would therefore serve as a useful information source for policymakers and corporate managers.

#### ■ 80% of People Expect Economic Conditions to Worsen Going Forward

In order to ascertain the effects that the spread of Covid-19 is having on consumer activity and psychology, Nomura Research Institute (NRI) conducted an urgent internet survey of approximately 3,000 Japanese persons in March 2020. Compared with the internet survey that NRI conducted in January on people's daily activities, this urgent survey revealed a definite rise in people's uneasiness regarding their own health and that of their spouses, children, parents, and other family members, as well as a growing anxiety among the population toward contagious diseases. A higher percentage of persons also said they were anxious about declining incomes and asset values, rising taxes and social insurance costs, and a breakdown of the social security system, expressing greater unease about an uncertain road ahead (Fig. 1).

In addition, whereas 47% of respondents said at the end of 2019 that they believed economic conditions would "worsen" going forward, this number grew substantially to 82% in the current survey (March 2020). And although 36% of respondents thought at the end of 2019 that stock prices would fall, that number grew to 77% in March 2020. While the percentage of those expecting their household incomes to fall exceeded 50%, this could suggest that the decline may not be as severe as the deterioration of the economy and stock prices (Fig. 2).

#### ■ People Going Out Shopping Less, Bulk Buying and Internet Shopping on the Rise

Following the spread of Covid-19, the call for people to abstain from travel and other non-essential/non-urgent outings caused a slump in related consumer activity. Yet it seems that spending on food, everyday sundries, and other daily essentials has increased in the wake of the spread of Covid-19 (Fig. 3).

The percentage of respondents who said they were buying daily essentials in stores "less than before" (22%) was significantly higher than those who said "more than before" (5%), revealing that people are going out less often and are tending to buy more in bulk per shopping trip. Further, more respondents said they were purchasing everyday essentials online "more than before" (10%) as opposed to "less than before" (5%), revealing that people are refraining from going out and instead taking advantage of online shopping opportunities more, if only slightly (Fig. 4). Looking at the answers to another survey question, we see also that at the time this survey was conducted (around March 20, 2020), the percentage of respondents who said they "are going out less" stood at 48.1% overall, or nearly half of all respondents (Fig. 5).

#### ■ Two Trends in Lifestyle Preservation: Stocking Up on Daily Essentials and Curbing Overall Spending

When it comes to things on which people actively wanted to spend their money in the next month, and those on which they wanted to curb spending, to a certain degree the results obtained were as expected. Looking strictly at those whose spending on daily essentials had gone up, we see that respondents cited "food" (73%), "drinks" (45%), and "prescription drugs and medicines" (24%) as the top items on which they eagerly wanted to spend money going forward, reflecting a desire to safeguard their lifestyles by stocking up on everyday essentials and drugs. Conversely, if we look only at those who were spending less on these

daily necessities, we see that “dining out” (37%), “clothes/fashion for when going out” (32%), “travel expenses” (28%), and “social/entertainment expenses” (26%) were the responses given most often when it came to areas where people wanted to spend less going forward. This revealed another tendency to protect one’s way of living by cutting expenses not only on daily necessities but on non-essentials as well (Fig. 6).

As for how often people are eating out, 35% of respondents said that since the spread of Covid-19 they have been dining out “less than before”, meaning that demand for restaurant dining has fallen, as expected. However, the use of meal delivery services did not see a conspicuous increase, at least as of the time of this survey. It can be inferred that at present, the reduced frequency of dining out is not so deeply tied to the use of such delivery services, and that more people are cooking at home in conjunction with their bulk buying of food (Fig. 7).

#### ■ Consumers Turning Their Attention to Companies’ Stances in Wake of Spread of Covid-19

When asked about how their attitudes have changed in the wake of the spread of Covid-19, 84% of persons affirmed (total percentage of “agree” or “somewhat agree” responses) that they are “turned off by internet sites that are selling masks, toilet paper etc. at higher prices than usual or ignoring abuse by resellers” (Fig. 8). In addition, some 59% of respondents agreed that “support will increase for companies or brands that are consumer-friendly and helpful, e.g. those selling low-priced bento boxes for children during school closure.” These results show consumers are more interested in and paying more attention to the stances that companies are taking in the wake of the spread of Covid-19.

Furthermore, nearly half of respondents (49%) agreed that “there’s a growing sense that work can be done to some extent without going to the office, and workstyles in Japan will change significantly going forward.” We can see that some people feel new workstyles including teleworking will become more prevalent from here onward.

#### ■ Utilize Cashless Payment Information to Accurately and Immediately Grasp Consumer Trends

Our questionnaire survey offers a glimpse at fluctuations in consumer spending by sector, behavioral changes in shopping and shifts in consumer psychology as measured before and after the spread of Covid-19. That said, it does not allow us to grasp which specific sectors and regions are actually seeing lower (or higher) consumer spending, and to what extent this is happening. Given that the government’s surveys of household finances are published about two months after the fact, they too lack an immediacy.

In this survey, we also asked respondents whether they had seen or heard any (seemingly) fake news regarding the spread of Covid-19, and in fact over half of them answered that they had found what appeared to be fake news. In addition to word that toilet paper would be sold out, that heat would kill the virus, and other such information, speculative and exaggerated accounts have also appeared online regarding economic conditions. Fragmentary bits of information about sales in specific industries (e.g. department stores), for instance, are the only data publicly available that can be considered reliable.

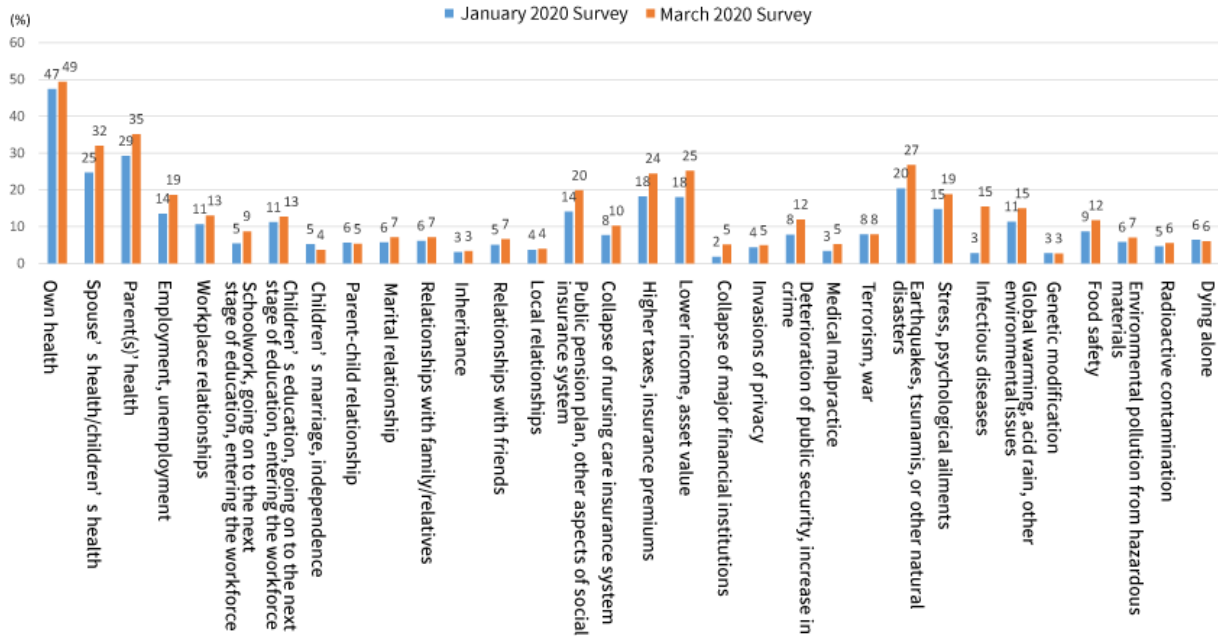
What we need is more comprehensive and immediate information on consumer activity. The aspect we

need to focus on in particular is cashless payment information. As of February 2020, Japan had approximately one million registered member stores offering cashless payments or reward points, with these stores being compensated for the reward points redeemed based on information about the value of cashless payments made there. By employing this framework, we can immediately obtain a general view of consumer spending information in Japan. Furthermore, the more that Japanese people make use of cashless methods, the more accurate our overall picture of consumer activity will be. What the government needs to do is further promote cashless payments, and collect and periodically publish such information by business type and prefecture etc., not only in order to provide accurate information to people, but also to utilize it as a vital information source that will enable policymakers and corporate managers to make decisions swiftly.

### [Reference] Survey Overview

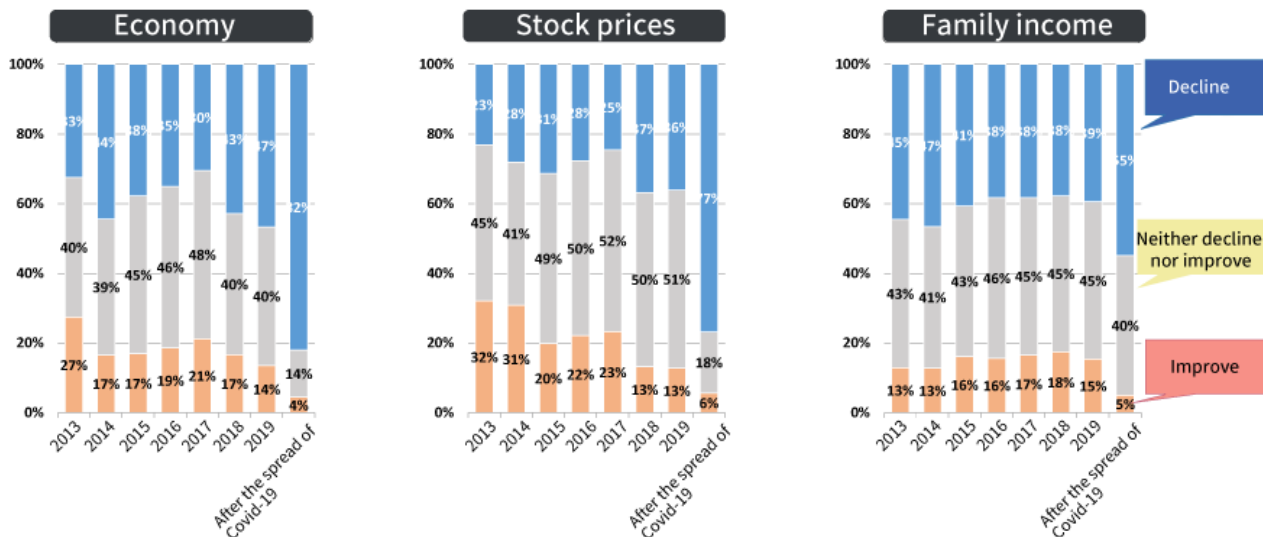
- Survey name                    Investigations on the Effects of the Spread of Covid-19 Infection on Lifestyle
- Survey period                March 2020
- Survey method                Internet survey
- Survey subjects               Men and women aged 15-69 across the country
- Number of valid responses    3,098 people
- Main survey items            ◇ Information gathering behavior
  - ...Ways of gathering information, and any changes thereto
- ◇ Communication
  - ...Attitudes towards parent-child relationships, marital relationships, local relationships
- ◇ Workstyle
  - ...Work conditions, work attitude
- ◇ Consumer values
  - ...Attitudes toward consumption, areas where subjects are eager to spend their money going forward
- ◇ Actual consumer activity
  - ...Inclination to dine out, use meal delivery or online services etc., and any changes thereto
- ◇ Overall lifestyle, life planning
  - ...Economic/income prospects, any uneasiness or worries currently faced

**Fig. 1: Changes in Uneasiness or Worries Before and After the Spread of Covid-19 (multiple responses allowed)**



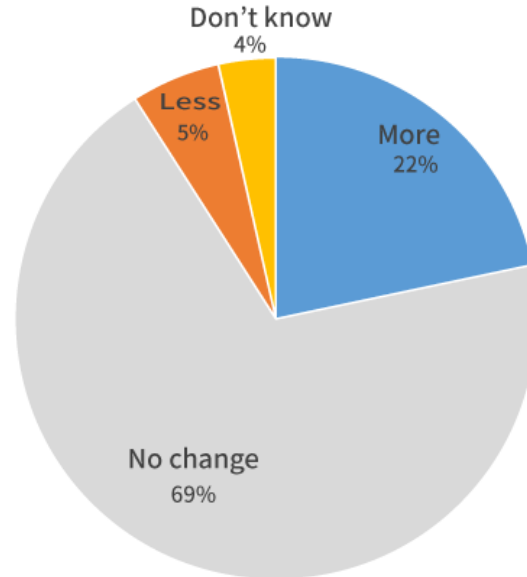
Sources: NRI, "Investigations on the Effects of the Spread of Covid-19 Infection on Lifestyle" (March 2020)  
NRI, "Investigations of Daily Life of Japan Citizens" (January 2020)

**Fig. 2: Trends in Outlook on "Economic Conditions", "Stock Prices", and "Family Income" Going Forward**



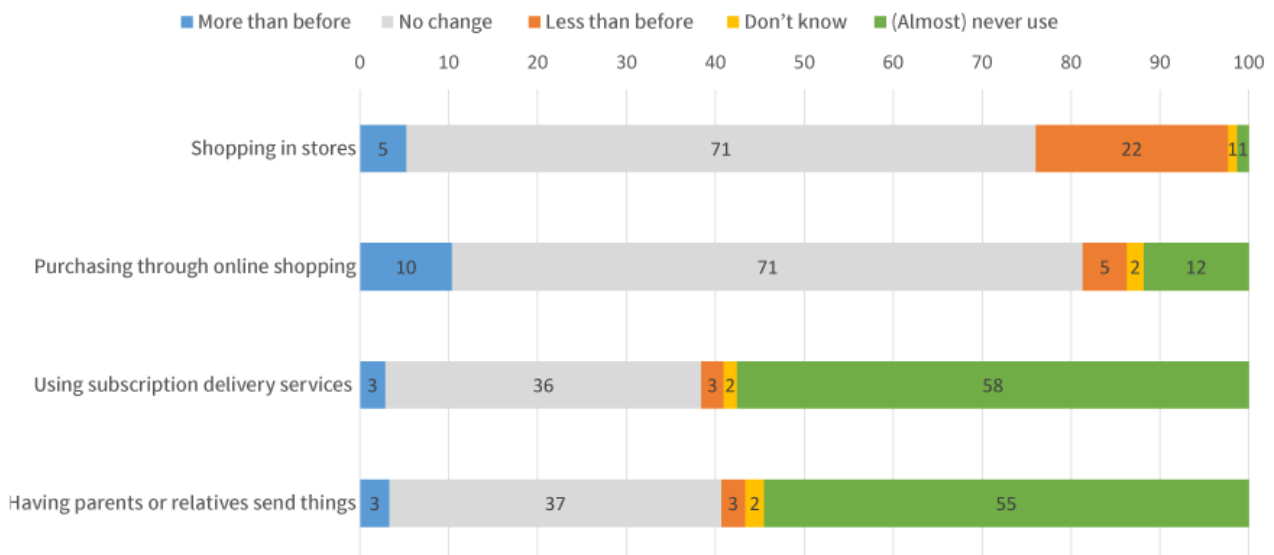
Sources: NRI, "Investigations on the Effects of the Spread of Covid-19 Infection on Lifestyle" (March 2020)  
NRI, "End-of-Year Consumer Internet Survey" (2013, 2014, 2015, 2016, 2017, 2018, 2019)

**Fig. 3: Changes in Amount Spent on Daily Essentials Before and After Spread of Covid-19**



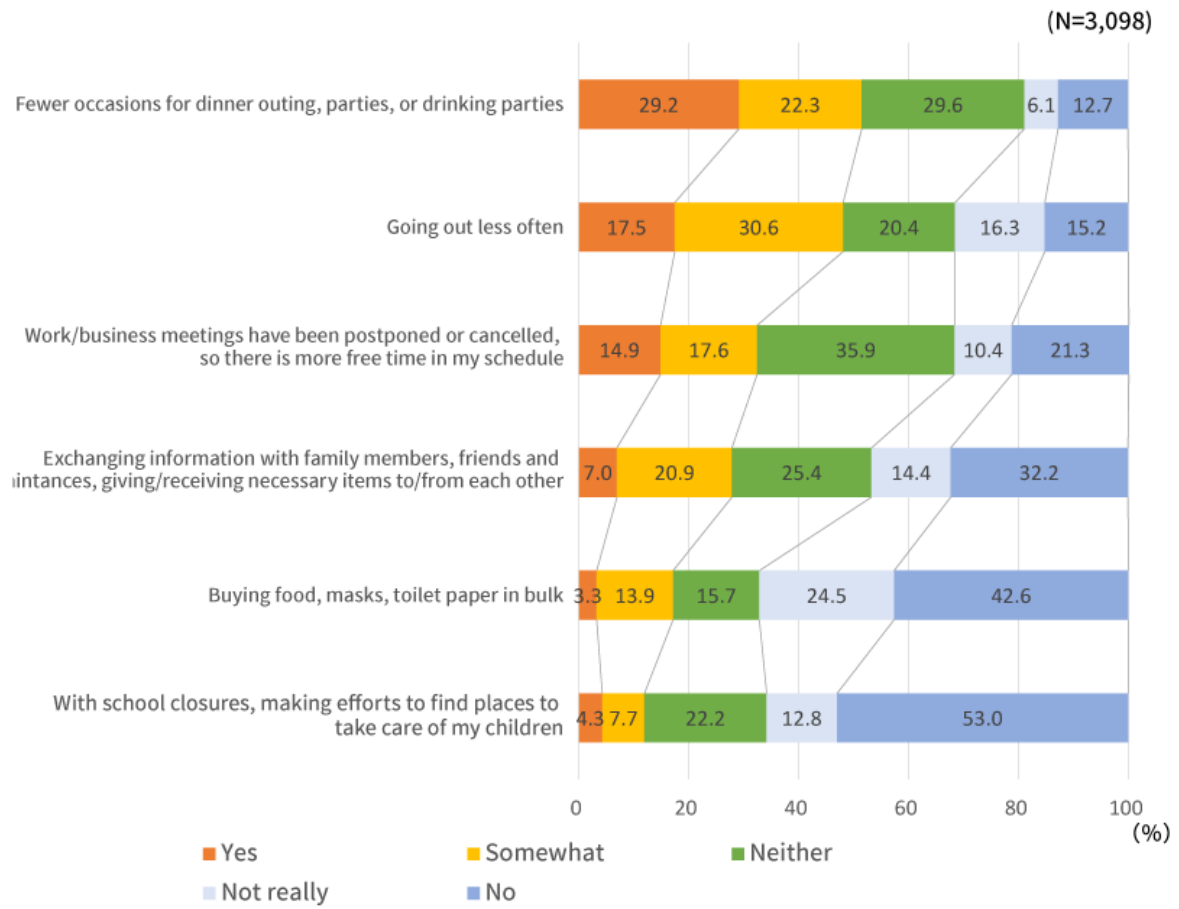
Source: NRI, "Investigations on the Effects of the Spread of Covid-19 Infection on Lifestyle" (March 2020)

**Fig. 4: Changes in How Frequently People Purchase/Obtain Daily Essentials Before and After Spread of Covid-19**



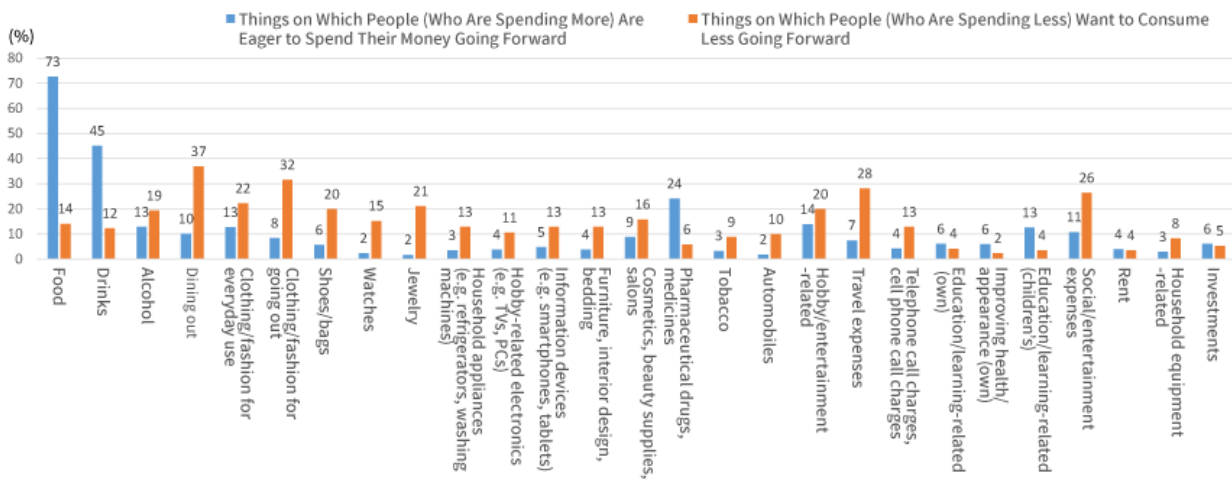
Source: NRI, "Investigations on the Effects of the Spread of Covid-19 Infection on Lifestyle" (March 2020)

**Fig. 5: Changes in Behavior Due to the Spread of Covid-19**



Source: NRI, "Investigations on the Effects of the Spread of Covid-19 Infection on Lifestyle" (March 2020)

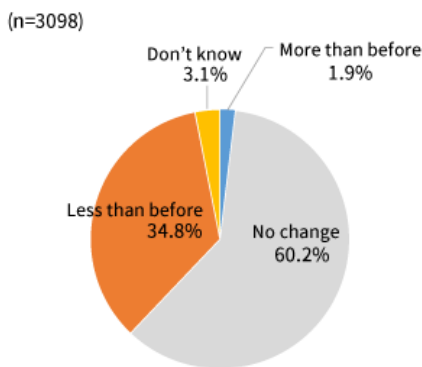
**Fig. 6: Things on Which People Are Eager to Spend Their Money/Things People Want to Consume Less in the Next Month (Multiple Responses)**



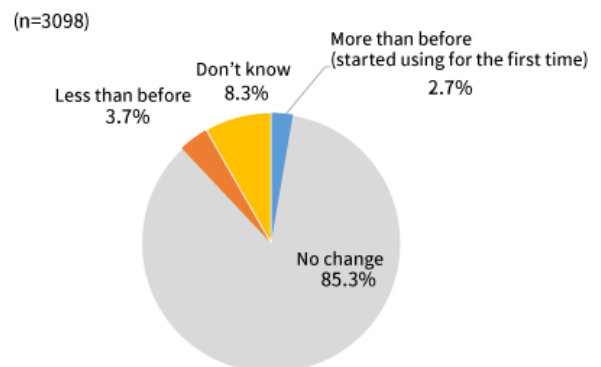
Source: NRI, "Investigations on the Effects of the Spread of Covid-19 Infection on Lifestyle" (March 2020)

**Fig. 7: Changes in How Often People Dine Out/Use Meal Delivery Services After Spread of Covid-19**

Changes in How Often People Dine Out After Spread of Covid-19



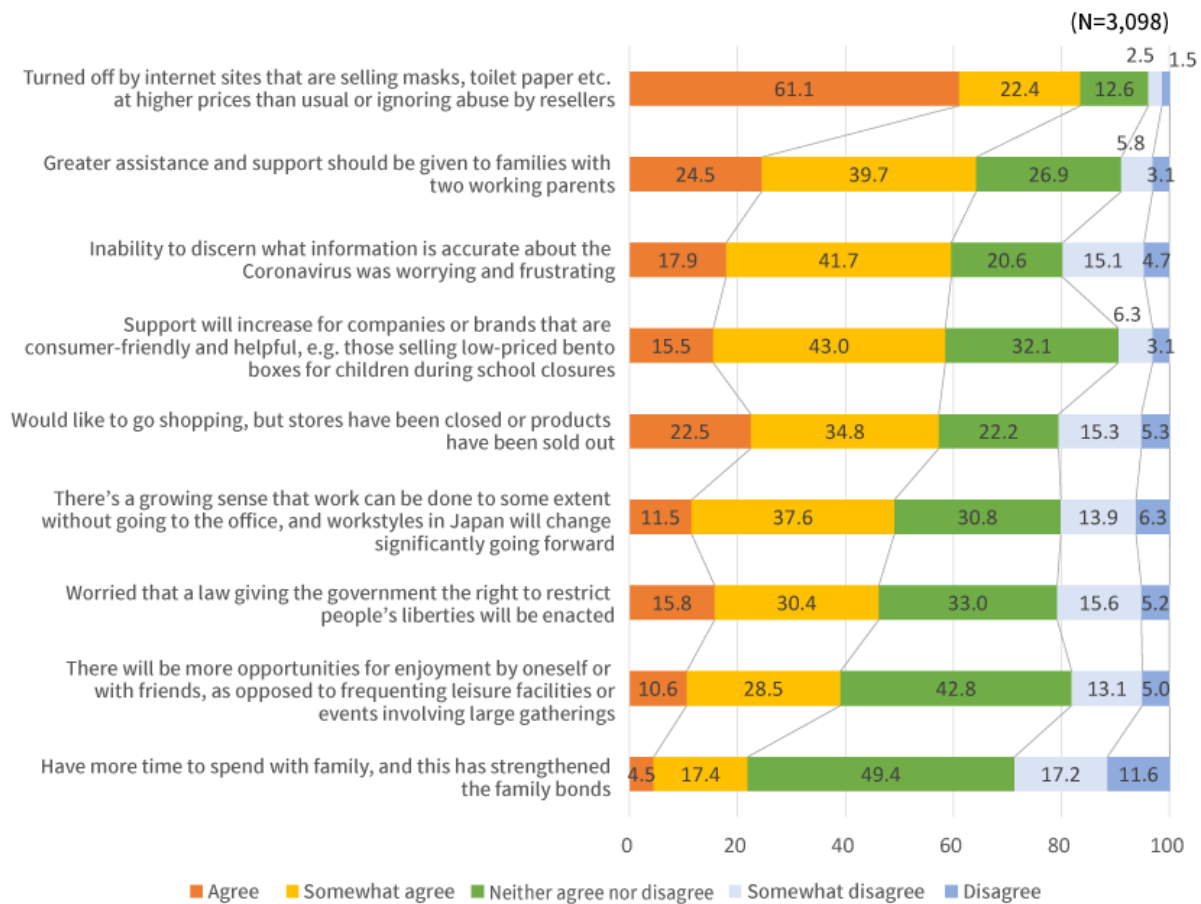
Changes in How Often People Use Meal Delivery Services After Spread of Covid-19



Source: NRI, "Investigations on the Effects of the Spread of Covid-19 Infection on Lifestyle" (March 2020)



**Fig. 8: Changes in Attitudes Regarding the Spread of Covid-19**



Source: NRI, "Investigations on the Effects of the Spread of Covid-19 Infection on Lifestyle" (March 2020)

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<https://www.nri.com/en/keyword/proposal>

Inquiries about the proposals:

Center for Strategic Management & Innovation

Nomura Research Institute, Ltd.

E-mail: miraisouhatsu@nri.co.jp

Media Inquiries:

Corporate Communication Department

Nomura Research Institute, Ltd.

TEL: +81-3-5877-7100

E-mail: kouhou@nri.co.jp