

# EY Future Consumer Index: how COVID-19 is reshaping MENA consumers' behavior and consumption patterns

## MENA consumer industries

**EY Future Consumer Index: now, four consumer segments  
have emerged during the COVID-19 crisis**

**34%**

### Save and stockpile

Not so concerned about the pandemic, but worried about their families and pessimistic about the long-term effects.

**31%**

### Cut deep

Hardest hit by the pandemic. Most pessimistic about the future. Spending less across all categories.

**31%**

### Hibernate and spend

Most concerned about the pandemic, but best positioned to deal with it and thus optimistic for the future.

**4%**

### Stay calm and carry on

Not changing their spending habits. Not directly impacted by the pandemic, but worried that others are stockpiling.

Pioneering technologies, innovative business models and nimble market entrants are revolutionizing the way people shop and how they live. In this complex environment, with the backdrop of the COVID-19 pandemic, consumer interests and focus are shifting substantially. This is causing companies to switch their focus from maintaining what they already have to creating what they need to become.

The day-to-day lives of people around the world have changed tremendously due to the pandemic, which would have been unimaginable a few weeks before it all started. But as consumer-facing organizations try to find their way through, it is important to note that the MENA consumer was already evolving at great speed. That process is now playing out faster than anyone imagined.

The EY Future Consumer Index helps leaders understand and track emerging consumer behaviors and sentiment in the MENA (KSA and UAE) region. As a result of the COVID-19 pandemic, consumers are concerned about their family, finances, freedom, jobs, the way they shop, the products they buy and the availability of essentials.

## Understanding “now” and the anxious consumer

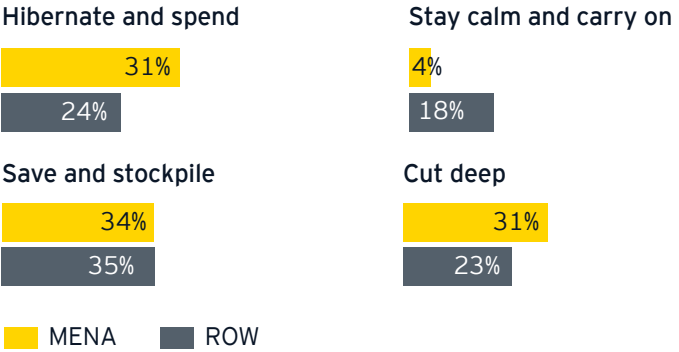
The EY Future Consumer Index answers concerns regarding consumer consumption with distinctive, valuable and actionable insights. At this stage of the pandemic, around 34% of the MENA market versus 35% in the rest of the world belongs to the “save and stockpile” segment. Consumers in this segment are not so concerned about the pandemic but are worried about their families and pessimistic about

the long-term effects. They are more likely to spend on household and home hygiene and are less likely to spend on clothing, footwear and cosmetics. The 31% of consumers in the “hibernate and spend” segment are those most concerned about the impact of the pandemic. On the other hand, they are optimistic about the future, as they are in the best position to deal with the pandemic. They concentrate on spending more on fresh food and continue to spend more on personal care items and electronics. This segment of the MENA market is larger than the rest of the world (only 24% of global consumers). The “cut deep” segment is also important in the MENA market, with 31% of consumers (only 23% of consumers belong to this segment in the global market). These consumers are the hardest hit by the pandemic; they are also pessimistic about the future and therefore spending less across all categories apart from household and home hygiene. Discretionary items such as beauty and cosmetics in particular have seen a large decline in spend.

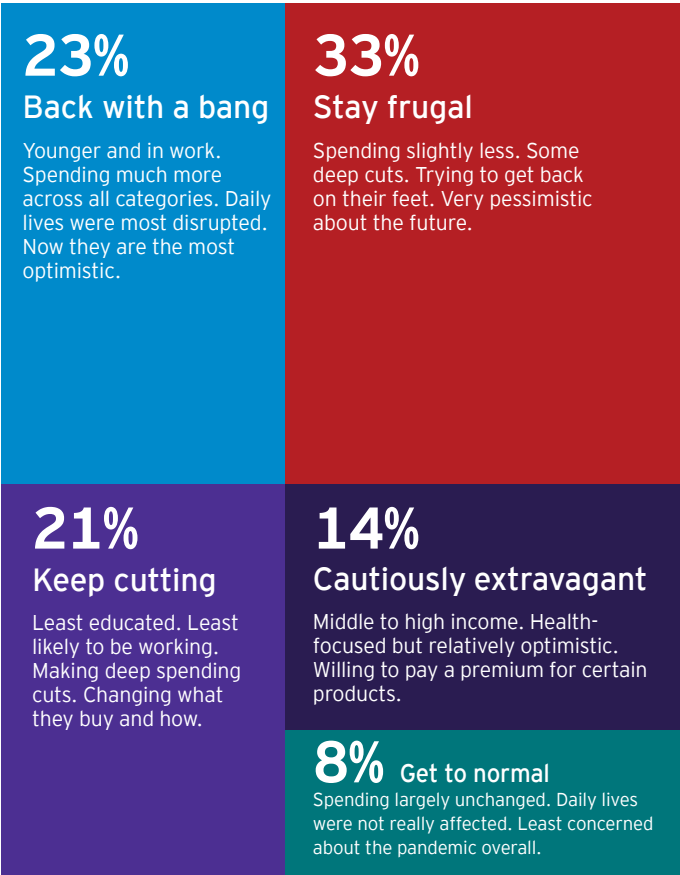
The “stay calm and carry on” segment is almost non-existent

in the MENA market (4%), while the global market represents 18% of consumers. They are not directly impacted by the pandemic and thus are not changing their spending habits drastically, but they are worried that others are stockpiling. They are spending more on grocery delivery services, beauty, clothing and footwear.

**Now, how are MENA consumer segments different from the rest of the world (ROW)?**



**EY Future Consumer Index: next, five consumer segments will emerge after the COVID-19 crisis**

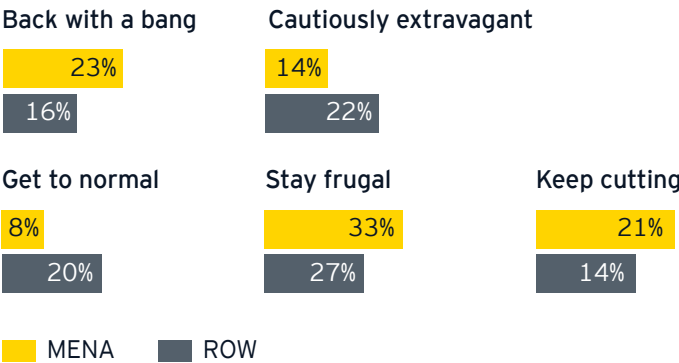


**What’s coming “next”?**

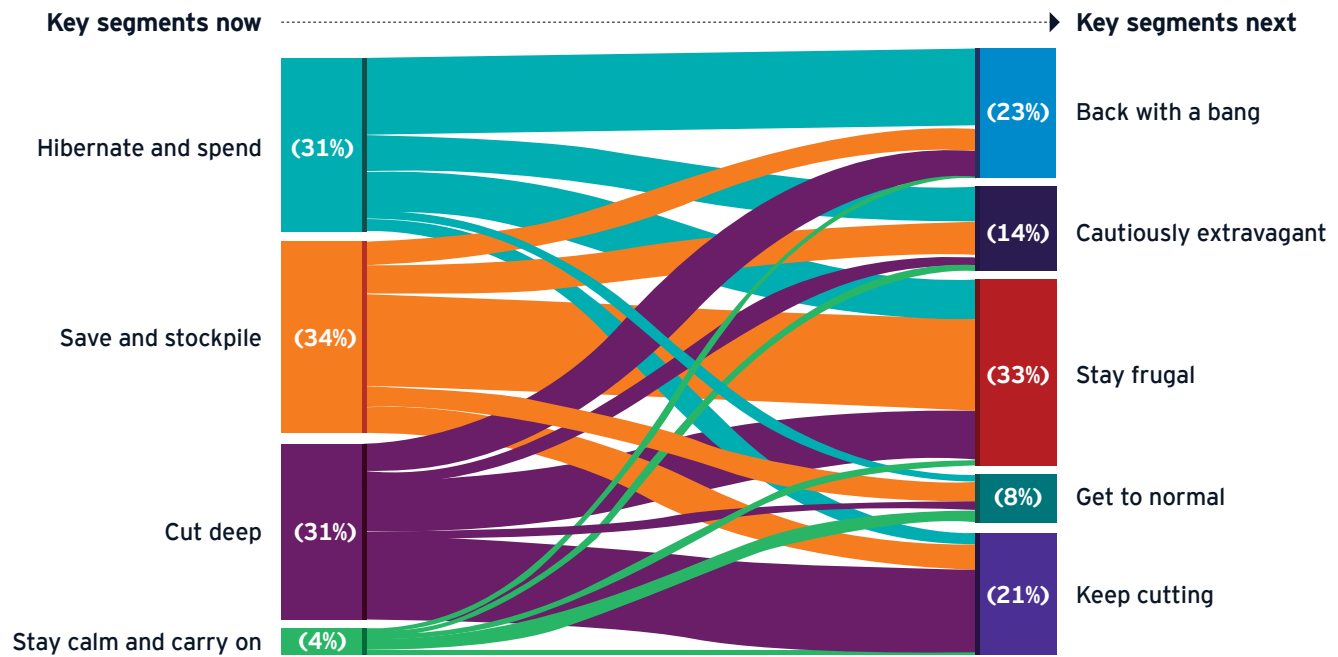
The “next” phase is all about bouncing back from the current situation, even though the pandemic is not over, and the vaccine has not been found yet. During this period, daily life will resume, but health and economic concerns might continue to reduce consumer confidence. The most enthusiastic and optimistic consumer segment in this phase – “back with a bang” – is made up of mainly young workers. Compared with the 16% of consumers in the global market, 23% of MENA consumers fall into this segment. They clearly show that they are ready to spend much more across all categories and they expect to be better off financially over the next year. They are optimistic that they will shop more online in the next one to two years and are willing to pay a premium for high-quality products.

The EY Future Consumer Index predicts that the largest consumer segment in MENA (33%) will “stay frugal,” with less spending, some deep cuts and a change in the way they shop as a result of the outbreak. They are, in some ways, pessimistic about the future. On the other hand, only 27% of global consumers belong to this segment.

**Next, comparing MENA five segments with the ROW**



## EY Future Consumer Index: how consumer segments could transition post-COVID-19



Compared with 14% in the global market, 21% of the MENA market will keep “cutting deep.” Consumers in this segment are the least educated and the least likely to be working, and there is a chance that they will change what and how they buy. They will also place more importance on pricing once the outbreak is over. The health-focused but relatively optimistic consumers comprise 14% of the “cautiously

extravagant” segment of the MENA market, compared with 22% of consumers in the global market. They would pay a premium for products they perceive as being of higher quality; they will change how they shop (with fewer physical visits to stores); and they will feel comfortable going to restaurants within weeks after the outbreak is over, with many of them potentially preferring to support local brands.

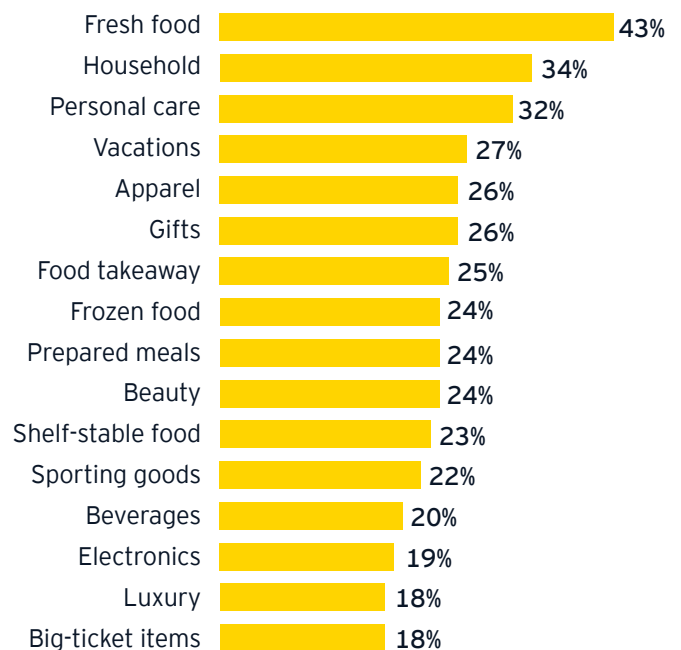
### How quickly consumers believe “normality” will return once the pandemic is over



Only 8% of MENA consumers are part of the “get to normal” segment compared with 22% of global consumers. They are least concerned about the pandemic, as their daily lives were not really affected and there are no lasting changes in the way they live as a result of the outbreak. They are not concerned about the impact on their job, and they will spend the same as before on canned and dried food in the long term.

In these unpredictable times, the duration of this transition is uncertain, as are the different kinds of transition that may emerge. But keeping an eye on the pandemic will help companies to stay relevant and plan accordingly for the future. The important questions are, as the economy recovers from the aftermath of the pandemic, which behaviors will return to what they were before, which will stay for a while and which will have changed for good? The challenges will be catering to consumers via their preferred channels and building business resiliency to operate smoothly during any future crises.

### Percentage of MENA consumers that will spend more on specific categories once the COVID-19 outbreak is over



## Implications in operating model shifts to win in the market

Companies can take certain steps to anticipate the future, understand the changes, explore the market and respond to the opportunities effectively.

### 1 Increase in e-commerce

As markets move to more omnichannel and direct-to-home delivery-based models, retailers need to reimagine operations and embrace digital to meet consumers' demand for rapid fulfilment. The companies thus need to enhance their direct-to-consumer capabilities and optimize their physical channel distribution.

### 2 Optimize supply chain costs

Companies must repurpose their supply chain to meet demand fluctuations within their categories amid supply constraints – both locally and globally. They must develop the capability to plan inventory and logistics across stores and channels in a highly dynamic way – ensuring resiliency and agility at an optimized cost.

### 3 Make trade spends work smarter

The impact of the outbreak and expectations of a deep global recession will increase price sensitivity. Companies must ensure that appropriate investments are made for current and future growth, actively leveraging the price and promotion levers to drive incremental demand.

### 4 Improve consumer understanding and create innovative consumer engagement platforms

Companies must use the right tools to listen to the changing expectations of their consumers, and shape “now and next” engagements through innovative loyalty schemes. The need for big data and data analytics is undisputable to understand the shifts in consumers' expectations and, in turn, make better and more informed marketing decisions.

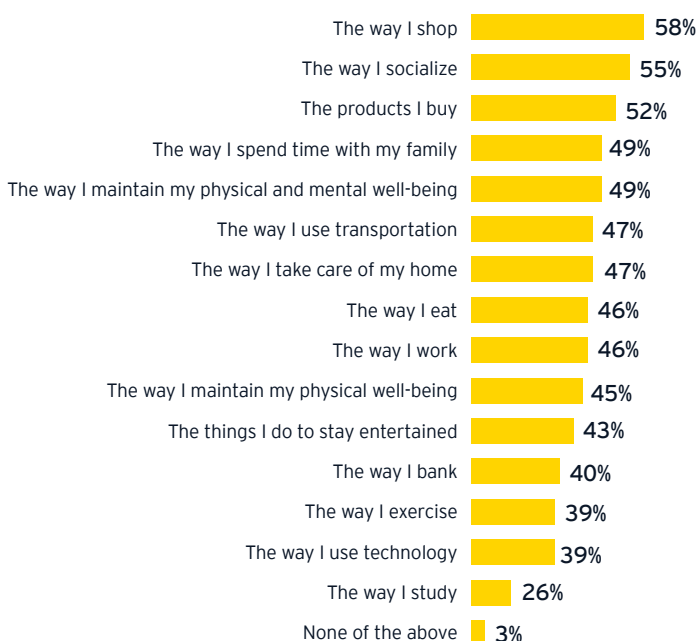
### 5 Build robust risk assessment capabilities

Organizations must move toward carrying out continuous control monitoring, involving the proactive monitoring of 100% of transactions, and continuous evaluation of key risk and control status as outlined in the policies and procedures – to identify revenue leakages, excess payouts and cost optimization opportunities.

### 6 Reimagine employee management practices

Companies need to anticipate future crises; they must streamline their existing organization structure and current manpower levels, and align with global practices, looking for process standardization and automation opportunities.

### Percentage of consumers that will change behaviors over the next one to two years



## What's waiting “beyond”?

In the “beyond” phase, the focus should be on transforming to succeed in a new business landscape. Companies need to align their ideologies in preparing for recovery campaigns, realigning brand messaging with recovery, enhancing direct-to-consumer outreach, eliminating or reducing physical assets, and investing in emerging digitalization and in embedding automation in operations. With changing situations and lifestyle, customer behaviors and consumption will undergo a massive transformation. The notable change in consumer behavior is the shift from brick-and-mortar to online shopping. Developments in the MENA region have mirrored global patterns in this respect.

This phase will focus on delivering long-term value creation by reframing and transforming business. Seizing new growth opportunities, redefining purpose, reimagining relationships, transforming virtual working, heightening the response to public health, reinventing business solutions and creating fully digital enterprises are some of the steps that may be included in the reframing process.

As the pandemic has influenced changes in behavior and consumption, consumers have started rethinking what is important and what they should value the most. In the “beyond” phase, 51% of consumers will value quality most. Around 44% and 39%, on the other hand, will value health and affordability respectively. Also, there will be a huge percentage who will be more cognizant of hygiene and sanitation when shopping in person.

**58%** of consumers completely agree that the way they shop will change in the coming years.

COVID-19 has done something that no amount of advertising by brands could do – it has made consumers change their preferences. This will continue to influence the “beyond” phase and future consumer consumption patterns. Changes that were expected to come upon us gradually over the next half decade or so will now be forced on both consumers and companies in the immediate future. Even then, consumers are optimistic about recovery, believing that the pandemic has accelerated a much-anticipated change in the region. Companies should thus embrace the change and emphasize the need for improvement.

## Methodology

We surveyed 2,263 consumers across the KSA and UAE during May 2020, focusing on 1,136 UAE and 1,127 KSA respondents. The survey questionnaire covered a “now, next and beyond” perspective on the changing consumer behavior.

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