

CONSUMER HABITS DURING A PANDEMIC



**FLOCKE &
AVOYER**

Commercial Real Estate
BRAD WILLIAMS
Senior Vice President
bwilliams@flockeavoyer.com
858.875.4668
License ID: 01802468

As we prepare to enter our 8th month during this COVID-19 pandemic rollercoaster, it seems that many of us become increasingly aware of our own changing consumer habits, as we better learn how to exist and function as a society with this virus in our midst. My network of family and friends might be a small sample size in the grand scheme of things, however, it has become easy to recognize a number of fundamental changes occurring in customer habits...some that could be temporary...and others more permanent.

Is retail dead? Absolutely not. But it continues to change faster than ever.

Other than increased grocery shopping and the abrupt absence of restaurant visits during this pandemic, one of the first times I became acutely aware of my own interrupted personal consumer habits was about 30 days after the shutdown began. For those that know me, you know I do not have a lot of hair left. I typically have my hair "tightened up" once a month. But with the initial wave of retail closures, it became time for my first home haircut. With the help of my wife, my first "home cut" didn't turn out half bad. (Again, I don't maintain the highest

hair count to begin with!). About a half dozen home haircuts later, this could mark a shift in what was a normal personal customer habit during my entire life. Will I ever go back to another barber or hair salon? Probably. But will I think twice about saving \$500 a year and do it "efficiently" at home? Perhaps.

Another personal consumer habit shift has been fitness related. Prior to the pandemic, I regularly attended boot camp classes with friends and spin classes at a favorite indoor cycling studio. However, my wife and I are two examples of why Peloton stock has soared in 2020. Our bike arrived in early May, and it has completely altered our fitness routines. Obviously, the cost of the Peloton bike itself is not inexpensive, but thereafter it only takes one or two traditional spin classes at brick-and-mortar locations to exceed the monthly \$39 fee for the Peloton content. Couple that long-term cost savings with the convenience of not leaving the house...and we might never again regularly attend in-person spin classes. As retail brokers, we have been preaching "experiential retail" for years, but the on-demand content is so strong and the efficiency so convenient, that the Peloton (in my opinion) has caused long-term viability concerns for indoor cycling studios. A myriad of other morphing personal consumer habits have accelerated during the COVID-19 pandemic...fewer trips to the dry cleaner, increased visits to Home Depot and our neighborhood Ace

Hardware, and even more regular visits to home décor stores like HomeGoods. Heck, I have even been in a Michaels several times during the pandemic searching for picture frames...and I cannot tell you the last time I had stepped foot in one!

So like many of you, I find myself asking: where is the retail world headed based upon changing consumer habits and this pandemic? Here are a few predictions:

1. The retail landscape will grow even more competitive than it has ever been.

What I mean by this is that tenants and businesses that fight for our hard-earned dollars will have to compete even more fiercely to provide a better (or more unique) customer experience. If people eventually wind up making fewer trips to restaurants or brick-and-mortar retail locations, it would make sense that consumers will pick what they deem to be “best-in-class” versus an average experience, service, or product.

2. Along those same lines, there will be a trend towards supporting our favorite establishments more than ever.

Throughout the pandemic, my wife and I have made an intentional effort to patronize our favorite restaurants for take-out...in hopes that they survive and we may continue to enjoy them for years to come. We have made sure to visit many of our favorites repeatedly, including Luce, El Pescador Fish Market, Wheat & Water, Pizza Port, Karl Strauss, Coronado Brewing, and our neighborhood sushi spot and favorite taco shops!

3. Retailers with the best omni-channel strategies will thrive more than those without a strong combination of quality brick-and-mortar locations to complement their online offerings.

Many of us identify brand loyalty through the experience and vibe that brick-and-mortar stores offer, but also often find or buy those same brand’s items online, due to a higher selection and convenience.

4. Retailers, restaurants, and retail service providers will continue to find new ways to create additional revenue streams.

Numerous restaurants have recently created sidewalk pick-up windows to offer enhanced customer convenience, such as Eggies at Breakfast Republic, or Harry’s Taco Club at Cass St Bar & Grill.

These ancillary concepts provide convenience and different products. Another good idea this year came from Wheat & Water in La Jolla, which sold take-home pizza kits to prepare as a family activity. I know numerous families that bought these as a COVID family activity... and to specifically support the restaurant. COVID-19 has been about survival for many tenants, and many of the good ideas sparked during this impromptu “incubation period” might be here to stay.

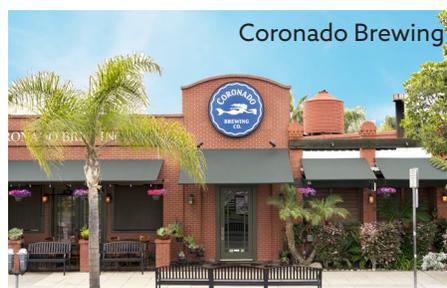
The past seven months have taught me that while I enjoy the convenience of the Peloton at home, I still miss the camaraderie of in-person workouts with my buddies. While my cooking skills have grown (slightly) at home, I still miss the atmosphere, energy, and vibe of good restaurants (not to mention waiter service). I may also feel more comfortable cutting my own hair at home in a pinch...but I miss an actual professional making the most out of what I have left on top!

So in short, is retail dead? Absolutely not! But COVID-19 continues to alter our consumer habits and will continue to do so...making us customers even more discerning and discriminating ...and creating an even more competitive environment for those fighting for our attention, loyalty and dollars.

SUPPORT LOCAL BUSINESSES



Wheat & Water



Coronado Brewing



Pizza Port