COVID-19 and Consumers: *from crisis to recovery*

Monthly Insights Report
JUNE 2020

Contents

1. Background

The Consumer Policy Research Centre (CPRC) is an independent, non-profit consumer research and policy organisation. CPRC aims to create fairer, safer and inclusive markets by undertaking research and working with leading regulators, policymakers, businesses and community advocates.

CPRC is partnering with Roy Morgan Research to conduct monthly surveys measuring the financial impacts and consumer experiences of COVID-19 across essential and important services markets, including housing, energy, telecommunications, credit and insurance.

Objectives

With governments, regulators, business and the broader policy community challenged to provide sufficient support for consumers during the COVID-19 economic crisis and into recovery, the objectives of this research are twofold:

- To **better understand the impact** that COVID-19 is having on Australian consumers' experiences, behaviours and expectations across essential and discretionary products and services markets, now and into recovery.

- To **provide policy and program insights** on how consumer experiences of COVID-19 should inform the design of support measures that aim to meet the various needs and expectations of consumers.

Research approach

We are gathering data from May to at least October 2020, using online and telephone surveys. As the impacts of COVID-19 unfold over this period, we will drill down and analyse consumer experiences in managing household expenses and within essential service markets. The survey tracks key subgroups of consumers and experiences across markets and provides insights into:

- what interventions are needed to support consumers during the initial stages of the health and economic crisis
- how these interventions may need to adapt as events evolve
- what policies and support programs will help build consumer resilience and deliver good consumer outcomes as we move toward economic recovery.

The research is conducted using online surveys via Computer Aided Web Interviews (CAWI) and telephone interviews via Computer Aided Telephone Interviews (CATI). In June 2020, 1,380 online surveys were conducted, and 50 additional telephone surveys took place with low or non-internet users for a total of 1,430 respondents.

2. COVID-19 – what's happened in June

At the beginning of June 2020, public health restrictions began to be lifted across Australia, due to the flattening of the COVID-19 infection curve during the lockdown period in April and May.

As shown in Figure 1, towards the end of June, cases in Victoria began to increase, resulting in the re-imposition of restrictions as the month went on. The onset of this further wave in Victoria during June highlights the likely unpredictability of health and economic impacts of COVID-19 over the coming months.

Figure 1: Timeline of key COVID-19 events, June 2020

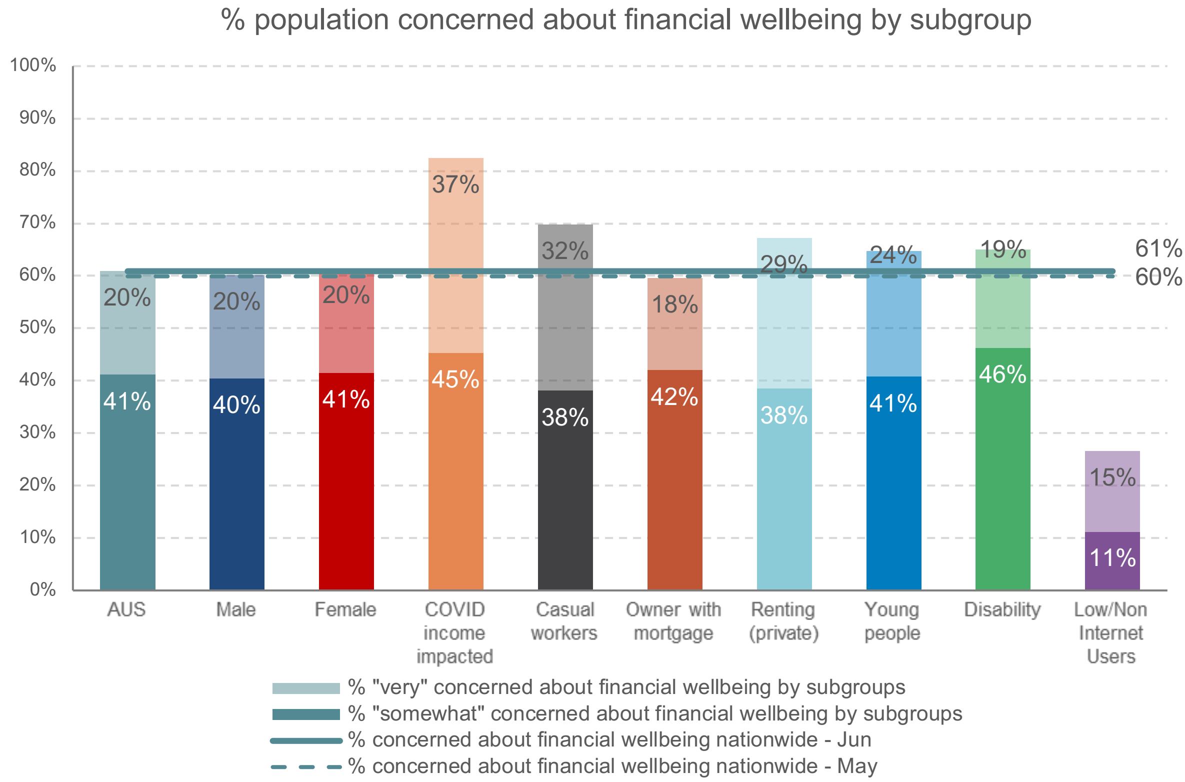
Date	Key Events
1st Jun	VIC eases restrictions: cafes, restaurants and pubs open to 20 patrons at a time; NSW allows 50 patrons in dining areas
2nd Jun	WA opens borders
3rd Jun	AUS economy records negative growth in March 2020 quarter, Treasurer indicates recession is inevitable
7th Jun	ACT records first case in over a month
16th Jun	QLD allows up to 100 people at funerals
17th Jun	SA opens borders to WA, NT and TAS visitors
21st Jun	VIC number of visitors in homes reduced to 5 as cases rise
26th Jun	Coles and Woolworths reinstate product limits as panic-buying returns
27th Jun	VIC records 41 new cases overnight
28th Jun	WA eases restrictions – nightclubs/venues reopen with social distancing; certain VIC suburbs experience outbreaks
30th Jun	VIC – COVID-19 hotspot suburbs return to stage 3 restrictions

3. Key survey findings

Concern about financial wellbeing among Australian consumers remains high, with very high levels of concern among those with incomes affected by COVID-19, casual workers and renters

Faced with the economic impact of the COVID-19 pandemic, 61% of Australians felt either very or somewhat concerned about the impact of COVID-19 on their financial wellbeing in June. This was very similar to the level of concern in May (60%).

Figure 2: Levels of consumer concern regarding financial wellbeing, June 2020



QTN: How concerned are you about the impact of COVID19 on your own financial wellbeing?

Looking at the levels of concern amongst subgroups shown in Figure 2 (see definitions of subgroups in Table A in the **Appendix**) we can see:

- people whose income was impacted by COVID-19[1] had the greatest concern about their financial wellbeing at 82%, including 37% who were very concerned
- renters were more concerned (67%) than mortgage-holders (60%)
- casual workers (70%), younger Australians (65%) and people with a disability (65%) also had above average levels of concern
- concern levels were similar between males (60%) and females (61%)
- low or no internet users, who tended to be older Australians, were less concerned about the impact of COVID-19 on their financial wellbeing (26%).

[1] COVID Income Impacted are a group of people who had an income source before COVID-19 (either Full-time employee, Part-time employee, Casual employee, Self-employed / own business, or Investment income) and have now sought or received Jobkeeper, JobSeeker or other government benefits, or now have no income.

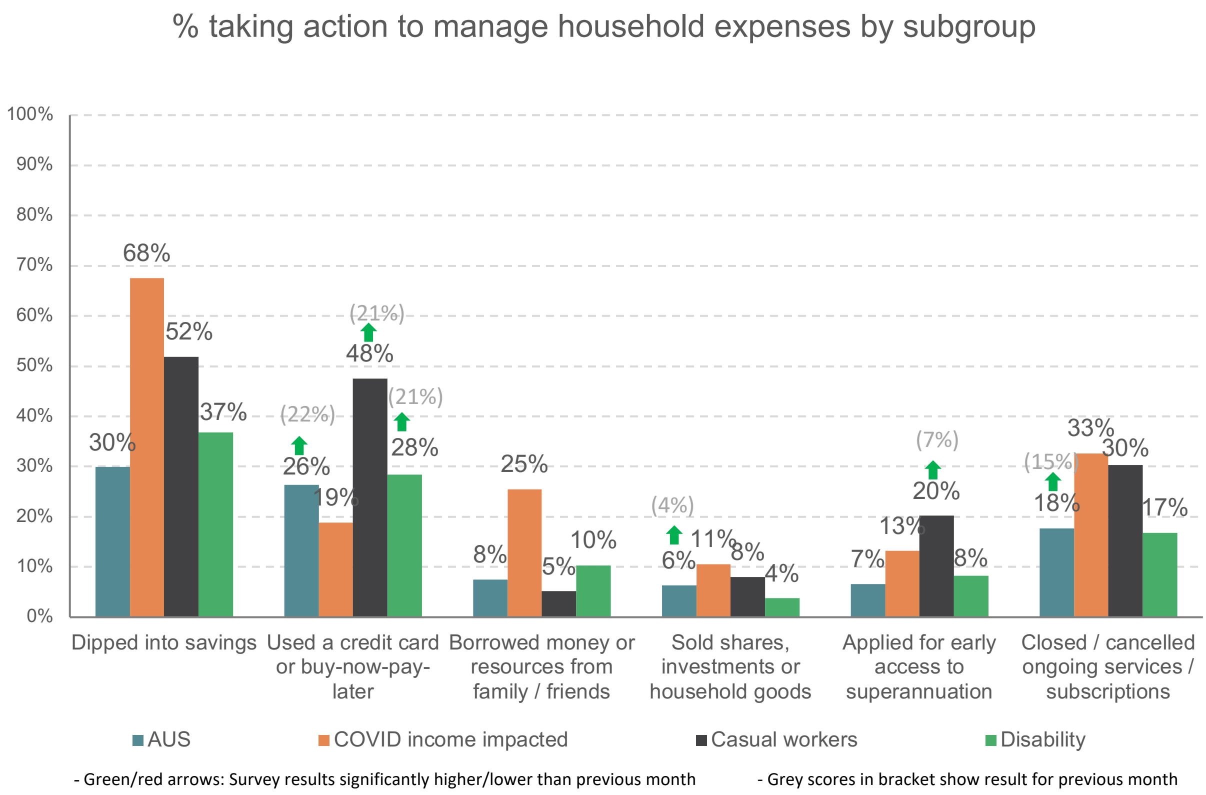
There were no significant shifts in concern about financial wellbeing, across the population or for the subgroups of consumers, from May to June.

Consumers continue to draw down finite resources to manage expenses, particularly groups such as casual workers

Just over half (54%) of Australians reported taking an action to manage their household expenses throughout June, with an increase in consumers dipping into their savings, from 28% in May to 30% in June (Figure 3).

There was also a significant increase in the use of credit cards or buy-now-pay-later services by Australian consumers to manage household expenses, which was at 26% in June, up from 22% in May. Closing services and subscriptions (18%), and selling shares, investments or household goods (6%) also increased significantly from May to June.

Figure 3: Common steps taken to manage household expenses, June 2020



QTN. In the past month, have you taken any of the following actions to manage your household expenses?

During June, people with incomes affected by COVID-19 dipped into savings at a rate more than double the national average (68% compared to 30%), and were three times more likely to borrow money or resources from family and friends (25% compared to 8%). Casual workers were nearly twice as likely to use a credit card or a buy-now-pay-later service than Australians overall (48% compared to 26%). Use of these services by consumers with a disability also increased significantly from May to June (from 21% to 28%).

"I have increased financial stress due to the virus with limited opportunity to purchase essential goods. I'm eating into my savings."

Female, 35-49, ACT, full-time employee, renting (private)

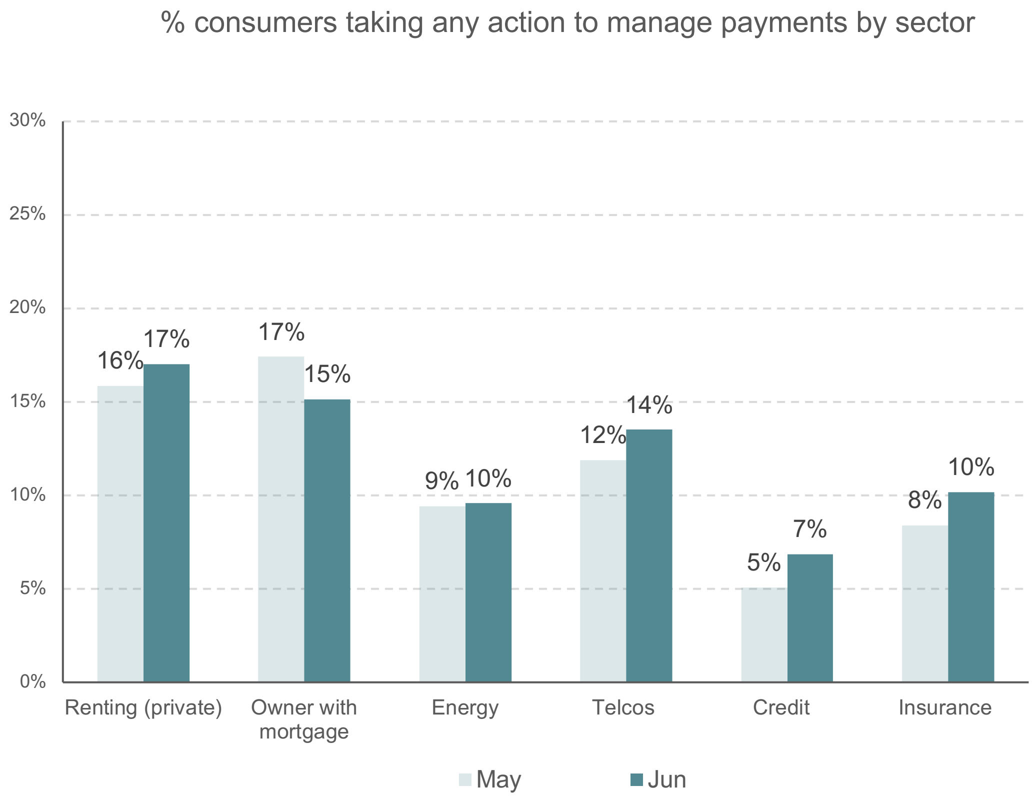
"I'm at risk of spending our savings."

Female, 65+, regional NSW, receiving government income support

Consumers are taking more action to manage essential payments, with action on housing costs still most common

In June, Australians were slightly more active in managing payments (which can include actions like asking for payment assistance, switching plans or providers or applying for a government concession) across essential services sectors compared with May (Figure 4). The exception was for those managing mortgage payments, with less consumers proactively contacting mortgage providers - down from 17% in May to 15% in June. There were no significant shifts across months.

Figure 4: Consumer actions[2] to manage payments by sector, June 2020



QTN. Thinking about your (service provider), have you attempted any of the following in the last 4 weeks?

---

[2] Consumer actions include: refinancing a mortgage/loan/credit card with the same or a different provider; moving house or rental property; reducing mortgage payments to interest only amount; switching plan or provider; asking for payment assistance; applying for a government concession; and, ending a contract.

Analysis of consumer subgroups (not shown on Figure 4) reveals that:

- Australians with incomes affected by COVID-19 were more likely to take actions such as switching plans or providers, or seeking assistance to manage payments across all sectors in June than the national average, with actions to manage credit (15%) and insurance (21%) payments double the national rates of 7% and 10% respectively
- half of casual workers (50%) had taken action to manage their rental payments[3], and a quarter (26%) had taken action on energy payments
- actions to manage mortgage payments were taken by people living with a disability at almost double the national rate (27% compared to 15%).[4]

Separate from actions taken by consumers to manage payments, the survey also captured data on the rate at which consumers reported missing a payment during June.

The rate of missed payments was consistent for the Australian population across essential service sectors (1% to 2%). Australians with incomes affected by COVID-19, renters and consumers with a disability reported missed payments at a rate of 4% in relation to credit products (e.g. credit cards / personal loans / buy now pay later services), double the rate of the Australian population (2%).

Negative experiences with telecommunication and credit providers have increased, and negative experiences for those seeking payment assistance remain high across sectors

One in five Australians (22%) had negative experiences with telecommunications providers in June, a significant increase from May (15%) (see Figure 5).

There was also a significant increase in negative experiences for consumers engaging with credit providers (e.g. credit card, personal loans, buy-now-pay-later), from 5% in May to 8% in June. A significantly lower proportion of Australians had negative experiences with energy providers in June (7%) compared to May (10%).

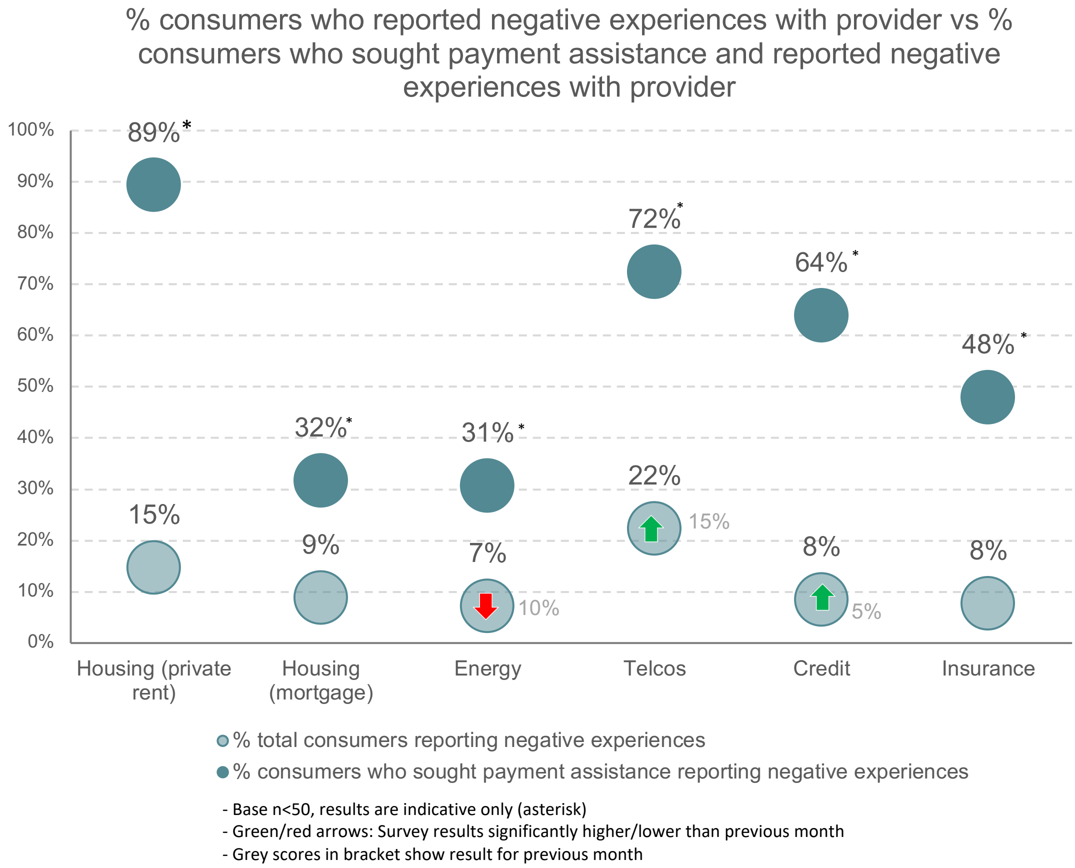
Although results are based on low sample sizes, consumers seeking payment assistance had much higher rates of negative experiences across all sectors, especially renters seeking assistance – 89% of this group had a negative experience, compared with 15% of renters overall.

"If I break a contract… some retailers make you pay [the amount outstanding] all back, without offering a payment plan which makes it difficult to manage a new retailer's payments on top of the old retailer."

Female, 25-34, regional VIC, receiving government income support, renter (public housing)

[3] Due to a small sample size of casual workers renting (n=19) this survey result is indicative only.
[4] Due to a small sample size of consumers with a disability with a mortgage (n=41) this survey result is indicative only.

Figure 5: Negative experiences of service providers among all consumers and among those seeking payment assistance, June 2020



QTN: Thinking about any interactions with your service providers in the last 4 weeks, which, if any of the following have you experienced?

Some sectors continue to do better than others in offering proactive assistance to consumers, with mortgage providers most active

During June, positive actions (such as offers of payment assistance, helpful information or reduced costs) from service providers were most commonly reported by consumers in relation to mortgage (25%) and telecommunication (16%) providers (see Figure 6).

While low proportions of the population are receiving proactive contacts and offers of assistance from essential service providers across most sectors, telecommunications providers have increased their support activities from May (11%). Positive actions from credit providers also increased from May to June (8% to 11%).

In June, mortgage providers were the most likely to provide helpful advice about managing payments (14%), proactively offer payment assistance (8%) and reduce the cost of the service (8%). These forms of assistance were offered much less by rental housing, energy, telecommunications, credit and insurance providers.

Negative actions were most commonly reported in relation to rental housing (8%) and insurance providers (6%). Reports of negative actions in both of these sectors increased from May (up from 6% for rental housing and doubling from 3% for insurance providers in May).

Figure 6 – Most commonly reported actions taken by essential service providers, June 2020

	Mortgage	Rent	Energy	Telcos	Credit	Insurance
Base n=	*483*	*297*	*1,430*	*1,430*	*1,179*	*1,368*
Total positive actions	**25%**	**11%**	**10%**	**16%** ⬆ (11%)	**11%** ⬆ (8%)	**12%**
Provided helpful advice/information about managing payments during COVID-19	14%	7%	5% ⬇ (7%)	7%	7%	6%
Proactively offered payment assistance (payment plan / deferral)	8%	2%	3% ⬇ (4%)	4% ⬆ (2%)	3% ⬆ (1%)	2%
Waived fees or late charges	4% ⬆ (1%)	1%	1%	4% ⬆ (2%)	2%	1%
Proactively offered support to access government assistance to pay rent or mortgage	3%	0%	2%	2% ⬆ (1%)	na	na
Reduced cost of service / rent or cost of mortgage payments / provided a discount	8%	3%	3%	5%	1% ⬇ (2%)	5%
Total negative actions	**3%**	**8%**	**5%**	**5%**	**3%**	**6%** ⬆ (3%)
Increased cost of service / cost of rent or loan fees / charges	1%	4%	3%	2%	1%	4% ⬆ (2%)
Made unsolicited pressure-sales/ cold calls to you	1%	3%	1%	2% ⬆ (1%)	1%	1%
Issued repayment ultimatum via notice or phone call	0%	2%	1%	1%	1%	1%
Engaged debt collection to recover missed payment	1%	0%	0%	1%	1%	1%
Stopped providing you the service / took steps to evict you or repossess your house	0%	0%	0%	1%	1%	1% ⬆ (0%)
None of the above	**66%**	**72%** ⬇ (82%)	**74%** ⬆ (65%)	**70%**	**77%**	**74%**
Can't say / don't know	**9%**	**9%** ⬆ (4%)	**12%** ⬇ (19%)	**11%** ⬇ (14%)	**10%** ⬇ (15%)	**9%** ⬇ (13%)

- Green/red arrows: Survey results significantly higher/lower than previous month. – Grey scores in brackets show result for previous month

QTN. Which, if any, of the following actions have any of your (service provider), taken in the last 4 weeks?

4. Consumer policy implications

In each edition of the Monthly Insights Report we highlight some key consumer policy implications, drawn from the survey results, to help inform consumer support and recovery measures during COVID-19.

CPRC's **Consumers and COVID-19: from crisis to recovery** report (Chapter 5) sets out 'building blocks' policymakers and industry can adopt to support consumers during the uncertain journey from crisis through to recovery, including:

Help consumers cope with the shocks

Sustain, adapt and adjust consumer support measures

Build resilience through fairness and inclusion in recovery

Move rapidly to keep people connected to essential services

In June, the majority of Australians reported concern about the impact of COVID-19 on their financial wellbeing but we are not seeing similarly high rates of actions being taken by consumers (such as seeking payments assistance, switching to better plans or providers or applying for government concessions) to manage major household payments. At the same time, in June consumers continued to report negative experiences when contacting service providers, particularly when seeking payment assistance, which may be having a deterring affect.

We also continue to see relatively low rates of proactive support and information being offered by most essential services providers (with mortgage providers being a relative exception) with less than 1 in 5 consumers reporting having received proactive assistance or support from providers. Bridging this gap between concern and support requires a concerted effort from policymakers and industry to:

- enhance customer outreach and community information programs, including prompt, customer-wide communications such as text messages that alert people to available support
- improve customer service, including when accessing payment assistance
- innovate to reach out to those customers who may be more unfamiliar with available supports and remove barriers to access for consumers when contacting providers (such as websites and phone systems being difficult to navigate, wait times frustrating contact efforts or online-only solutions)
- partner with community organisations who are skilled in supporting and engaging consumers and the community to increase awareness of support measures and empower consumers to exercise their rights.

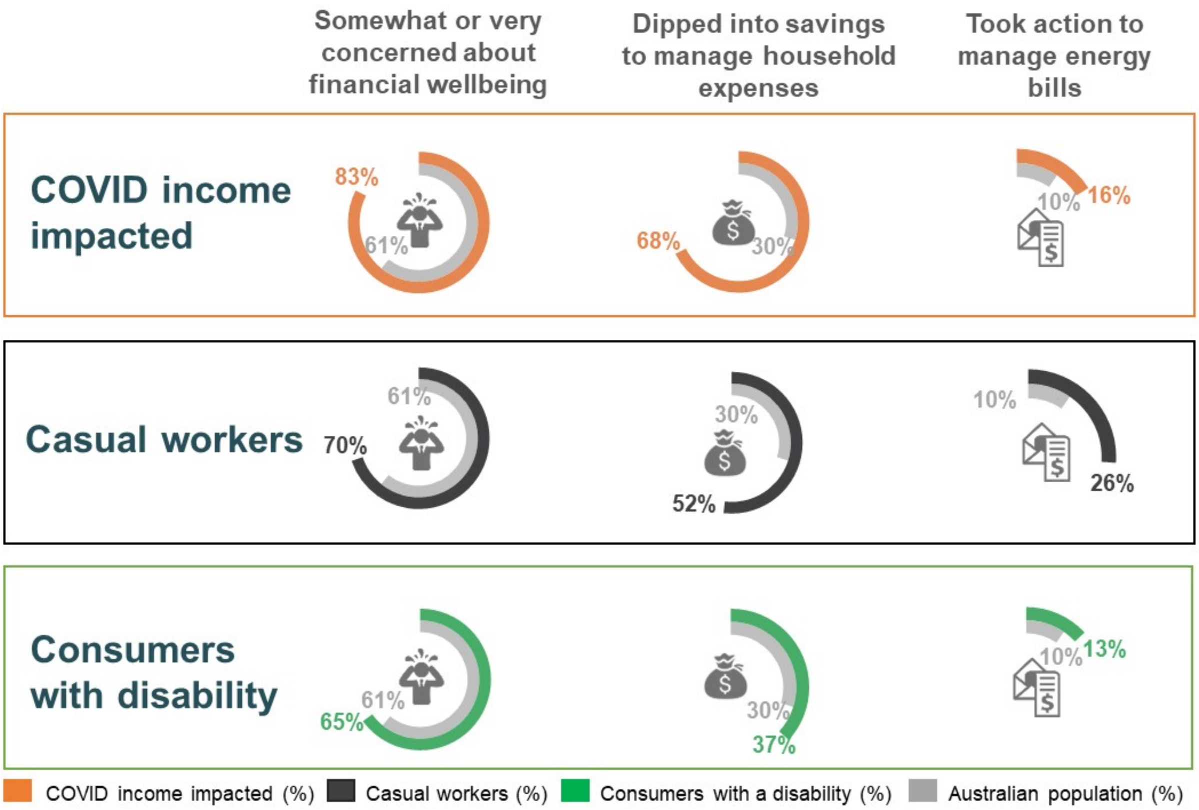
Policymakers and industry should prepare for spikes in consumer need as the COVID-19 crisis progresses. Unmet support needs from earlier in the crisis, and continued draw down of finite resources such as savings or borrowing from family and friends, signal a likely increased demand for consumer assistance over the coming months. The tapering of the JobKeeper wage subsidy and the JobSeeker COVID-19 supplement from September 2020 is also likely to increase financial stress and consumer support needs.

Build an understanding of lived consumer experience and use this evidence to sustain, adapt and adjust support measures

Policymakers and industry can also build an understanding of lived consumer experiences during the crisis, and use this evidence to design, implement and adjust support measures.

Experiences vary for different subgroups of consumers, which needs to be reflected in support programs. Figure 7 illustrates how different elements of the lived consumer experience can differ greatly from the experience of the general population. It illustrates that people with incomes affected by COVID-19, casual workers and people with a disability are more likely to be concerned about their financial wellbeing and drawing down on their savings, as well as more likely to take action to manage their energy bills – relative to the general population. We note that young people and renters are also heavily drawing down on finite resources and have higher levels of concern about their ability to meet most household expenses.

Figure 7: Subgroups of consumers heavily impacted by COVID-19, June 2020[5]



[5] These survey results were chosen as indicators of 'impact' as they display attitudes and actions of consumers who could be financially vulnerable.

These differences need to be factored into the targeting and delivery of consumer support measures. For example, casual workers have a particular need for payment flexibility due to insecure work and fluctuating incomes, loss of hours/jobs, and lack of eligibility for the JobKeeper wage subsidy in many cases.

Understandings of consumer experience can be deepened by engaging in quantitative and qualitative research with consumers, and testing and trialling how different support measures will affect the lived experience consumers have.

Deliver collaborative, coordinated responses across essential services sectors

People are experiencing multiple bill stresses, requiring collaborative responses across energy, housing, insurance and other sectors. A joined-up approach across industry, government and the community sector is necessary to maximise consumer access to available support.

There must be a shared-responsibility approach to support households in making ends meet. Building and sharing an evidence base on consumer experiences and needs, across sectors, will be invaluable in ensuring support measures are timely, appropriately sustained, and not adjusted or withdrawn too early.

Appendix

Table A: Survey definition key

Sectors	Definition
Housing (mortgage)	Housing expenses / services from: mortgage providers to consumers who are an "owner-occupier with a mortgage" for their main place of residence.
Housing (private rent)	Housing expenses / services from: private landlord / real estate agency / property manager to consumers "renting from a private landlord/ real estate agency" for their main place of residence.
Energy	Electricity / gas services.
Telcos	Internet and mobile / telephone services.
Credit	Credit card / personal loan / buy now pay later services.
Insurance	Insurance providers (e.g., vehicle, health, home, travel).
Consumer Subgroups	**Definition**
COVID income impacted	Consumers who had an income source before COVID-19 (either Full-time employee, Part-time employee, Casual employee, Self-employed / own business, or Investment income) and have now sought or received Jobkeeper, JobSeeker or other government benefits, or now have no income.
Casual workers	Casual employee (as opposed to a Part-time or Full-time employee).
Renters	Renting from a private landlord / real estate agency for their main place of residence.
Youth	18-34 years of age.
Disability	Consumers who reported that a disability restricts them in their everyday activities, and this has lasted or is likely to last for 6 months or more.
Low/no internet use	Consumers who reported that they used the internet (in any device) less than once a day (either a few times a week, less often, or not at all). This subgroup was comprised mostly of people aged over 50 years.