



The school and office closures amid the Coronavirus outbreak have meant a rapid shift toward online learning and education technologies. (ddp)

Longer Term Investments

Life might stay different, post-pandemic

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In a matter of weeks, the coronavirus outbreak has upended the global economy, financial markets, and our daily lives. While an unfortunate few have suffered the worst effects of the virus, tragically losing their health, loved ones, livelihoods, or lives, the remainder of society has faced a disconcerting interruption of normality. Classrooms, offices, and commuter rails are nearly empty; pajamas are the style du jour; elbow “bumps” are the new handshakes; and toilet paper has become a precious commodity. Amid these unsettling changes, the global population has adapted to a new normal, accelerating certain secular shifts—from food delivery to shopping online—that we expected to unfold over the next decade.

While we expect to return to normal eventually, we may see behaviors adopted during quarantine influence post-coronavirus lifestyles. With this in mind, we highlight several of our longer-term investment (LTI) themes that have come into focus, and we reiterate the related investment opportunities that we foresee over the next decade.

In many cities, restaurants and bars have been ordered to close their doors as the government attempts to stem the rapid outbreak of COVID-19. According to data from Open Table, seated diners at restaurants are down 84% year-over-year in the United States.

Many restaurant owners opted to continue delivery services to serve those stuck inside, especially as shelves at grocers rapidly emptied. In most major cities, consumers are ordering food deliveries via mobile apps—a trend that

we expect to continue as consumer preferences shift and urbanization continues.

Investors appear to be taking notice—the stock price of Blue Apron for example, a food delivery platform, is up over 350% so far this week.

While the market remains competitive, and winners are yet to be established, food delivery is one of the fastest-growing segments in the broader food revolution that is transpiring. We expect the segment to grow at about 16% annually, and to be worth about USD 365bn by 2030. For more, please see [Longer Term Investments: The food revolution](#).

Food is not the only good being ordered in. As more consumers are confined to their homes, e-commerce giants

are seeing more demand, as consumers stock up on essentials without risking their health. The department stores sub-industry index of the S&P 500 has experienced a drawdown of approximately 56% from market peaks, while a similar index comprised of online retailers is down less than 16%.

We expect this trend toward e-commerce to continue to play out over the coming decade. Even before the outbreak, we estimated that e-commerce would grow at around 15% annually over the next 10 years with the support of rising global smartphone usage and internet penetration. Please see the full report [Longer Term Investments: ecommerce](#) for more information.

Finally, working and learning has shifted to virtual environments, as “social distancing” measures have resulted in school and office closures. For school-age children and young adults, the coronavirus has meant a rapid shift toward education technologies, or “Edtech.” New York City alone is working to move classes online for more than 1.1 million students and is quickly training teachers to adapt to the new technologies. The shift toward online education has been reflected in stock prices for some Edtech companies, with K12 Inc., for example, returning over 3% since the S&P 500 peaked in late February. Looking forward, we have a positive outlook for Edtech, which offers greater personalization and expanded access to education services. The trend toward Edtech adoption will be supported by growing affluence in emerging markets, as higher incomes create greater demand for higher education. Our report, [Longer Term Investments: Education services](#), contains more on how to invest.

For more ideas on how to position for this uncertain environment read [the Investment Strategy Guide COVID-19 Market Scenarios](#) April 2020.

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