

Captivating Consumers During COVID-19

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How Companies Can Adapt and Adopt Amidst Shifting Preferences



The coronavirus (COVID-19) continues to be a dominating feature, significantly impacting individuals and the economy as a whole. With no clear end to the pandemic in sight, consumers and companies alike are proceeding cautiously, navigating the ups and downs of new outbreaks, remote working, lockdown orders – even everyday activities.

It should come as no surprise that COVID-19 and its ongoing aftereffects have heavily influenced consumer spending habits. By the end of August, 29.6 million Americans were receiving unemployment insurance.ⁱ As of this writing, the unemployment rate is 10.4%.ⁱⁱ Many Americans continue to feel financially vulnerable, all while acknowledging that the pandemic may last for a year or longer.ⁱⁱⁱ

At first glance, this is sobering news for companies to absorb. It brings to mind the common catchphrases of COVID-19, such as “unprecedented uncertainty” and “the new normal,” idioms that have dominated headlines and newscasts. These phrases go hand-in-hand, and they are typically associated with a collective anxiety over when the pandemic will end.

While we don’t have a crystal ball, we do have recent research insights, which can serve as a compass for companies still struggling to adapt to the current reality. The insights also allow us to use these well-worn catchphrases in a more optimistic light. What if consumers have already telegraphed some elements of what the “new normal” is, and have already removed some “uncertainty” from their expectations? If you’re a company looking for direction, consumers are pointing the way: they are prioritizing their spending, placing a premium on safety, and embracing new technologies.

Our survey, conducted in September, was performed to gain an understanding of how consumer purchasing behaviors, perceptions, and needs have changed during the COVID-19 pandemic. We also wanted to explore the impact technology, incentives, and innovation have on people’s decisions to choose one retailer or purchasing method over another.

In these challenging times, consumers demand flexible and adaptive approaches. Our findings show how consumer expectations have shifted and highlight opportunities companies can take advantage of not only during the pandemic, but for the foreseeable future.

THE CONSUMER SHIFT: PRIORITIZED SPENDING IS HERE TO STAY

As we noted in our introduction, most consumers currently feel financially vulnerable. In response, they have tightened their purse strings: their spending has been curtailed to wisely keep cash on hand for liabilities.^{iv} And consumers aren’t just spending less—they’re also spending judiciously.

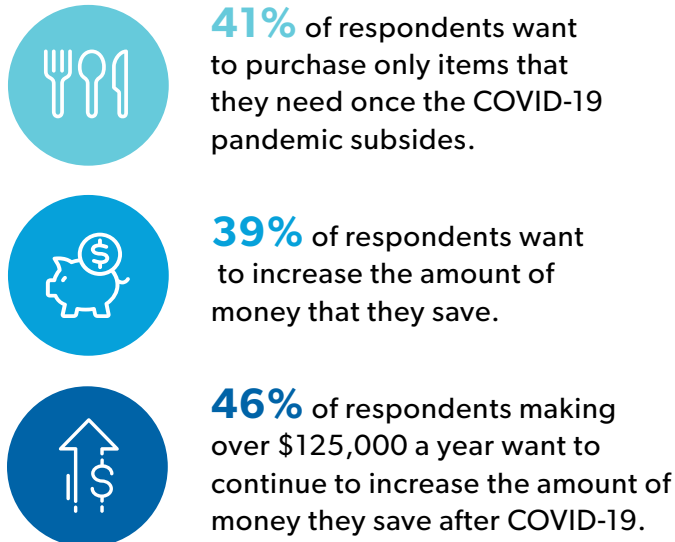
Our research found that consumers are focused on buying essential items and employing methods to save money during the pandemic. A third of surveyed consumers indicated they are purchasing fewer non-essentials (36%) and more essentials (34%) during the pandemic than they were before. As far as saving more money, about half of the consumers we surveyed are not making any large-ticket purchases during COVID-19. Furthermore, one-third of those under the age of 37 are investing more than they did pre-pandemic.

34% are purchasing **more essentials**

36% are purchasing **fewer non-essentials**



While these shifts in behavior are entirely understandable, companies should take note that many surveyed consumers plan to stick with these newfound habits post-pandemic—so this has the potential to be a long-term change, not a short-term one. Our research shows:



As noted in a 2000 article in *The New York Times Magazine*, the Great Depression “instilled a permanent thrift mentality” into many Americans.^v In other words, consumer habits can change and ultimately become ingrained during economic contractions. While there have been parallels between what happened in the first two quarters of 2020 and the Great Depression, 2020’s contraction was much shorter, with economic activity resuming in May and June—but any continued trend in that direction will depend on many factors, including whether another virus surge occurs before the end of the year.^{vi}

Whether the virus remains a significant factor in our lives well into 2021 or not, our survey shows that its impact has resonated with consumers: even afterwards, they will be hesitant to return to buying non-essential items, and they plan to save money in their “rainy day fund” of choice. And these behaviors dovetail with additional stats that shouldn’t come as a surprise: a third (35%) of surveyed consumers will look for coupons or discounts on purchases to save more money after COVID-19, and 56% of respondents said that discounting or waiving shipping and delivery fees

were the most influential on whether they gave a company their business.

There are also signs that consumers are less brand-loyal during the pandemic; over a third of our respondents (38%) noted they have tried new brands due to convenience.

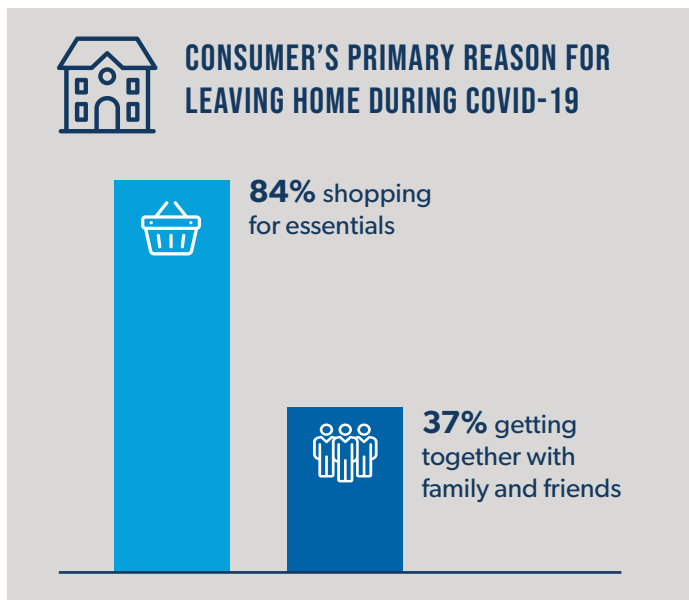


THE OPPORTUNITY: FACTOR COST SAVINGS HEAVILY INTO THE CUSTOMER EXPERIENCE

Based on the aforementioned spending and savings habits—and evidence that brand loyalty and advocacy are shifting based on buyer perks and convenience—companies have no choice but to consider pricing as a significant factor in their customer engagement strategy.^{vii} But it’s not enough to simply offer free shipping, promo codes, secrets sales, and more, companies should also make these incentives transparent and easy to find on optimized websites and mobile applications. This can stretch beyond simply highlighting discounted items; data intelligence can provide personalized, recommended products for new and existing consumers early in their online visit. And, of course, companies shouldn’t forget to place the essential products consumers are looking for front and center.

THE CONSUMER SHIFT: RIGHT NOW, SAFETY IS TOP OF MIND

Consumers face a unique challenge in 2020. Every time they step foot out of their homes, they have to navigate the pitfalls of the pandemic. While they're taking personal safety precautions by social distancing and donning masks, our surveys show that many aren't venturing out unless it's absolutely necessary: a whopping 84% of our surveyed participants said shopping for essentials is the primary reason for leaving their homes (and the next highest reason—getting together with family and/or friends—was only 37%).



So while consumer habits have changed because money is tight, they've also changed because consumers are being cautious. And these cautious consumers are spending more time at home, which, in many cases, translates to more time online. Our survey found that online behavior included more time browsing social media, streaming entertainment, and making online purchases, amongst other activities.

On its own, the decline of in-store visits during the pandemic created an enormous challenge for companies. Knowing they have fewer opportunities with consumers, what can they do to attract these consumers when they finally decide to venture out in the world to shop? According to our surveyed participants, taking appropriate safety measures was a leading factor.

More than half (56%) of survey respondents said increased safety measures like plexiglass barriers, directional floor markers, and physical adjustments to ensure social distancing are the most influential on whether they gave a company their business. Our survey also shows that consumers are staying home more, and only shopping at places that offer convenient and safe shopping options:



83% said increasing social distancing measures are influential on their purchasing decisions since COVID-19 began.



72% felt a business's sanitation rating or health score is important.



51% of respondents said that free curbside and in-store pickup is also influential in their purchasing decisions.



48% anticipate they will be shopping online or mostly online for Black Friday this year compared to **35%** last year; only **6%** anticipate shopping in store or mostly in store this year (compared to **15%** last year).

Consumers care deeply not just about their own safety, but also how companies treat their own employees. Respondents said that the degree to which businesses protect their employees from COVID-19 (78%) is influential or very influential in their purchasing decisions. Though that data is pandemic-specific, it ties directly to a greater trend of consumers placing emphasis on a company's values when making purchases.^{viii} Our survey findings further reinforced this idea, with three-fourths (76%) of respondents saying businesses who helped the local community would influence their buying decisions.

78% of consumers have been influenced by businesses that protect their employees from COVID-19



76% of consumers have been influenced by businesses that help the local community



THE OPPORTUNITY: OFFER CONVENIENT, FRICTIONLESS OPTIONS TO PURCHASE

When consumers show up at a company's door—or in many cases, at their curb—they don't want to confront a veneer of safety. They want to find concrete safety solutions. While this involves social distancing and mask-wearing, and logistical prowess (real-world and online) for pick-up and delivery systems, it also means incorporating tools that keep them, and employees, as safe as possible. Virtual queuing apps, appointment systems, and in-store density-tracking tools can ensure companies are following important safety protocols—but better yet, they help companies win the hearts and minds of consumers who are craving peace of mind, in any form possible, during the pandemic.

THE CONSUMER SHIFT: CUSTOMERS ARE ADOPTING NEW TECHNOLOGIES

Nostalgia for pre-pandemic days may prompt us to look forward to a time when consumers feel confident enough to return to physical stores and branches en masse and indulge pent-up desires for in-person, tangible shopping experiences.

However, it seems unlikely if we listen to what consumers are telling us after several months in the pandemic, which is that COVID-19 has served as an unforeseen spark for technology adoption.^{ix} We've noted how consumers are more open-minded about shopping-related activities and new brands, but they're overwhelmingly receptive to new technology, too. And much like with prioritized spending habits, many of the consumers we surveyed said they wanted to continue with many of the technology-related activities that they started during COVID-19 once the pandemic subsides.

From contactless shopping to virtual substitutions, consumers have had their hands forced in 2020; while it could be argued it was out of necessity, they're clearly embracing new technologies. Nearly two-thirds of our survey participants (72%) indicated they are comfortable interacting with

new technologies to make a purchase. And even though respondents were less comfortable with delegating tasks to third parties, more than half (54%) still listed this as an influential factor in their purchasing decisions.

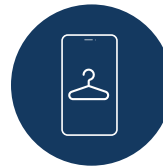
For example, consumers may be open to non-traditional communication methods with a personal touch during the COVID-19 pandemic; 32% of the 18–50 age bracket are open to using chat to communicate with associates during COVID-19. Comfort adopting technology to shop with more safely and conveniently is seen across all age demographics:



Respondents age **18–50** are using touchless payment options when available (more than those over 51 years old).



All age groups are ordering online or using curbside pickup more (however, ages **51–75** seem to be doing so somewhat less frequently).



Gen Z consumers have increased their augmented reality shopping habits by **10%** and are paying for products with their smart devices more than ever (growing from 33% pre-COVID-19 to 44%).

Safety is directly tied to this openness to trying new technologies: 72% of surveyed consumers said they are likely or very likely to interact with new technology to ensure enhanced safety and cleanliness. But almost half of surveyed consumers are choosing to try new brands based on availability (46%) and convenience (as previously noted) during COVID-19, too.

This all leads to an exciting proposition for companies: innovations have the potential to drive more business. With over 59% of surveyed consumers indicating that a business offering unique or innovative solutions (i.e., gyms offering online classes free to members) is influential or very influential on their purchasing decisions, companies who are a step behind technologically should plan on adapting as quickly as consumers have.

Consumers would like to continue using technology post-pandemic

77% Shopping online



58% Using online chat for customer service



52% Paying for products or services using a smart device



44% Using video conference

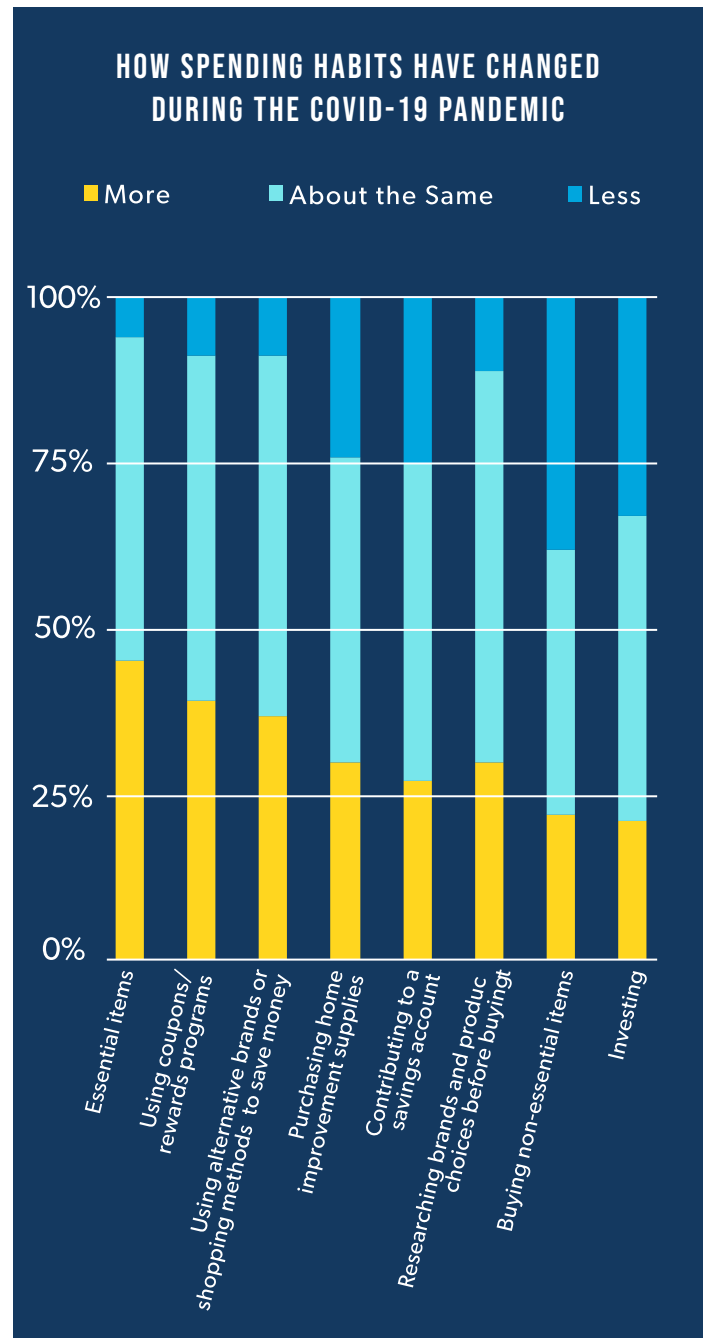


THE OPPORTUNITY: WEAVE TECHNOLOGY-BASED SOLUTIONS INTO THE CUSTOMER EXPERIENCE

With consumers more receptive to using technology, incorporating contactless payment solutions, smart devices, and self-service tools serve as a great starting point if you're not offering them already. Depending on the industry, augmented reality is also demonstrating promise as an alternative way to shop, especially for younger shoppers. While an investment in augmented reality allows companies to engage with consumers on smartphones and tablets today, it has the potential to pay dividends in-store down the line, too. Many companies are leveraging machine learning to glean insights on consumer buying preferences to customize their experience, as well as using communications tools like chatbots and digital assistants to provide a human touch.

COMPANIES MUST ADAPT AND ADOPT, TOO

As consumers' spending habits continue to change, businesses must transform and innovate to meet their needs. Many of the consumer behavior shifts discussed in this report have happened under hardship, shifting dramatically in a short period of time. But if consumers have been resilient enough to adapt and adopt, they have a right to expect the same from companies. By focusing on how to address these behavior shifts within the customer experience, companies can evolve right along with their existing and potential consumers.





Methodology

The survey was conducted in September 2020 using a statistically significant national census-based population sample via SurveyMonkey. It is representative of the general U.S. population.

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^{ix}COVID-19: The Unexpected Catalyst for Tech Adoption,” Nielsen, March 16, 2020. Retrieved from <https://www.nielsen.com/us/en/insights/article/2020/covid-19-the-unexpected-catalyst-for-tech-adoption/>



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