

Consumer Buyer Behaviors – The COVID Effect

NOVEMBER 15, 2021 | ARTICLES



International House of Pancakes (IHOP) is currently running an advertising campaign with the tagline, “We could all use a pancake.” The line suggests a universal need for comfort, here in the form of food. And while not everyone likes pancakes, the words reflect widespread consumer sentiment in the wake of the coronavirus pandemic, now well into its second year and with no end in sight.

Mixed Emotions, Optimism Amid Declining Confidence

As the Delta variant surges, COVID cases and deaths are once again increasing, driving consumer confidence down. University of Michigan Consumer Survey reports 13% drop in August 2021 vs. July and 5% vs. a year ago. Declines are across age groups and regions, fueled by concerns about inflation, slower wage growth, and smaller than expected declines in unemployment.

There is some optimism, yet it remains tempered. According to The Conference Board, fewer global consumers think their economy is in recession (60% in Q2 vs. 86% in Q1), and overall global consumer confidence is rising (index of 109 in Q2 vs. 106 at pandemic’s outset). However, in regions still struggling with new infections, lower vaccination rates and availability, coupled with continued business restrictions, confidence remains stagnant.

Online and In-Store – Plan for Both

Consumers have been and will continue to shop online in droves. According to McKinsey, intent to continue to purchase online after the pandemic is up 40%, while eMarketer reports the compound annual growth rate (CAGR) of ecommerce at 27%. However, brick and mortar retailers are making a slow but definite comeback, with CAGR at 4%. (eMarketer) A 2021 National Retail Federation study reports 61% of consumers rely on physical stores for family needs, and according to Verizon’s Look Forward Now 2021 study, 42% of American adults anticipate shopping online and in-store equally post-pandemic

According to Marianna Carbonari, Managing Partner of IMSA Search Global Partners Italy, “Companies must cater to both, balancing the needs of consumers who prefer the safety, comfort, and convenience of shopping online with those seeking in person experiences and human connection. COVID has changed consumers’ lives and who they are as shoppers. Understanding these shifts will be key moving forward.”

Price Remains a Driver

For both online and in person shoppers, price remains fundamental to the relationship between brands and their customers. As economic recovery across the globe slows and financial anxieties remain high, price will continue to incentivize purchase. Half of all online shoppers cite price as a good reason to purchase (Statista 2021), and a nearly a third cite affordability as their first purchasing priority (EY Future Consumer Index 2021). Promotions can be a good strategy to drive traffic in-store and online. However, when addressing price needs, companies must also meet consumer expectations for service and convenience.

Technology is Key

During the pandemic as digital interactions increased, consumer expectations around technology also rose. Digital transactions must be seamless and personalized, as tech-savvy consumers want a positive experience no matter where or how they shop.

Online that means fast, secure, simple to navigate, with free and quick delivery and easy returns. In-store it’s the ability to order ahead, curbside or drive-thru pick-up, uncrowded/contactless/COVID-safe checkout. Also, it’s creating an experience as seamless as online so consumers can enjoy the human connection, seeing/touching the product and ordering what they want if they do not find it on the shelf.

Carbonari stresses the importance of prioritizing technology throughout the management chain: “Retailers must upgrade technology to ensure satisfying customer experience. Leadership must understand and support what is needed on the front and back ends in order to remain competitive.”

Brand Values Strengthen Brand Loyalty

The pandemic unleashed an assault on brand loyalty. As job losses and financial pressures increased, over 60% of consumers became more willing to switch brands or buy private label. (EY Future Consumer Index June 2021) Increasingly important to customers are brand values such as sustainability, ethical sourcing, and social responsibility. Of note, over 50% of consumers globally confirm they are more eco-friendly vs. a year ago, and ethical and sustainable practices are in the top 10 drivers of brand loyalty. (PWC Global Consumer Insights Pulse Study 2021) Knowing your customers and what they value in product selection is crucial to maintaining their loyalty. Promoting those values is critical to remain their brand of choice.

In spite of the lingering pandemic, there is reason to be optimistic: The International Monetary Fund is forecasting 6% global growth in 2021 (IMF.org), while the Organization for Economic Cooperation and Development projects global GDP to rise 5.8% for the year. (OECD.org) During this time of flux, as COVID waxes and wanes, companies must plan for multiple scenarios. Understanding shifts in consumer priorities, values, and their impact on buying behaviors is essential to maximize today’s opportunities for future growth.