Debunking 5 consumer myths in the era of COVID-19

Actions consumer packaged goods companies should take to emerge stronger

October 2020
COVID-19 has permanently changed consumer behavior

The pandemic has had a profound and enduring impact on consumers. Recent Accenture research shows that 95 percent of consumers are making significant and lasting changes to how they live, work and shop.

COVID-19 has also triggered an economic recession that is amplifying some of the consumer trends already happening prior to the pandemic and recession. In the early months of the pandemic, some consumers felt they had more money to spend as they were saving what they might typically spend on going out to eat, travel, concerts and other experiences.

However, the recession hit and, for many consumers, reversed those feelings of financial confidence: 83 percent say they are concerned about the impact of COVID-19 on the economy.
Some people still hold hope that life—and consumer behavior—will soon go back to the way it was. However, while various current trends will diminish a bit, there won’t be a full return to what used to be, prior to the pandemic.

Consumers’ sentiments, spending and behavior will remain changed. To survive and compete in the future, many CPG organizations will have to adapt to a new world.

A hopeful outlook has led to some myths that the data dispels. Businesses will need to look at these new realities as they shape plans for the future.
“We need to focus on our economy brands.”
The majority of consumers are maintaining or increasing their purchases of premium brands.

Of the 12% of survey respondents who are increasing purchases of premium brands, they’re twice as likely to buy themselves little luxuries than others.

Of those increasing premium purchases are in low or middle income brackets.
CPG brands that position themselves accordingly now, will be able to capture subsequent value-based growth in the future. Three key areas of opportunity include:

**No compromise**
Consumers each have their own set of standards that they want to maintain, and therefore, a set of products or brands that they’re unwilling to compromise on, even if it means cutting back in other areas. This might include products linked to the health and safety of their family or brands that align with consumers’ own values.

**Little luxuries**
The “lipstick effect” has become the "mascara effect": sales of eye makeup were up 204% between April and June. Beyond makeup, other products and experiences can provide comfort, a pick-me-up or help celebrate a significant moment. This helps to explain why premium categories recovered quicker during the last recession than their mass market counterparts.

**Going pro at home**
Global lockdowns caused many consumers to become bakers and hairdressers, beauticians and baristas, as access to many professional services was restricted. Despite restrictions lifting, there’s significant opportunity to maintain momentum by creating new premium experiences for the home, as consumers are seeking alternatives to expensive services.
Nail care brand Butter London’s April sales grew 150 percent from March 2020, and 70 percent year-over-year.

It saw an increase in demand for treatment kits—particularly from those used to gel or dip powder manicures typically done at salons.

Butter has leveraged social media platforms such as IGTV and TikTok to publish educational content, empowering customers to do their own salon-quality manicures at home and cut costs.

Source: Glossy
MYTH 2

“COVID-19 has driven a return to consumer loyalty.”
Consumers are trialing new brands, but loyalty should not be assumed

### Changes to Purchases by Brand Type

<table>
<thead>
<tr>
<th></th>
<th>Decreasing purchases</th>
<th>Same as before</th>
<th>Increasing purchases</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Brands</td>
<td>6%</td>
<td>30%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>National Brands</td>
<td>6%</td>
<td>25%</td>
<td></td>
<td>19%</td>
</tr>
<tr>
<td>Global Brands</td>
<td>24%</td>
<td>14%</td>
<td></td>
<td>-10%</td>
</tr>
</tbody>
</table>

Product availability challenges at the beginning of the crisis coupled with new demands for healthy, environmentally friendly and locally-sourced products have led many consumers to trial alternate brands for the first time.

63% of consumers report changing the types of brands they buy, with national and local brands benefitting from the drop in purchases experienced by global brands.
CPG companies must continually evolve to remain relevant to new consumers.

As new habits form, CPG brands have a window of opportunity to delight consumers and foster connections with them that will turn into meaningful, long-term relationships.

Critical to success is understanding how consumers’ needs, desires and values are evolving. Companies must leverage the vast amounts of data available to them to uncover insights about their consumers that will help them create stickiness through compelling, hyper-relevant experiences.

CPG brands have long been heavy users of different types of consumer insights to improve their brand positioning, development and engagement.

However, leading brands are now involving their consumers as co-creators, giving them active roles in the formation of the brand at every stage of the product concept-development-commercialization process. Consumers can help shape every detail—from the attributes, format, even packaging, to involvement in selling, marketing and distribution. In doing, CPG brands can be assured of the market fit, and remain relevant and accessible to their core target consumers.
When Procter & Gamble wanted to launch a new razor that delivered a “hot towel shave” experience, it solicited feedback and garnered awareness among shaving aficionados through an IndieGoGo campaign. Gillette fans and other passionate groomers became investors and part of the product development. P&G sold six times the expected number of razors in the first week of the campaign.

Source: MarketingWeek
“Once a vaccine is available, people will return to pre-pandemic activities away from home.”
Consumers’ use of their homes as the hub for entertainment and social occasions is not temporary.

**Home**

Current mobility data shows people are still spending more time at home than they were in January, and less time in other locations.

**67%**

of consumers plan to do most of their socializing from home in the next six months.
Change in time spent in locations (September vs. January)

As of September 11, 2020

<table>
<thead>
<tr>
<th>Location</th>
<th>Home</th>
<th>Grocery &amp; Pharmacy</th>
<th>Retail &amp; Recreation</th>
<th>Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>8</td>
<td>-5</td>
<td>-12</td>
<td>-34</td>
</tr>
<tr>
<td>UK</td>
<td>8</td>
<td>-4</td>
<td>-16</td>
<td>-39</td>
</tr>
<tr>
<td>Mexico</td>
<td>13</td>
<td>-2</td>
<td>-17</td>
<td>-31</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10</td>
<td>-1</td>
<td>-24</td>
<td>-24</td>
</tr>
<tr>
<td>Japan</td>
<td>6</td>
<td>1</td>
<td>-6</td>
<td>-13</td>
</tr>
</tbody>
</table>

Consumers will continue to seek entertainment and social occasions in their homes long into the future. Although some people simply remain uncomfortable with going out, others—due to the recession—will not be able to afford to go out.

Many people are also enjoying the time at home. New social and “edutainment” occasions have given rise to new ways to connect and create, with everyone and everything. Consumers are exploring new hobbies as well as entertainment and education opportunities, and they are learning that one can have unique experiences—such as taking a master class or watching a new release movie—from the comfort of their home.

The pandemic is not just changing how we live, it’s changing where we live. In the U.S., 22% of adults either moved because of the pandemic or know someone who has.¹ This will profoundly impact which retailers will draw consumers in the future and where CPGs should focus products and resources, i.e., the bar, restaurant or shop in suburbia and smaller cities versus in a major urban center. It shifts where CPGs should execute their offline advertising and which product sizes and packaging will be most attractive as part of re-invented experiences.

¹ Source: Pew Research Center
In February, JD.com partnered with Chinese music label TaiheMusic Group and several alcohol brands to create an online clubbing experience. They hosted a three-hour show each week, during which viewers could purchase spirits from brands including Budweiser, Rémy Martin, Carlsberg and Pernod Ricard. According to JD.com, sales of featured alcohol brands increased up to 40 percent during shows.

Source: The Drum
“Working from home means doing the same thing in a different location.”
It’s not just same job, different place. Working from home is reinventing our lifestyles.

73% of employees enjoy working from home.

35% plan to work from home at least once a week in the future.
Where consumers live, the amount of working space they have and whether or not kids are home all have an impact on day-to-day life and routines. Even though people are at home, they are still as busy or, in some cases, busier. The need for convenience will remain high. However, the ways in which CPG companies deliver convenience will need to change.

Meals are a good example. The way people think about and prepare food is different in a working from home environment. Breakfast has become more of a savored occasion for those used to grabbing something on the go. Likewise, if there’s no more running off to grab a sandwich during lunch, or picking up takeout on the way home, consumers have to turn to different options. People might prepare dinner earlier during the workday or rely on different types of meal solutions to be ready for the evening.
Pret A Manger, which previously relied on providing workers with on-the-go lunches in cities, was hit hard by the recent shift to home working. In response to this widespread lifestyle change, Pret A Manger is adapting its business by developing a hot dinner menu and opening its first “dark kitchen” to deliver meals to consumers at home.

On top of this, Pret plans to open more sites that will produce food for delivery through services such as Deliveroo and Uber Eats. The company also plans to bring its food to consumers by selling prepackaged foods and bags of coffee in grocery stores.
“The spike in ecommerce is a passing phase.”
Consumers will continue to shop online at rates significantly above pre-COVID-19

Weekly changes in product shopping trips vs. last year

<table>
<thead>
<tr>
<th></th>
<th>Total Edible/Consumable</th>
<th>Total Non-Edible</th>
<th>Total CPG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery</td>
<td>105</td>
<td>106</td>
<td>105</td>
</tr>
<tr>
<td>Club</td>
<td>100</td>
<td>100</td>
<td>99</td>
</tr>
<tr>
<td>Dollar</td>
<td>107</td>
<td>101</td>
<td>103</td>
</tr>
<tr>
<td>Drug</td>
<td>86</td>
<td>88</td>
<td>87</td>
</tr>
<tr>
<td>Mass retailer</td>
<td>95</td>
<td>94</td>
<td>94</td>
</tr>
<tr>
<td>Total Ecommerce</td>
<td>209</td>
<td>176</td>
<td>184</td>
</tr>
</tbody>
</table>

Source: IRI CPG Channel Shift Index. Weekly Changes in Product Trips vs. Last Year, by Channel and Department, for week ending 13th Sept 2020
Historical barriers have been dissolved. Large groups of consumers who had previously not transacted online have trialed shopping online over the last few months. People who previously didn’t want to purchase groceries online have found it better than expected. And, now that people are at home, the delivery time window is less of a problem. As a result, ecommerce use remains at almost twice the level it was in the same period last year.

Ecommerce offers the convenience and sense of security needed in the COVID-19 era, but companies will need to pre-empt commoditization for non-company-owned websites. This includes proactively managing a “digital shelf” that reflects their brand and makes it is easy for consumers to find their brand among other similar products.

CPG companies will also need to consider how to forge new “win-win” relationships with retailers and last-mile providers to meet the needs of their consumers whenever and wherever they have them. This includes rethinking the overall consumer experience, including digitally-enabled routes to market. It’s time to work as partners and not adversaries, as it can be a mutually beneficial exchange.
Hershey is investing in new digital routes to market that are tailored to consumer snacking missions. While snacking refills can be served through retailer delivery or pick-up models, sudden cravings need a more responsive route to market that the likes of delivery service goPuff can provide.

For special purposes like gifting, a DTC platform provides Hershey with the ability to create a more distinctive consumer experience. They’re also working with retailers to enable new forms of impulse purchasing online at the digital checkout.

Source: Hershey
Act now, grow next

Nearly everything about consumers has changed in the past few months. CPG businesses cannot afford to wait and see how the dust settles. Now is the time to take action to address consumer needs and build the needed foundation for future growth.

Use open discovery versus preconceived notions about consumers

Learn the ways in which consumers have evolved and are behaving differently. Observe how consumers use your product. Look at the bigger picture of what else they are doing, e.g., watching tv, connecting online. Then find new ways for consumers to incorporate your products in their habits and daily routines.

Rethink consumer segments

Consumers’ preferences and behaviors aren’t what they used to be. It’s time to re-segment consumers in the context of the pandemic and recession. Prioritize segments and earn the loyalty of those who will help grow your business.

Reassess your product and service portfolio

What offerings will meet the needs of new consumer segments? Some existing products may need to be deleted from your portfolio. There also may be higher profit categories that you could reposition products into or develop new offerings for. What packaging and pricing changes can be made to increase attractiveness of new offerings?

Develop new offerings to include consumers from start to finish

Consumers today want—and expect—to be involved in co-creating new products and services. Bring them in early. Identify passionate potential users who will not only shape the offering, but also invest and be part of the entire process from development through launch and selling.
Act now, *grow next (cont.)*

Nearly everything about consumers has changed in the past few months. CPG businesses cannot afford to wait and see how the dust settles. Now is the time to take action to address consumer needs and build the needed foundation for future growth.

**Evaluate ecosystem partners**

Once you have identified segments, potential new products and desired experiences to offer, which companies (in and outside of CPG) can help you meet consumers’ needs? What is your role in the value chain?

**Forge new “win-win” relationships with retailers**

Retailers are a key ecosystem partner. It’s time to work cooperatively to make it a mutually beneficial exchange, sharing consumer data and creating new experiences such as bringing retail experiences into the home.

**Revise your channel and path to consumption approach**

Start by embracing ecommerce, as the dramatic increases during COVID-19 shows no signs of abating. Evaluate where it makes sense to launch or expand direct to consumer. Proactively manage the path to consumption, including the digital shelf.
In this era of volatility, it has been difficult for CPG companies to always discern between fact and fiction. Everything is changing so fast. Several myths have arisen, but companies that strive to fully understand their consumers and act on data-led insights can start the next chapter by revisiting segments, their portfolios and their partners.

There is no better time to shape a future of resilience and growth. The world is waiting.
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About the COVID-19 Consumer Pulse Research

Accenture’s COVID-19 Consumer Research is monitoring the changing attitudes, behaviors and habits of consumers worldwide as they adapt to a new reality during the COVID-19 outbreak. It also explores which of these changes are likely to have a lasting impact once the crisis is over. The eighth wave of this survey was conducted during June 30 – July 5 and included 8,529 consumers in 19 markets around the globe.

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