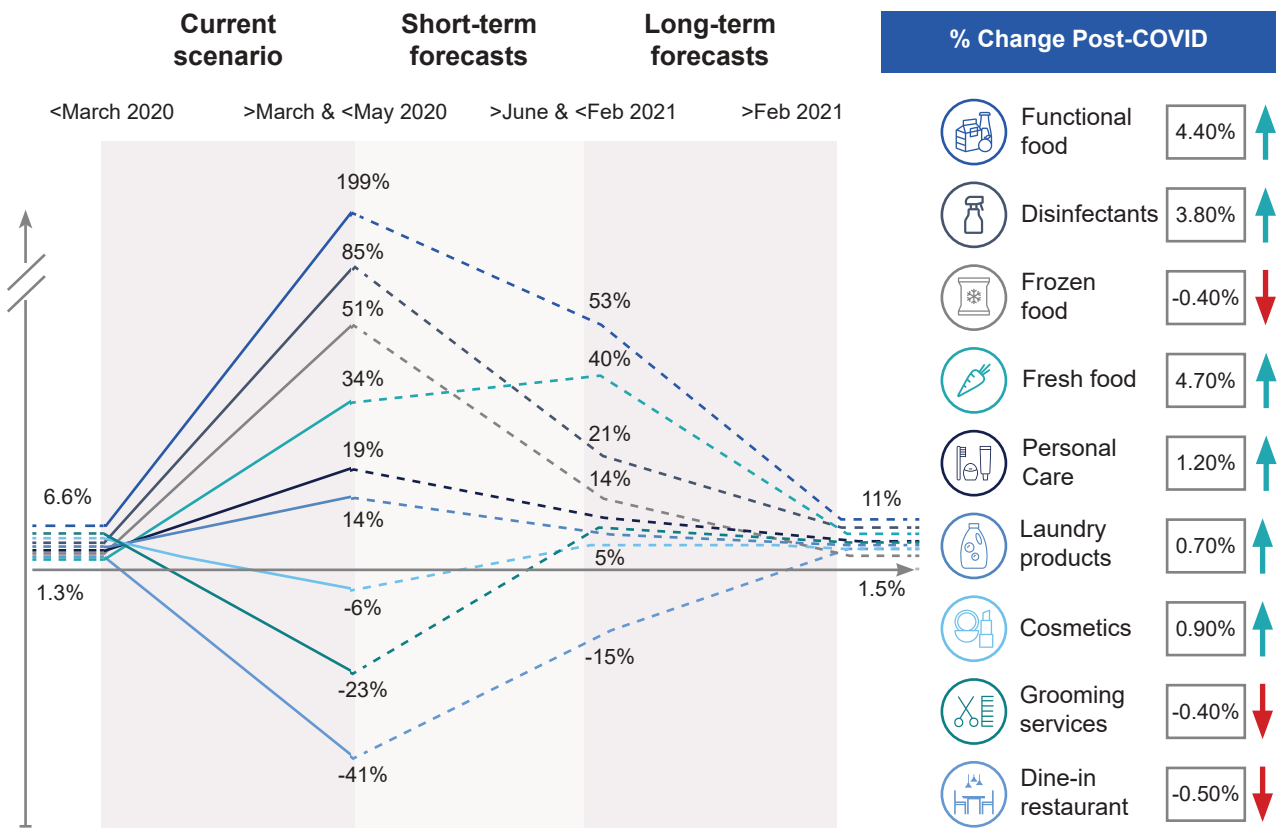




As COVID-19 changes habits and behaviors, how can CPG brands plan a clear path of growth beyond the storm?

As the world grapples with COVID-19 and its profound impacts, in hindsight, few could have predicted the meteoric rise of frozen pizzas and paper towels. Emotional eating has suddenly overpowered weight management and lipsticks lie on the dressing table waiting for their turn.

In times like these, the CPG industry is scrambling to keep the supply chains running, but **continues to tirelessly serve everybody** by delivering essentials at their doorsteps. This pandemic induced volatility, uncertainty, complexity and ambiguity (VUCA) world has forced individuals to rethink their priorities and change their behavior and purchase habits at lightning speeds. The graphic created below, uses data from various sources including IRI, McKinsey and Nielsen, and serves as a useful starting point to understand short- and long-term changes in demand by consumer category.



*Sources- IRI, McKinsey, Nielsen, LatentView analysis

After the initial hoarding of products, the demand is slowing down in both essential edibles as well as the non-edible categories. However, as uncertainty persists, high demand disaster preparedness supplies, and Health and Wellness products will continue to outperform their peers. Categories such as Functional beverages benefit because of their elastic consumption rate, as consumers tend to drink them more frequently if they have more in hand, whereas the same cannot be said for the Beauty and Personal care categories.

While all this will happen, which ones will stick?

As consumer aspirations shifts from hedonic towards utilitarian attributes, the three biggest drivers which will accelerate and instill long-term behavior changes across industries and categories are



Fig 2: Drivers of change which are here to stay because of COVID



1) Same products, New channels

As newly digitized consumers **form a habit of purchasing** products and **scheduling** services via various **digital channels, devices and platforms**, in the long term, these practices will be deep-rooted even as the present turbulence returns to normalcy.



Accelerated usage of Omnichannel Retail

As newly digitized shoppers try to minimize human contact and reduce their delivery ETAs, they will continue to prefer alternate convenient retail purchasing solutions like Buy Online, Pick Up in Store (BOPIS) and Curbside Pickup for ordering their favorites using their smart devices. **37%** of Click & Collect users who placed an order in the last month indicated that it was their first time.

Degree of disruption:



Duration of impact:



Categories impacted:

All



Pickup and Home delivery to prosper

In the long run, as consumers cut back on frequent store trips and become acquainted with the convenient one-click ordering and "contactless" delivery of their essentials, they are likely to stick to these online last-mile delivery platforms. With **Instacart** volumes growing by 500% year over year and average customer order rising by 35%, **Bain** estimates that the pandemic has uplifted the total US online grocery spending to almost 15% from the earlier 3% pre-COVID.

Degree of disruption:



Duration of impact:



Categories impacted:

Groceries,
Home care



KOL inspired Social and Live Ecommerce

With **40% consumers** spending more time on social media due to limited outdoor activities, they are reading, contributing, and influencing more on social media portals. Early trends indicate interactive Live-streaming sessions on the Taobao platform growing by **110% YOY** during Feb'20. As consumers increasingly prefer to be in control of the environment at their homes compared to stores, these new-age shopping practices are here to stay.

Degree of disruption:



Duration of impact:



Categories impacted:

Beauty &
Personal care



Subscription services on the rise

In times of unease, subscription boxes have provided consumers their much-needed convenience along with assured supply of essentials, directly from their preferred brands. Going forward, auto-replenishment and access subscription services will see traction as they provide exclusivity to shoppers besides their discounted prices and hassle-free experiences. As per latest **NRF** report, 63% US consumers seek convenience while shopping groceries.

Degree of disruption:



Duration of impact:



Categories impacted:

Home care,
Pet Food



Desire for smart "Touchless" solutions

People believe "**A smarter home can be a safer home**" as it helps them avoid high-touch surfaces and reduce daily workloads. Due to newly formed WFH routines, consumers will increasingly embrace virtual assistants like Alexa for the auto-replenishment of their products. Furthermore, they might adopt smart home devices and dash buttons/ wands, which enables them to multitask and manage their daily home chores faster and better.

Degree of disruption:



Duration of impact:



Categories impacted:

Home care, Food
& Beverages

2) Substitutes, Different channels

While staying indoors as people **learn** and develop **new skills** to better **manage their chores**, in the medium-term, they are likely to **seek advice** from KOLs/experts and continue **trying-out new convenient alternatives** at home, amidst **cutting discretionary spending** in a looming recession.



Reskill and Do-It-Yourself

39% people cooking from scratch and an uptick of **23% in sales of hair coloring kits** during the lockdown, shows that consumers are learning to use their products at home due to restrictions on dine-in and beauty services. In the medium term, as people see out the effects of recession, they will continue to look for vlogs on home cooking and make-up tutorials to discover and try out new recipes and skin regimes.

Degree of disruption:



Duration of impact:



Categories impacted:

All



Accelerated adoption of product try-ons

Post-COVID, as consumers remain apprehensive of visiting crowded malls and physically trying on products, they will however, continue to rely on innovative 3D models and applications to enjoy retail-like experiences at home. **Nielsen data** shows that 51% consumers are now willing to try advanced technologies like Augmented Reality and Virtual Reality to assess their products & services.

Degree of disruption:



Duration of impact:



Categories impacted:

Beauty & Personal care



Substitutions will reduce loyalty

With looming recession and heightened price sensitivity (across all income levels), a large segment of brand-agnostic consumers will look to trade down in price-ladder for value offerings sold by retailers through their private label brands. As per **Mckinsey's report**, 18% consumers in the US have switched their go-to brands and more than 50% of them intend to maintain their choice post-COVID.

Degree of disruption:



Duration of impact:



Categories impacted:

Food & Beverages,
Home care



Resurgence of comfort foods

As consumers spend more time at home, fun as well as emotional binging, are helping them cope up with these turbulent times. Also, due to reduced contamination chances of these shelf-stable products, people might continue to stick with them in the near term. Sales of convenience food categories like **Campbell's soup(59%)** and **powdered milk products(126.3%)** has seen a massive surge in March.

Degree of disruption:



Duration of impact:



Categories impacted:

Food & Beverages



Ultra focus on tracking Mental Health

Prolonged social distancing and economic distress may cause mental health problems which might negatively reflect on the skin and body. As a result, consumers will look out for skin/diet/mood tracking tools that suggest tailored skincare regimes of anti-inflammatory products along with customized mental wellness boosting foods and supplements. During COVID, **42.5%** of US consumers had Health & Wellness products on their Top-of-mind.

Degree of disruption:



Duration of impact:



Categories impacted:

Beauty & Personal Care

3) Fear triggering conscious consumerism

Purchase decisions will forever be influenced by *intrinsic values, ethics, hygiene, and security* assured by the businesses, and will shift towards those who display *long-term commitment* towards *global sustainability and health goals*.



Preference of bulk purchases

In the near term, as consumers learn to live with the virus, they will continue to limit their store trips by stocking up multi-unit single-serve and multi-serve unit products that have higher shelf lives, to reduce their risk of infection. The [IRI-BCG data](#) in the US shows that dollars per trip for edible products have gone up by 24.7% and the number of products per trip has risen by 17% in April compared to last year.

Degree of disruption:



Duration of impact:



Categories impacted: Food & Beverages, Home care



Shift towards HyperLocalization

As the pandemic continues it upheaval, safety, reliability and a visible farm-to-factory supply chain will be at the back of the consumer's mind during every purchase. Going forward they are likely to be more comfortable with local produce where origin and traceability of the product appear much safer than their global variants. According to a [Euromonitor](#) survey in 2019, 26% of consumers were already looking for goods which were locally manufactured and processed.

Degree of disruption:



Duration of impact:



Categories impacted: All



Functional foods to soar

Growing awareness of the nutrition and health relationship will benefit 'Health halo' products like the clean-labeled organic and immune-boosting categories. With no access to gyms and limited physical activity, they will look to eat right and maintain a healthy lifestyle through functional food and beverages in their diet. Additionally, the association of COVID with animal meat, will positively boost the consumption of meat analogues and plant-based adaptogens.

Degree of disruption:



Duration of impact:



Categories impacted: Food & Beverages



Transparency for trust

Consumers will now increasingly scrutinize, and demand details of the measures being taken to assure their safety with complete transparency. Long even after COVID, food provenance and hygiene will be paramount for generations and the demand for reliable hand and surface cleaning products will only swell. In a [Nielsen survey](#), 67% of Americans revealed that they want to know everything that goes inside their products.

Degree of disruption:



Duration of impact:



Categories impacted: All



Hunt for preventive masstige products

As clean clothing and surfaces become the norm, consumers will be "highly willing" to spend a premium for quality, efficacy, and safety assurances. In the midterm, premium specialty food products might struggle owing to negative effects on the economy, but spending in homecare categories will rise because of uncompromising hygiene, as more consumers prefer value over price.

Degree of disruption:



Duration of impact:



Categories impacted: Home care

As economies yearned for recovery from the grinding halt, we examine 15 consumer behaviors that can potentially grow beyond these tough times.

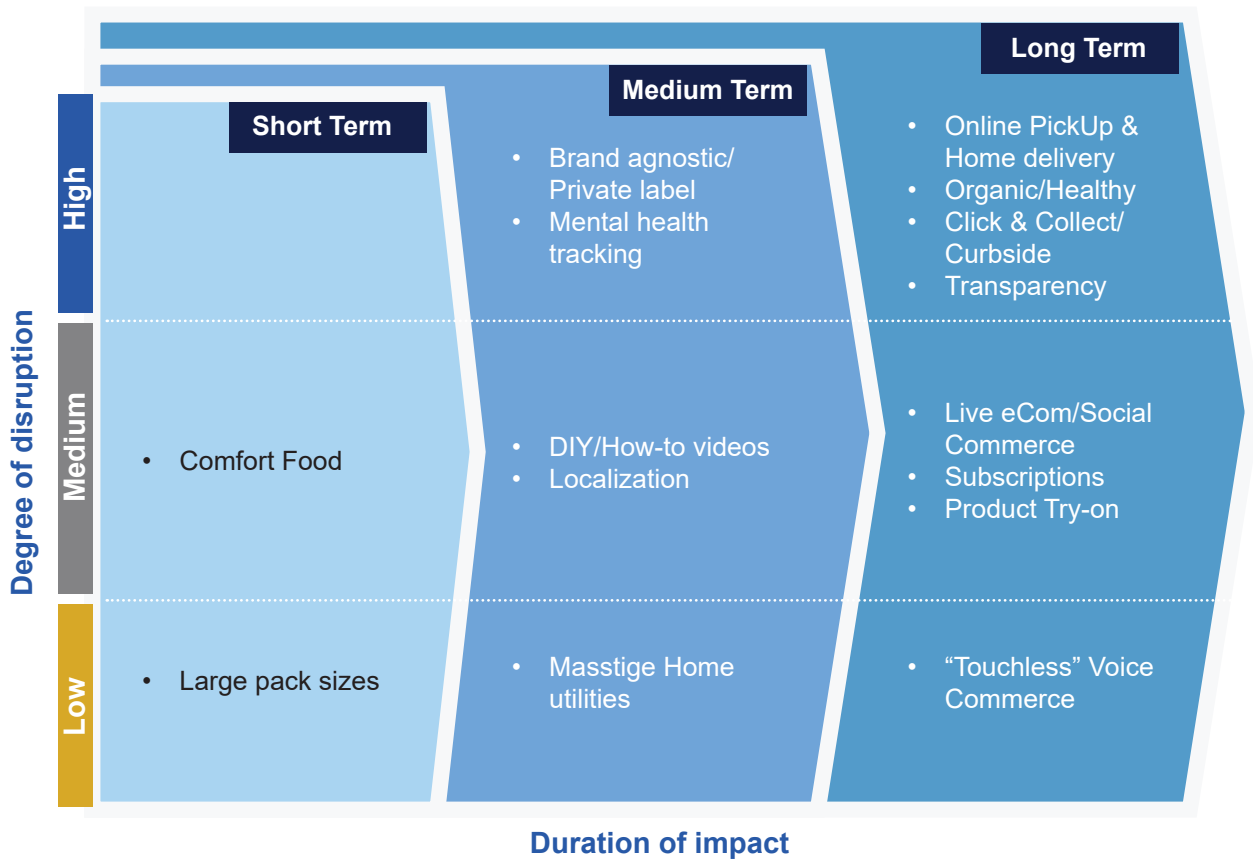


Fig 3: Consumer purchase behavior expected over time

It is evident that ubiquitous consumer needs which are centered around convenience, health & hygiene, and mindfulness will continue to accelerate and gain more momentum in the years to come. Once omnichannel consumers move higher up this convenience ladder, they rarely turn back and especially when they are already used to saving time and effort. In the next normal, consumer's conviction for brands that pay attention to individual needs, preferences, ideologies, and wellbeing will exceed previously forecasted penetration rates by double digits.

How can companies navigate the crisis?

Shopping behaviors have disrupted, and that means brands will have to shift and redesign their priorities to match. Challenges with the availability of preferred brands have opened a slew of opportunities for the secondary and tertiary DTC entrants. While the CPG leaders have been quick to respond and have taken extensive immediate measures to fight this crisis, following are ten action items they should consider to safeguard their people and products over the long haul:-



Simplify - Your business needs it; your audience demands it

1

Stand true and transparent

As shoppers look through a tighter safety lens, brands should establish their trust by putting out certified labels/logos on top of their packaging. Offering clear voluntary information of formulations and ingredients through various mediums like [SmartLabel](#) and [NutriScore](#) will demonstrate reliability and create long-term brand credibility. Implementation of technologies like Blockchain and NFC tags has become more urgent as demand for digital traceability, and accessibility of sourcing and manufacturing information is on the rise.

2 Concentrate on 'Star' SKUs

"[The paradox of choice](#)" mentions that eliminating consumer choices can largely reduce shopper anxiety levels. This is the time to do away with some of the fruitless SKUs and filter the ones which resonate with the modern consumer. Brands should look to reallocate and repurpose resources around their star categories to optimize their expenses and time to market.



Experiment - Nitro-boost your digital transformation

3 Fast-track digitalization of supply chain

As newly digitized consumers get comfortable online, real-time product listings along with a robust infrastructure for speed and convenience are essential to master hybrid eCommerce channels like BOPIS and Curbside pickup. Sharing of customer 360 data across the value chain, will help companies extend operational agility and efficiency thereby creating a lean logistics network and avoid similar demand and supply shocks in the future.

4 Put the accelerator on the digital game

As Social & Live Ecommerce adoption increases, brands should forge partnerships with KOL/KOCs and platforms that incorporate dynamic, interactive, and real-time feedback to educate and engage varied personas. Companies should look to create more brand advocates by inspiring, encouraging, and rewarding their most loyal customers. Experiential brand stories highlighting the product benefits along with the creation of user-friendly Alexa skills and Google Assistant functions should be employed.

5 Try out immersive technologies

Companies should look to deploy hybrid technologies like AR and VR which concentrates on consumers' personalized needs and enables them to make their minds on products without even touching them (Makeup try-on apps and In-store smart mirrors). Thanks to their annotation and storytelling features, they can also be utilized to create interactive content experiences that keep the consumer glued.

6 Plan and test for diverse scenarios

Visibility and Velocity helped the brands of the past; Analytics and Scenario testing will help the future. With a host of vital decisions to make in the short term, organizations should plan for different circumstances and update them frequently with the latest data, given the uncertainty of the pandemic. Tactically, they must incorporate rapid prototyping through 3D printers, digital twins, and modeling simulations to proactively detect and resolve gaps in advance.

7 Innovate with neo-technology

The connected lifestyle is here. With an increased interest in health tracking due to the pandemic, companies should look to federate data from disparate sources, improve geotargeting through AI/ML models and focus on data-driven products or diet recommendations to keep their consumers satisfied. As millennials adopt the "smart" in everything, companies can turn smarter by experimenting on skin sensor wearables, pH trackers and IoT-enabled automated home bots to mention a few.



8 Think outside physical brand experience

Companies need to shift their marketing dollars to digital channels for winning the battle in digital shelf and endless aisle. As more consumers adapt to mobile, social and voice commerce platforms, maximizing interactions and touchpoints through in-app promotions, coupons, search, and display will be the key to high brand salience.

9 Move closer to your consumer

As consumers prefer large pack private labels to avoid frequent trips, the time might be ripe for Brand manufacturers to explore alternative ways of moving upstream to reduce their over-reliance on retailers as they fight for the same consumer. [CoverGirl's](#) flagship stores, [Unilever's](#) experiential pop-up stores, PepsiCo's [Snacks.com](#) as well as Heinz's "[Heinz to home](#)" DTC service might be some inspirations to draw consumers closer by keeping them engaged, entertained, and enchanted. In the long-run, increased control along with access to first-hand consumer data will surely benefit the brand.

10 Augment the landscape of digital workspace

This is an opportune time for companies to upskill employees and transform them into a digital taskforce working with new-age collaborative tools and platforms. With requisite distancing measures lingering for a while, Smart Workplaces of the future should reevaluate every protocol at work to ensure BCP and resilience to future shocks.

Conclusion

A crisis is a terrible thing to waste. In the aftermath of this crisis, forward-thinking organizations that are ready with agile assets, innovation expertise, and nimble capabilities will continue to generate amazing moments for the consumer. Now more than ever, it is time for winning new PHYGITAL shoppers and creating rapid global coordination mechanisms by strengthening alliances with upstream and downstream partners leading to a resilient value chain.

Given the circumstances, the survival of laggards is at stake. Now is the time to ride the waves of change and seize the opportunities.

About the author



Shalabh

As the Chief Growth Officer for LatentView Analytics, Shalabh leads all go-to-market functions for the organization, including sales, marketing, demand generation and solutions. As part of his mandate he owns the charter for growing LatentView's footprint by driving impact for strategic clients and partners. Shalabh is focused on solving digital and cultural transformation challenges for CXOs across consumer-focused verticals.



Kaushik Boruah

Kaushik Boruah is a Consumer Goods Consultant at LatentView Analytics. He has assisted clients in creating strategic digital roadmaps, including competitive benchmarking, path to purchase mapping and white-space identification for their food, beauty and home care categories. He has also led a broad range of turnkey analytical engagements, including inventory optimization, micro-segmentation and workforce performance improvement across Supply Chain, Marketing, and HR functions for CPG clients.

He is a football fanatic and, in his pastime, likes to scout for wide moat stocks.

About: LatentView Analytics

LatentView Analytics is a leading global data and analytics service provider helping companies turn data into actionable insights to gain competitive advantage. As a trusted analytics partner to the world's most recognized brands, LatentView solutions provide a 360-degree view of the digital consumer, fuel machine learning capabilities and support artificial intelligence initiatives. LatentView's success is driven by a commitment to deliver unrivalled analytics solutions that enable Fortune 500 companies in the retail, CPG, BFSI, high tech, healthcare and other sectors to predict new revenue streams, anticipate product trends, improve customer retention, optimize investment decisions and turn unstructured data into a valuable business asset. LatentView has offices in Princeton, N.J., San Jose, Calif., London, Singapore and Chennai, India with more than 600 employees globally.

For more information, please visit www.latentview.com or write into: sales@latentview.com