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decision behavior experts

Impact of past and present crises on consumer behavior

What brands should (and shouldn't) do post-COVID

Contents

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Executive Summary

Crises, like the COVID-19 pandemic, send brands into turmoil. As they are confronted with an entirely new reality it is difficult to know how to best address a sudden change in consumer behavior. Your company, like many others, may have been quick to react to COVID-19, in one way or the other, but is your strategy the right one, for the short and long term?

For brands to succeed and grow it is key to retain customers and tailor products and services to their needs, while constantly acquiring new ones. However, in many consumer industries, buying behavior is driven to large extent by consumer habits. Breaking these habits, e.g. the habit of a consumer buying a competitor brand, has challenged for brands for a long time. These habits can be disrupted by introducing triggers, such as promotions. For habits to form and sustain, a stable environment is crucial. So, a change of context is a unique trigger to break some of these consumer habits.

An unprecedented change in context is the occurrence of a crisis, affecting not just individuals, but whole populations at the same time. The COVID-19 pandemic is a crisis that created a change in context on an unprecedented scale, triggering a disruption in many consumer habits around the world. Such a change in context is not in the hands of brands and is often a source of initial uncertainty and shock because of the speed with which consumer behavior is changing in an unpredictable way. However, this change in context offers crucial and unique opportunities for companies to grow their brand if leveraged correctly. When done properly, businesses and brands can command brand loyalty and create new products or services that command greater interest to become stronger in the new economic reality.

This conclusion can be drawn from observations of consumer behavior in previous crises. While each crisis has their own specific characteristics and feels overwhelming and unprecedented at first, similar patterns were found among various crises which can help brands figure out how to maneuver through a crisis and turn the disruption in their favor from challenges in the short-term to opportunities in the long-term.

We have examined consumer behavior in various crises, including the 9/11 terror attack in 2001, the SARS epidemic in from 2002 to 2004 and the financial crisis of 2007 – 2008, and cross checked them with the COVID-19 pandemic. We have uncovered underlying similar consumer behavior in the short and long term, much of which brands can learn from.

In this paper, we outline clear guidelines on what brands need to do during a crisis in the short term and which pitfalls they need to be on the lookout for, based on success stories of brands and the observed similar changes in consumer behaviors.

Read on to learn:

> *Should brands cut marketing expenses during a crisis and hold off any innovation to protect and shelter or rather go full speed ahead?*

> *Will consumer behavior be forever changed, making any pre-crises strategy redundant?*

> *Do long-term trends still hold and give brands the opportunity to capitalize on an acceleration of them?*

Understanding consumer behavior

Consumer purchasing behavior is rooted in a long decision-making process. It involves recognizing an unmet need that needs to be satisfied, the subsequent steps of gathering information about different choices and weighing the pros and cons of these choices before finally making a purchasing decision. Repeating this behavior leads to the formation of habits, automatic routines consumers go through without much thinking or deliberation. In the context of consumer purchase decisions, it means buying the same brand or product over and over regardless of price or advertising or anything else – it has become a habit. In many consumer industries, buying behavior is based to large extents on consumer habits. For brands, the goal is to retain existing customers, but also to acquire new consumers. This means habits that make consumers buy a competitor brand need to be disrupted, by introducing triggers such as promotions. These triggers make consumers question their habitual behavior and become more conscious of the choices they make, ending up in a deliberate state of mind where they are making deliberate choices.

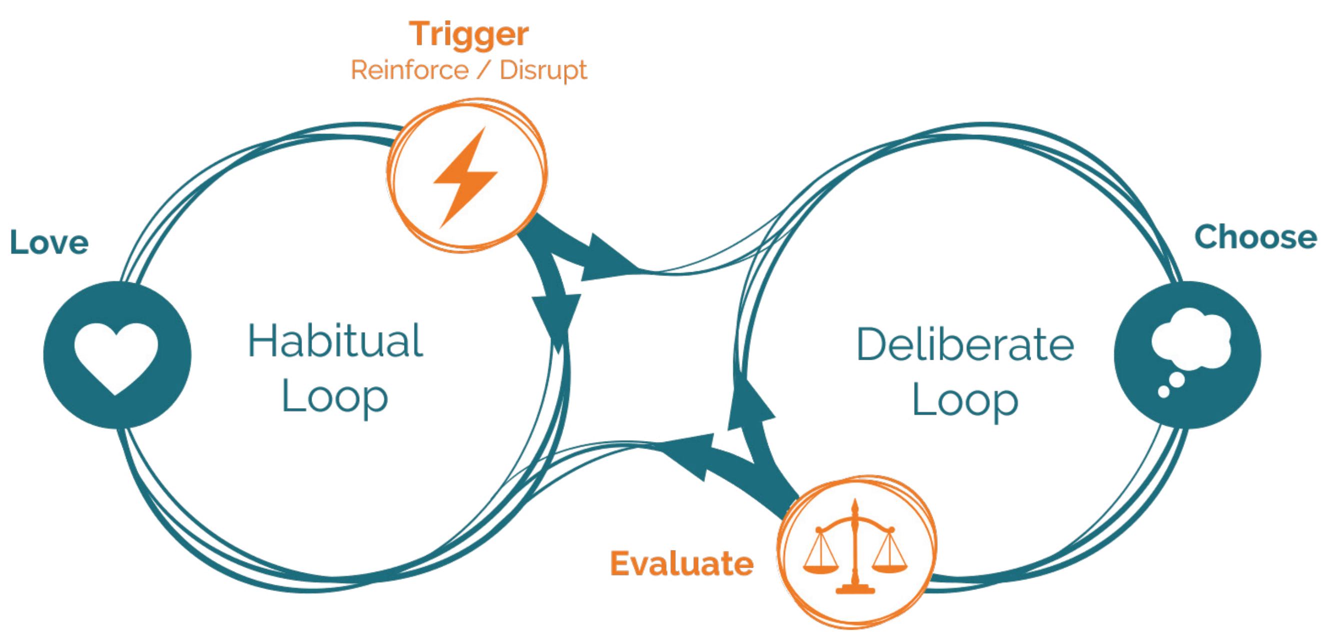
Read more about the SKIM Habitual-Deliberate Decision Loop.

To understand consumer habits and how to disrupt them it is necessary to consider *context* in which the consumers live, their *needs* and *characteristics*.

Context

For habits to form, a stable environment is crucial. Cues given off by this stable environment constantly trigger habitual behavior. A change of context is therefore usually a pre-requisite to break some of these consumer habits. Cues that consumers are under normal circumstances implicitly basing their decision on such as discounts, new product claims or product availability, have suddenly changed or are simply absent. As a result, consumers are triggered to deliberate their choices and decisions. A disruption in context usually stems from changes in individual circumstances of one's life, such as starting a family or getting a raise, or from marketing efforts, such as discounts or free trials.

SKIM Habitual-Deliberate Decision Loop



Another source for disruptions in context is a crisis, affecting not just individuals, but whole populations at the same time. The COVID-19 pandemic created such a change in context on an unprecedented scale, triggering a disruption in many consumer habits all over the world. To understand the consequences of this global health crisis, it is first necessary to understand the theoretical basis of its impact on consumer psychology. Consumers found themselves confined within their homes without a clear end in sight, having had their personal and professional lives turned upside down and being constantly bombarded with news regarding the health scare.

Consumer needs

While basic consumer needs (e.g. need for food, safety, human connection, etc.) don't change, their prioritization does. This prioritization of needs depends on the characteristics of their environment that bring attention to certain needs. A life-threatening crisis tends to bring forward needs directly related to one's physical and psychological wellbeing. Specifically, COVID-19 made consumers focus on their need to protect their health, as well as stay connected to their social network..

Consumer charactristics

In addition, the process leading to purchasing behavior is affected by consumer characteristics. Consumer characteristics are past experiences, attitudes and emotions that determine how people interpret the world around them. Consumers today are adjusting their past knowledge, attitudes and expectations according to their new experiences on a daily basis while being strongly affected by changes in their emotional state. Today's experiences and emotions can have long-lasting effects on the choices consumers make in the future, affecting current and emerging consumer trends.

When a crisis disrupts the context of people's lives and thus changes the prioritization of their needs, their consumer characteristics and purchasing behavior, the questions is always will the changes triggered by the new context be long-lasting. By looking at past crises and comparing them to the changes in consumer behavior during the COVID-19 pandemic, we can try to answer this question. While each crisis has their own specific characteristics, finding similar patterns among them indicates that history repeats itself - at least to a certain extent.

Impact of crises on consumer behavior in the short-term

Human beings are programmed to react to even the smallest novelties in their environment as this behavior used to be crucial for survival. Being able to detect movement and changes in their surroundings protected our ancestors from injuries and untimely deaths. For this reason, any change in our environment draws our attention and can provoke emotional responses. In fact, neuro-research shows that brain regions responsible for processing of new information and those responsible for motivation and preparation for action and orientation interact and have evolved to support survival[1]. As a result, as our internal state changes, we prioritize our needs depending on the context which ultimately affects our behavioral reaction.

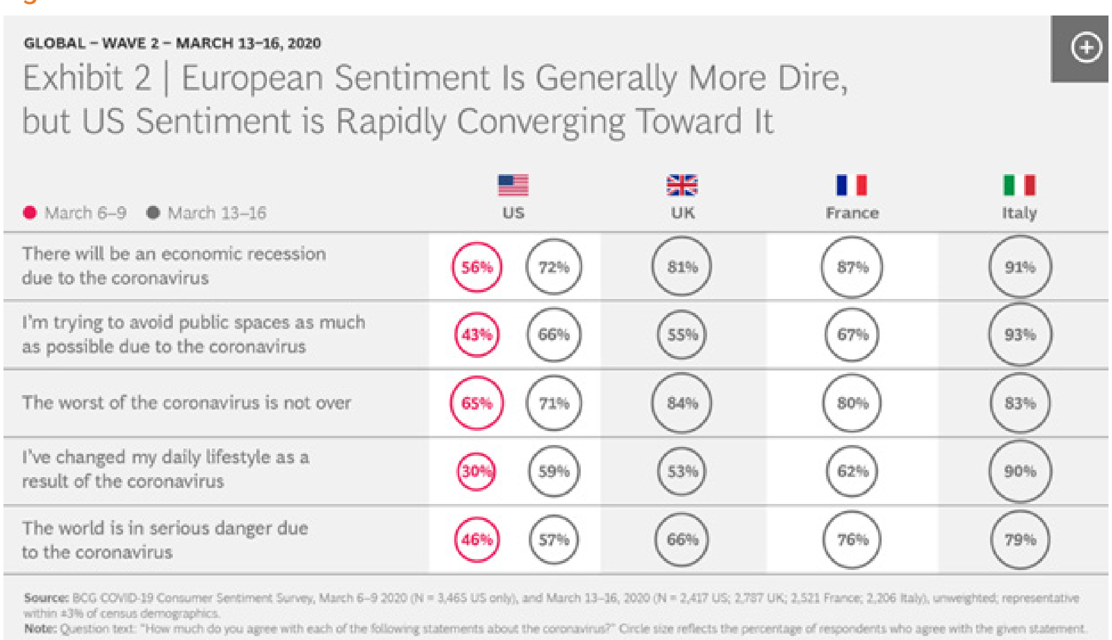
1. Consumer sentiments in the early stages of a crisis

According to a study conducted by BCG, until mid-March 2020 only half of US consumers surveyed thought that "the world is in serious danger" due to the virus , that "there will be a recession" , and that "the worst impacts are ahead" . With a large part of US consumers still unaffected by the pandemic by that time, negative consumer sentiment and panic still hadn't spread throughout the US . Consequently, there were no large changes in their consumption patterns or intentions to spend. The pre-COVID19 trends, such as buying more organic and fresh foods, were on the rise while an interest in preventive health care and household cleaning supplies started to accelerate as some consumers began to worry. A split appeared between consumers regarding spending on travel – with more anxious consumers intending to decrease expenditures while others were planning to increase them[2].

By the end of March, the pandemic started to unfold quickly with 60% of US consumers stating they had to "change their daily lifestyle due to the virus", a jump of 29%. As the number of cases grew, more and more consumers started to shift their attention towards the pandemic and their concerns about travel and other everyday activities rose compared to only a week ago[3].

The situation was even worse in Europe both in terms of absolute number of cases as well as lockdown restrictions. As seen in Figure 1, the bigger the changes in context per country at the time, the more negative consumer sentiment was expressed.

Figure 1



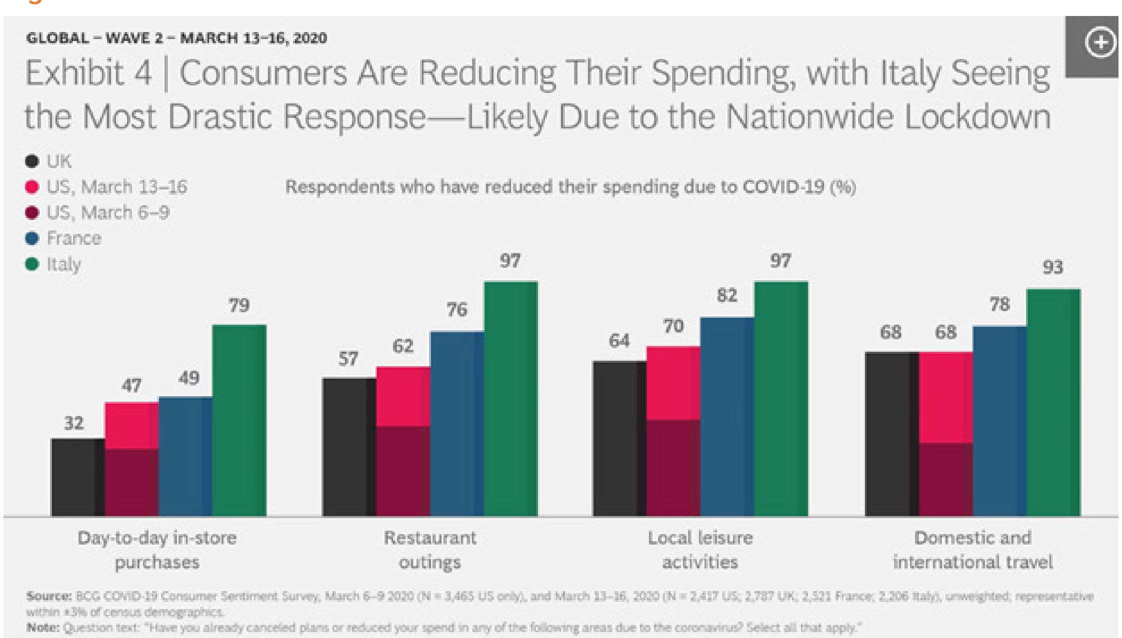
2. Consumer needs in the early stages of a crisis and their impact on trends

With the context and emotional state of consumers, their purchasing behavior started to change rapidly. A life-threatening crisis tends to bring forward needs directly related to one's physical and psychological wellbeing which pushes consumers towards avoidant behaviors aimed to regain a sense of control[4]. In case of a health-related crisis, the avoidant behavior manifests as avoidance of crowded enclosed spaces or even all public places as well as purchasing products designed to prevent diseases and stay healthy. In fact, consumers quickly started reducing their spending on restaurants, leisure activities and travel. More precisely, the harder hit a country, the more consumers reduced their spending on these activities (Figure 2).

In addition, in a crisis people tend to rely on social networks to find comfort and fight off boredom, frustration, stress and anxiety. COVID-19 placed a strong constraint on people's ability to engage in social activities and their everyday routines. Global confinement pushed people to further prioritize the need to connect and be entertained higher both in their personal and professional lives. In fact, 62% of consumers stated they were spending their time connecting more with family/friends digitally[5] and companies such as Zoom, and Netflix heavily benefited from these behaviors.

> A shift in needs also has an impact on trends that existed before the crisis. In the short-term, when affected individuals are often focused on their wellbeing, this can result in a temporary slowdown or reversal of certain pre-crisis trends – as observed for the trend of sustainability in the early stages of the COVID-19 crisis[6], the airline industry[7] after 9/11 and during the SARS epidemic, and the luxury sector[8] during the financial crisis. On the other hand, pre-crisis trends that prove beneficial during the crisis – e.g. by making life easier for consumers – tend to accelerate – as was the case with the trend of online shopping in China[9] during the SARS epidemic in 2002/2003 and again in 2020 during COVID-19 in Italy, Spain and France[10].

Figure 2



- Crises force people out of their comfort zones and push them to try out new products or services. If the consumer experience does prove to be convenient and enjoyable, these habits are likely to stick long-term. Thus, a crisis like COVID19 will only accelerate their adoption rates, but forward-looking companies would have integrated these trends in their future growth plans even before the pandemic. However, the acceleration of trends is just that – acceleration. For example, while the Chinese e-commerce growth during the SARS epidemic was significant, it still took a long time for consumers to really integrate online shopping into their lives. In fact, there is still room for growth. Online shopping sales for the week ended March 14, 2020, were 91% higher than they the year before[11].

As previously mentioned, in the US in mid-March 2020, consumers' intentions on where they would spend their money shifted within a week. Interestingly, despite the knowledge of what was happening in the world, not until they were personally affected by the end of March 2020 did consumers engage in similar purchasing behavior as the one seen in China and Europe just weeks or days prior. Consumers in the US were not able to predict the categories they will be heavily spending on within just one week, despite having identical purchasing patterns as consumers across the globe.

Most strikingly, consumers are so heavily under the influence of their contexts that they were not able to accurately assess the situation and predict their purchasing intentions across product categories (e.g. products designed to prevent diseases vs. travel and leisure activities) even after they already experienced the crisis once. More specifically, as the rates of new cases decreased across the world in June 2020, consumer sentiment started to improve. In the US specifically, consumer's concerns about out-of-home activities decreased, their optimism across different categories increased and price again took the first place as the main driver behind their decisions where they will shop. However, at the end on July 2020, the rate of new cases in the US had been increasing and even surpassing its first observed peak. Consumer sentiment was significantly affected by this change in context as it reflected the trend across categories more like May than June. Virus safety measures surpassed price once again as the key driver behind purchasing decisions[12].

> ***Data shows that once their disposable income actually increases, consumers revert to past behavior.***

This underlines the importance of an individual's context on its purchasing intentions and consumption patterns and was seen not only in different countries during COVID19 pandemic but during other crises. Most notably, during the SARS epidemic in 2003, consumers refrained from buying luxury, clothing and durable goods, while they stockpiled on disinfectants, food and beverages. This occurred in the exact same manner as in 2020, but only in countries that were seriously affected, that is, whose consumers personally experienced the effects of the epidemic on their daily environment . Therefore, while the future remains uncertain, it is safe to say that consumer intentions are not the best predictor of their future behavior. Their context, however, can clarify much more.

Impact of crises on consumer behavior in the long-term

In August 2001, 65.4 million people travelled by airplanes which was an all-time high. When 9/11 occurred, that number fell dramatically and it seemed consumers were never going to overcome their fear of potential terrorist attacks, threatening the entire airline industry as a consequence. However, in July 2004, the industry matched and finally surpassed the pre 9/11 levels. By July 2005, the number of airline passengers had reached 71 million and has been growing ever since[14]. Similarly, following November 15 attacks in Paris, the hotel occupancy rates, and restaurant clientele fell by 70%. However, in the end of 2016 the number of visitors reached the number of visitors in 2014. Furthermore, in January 2017, the number of people checking into Paris hotels reached a 10-year high of just over 1.5 million[15].

1. Adoption of a survival strategy

Researchers of terror events call “adoption of a survival strategy” when individuals accept that terror may become part of their daily lives. Specifically, the more the general public accepts the possibility of terror attacks occurring in the future, the less intensively they deviate from their ordinary consumer behavior after each terror event compared to their behavior prior to the attacks.

That is, with prolonged risk exposure, consumers return to their habitual consumption patterns regardless of whether the risk has decreased or not because they accept that the risk is now a part of their daily lives. However, based on the 3-year study in Israel, this adaptation is slower for durable goods than non-durable goods because the latter correlates more strongly with consumption. While consumers must buy non-durable goods regularly, they can postpone the purchase of durable goods.
An increase in uncertainty, especially regarding their future income and their employment, tends to increase the value of waiting time for durable goods[16].

In June 2020, as the number of new COVID-19 cases started to decrease and countries began to reopen, most consumers expressed an intention or desire to return to their “old normal”[17]. By the end of June, states in the US that had reopened earliest - Texas, Florida, and California - experienced a significant increase in the number of new cases. However, despite their growing concerns about whether the virus was under control, consumers in these states resumed daily activities to a similar extent as consumer from states where the general sentiment was that the virus was indeed under control[18]. The concerns continued to rise throughout July. Nonetheless, activity levels remained unaffected[19].

2. Constant tradeoff between convenience and experience

Consumers continuously weigh between convenience and experience in determining their standard of living. In some circumstances, the convenience of online shopping will surpass the experience of trying on clothes. In others, the experience of travelling to a destination like Paris or flying in general is something consumers are not willing to give up. As a result, they accept heightened security making their trips less convenient. Thus, in the long-term consumers do not wish to diminish their standard of living meaning their consumption patterns revert as they adapt to different levels of risk.

During the summer of 2020, as consumers slowly accepted the virus as a part of their lives, they realized they were unwilling to give up the experience of their “old normal” daily activities. Thus, to retain their standard of living, consumers were willing to “suffer through” wearing a mask in public transport, closed spaces or even all public places across Europe, making their lives slightly more inconvenient.

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3. Prioritizing present over future - the pitfall of consumer intentions

Consumers are driven by the emotions and thoughts provoked by a certain context. In fact, in that moment, they overestimate not only how long these emotions will last (i.e. projection bias), but also how much self-control they will have in the future. Thus, their intentions tend to not align with their future behavior. On the one hand, consumers are successful in predicting which product categories they will spend equal amounts, or less on within certain constraints, such as less disposable income during a recession[20]. On the other hand, they predict they will have much more self-control in case these restrictions are lifted. For example, they predict they will dine out less in case they have less disposable income. However, they also intend on spending less even if their disposable income rises as recession subsides. Nonetheless, data shows that once their disposable income actually increases, consumers revert to past behavior. The shift back occurs because consumers prioritize the present over the future. Additionally, seeing other people engaging in an enjoyable behavior helps drive their behavior.

To illustrate, the SARS epidemic shares a lot of similarities with COVID-19 pandemic in terms of consumer consumption patterns across markets. During the epidemic in 2003, consumers refrained from buying luxury, clothing and durable goods while they stockpiled on disinfectants, food and beverages. Furthermore, consumers also stated they would continue these behaviors in the future with spending less on dining out, cooking more and taking more care of their health[21]. Fast forward to 2004, immediately after the epidemic was contained, the sales of disinfectants fell by 29% and hospitality industry as well as expenditures on dining out rebounded[22]. Indeed, some products did remain relevant in 2004, such as antibacterial personal care products and sterilizers[23].

Therefore, it is safe to say that despite the differences in circumstances, we can learn from previous crises. Consumer behavior returns to normal very quickly once the crisis is placed under control. In March 2020 China showed first positive economic indicators after the COVID-19 hit. In line, Chinese consumers expressed greater optimism which translated into intentions to increase overall spending compared to US and European consumers at the same time[24]. Similarly, between March 17 - April 3, Italy experienced an improvement both in terms of COVID-19 cases increase as well as consumer sentiment mimicking the changes seen in China weeks before, resulting in more and more categories with a positive net sentiment[25].

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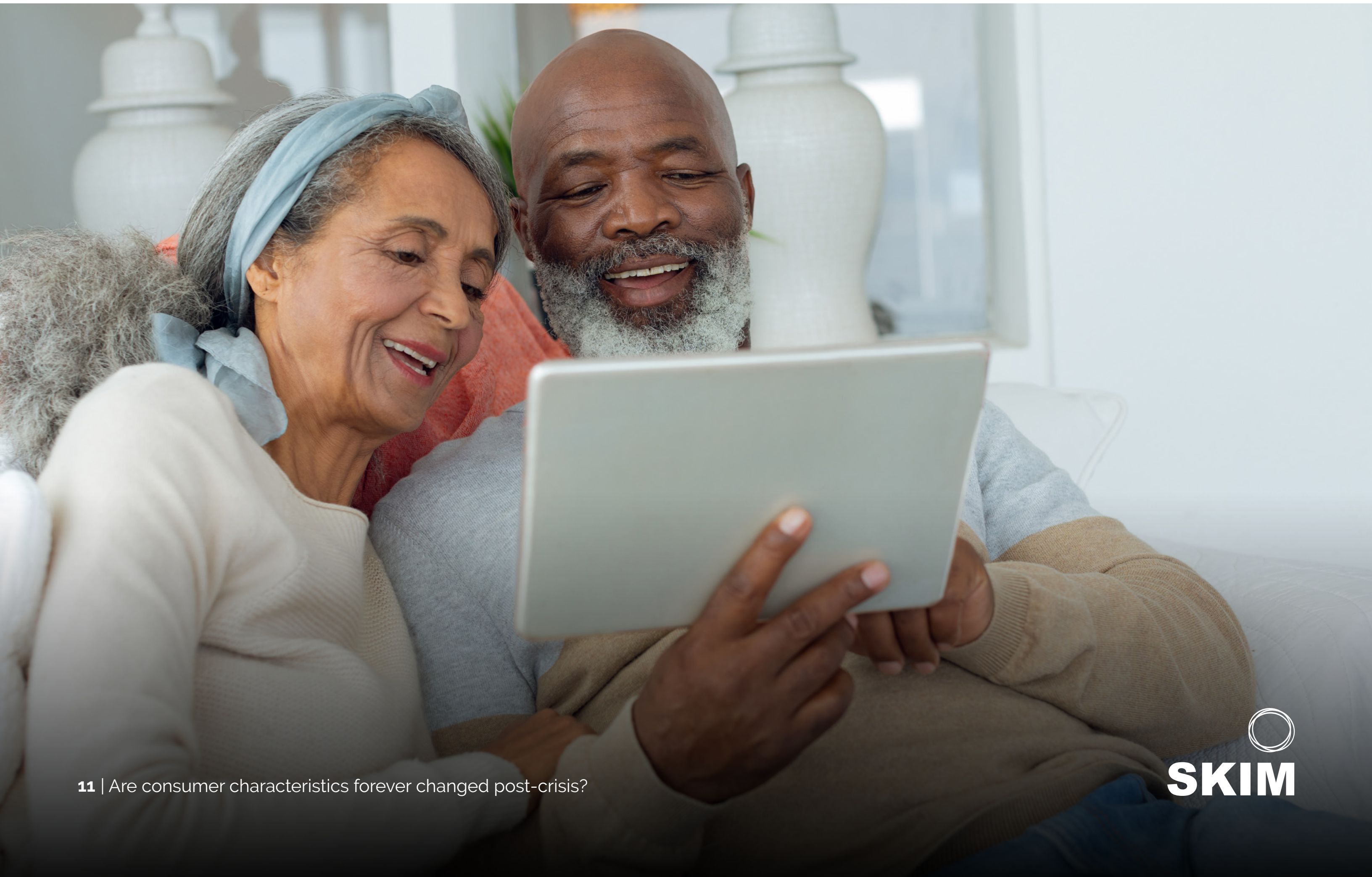
Are consumer characteristics forever changed post-crisis?

During a crisis, ideas and visions of the future are heavily shaped by the immediate situation and strongly influenced by people's existing needs and demonstrated behaviors. For example, the post-COVID-19 world was often depicted in the media as an unrecognizable dystopia where people avoid human contact and try to minimize physical experiences as much as possible by transferring their entire lives online – education, work, shopping, dating, travelling, etc.

Crises tend to push people into thinking that the world post-crisis will be completely transformed because the crisis disrupts people habitual behavior in almost all aspects of their lives in a very short period of time. However, people usually revert to their past behavior if given a chance.

As mentioned before after 9/11, it was predicted that consumers would never fly as much as they did before due to the fear of a potential terrorist attack. However, the industry rebounded within two years attracting more and more passengers continuing the trend present before 9/11[26]. Similarly, it was thought that financial recession will fundamentally change consumers' willingness to buy luxury. However, looking at the global data, there was indeed a drop in luxury goods market during the crisis after which the growth was mostly driven by the Chinese consumers. Ultimately, the new normal was established in 2017.



Another reason for this perception is that people attribute the emergence of different trends to the crisis. However, if looking further in the past before the crisis has happened, we can observe that these trends were already present in the society. Dips and peaks of a trend may occur during the crisis due to temporarily changed behavior, but ultimately a crisis will accelerate the adoption of a trend in the mainstream society. The aftershock of the financial recession and the anger towards immorality of financial institutions accelerated the preexisting trends toward reduced materialism, commitment to sustainability and higher expectations of corporate social responsibility[27].

Thus, we should be careful when predicting some trends like sustainability will be reversed in the long-term based on consumer research done in the middle of the crisis. While consumers deprioritized environmentally-friendly features at the start of the pandemic, they shifted their priorities very quickly and again placed more emphasis on nature and sustainability. These effects were first seen in Chinese consumers who began to focus on more sustainable brands, fresh food and local retailers and suppliers as well as environmentally friendly products once the number of new cases decreased[28][29]. European consumers followed the trend not long after. Already in April, limiting the impact on the environment and climate began to be emphasized[30] as consumers linked their health with the wellbeing of the planet.

Of course, the stickiness of the behavior post-crisis depends on the consumer experience during the crisis. If they turned out to be more convenient or allowed for a better experience, consumers are more likely to integrate them in their every-day lives. For example, in April 2020, majority of Chinese consumers had a positive attitude towards working from home, taking online courses and health care technology and telemedicine[31]. Similar sentiments were exhibited across developed markets[32]. These are the behaviors consumers wished to continue even in June 2020. On the other hand, as China recovered from the pandemic, consumers began to resume out-of-home activities (e.g. eating out) they expressed they missed during the lockdown. With that, the activities that replaced them during the lockdown such as food delivery and takeout started to drop[33].

> ***Of course, the stickiness of the behavior post-crisis depends on the consumer experience during the crisis.***

Lastly, some consequences of COVID-19 pandemic on consumer behavior might only be evident in the younger generations. People's decision-making behavior also depends on their past experiences, especially those that occur during the child's formative years that shape their attitudes and knowledge of the world. For example, generation Z (born after 1996) became risk averse as they were watching the recession hit their parents and older millennials. As a result, they started to cut spending immediately once the pandemic started which other generations didn't do[34]. Thus, younger generations who are now experiencing the pandemic and are watching their parents struggle with the situation might be the ones that will deeply ingrain the teachings of the coronavirus pandemic – being mindful of health and finances which will impact companies once they enter the workforce in several years. Similarly, the impacts of future crises should always be considered and prepared for in the long-term with younger generations in mind.

Read how brands can apply decision-behavior theory to drive growth strategies

The long-term change in context is often brought by brands capitalizing on trends and bringing added value

While consumers tend to revert to their past behavior after a crisis because their basic needs never truly change, only their prioritization does; it would be a mistake to say that nothing ever changes. However, consumer behavior and preferences are much more in the hands of brands than it is believed. As already mentioned, consumers continuously weigh between convenience and experience while trying to maintain or improve their standard of living. Thus, brands that manage to satisfy their needs in a better (i.e. more convenient or enjoyable way) while capitalizing on accelerating trends will emerge as winners.

A change in context is the best way to break people's habits which is why crises are often seen as triggers for behavioral change in consumption. These changes tend to be short-term because they often result in a diminished standard of living for consumers. For example, during recessions people decrease consumption of products they consider treats or investments in durable products. These changes don't mean consumers aren't interested in them anymore which is why as consumer's disposable income returns to pre-crisis level, their consumption patterns begin to revert as well[35].

Use case of private labels

However, it is undeniable that some changes in consumption stick. For example, recession causes a dip in disposable income leading people to switch from premium brands to private labels which are less costly. According to McKinsey research, an average of 18% of consumer-packaged-goods consumers bought lower-priced brands during the financial recession[36]. Private label has seen higher growth in the year 2018 than branded products, growing 3.7% year-over-year (y-o-y) compared to 1.9% y-o-y for named brands[37].
The continuance of buying private labels even after their disposable income returns to normal is then often attributed to consumer's heightened sensitivity to price and unwillingness to spend caused by a recession. However, looking at data from market research, we also know that consumers state that they perceive the quality of private label products to be similar to those of branded products, with private label products performing better than expected meaning premium brands were not "worth the money"[38]. In fact, the perception that private labels are of lesser quality seems to be diminishing, especially among Millennials, and consumers are willing to pay the same and even more for private labels than for branded labels[39].

Thus, it is likely that recessions don't significantly alter people's needs and priorities in the long-term but push them to try new products. These forced trials can prove there is no impact on the quality of experience. If this occurs, there is no reason for consumers to switch back to branded products. Otherwise, once there is an increase in disposable income, they would prefer to spend more money to get better quality of experience.

Read how you can put the SKIM Habitual-Deliberate Decision loop into action as you adapt your marketing mix post-disruption.

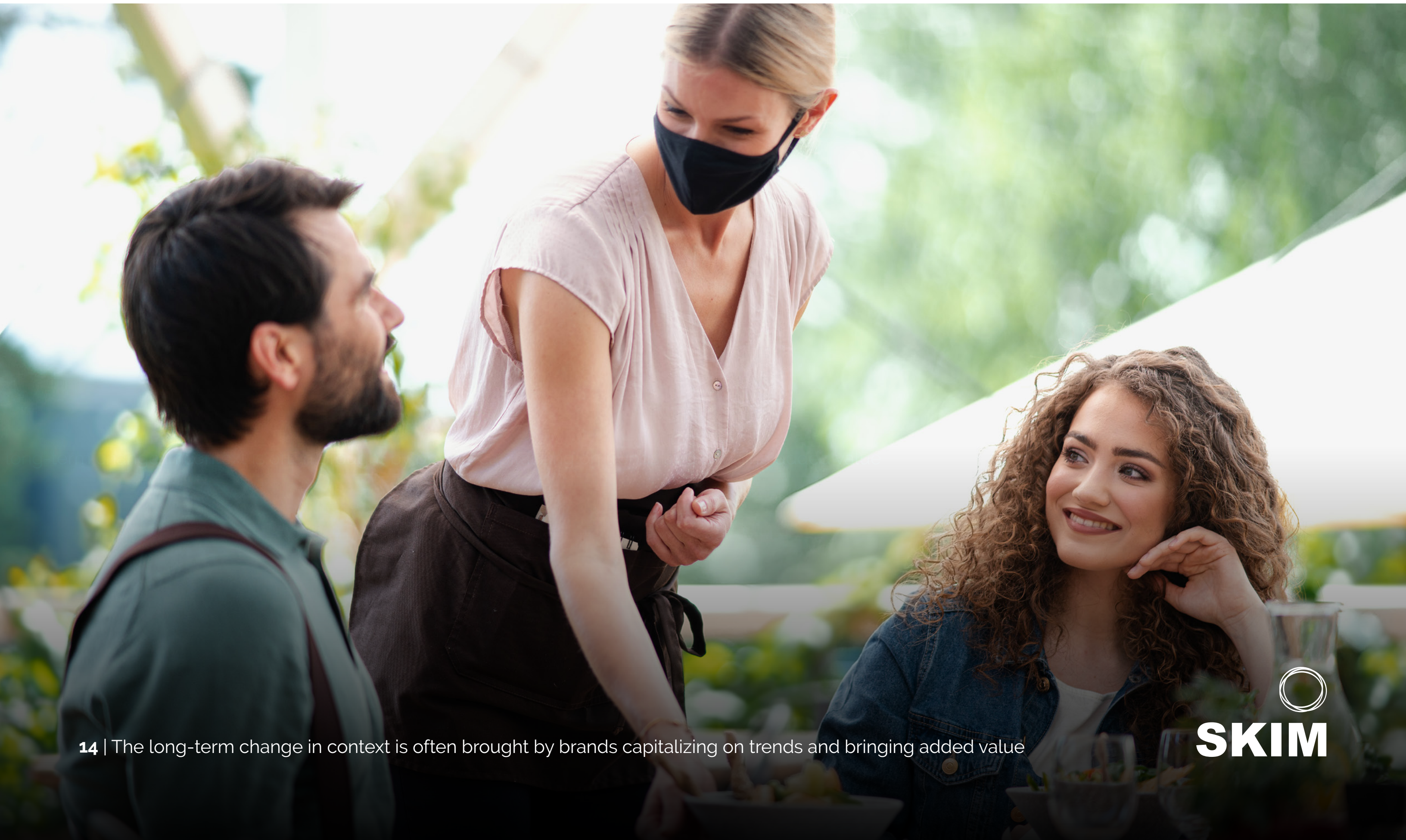
Use case of dining out

Examining expenditures of dining out, which falls significantly during economic recessions, can also illustrate the point above. If consumers did in fact become more price sensitive, we would never see a rise in per capita expenses on dining out. However, while consumers during the financial recession in 2009 stated that they would continue to save and eat out less in the long-term. in 2019 sales at eating and drinking establishments in the US were up 4% compared to 2018. This was an increase in growth from 2017 to 2018 which was 3.6% and thus surpassing grocery sales at just 3% year-over-year growth[40]. The growth wasn't only related to hot new restaurants but major fast food chains such as Chipotle, McDonald's and Starbucks[41] nor only to the US since the share of total household expenditure on catering services increased in most EU Member States between 2008 and 2018[42].

Because a crisis creates a change in context that disrupts people's habitual behavior, consumers are more willing to switch to different brands and explore new innovative products on the market. In fact, according to a 2009 study by the Ewing Marion Kauffman Foundation, 57% of Fortune 500 companies have been founded in a recession or bear market, even though only 31% of all years since 1855 counted as "down years."[43]

Use Case of AirBnB and Uber

We can say that companies such as AirBnb and Uber radically changed the way consumers behave. These companies capitalized on the trends that were already emerging and growing in the society, but offered a better way of satisfying consumer needs – either by offering a better experience or a more convenient way of doing what consumers were already doing. Take for example the case of AirBnb founded in the middle of the financial crisis in 2008. AirBnb not only capitalized on the growing trend of travelling and tourism, but they also satisfied this consumer need in a better way – by offering buyers cheaper prices and sellers an option to earn money. 20 years ago it was unimaginable that we would have no issues with staying at a strangers home, but this long-term behavior was an unintended consequence of innovation that capitalized on a trend and satisfied a need in a better way. In the same manner, Uber capitalized on the trend of sustainability and understanding that having a car in the city is not practical while satisfying the needs of sellers and buyers with cheaper prices than taxis and additional income for drivers.



Pitfalls brands should avoid

1. Slash marketing expenses

While cutting expenses is the first form of defense of most companies when confronted with a crisis, slashing marketing and innovation spending could cause more damage in the long-term. One of the common denominators of post-crisis winners is focusing on boosting commercial growth by optimizing the marketing mix and improving customer experience. In fact, McGraw-Hill Research found that companies that maintained or increased their advertising expenses during the 1981 and 1982 recession had an increase in sales during the recession and in the three years after. In 2001, it was also found that companies that advertised during the recession increased market share two-and-a-half times more than the average market share increase of businesses post-recession. The Strategic Planning Institute in 2002 also saw that there was no market share growth by companies that increased advertising during economic expansion since everyone increased their marketing expenses[44].

Use Cases

- **a)** In 2009 Samsung doubled down on R&D investment filling four times more of patents and constructing four types of R&D centers each with a specific product focus. Moreover, they maintained their marketing expenses and rebranded the company prepping the ground for the launch of the first Galaxy smartphone[45]. In 2009, Samsung was ranked No. 19 on Interbrand's list of most valuable brands globally while in 2019 they were ranked No. 06.
- **b)** De Beers's doubled its Christmas advertising spending as compared to previous years in 2008 with ads such as "Here's to less" and buying "fewer, better things" which helped keep prices and consumer's trends in diamond shopping healthy despite short-term lower sales[46].

Therefore, while it might be tempting for brands to cut marketing expenses during the pandemic and its aftermath, it is advisable for brands to stay present and in touch with their consumers, emphasize their online capabilities and adapt their 4Ps to provide relevant value by catering towards (re-)prioritized customers' needs. In the case of COVID-19 pandemic, brands aimed to satisfy consumers' need for protection in any way they could. For example, numerous brands manufactured masks, hand sanitizers and ventilators, while others ensured safe (e.g. contactless) delivery and reasonable prices on products in high demand. Furthermore, brands tried to provide comfort and satisfy consumer's needs for social connection by communicating with consumers, launched online entertainment and offered promotions designed to satisfy the needs to stay connected and entertained.

Brands should find an option that would allow them to differentiate themselves from the rest of their sector in a way that is relevant to their business and that tackles consumers' need in uncertain times. This is a winning combination since under normal circumstances there is a flood of advertisement and marketing that it is extremely difficult for brands to stand out. A crisis not only pushes people away from their habitual behavior, but ensures brands are confronted with less competitors as other companies slash marketing expenses. Thus, any marketing activity is likely to be noticed by consumers.

In 2002 there was no market share growth by companies that increased advertising during economic expansion since everyone increased their marketing expenses.

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2. Ignore pre-crisis trends

While short-term ups and downs can scare companies from making or continuing their investments, winners look at long-term trends.

Use Cases

- **a)** In 2001, Apple increased its research and development spending by 13% in order to remain innovative and stay ahead of its customers. In 2003 they launched iTunes music store and software and iPod Mini and the iPod Photo in 2004 which caused a rapid growth for the company[47]. In fact, Steve Jobs at the time stated:

> *"What has happened in technology over the last few years has been about the downturn, not the future of technology. A lot of companies have chosen to downsize, and maybe that was the right thing for them. We chose a different path. Our belief was that if we kept putting great products in front of [customers], they would continue to open their wallets. And that's what we've done. We've been turning out more new products than ever before, and Apple is one of the only two companies making money in the PC business. We're not making a lot, but other than Dell, we're the only one. Others are losing money — a lot of money."*

- **b)** One could say that understanding the trends is only effective if they are related to technological advances as this sector will continue to grow. However, weeks after 9/11, Carnival, the world's largest cruise ship operator, found itself in an unenviable position as vacation travel was almost non-existent. Instead of pulling back, the company acquired P&O Princess, the third largest cruise operations, which then led to shareholder returns surpassing those of the S&P 500 in the years following the acquisition as consumers returned to their pre-9/11 behavior[48].

3. Stop innovation plans

With consumers having less disposable income, brands may refrain from launching new products and investing in innovation. However, according to research, launching new products can help capture market share even in deep recessions as consumers are more likely to switch to other, especially, cheaper brands and as competitors go out of business. However, it is not necessary that the launched product is cheaper as long as it is innovative and adds greater value to the consumers.

Use Cases

- **a)** In 2001, Procter & Gamble's introduced a new product category by launching Swiffer WetJet that made mopping floors easier and made consumers turn away from cheaper versions.

When launching new products in difficult times, companies must always have their consumers in mind and try to understand what needs are not being satisfied.

- **b)** Amazon developed Kindle products in 2009 which allowed the company to gain market share and reposition itself as an innovative company. On Christmas day 2009, Amazon sold for the first time more e-books than printed books to consumers craving entertainment but with limited disposable income[49].

- **c)** Warby Parker founded in 2010 disrupted the industry by sending customers multiple pairs of eyeglasses to try on and keep only the ones they like improving their consumer experience of buying online. The company managed to hit their annual target sales in the first few weeks after launch.

- **d)** Bonobos was another company founded in the middle of a financial recession in 2007 and offered added value to its consumers by offering pants to men that fit them better than traditional styles. As did Warby Parker, they had consumers order several pants and send back the ones they didn't like. Five years later, Bonobos achieved $70 million in sales a year and continued to expand its business[50].

4. Focus on price promotions

Frequent reductions and buying market share can damage long-term value, price perception and revenue potential for a long period, as well as prevent the brand to invest in innovation in the future. Although a segment of consumers (1%?, 5%?, 15%?) will be hit by the crisis, the majority will still have the same buying power. Rather than only changing prices, you should adapt your offer to match the needs of consumers who are spending more prudently.

On the other hand, there are those who will be able to afford their usual brands/products. Here, your goal will be to strengthen their habits, and manage revenue by adding value to justify price or even command a higher premium based on their needs.

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Use Cases

- **a)** SKIM conducted a pricing study comparing pre and during COVID-19 consumer price sensitivity in the consumer goods categories in the US and Europe. Overall, consumer price sensitivity remained consistent across categories with a shift towards larger pack sizes. In addition, consumers were less sensitive to price changes in large packs and more sensitive to price changes in smaller ones. Download the full report here

While a data-driven approach is key to successful pricing and revenue management strategies, a wide set of data sources is essential. Sales data, brand trackers, marketing mix models, expert views, and consumer insights on price elasticity (e.g. pricing research like conjoint studies) can all give you a piece of the puzzle. However, to ensure the most accurate predictions, analytical rigor must be applied when combining different data sources.

For more pricing success strategies, download:

Net Revenue Management Beyond the 2020 Corona Crash

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Key takeaways - Opportunities for brands

COVID-19 pandemic and its aftermath, like any other crisis, can be threatening for brands because of the speed with which consumer behavior is changing in unpredictable ways. With brands trying to extinguish the fire provoked by the pandemic, there is no time to consider their long-term strategy. Nonetheless, that is precisely what history has shown winners do.

A crisis disrupts the context of people's lives as well as the business environment within which brands operate. However, with that, it creates a window of opportunity brands usually struggle to achieve – it breaks people's habitual consumption patterns. What is most important for businesses and brands to consider is how to turn such a major disruption from challenges in the short-term, to opportunities in the long-term.

Businesses and brands can increase brand loyalty and create new products or services to become stronger in the new economic reality after a crisis. Brands have an opportunity to reinforce the positive behaviors or disrupt the unfavorable ones by re-considering their marketing mix in the light of behavioral shifts. Brands that understand this game best, can create multiple windows of opportunities in communication, product and portfolio optimization, and innovation.

Decision behavior and disruption

Visit **skimgroup.com/covid** for more content in this series. We are sharing additional theories, best practices and tips on decision-making, eCommerce, healthcare trends, innovation, and revenue management strategies. Our goal is to provide inspiration, answers to common questions we're receiving and help you navigate the new normal.

Acknowledgements

Thank you to the following SKIMmers who contributed to this research and paper: Andrea Podobnik, Christiane Meyer, Arne Maas, and Marcel Slavenburg.

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About SKIM

SKIM is a global insights agency helping leading companies thrive by understanding decision-making. To stay ahead in today's environment, it's critical to know how decisions are made and how the changing environment influences decisions for consumers, healthcare and B2B professionals. To understand how decision-making has changed (and how it hasn't!), we adapt sophisticated research techniques and develop new innovations to address this new reality. *The result?* Practical brand communications, revenue management, product innovation, e-Commerce, and advanced analytics recommendations you can use to propel your business forward, both online and offline.

What sets SKIM apart is our decision behavior expertise + deep analytical and choice-modeling roots + a thorough understanding of the marketing challenges brands face. This unique combination, along with our creative thinking, is the reason why strategy consultants and leading companies, from Fortune 500 to digital disruptors, have continued to partner with us for decades. With 9 offices around the world and 170+ enthusiastic SKIMmers ready to help crack your business case, how can we team up with you today?

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