

RICCI'S ROUND UP

Only the most relevant, insightful COVID reports, opinions & case studies of the week



WHAT WILL CHANGE FOR GOOD & WHAT WON'T?

IMPLICATIONS FOR PLANNING POST COVID

I have spent the last four weeks reviewing the COVID-19 literature and there seems to be a stagnation on new insight. So as we start to see the curve flattening and conversations move to lifting restrictions, I thought it would be a good time to wrap up all the insights from my last three issues into a set of considerations for you, as you begin to plan for a post COVID world. If you haven't already started, I think it's time guys. You want to be on the front foot and consumers are ready for brands to lead the way.

Three pieces did pique my interest this week. The first was a report from Nielsen confirming that consumers now believe claims focused on killing germs, providing immunity and overall health promotion are more relevant than claims around naturalness, sustainability, quality and brand. This was based on the Household Cleaning category but I think the insight behind this is true to consumers broader sentiment. I doubt all of these claims will remain in the top positions post COVID but I do think the notion of protecting our health & immunity will remain at the forefront of consumers minds and be a permanent shift in needs & behaviours.

The second was a cleverly edited piece to demonstrate how communications from big brands are becoming same-same, which is creating the sentiment that many brands are being disingenuous & opportunistic. They are talking for talking sake. Right now, I think brands should either be demonstrating how they can functionally help within a new need, occasion or behaviour (hello Telstra, focus on improving our Wifi not giving us heartfelt Thank You ads) or provide some entertainment or escapism from reality.

Finally McKinsey this morning released an updated global wrap of consumer behaviour changes. Take a look

THIS ISSUE:

Taking an outside in approach to planning. pg2

Three critical questions you should be exploring as you develop your plan pg 2

How consumers needs, occasions & behaviours are changing and what will stick. pg 3-5

TAKING AN OUTSIDE-IN APPROACH TO PLANNING

As I mentioned in [Issue 2](#), taking an outside-in approach to planning is critical. Your recovery plan should start by assessing the external factors ie your consumer & how their needs, occasions & behaviours are changing, within the context of evolving category dynamics and a redefined competitive set. Only then should you look inside your organisation to understand how you need to adapt your marketing mix to meet the market changes.



But before you start any analysis, it would be wise to define your sandpit - the scope & scale of the challenge you need to overcome as you exit the COVID crisis. This sandpit should not only be defined using the external market challenges mentioned above. This sandpit definition should also be based on where your industry or category currently sit during this crisis due to regulations and therefore the depth of current financial stress and length of the road to recovery you will be taking:

- Is your industry or category in the **Total Shut Down** sandpit and therefore your business is in survival and complete rebuild mode? Eg Travel and Entertainment
- Is it in the **Pivot to Survive** sandpit and therefore with some clever strategy, it can adapt and thrive as the new world reopens? Eg Retail and Restaurants
- Or is your category one of the lucky ones in the **Prosperous** sandpit and are currently enjoying renewed growth and relevance? Eg FMCG & Alcohol

Once this sandpit is defined, you'll have a better idea on where to specifically dig as you explore the following questions. Your context will be set

THE THREE CRITICAL QUESTIONS YOU SHOULD BE EXPLORING AS YOU DEVELOP YOUR PLAN



In Issue 2, I posed some topline questions you should be asking as you plan your way out of the COVID Crisis. In this issue I have put some more meat on the bones to help guide your exploration, using all my learnings and case study observations over the last four weeks. And there is a fair bit of meat, so this week I'll answer Question 1 and next week I'll cover question 2 & 3. (I didn't think you'd appreciate a 7 page extravaganza in one hit!)

The key questions are:

1. How are consumer's needs, occasions & behaviours changing and what will stick? How might you need to flex to stay relevant and meaningful within this new world?
2. How is your competitive framework & category dynamics changing, as business's have quickly pivoted just to survive? How might you need to react to protect your position or pivot to stay distinctive?
3. How should your brand positioning & marketing mix strategy evolve to respond to the above two answers?

1. HOW ARE CONSUMER'S NEEDS, OCCASIONS & BEHAVIOURS CHANGING AND WHAT WILL STICK?

HOW MIGHT YOU NEED TO FLEX TO STAY RELEVANT AND MEANINGFUL WITHIN THIS NEW WORLD?

Consumer Segments' Changing Behavior

	RISK OF SALES DOWNTURN				BEHAVIOUR CHANGE
	ESSENTIALS	TREATS	POSTPONABLES	EXPENDABLES	
Slam-on-the-Brakes	Will seek lower-cost product and brand substitutes such as private labels	Will deeply reduce or eliminate treats or seek lower-cost substitutes	Will put off all durable purchases unless forced to make emergency replacements; will delay repairs and personal services, such as dental cleanings	Will eliminate purchases in this category	HIGH
Pained-but-Patient	Will seek out favorite brands at lower prices but settle for cheaper, less-preferred alternatives; will stock up on good deals	Will cut back somewhat on frequency and quantity and emphasize value	Will delay major purchases, repair rather than replace, seek value and low ownership costs rather than extra features, and negotiate at point of sale	Will deeply curtail expendables	HIGH
Comfortably Well-Off	Will continue to buy favorite brands at prerecession levels	Will be more selective in purchasing luxuries	Will seek better quality for the price; will negotiate harder at point of sale	Rarely regards any purchase as unjustifiable but may reduce the most conspicuous consumption in this category	LOW
Live-for-Today	Will continue to buy favorite brands at prerecession levels	Will continue to buy favorite brands at prerecession levels	May buy if there is a great deal; otherwise may postpone	Is reluctant to regard any customary purchase as unjustifiable; may not want to expand consumption to new types of purchases	LOW

KEY: **STABLE MARKET** Slight or no change in opportunities for companies
MIXED MARKET Slight or no change for stronger competitors; a reduction for others
DECLINING MARKET Substantial reduction in opportunities for companies

Post-COVID, a global economic downturn is inevitable.

As the [HBR article](#) in [issue 3](#) pointed out, distinct consumer segments will respond differently during this economic downturn but all consumers will **reprioritize their spend** to what they deem as essentials, treats, postponable and expendable categories.

So, you should seek to understand how financially constrained your consumers will become and where your category and brand will fall in the reprioritisation. This will provide context on which needs, occasions & behaviours you think will stick for the next 12 months and the level of resource you should be able to afford behind the plan.

The next step is to have a good understanding about how your **consumer's needs, occasions and behaviours** will settle as we return to some sense of normal. Debate as a team which of these changes you think were **situational** during the crisis vs which will become a **permanent** shift in their attitudes & behaviours and therefore indicate a need to evolve your brand positioning & strategy to remain relevant and meaningful. Use your U&A's (or the like) as a starting point and layer on the all COVID insights and degree of change that has been observed. The higher the degree of change or adoption, the more likely the change will stick. This needs to be a fluid discussion as things can change very rapidly, as we have seen over the last 6 weeks.

I have compiled some broad recommendations on needs, occasions & behaviours below, based on the facts & reports I have read and I am more than happy to join your debates for your individual categories & brands.

A. Their 'New' Needs

Given we have been living in a time of crisis and uncertainty for 6 weeks now, consumers priorities have travelled down to the bottom of Maslow's Hierarchy of needs (including the modern version with WiFi at the very base 😊). Things we previously took for granted are now much higher on our priority list eg availability of essentials like food and physical health & economic stability.

Where do your consumers now sit on Maslow's Hierarchy of Needs and how long do you think it will be before they start to climb back up? This will be a key driver of their behaviour moving forward.

Maslow's Hierarchy of Needs:



The **vulnerabilities** of our just-in-time and globally reliant **food & consumer goods supply chain** have been laid bare during the panic buying phase. Essentials consumers took for granted were no longer available and this has scarred people. This will likely result in a more permanent shift and **preference to buy local**, where a domestic supply chain is more reliable and responsive and consumers feel they can support their local economy and job creation. And I'd say an increase in **pantry stocking** to ensure the essentials are always on hand.

Economic stability has always been consumer's number one concern during the crisis. As a result, consumers will become **more price and value sensitive**, some segments more than others. So, what does this mean for the price/value ladder your brand portfolio offers? How can you offer consumers better value for money, without damaging your margins and long term profitability?

History also tells us that regardless of hardship, **people will still treat themselves** so if you play in a premium or treat category, how will you ensure the treat is **special enough** to be worth the investment?

Finally, attention to **wellness and hygiene** will continue to be a higher priority. From the simple reset of avoiding the handshake & watching our personal space to sustaining a healthier, cleaner life. Our fascination with hand sanitisers will likely dissipate somewhat but the importance placed on **immunity** will absolutely remain. Consumers will continue to make purchase decisions and build preferences based on a brand or organisation's ability to **protect their health, improve their immunity & reassure their hygiene**.

There is one need where the jury is still out and there is not much data yet. What role will **convenience** play moving forward? In isolation, we have all slowed down and therefore aren't as time poor as we used to be but how quickly and significantly will we return to our hectic pace and as a result seek products that make our lives easier and more nimble?

B. Their 'New' Occasions

So many everyday occasions have been completely reframed as a result of social distancing and some brands have done an amazing job of quickly pivoting to help consumers solve new tensions points that have arisen from these changes. A stand out is the ABC for providing parents who are trying to juggle work and school from home, with much needed educational resources.



So, which of these newly reframed occasions will stick? Thank goodness the kids will be going back to school!

Yes, most of us will go back to the office. But the benefits of **working from home** have been clocked and I expect the behaviour will continue at an **increased frequency & effectiveness** to pre-COVID. What implications does this have for local commerce and metro commuter hubs? For on the go snacking & our coffee culture?

Yes, we will relish the return of being able to socialise again, but the data suggests **people will stay at home more often** because they can't afford to go out or now prefer the security of home. So how can brands respond and help consumers nest and **make their home a haven**. I predict many of the current nesting behaviours will continue - the rise of home renovations & decorating, more entertaining & meals cooked at home, exercising at home etc.

And for those social & entertainment categories, when we do go out, how will you make consumers feel safe, hygienic and if money is tight, that we are getting bang for our buck?

How have your brands core occasions changed during COVID? And which ones do you think will stick as we enter the new normal?

C. Their 'New' Behaviours

We have been forced into behaviour changes due to COVID restrictions. Probably the most significant one is our significant increase in online and contactless behaviour. We are now more likely to entertain, socialise, buy, work, bank, learn, exercise or even see a doctor online instead of in real life. And it's not over yet. As behavioural science confirms, the longer we are forced to behave in this way the more likely habits will form and these new behaviours will stick. Particularly with the older generations or late adopters who now feel comfortable doing things online.

So how must your brand and business model pivot to embrace this significant digital and contactless behaviour shift?

Well, we are onto page 5 for the first time yet so I think I'll cut it there. I hope you have made it this far!!

Next week, I will tackle Questions 2&3

2. **How is your competitive framework & category dynamics changing, as business's have quickly pivoted just to survive? How might you need to react to protect your position or pivot to stay distinctive.**
3. **How should your brand positioning & marketing mix strategy evolve to respond to the above two answers?**

And if there is interest, I'll develop a step-by-step planning framework to help you logically disseminate the oodles of COVID insights & hypotheses into a succinct, consumer-centric but commercially sound Recovery Strategy for your business.

Until next time.....

Cheers, Anne