Consumer Behaviors and Business Opportunities in the COVID-19 Era
Consumer Behaviors and Business Opportunities in the COVID-19 Era

by Denise Dahlhoff

3 Executive Summary

6 Three Consumer Trends the Pandemic Reinforced and Altered: Digital Convenience, Value Seeking, and Wellness

7 Digitally enabled convenience

11 Greater frugality and value seeking

15 Enhanced Focus on Health, Well-being, and Self-Care

15 Declining mental health

17 Self-care and the drive to healthier choices

19 Adapting to new consumer behaviors

20 Gaining and keeping consumers during COVID-19 and beyond
Executive Summary

Of all the new, changed, or reinforced consumer behaviors COVID-19 has fostered, three stand out as major trends companies should consider in their marketing and innovation strategies:

- Digitally-enabled convenience;
- Frugality and value seeking; and
- Focus on health, well-being, and self-care.

Some needs, preferences, and behaviors may conflict. For example, online shopping (digital convenience) may be more expensive due to delivery costs and create a conflict with frugality. The challenge and opportunity for companies is to innovate and find novel solutions that address people’s needs, ideally more than one at a time, while preempting conflicts for consumers.

Figure 1

The "trilemma" of consumer needs and trade-offs in the COVID-19 era

Challenge and opportunity for companies:
Offer solutions that reconcile/preempt conflicting needs

Source: The Conference Board
Increasingly digitalized lifestyles are setting higher expectations for convenience

Over the course of the pandemic, consumers have become accustomed to the convenience that digital capabilities afford: “anytime-anywhere” access and useful tools such as filtering, customer reviews, and inventory information, which improve the buying experience and save time and effort. Consumers learn processes with one business and expect an equally good experience in other contexts. The demand for digital capabilities at all stages of the customer journey may only grow—in both consumer industries and B-to-B—and may even affect demand for convenience in offline touchpoints. Hence, one of the biggest legacies of COVID-19 may be companies’ further advancement of digitalization and omnichannel operations as a result of enhanced consumer expectations.

Omnichannel integration promises biggest benefits. Omnichannel combines the best of the online and offline worlds: the convenience, efficiency, and wealth of information of online touchpoints and the physical, face-to-face interaction, brand immersion, touching and trying on, and pick-up/return capabilities of offline touchpoints. The greatest opportunity for companies is to take a holistic view—ideally from the outset rather than retrofitting operations—and integrate online and offline capabilities and touchpoints for an optimized customer experience. Such channel integration has financial benefits for businesses, including higher customer retention rates and greater customer life-time values. Mobile phones as ubiquitous devices within reach at all times will play an integral part in further advancing omnichannel operations.

Offline touchpoints will remain essential. Offline touchpoints and in-person interactions play an immensely important role as a complement to online ones: for discovery; try-on, taste, smell, and touch-and-feel experiences; brand immersion; advice by store associates; social interaction; community events; as well as for the pick-up and return of online orders. If anything, the collapse of revenue for many businesses due to the closure of brick-and-mortar stores and other offline service points (including those with online capabilities) has demonstrated that physical locations are essential. Still, businesses may have to redefine the functions and features of physical locations to complement online channels.

Overall costs of online sales may rise. Factors that are increasing costs include: last-mile fulfillment; assembly and delivery fees; labor-intensive “order online, pick up in store” models; and customer acquisition. Pick-up models, which are essentially personal shopper operations, generate additional work and labor cost for stores. As a result, online purchases—and labor-intensive pick-up orders (such as in grocery)—may become more expensive in the future, potentially more so than offline ones.
**Greater frugality and value seeking may endure beyond the pandemic**

Unemployment directly caused by COVID-19 as well as ongoing economic uncertainty may make many people cautious about spending. The frugality fostered by COVID-19 may last beyond the full reopening of businesses because jobs may only be restored slowly over time, while fiscal support by the government will eventually end. Even then, reopened hospitality and entertainment categories will compete with consumers’ new spending patterns (e.g., streaming services, online ordering) formed during the pandemic, which could reinforce frugality.

New consumer patterns may boost inexpensive, value-priced products, services, brands, and retailers. Private labels, those brands exclusive to a retailer, may grow at the expense of national brands, and some of this switching may last. Companies may try to support their business through promotions in discretionary categories. These should be designed to incentivize desirable shopper behaviors (e.g., loyalty, basket size, new customer acquisition) and include add-ons rather than lower prices that cut margins. It’s also an opportunity for businesses in rentals and other “sharing economy” industries. Suppliers of affordable meal options, including food trucks and grocers selling ingredients for home-cooked or semiprepared meals may also get a boost. In fact, any novel offerings and business models that provide value at a good price would be well positioned.

**Enhanced focus on health, personal well-being, and self-care**

The COVID-19 health threat and heightened stress caused by the pandemic have reinforced many people’s interest in healthy living. Self-care has shifted to true well-being as opposed to pursuit of healthy lifestyles for self-expression as a kind of status symbol, a prepandemic trend among certain consumer segments. Apart from healthy behaviors, the pandemic’s challenges have fostered behaviors for stress relief and reward such as the consumption of comfort food and alcohol. Overindulgence itself can become a health issue, creating new wellness needs. Either type of coping behavior—renewed emphasis on wellness or addressing the impact of overindulgence—has made health an even more important consumer topic, creating business opportunities now and in the future. The interest in and need for self-care will benefit goods and services focused on exercise, diet, beauty, and mental healthcare, among others—all offering opportunities for innovation.

**Marketing and innovation strategies for consumer needs in the COVID-19 era and beyond**

The challenge and opportunity for companies is to find novel solutions that address the emerging consumer needs while preempting conflicts and trade-offs for consumers. For example, telehealth and walk-in clinics offer care at more affordable prices. To prepare for the future when effective COVID-19 treatments and/or vaccines are available, companies should start thinking about how consumer needs may shift in the postpandemic era and how their offering should evolve as a result.
Three Consumer Trends the Pandemic Reinforced and Altered: Digital Convenience, Value Seeking, and Wellness

Of all the new, changed, or reinforced consumer needs, preferences, and behaviors that the COVID-19 crisis has fostered, three stand out as major trends that companies should consider in their marketing and innovation strategies: digitally enabled convenience, greater frugality and value seeking, and enhanced focus on health, well-being, and self-care.

Figure 1
The "trilemma" of consumer needs and trade-offs in the COVID-19 era

Challenge and opportunity for companies:
Offer solutions that reconcile/preempt conflicting needs

Source: The Conference Board
Digitally enabled convenience

Increasing e-commerce purchases have consumed much attention, but one of the biggest impacts of COVID-19 is that consumers have grown accustomed to the convenience of digital capabilities.¹ They save people time and effort. The real legacy of COVID-19 may be how much it boosts further digital transformation of businesses, especially consumer-facing ones, at all stages of the customer journey including product search, social media interactions, virtual advice, posting reviews, post-purchase services, online access to events, and adoption of digital interfaces. New technologies, including 5G networks and voice communication, will further support this development by enhancing the digital experience. However, businesses can only realize the full benefit of digitalization if the “digital divide”—the racial and economic disparities of access to high-speed internet²—can be overcome. The new US administration has made expansion of high-speed internet to close this divide one of its goals.³

E-commerce surged during the pandemic. Since the pandemic started, e-commerce sales have skyrocketed. After a slow but steady incline over the past couple of decades, e-commerce’s share of total retail sales jumped during the pandemic (see graphic below). Though e-commerce sales have softened since reaching a peak of 16.1 percent in Q2 2020, overall, sales are still well above prepandemic levels and may stay elevated.
Figure 2

Some of the pandemic boost in e-commerce may endure

US e-commerce sales as share of total retail

- First Quarter
- Second Quarter
- Third Quarter
- Fourth Quarter

(p) Preliminary, (r) Revised Estimate.

Source: The Conference Board using data from the U.S. Census Bureau Monthly Retail Sales Survey
Food and groceries, health and beauty, and hygiene items are among the categories in North America that grew the most. Sales of items and services focused on life around the house have grown as well, including consumer packaged goods (CPG), at-home fitness equipment, bikes, swing sets, toys, and household/kitchen items.

E-commerce’s turbo-charged expansion during the pandemic is also reflected in the sales of online retail leader Amazon, which registered record sales in 2020. Overall, in 2020 the retail side of Amazon’s business rose 34.6 percent from $160.4 billion in 2019 to $215.9 billion in 2020.

**E-commerce shares don’t reveal digital’s full influence.** Using the share of e-commerce of total retail as a metric for the importance of digital has two flaws, especially in this pandemic. First, given that most offline stores were closed for weeks or even months, it was essentially only e-commerce that could generate business, so its share of total retail is artificially high. In Q3 2020, e-commerce’s share decreased from its Q2 peak. However, it’s still above prepandemic levels, and some of the gain may continue beyond 2020. Second, this metric only measures a certain aspect of digital shopping, namely where the purchase took place. It doesn’t capture how each phase of the customer journey was infused with digital elements and touch points. During pandemic, such digital elements—including fully digital shopping journeys—limit in-person exposures and therefore offer the additional benefit of protecting health.

**Setting new expectations and raising the bar.** Consumers’ extensive digital interactions are elevating expectations across the board: buyers learn processes with one business and project their best experiences to other brands in the same and other industries, expecting an equally good experience. One consequence is that customers begin to expect a similar pace and become less patient.

Outstanding digital experiences raise the bar not just for digital operations across consumer industries but also set new standards for B-to-B businesses (consumers take their experiences to their professional lives) and for offline channels. All the conveniences that digital operations offer—24/7 access, efficient searches that allow filtering, customer reviews, no checkout lines, real-time delivery updates, inventory information, personalized suggestions, handsfree communication through voice assistants, and so forth—force offline touchpoints, despite their own unique advantages, to adapt to offer aspects of the convenient experience that online channels offer. These may include mobile checkouts to avoid lines, pick-up sections for online orders for a speedy pick-up experience, and QR codes on shelves to link to additional information online.
Omnichannel integration promises biggest benefits. Instead of promoting digital only, the greatest opportunity for companies is to take a holistic view and integrate online and offline capabilities and touchpoints for an optimized customer experience. Such a channel integration has financial benefits for businesses, including higher customer retention rates and greater customer life-time values.7

From a customer perspective, omnichannel combines the best of both worlds: the convenience, efficiency, and wealth of information of online and the benefits of social interaction, brand immersion, touching and trying on, and pick-up/return capabilities of offline. In the past, traditional businesses retrofitted online into their operations, and digitally native businesses added offline after establishing themselves online. Future-oriented business models should be designed for omnichannel from the outset.

Examples of clever integration of online and offline elements during the pandemic include fashion shows live-streamed from the store allowing for online purchases, apparel try-on apps that reduce returns and preempt health risks by helping customers find the right fit remotely, and video chats with store associates for product demonstrations and advice—in addition to using stores as a pick-up/return location for online orders.

The role of mobile devices continues to rise. Mobile phones will play an integral part in further advancing digitalization and omnichannel operations. The continued rollout of 5G networks will also widen mobile’s influence and reach. Accessible to a large portion of the population and within reach at all times, mobile phones are the “remote control” of our lives, helping us to conveniently manage all aspects of life—from shopping to communicating to working. They also facilitate touchless interactions, e.g., paying cashless, withdrawing money from ATMs, trying on make-up, and operating lights and smart home devices—an advantage during the pandemic of a virus spread through contact.

Offline touchpoints will remain essential. While digital commerce has increased during the pandemic, offline operations can’t be discounted. In fact, offline touchpoints and in-person interactions play an immensely important role for discovery; try-on, taste, smell, and touch-and-feel experiences; brand immersion; advice by store associates; social interaction; community events; and pick-up and return of online orders. If anything, the collapse of revenue due to COVID-19 mandated closures of stores and other offline service points has demonstrated that physical locations are essential for many businesses, even for those with online capabilities. Online-only models for education and work have shown their limitations during the pandemic, making the case for mixed online-offline approaches. While offline touchpoints remain crucial, businesses may have to redefine the functions and features of physical locations to complement online channels.
Cost of operations for online sales will rise. An important point to consider in the online-offline mix is cost. Cost of online operations for retailers may rise due to the increasing costs of last mile fulfillment for a growing number of orders; concessions on delivery fees to stay competitive; labor-intensive “order online, pick up in store” business, including in grocery; and acquisition of online customers. Pick-up models are essentially personal shopper operations that generate additional work and labor cost for stores. In addition, the cost of returns has burdened online operations. In 2020, online returns were up 70 percent from the prior year. To mitigate the cost of shipping and processing returns, some retailers offer refunds to shoppers selectively for merchandise they want to return without having to in fact return it. Lastly, online deliveries may generate greater costs if operations are made more environmentally friendly. Rising costs may make online purchases more expensive in the future, conflicting with the consumer objective of frugality. At the same time, rental rates for physical stores may drop in the near future due to high vacancy rates of commercial real estate. This could be a gain for offline touchpoints.

Greater frugality and value seeking

During economic downturns, consumers are typically more discerning and cautious about spending; many start to change their spending behavior to save. Case in point: at the tail end of the Great Recession (2007–2009), the share of US consumers who changed their spending behavior to save was 75 percent in Q3 2009, according to The Conference Board® Global Consumer Confidence Survey (see graphic on next page). After the recession, consumer confidence increased over the years, then hovered at all-time highs. In Q1 2020, just before the pandemic hit, consumers who reported cutting back spending declined to 50 percent. However, in Q2 2020, as the pandemic took hold, the rate jumped back up to 64 percent. It then softened in Q4 2020 to a slightly-above-typical level of 54 percent. This rate may stay elevated for a while, considering that the true, adjusted rate of US unemployment was 7.3 percent in December, and it could deteriorate further in January/February due to continued job losses in in-person industries such as restaurants, according to The Conference Board.9
The COVID-19-inspired crisis has created a new economic reality for many consumers and their families. Job losses have been more pronounced in certain demographic groups: The young, minorities, and those with lower educational attainment have been hit hardest. The rate of US households with difficulty covering their usual expenses in the past seven days increased slightly between mid-August 2020 and mid-January 2021 (from 31 to 32 percent). Rates are particularly high for households with income levels under $50,000; Black, Hispanic/Latino, and multi-racial members (see graphic below); educational levels less than high school; five and more members; and divorced and never married people. As of mid-January 2021, the portion of households in these demographics with a challenge of covering regular expenses was 40 percent or higher, making frugality and value seeking a necessity.

Source: The Conference Board Consumer Confidence Survey, in collaboration with Nielsen
Note: Data for Q1 2017 and Q3 2020 are not available.
In addition, there is uncertainty about future economic prospects. People who lost their jobs and don’t have significant savings to fall back on may be especially cautious and discerning in spending their disposable income.

In the next couple of years, people’s caution about spending money may boost inexpensive, value-priced products, services, brands, and retailers. Discount channels in any industry—from grocery (e.g., Aldi, Trader Joe’s) to department stores (e.g., Walmart, Target, dollar stores, Costco) to travel (e.g., Airbnb)—may be sought after.

In addition, consumers may seek out private labels at the expense of national brands. Research shows a relationship between a country’s economic upturns and downturns and the share of private label sales of CPG items. The switch to private labels in downturns is faster than the rebound to national brands when the economy improves. Also, a portion of new private label buyers tends to stick with their new choice even after the economy recovers, causing a lasting migration from national to private brands. A September 2020 survey of more than 2,000 US grocery shoppers found that nearly a fifth bought more private label brands during the pandemic than before, almost half of them because such brands are more affordable and provide better value. Almost the same share expects to continue this buying pattern in the next six to twelve months.

**Figure 4**

**Non-white consumers are finding it particularly difficult to meet typical expenses**

Percentage of adults living in households where it has been somewhat or very difficult to pay for usual household expenses during the coronavirus pandemic

- Aug 19-31, 2020
- Sept 16-28, 2020
- Jan 6-18, 2021

Source: The Conference Board, using data from the US Census Bureau Household Pulse Survey
National brands could try to mitigate their losses by advertising during recessions to counter the communications push of private labels during downturns.

Promotions, especially in the fashion category, have become rampant in the US and have continued during the pandemic, often featuring ever steeper discounts. One study shows that several times in 2019, almost half of the three-month-old merchandise was on sale. This is partly a remnant of the Great Recession (2007–2009) when stores enticed shoppers with discounts, and customers grew accustomed to permanent deals. This may only get worse, given the business losses and competition in some discretionary categories. In fact, the US Consumer Price Index for apparel has dropped more than 5 percent year-over-year every month between April and November 2020, maxing -7.9 percent in May and recovering only slightly to -3.9 percent in December. However, rather than offering ubiquitous promotions, brands and retailers should use discounts in a more targeted way to incentivize and reward desirable shopper behaviors (e.g., loyalty, basket size, gaining new customers) and offer better value for money, including add-ons and services such as in-home fashion consulting, rapid delivery, and gift wrapping. To minimize waste and preempt discounts, on-demand clothing production, 3D printing, and small runs of clothing items could be production models to pursue. They would also serve sustainability goals, adding appeal for certain customers and those interested in locally-made, unique items.

Enhanced financial caution could make some consumers delay the replacement of items, especially big-ticket ones such as household appliances and tech products. It may further boost the secondhand market for tech items and for apparel (which had already grown steadily before the pandemic). It could spur sharing economy businesses as more affordable alternatives to their traditional rivals once people resume normal activities, including traveling. Examples include Airbnb for travel accommodations and rental businesses in all kinds of categories—from furniture to party equipment to toys. The increased focus on value may also inspire novel offerings and business models that provide value at a good price.

Once COVID-19 vaccines and treatments are available and we have reached “herd immunity” in the United States, businesses can fully reopen, but discerning, cautious spending may linger as the economy recovers gradually over time. This is because the crisis is leaving labor market scars that will take years to heal, even once the pandemic is controlled. In fact, fully reopened service categories may be challenged by the new spending patterns consumers formed during the pandemic. For example, some of the increased spending on more cooking at home and ordering meal delivery may be reallocated back to eating out at restaurants.
Hence, reopened businesses need to prepare to gain prepandemic consumers back. At the same time, businesses that have benefitted from new pandemic habits will have to prepare for consumer behaviors to change yet again. They may want to consider launching preemptive marketing initiatives to secure continued patronage.

**Enhanced Focus on Health, Well-Being, and Self-Care**

The COVID-19 health threat, along with the stress-inducing ramifications of the crisis—job loss, less in-person interaction, juggling work and childcare responsibilities at home, and an uncertain financial future—have enhanced many people’s interest in healthy living, wellness, and self-care. This is more the type of self-care focused on true well-being as opposed to the pursuit of healthy lifestyles as a status symbol and for self-expression, a prepandemic trend among certain consumer segments.18 Self-care, i.e., making deliberate choices to protect and promote one’s physical, mental, and emotional well-being, includes physical and mental wellness, and encompasses diet and exercise, stress relief techniques, and at-home beauty and other routines. Self-care has been a trend in the consumer world, reinforced by rising health care cost in the US.19 It received more momentum during the pandemic. In one survey, 30 to 40 percent of respondents reported they’re doing more sleeping, exercising, meditating, taking supplements, and consuming functional foods/beverages.20 The self-care trend is also reflected in the skin care category: in 2020, almost 40 percent of female US consumers have used more skin care products, according to a study by The NPD Group. The company’s beauty industry advisor, Larissa Jensen, says “The effects of Covid-19, including spending more time at home, have brought a great focus on self-care, and skin care has reaped the benefits.”21

**Declining mental health**

Since the start of the pandemic, significantly more Americans have experienced feelings of anxiety and/or depression, according to a biweekly US Census Bureau Household Pulse Survey of US households that tracks people’s economic situation, food and housing security, and their mental state, among other topics. As the pandemic dragged on, fewer people reported they were free of symptoms of poor mental health (that is, they answered “not at all” to having been bothered by feelings of anxiety or depression within the past week). Numbers were highest in late April/early May and somewhat lower by January, indicating an increased rate of people with at least occasional symptoms of anxiety and/or depression (Figure 5).
A World Economic Forum report of Google Trends data shows that searches for terms such as anxiety, panic attacks, and treatments, especially remote and self-care techniques, greatly increased after the start of the pandemic, providing another confirmation of the downward trend in mental health. One of the report authors calls this a “mental health tsunami” stemming from burnout, unemployment, and COVID-19-related deaths and expects a decline in societal mental health over time.\(^{22}\)

Even if the decline in emotional well-being does not turn into lasting clinical conditions, people will seek relief from their discomfort.

Coping with the stress and challenges of the pandemic has resulted in behaviors on opposing ends of the health spectrum: on the one hand, virtuous, healthful behaviors to relax and strengthen body and mind, and on the other, indulgences of all kinds, including overeating, exercising less, and increased consumption of less nutritious food, alcohol, and drugs.\(^{23}\) Some think that some of these new habits, such as using cannabis, drinking more alcohol, and gambling, might not go back to prepandemic levels.\(^{24}\) At the same time, healthy and/or self-care behaviors adopted during the pandemic may stick. Either type of...
behavior—indulgence or self-care—creates opportunities for wellness-focused products and services, now and in the future when people are ready to return to a healthier lifestyle.

Self-care and the drive to healthier choices

Apart from unhealthful reactions to the pandemic, there is evidence that people have been focusing more on self-care initiatives—be it to protect themselves from the virus-induced health threat, as a relief to mental stress, or because the pandemic has given them more time due to loss of a job, absence of a commute when working from home, or unavailability of other activities usually occupying one’s time. A global consumer survey found that as a result of the pandemic, more than two-thirds of consumers are focusing more on their mental well-being and physical health, and almost as many on their diet.25

The trend has been a boon to certain categories. Fresh produce sales, for example, have been surging in the US, and as of early September, they were still up 11 percent from a year earlier. Sales of oranges, in particular, have been growing: as of May, the year-over-year growth was 73 percent, and in July it was still 52 percent. Sales of natural products were up 78 percent in mid-March compared to the year before.26 There is also evidence that some smokers have quit smoking: a study in the UK last summer showed that more than a million people had given up smoking since the start of the pandemic—almost half of them because of health concerns related to COVID-19.27 Anti-anxiety products and services (including medication, aroma-therapy, meditation, CBD products, and weighted blankets) have also experienced a boost from the COVID-19 crisis.28 With gyms and recreational centers closed due to the pandemic, people bought 25.5% more sports equipment in October 2020 compared to February 2020.29

Apart from products, health- and fitness-related digital services have surged as well. Digital fitness, i.e., online work-out videos, personal training via apps, and group classes, which were already growing before the pandemic, experienced a further boost due to gym closures.30 Moreover, digital mental health services, among other telehealth solutions, have been a growing business during the pandemic. For example, mental health coaching app Ginger saw demand grow by 125 percent in July from prepandemic levels.31
In China, high-net-worth individuals have shifted their focus from shopping for luxury fashion items to focusing on their physical and mental health. This has increased the focus on health advice, at-home skin and diet regimens, daily routine upgrades, and science-driven workouts.

Consumers became more vegetarian during the pandemic: the United Nations estimates an almost 3 percent drop in per capita meat consumption in 2020 globally, and the University of Missouri’s Food & Agricultural Policy Research Institute expects per capita meat consumption in the US to decline this year for the first time since 2014, with further declines until at least 2025. There are multiple reasons for this: rising prices for meat and other animal-derived foods, supply issues, people eating more at home than at restaurants, food safety concerns, and concerns about health and the environment.

As a result, plant-based meat alternatives can be expected to continue growing; their sales, on a growth path in both food services and grocery channels before the pandemic, have grown further and faster during COVID-19. The category was up 264 percent for the nine weeks ending May 2, 2020 according to Nielsen and is expected to grow by 12 percent globally by 2024.

More vegetarian-based diets would also bode well for mitigating climate change and thus aligns with people’s interest in sustainability. By adapting to this trend, companies can address multiple consumer needs at a time, namely healthy eating and protecting the environment, without consumers having to make a trade-off between these priorities.
Adapting to new consumer behaviors

In response to the COVID-19 crisis, consumers are exhibiting new behaviors. They have three overarching needs and priorities: 1) digitally enabled convenience; 2) seeking value; and 3) enhancing their well-being. But in making choices, consumers may have to make trade-offs between the three.

The challenge and opportunity for companies is to innovate and find novel solutions that address people’s needs, ideally more than one at a time, while preempting conflicts for consumers.

Figure 1
The "trilemma" of consumer needs and trade-offs in the COVID-19 era

Challenge and opportunity for companies:
Offer solutions that reconcile/preempt conflicting needs

Source: The Conference Board
For example, online shopping (digital convenience) has a higher price in the form of delivery fees, annual membership fees, and/or higher item prices, and can therefore conflict with the objective of frugality.

On the other hand, consumer needs may align. The challenge and opportunity for companies is to innovate and find novel solutions that address people’s needs, ideally more than one at a time, while preempting conflicts for consumers. For example, online rather than in-person attendance of cultural and other events could be offered at a lower price (hence reconciling digital convenience with frugality), while generating incremental revenue for the organizer. Telehealth addresses all three needs—digital convenience, self-care, and frugality goals—while walk-in clinics, another less expensive alternative to traditional health care, addresses the latter two. Looking ahead, more affordable options for products and services supporting healthy lifestyles may offer great opportunities for companies.

Companies may also have to prepare for a shift in these priorities. For example, during the pandemic, stores are closed, and work and caretaking responsibilities consume people’s time; venturing out of the home also carries a health risk. Shoppers may be more willing to pay for online shopping. However, as the pandemic wanes, people may become more cautious about spending. Eventually people may no longer spend as much time at home to receive online deliveries, increasing theft and storage challenges. Therefore, the pandemic-induced surge in online orders of groceries, take-out meals, and other items may subside.

Gaining and keeping consumers during COVID-19 and beyond

Changing consumer buying behaviors are one of the top five external factors impacting businesses in 2021, according to a recent survey of global CEOs and C-Suite executives conducted by The Conference Board. To understand new consumer behaviors and whether the consumer needs, preferences, and behaviors described above may stick over the long term, it’s useful to consider how new habits form.

There are two routes to form habits: 1) rewards associated with certain behaviors (e.g., a convenient, user-friendly experience; lower expenses; the pleasant taste of a food item) and 2) the mere repetition of behavior, even without a specific reward. Activities repeated often enough can become automatic; they don’t require a new decision whenever a certain situation arises and simply repeat upon cue.

Given that the health and economic challenges of the pandemic are more lasting than a blip in time, new or changed COVID-19-inspired behaviors may repeat over a substantial period. Therefore, they provide conditions for habit formation. This may include new safety and hygiene routines (more frequent hand washing, mask wearing), working and studying remotely, socializing more online, doing more shopping online, paying cashless, developing at-home entertainment routines, cooking more at home, and working out at home or outdoors rather than at a gym. Permanent remote working in particular and the changes in the make-up of urban and suburban communities may shape new needs and behaviors.
Other behaviors are more likely to stick beyond the pandemic if repetition is coupled with reward (i.e., the first route of habit formation above). For example, many people started using certain online services and apps for the first time out of necessity—from online grocery shopping to telehealth to digital banking. If these new digital experiences were positive (i.e., there was a reward), people might adopt them as new habits, creating repeat behaviors and thus customer loyalty and brand value.

Similarly, if people come to appreciate less expensive value options, including novel ones that might emerge, they may stick with them even when their financial situation improves. This is common for private labels, whose share has been shown to stay above prerecession levels. The discount designer fashion sector in the US is another example: it grew in the Great Recession (2007–2009), generating a lasting appreciation for clothing “treasure hunts” that has stuck. Likewise, nail polish and manicures/pedicures emerged as small indulgences, lasting beyond the recession.

Finally, new wellness and self-care behaviors might crystalize that outlast the pandemic because of the new rewards they provide. These could include telehealth, walk-in clinics, and at-home beauty and wellness routines. Similarly, if vegetarian meat alternatives satisfy people’s taste and well-being objectives, it could be a new habit and a lasting change.

In contrast, new behaviors that are less rewarding to some people—e.g., studying remotely or working out at home—may recede once pandemic restrictions and challenges ease, therefore becoming less habitual long-term.

Hence, for companies to gain and keep long-term customers, their products, services, processes, and interactions need to provide rewards—specifically “net rewards”—beyond times of virus-based health and economic threats. “Net rewards” are the balance of benefits and associated negatives, such as price or wait times. As suggested above, the most successful strategies may be those that don’t force customers to make trade-offs between their different needs.

To prepare for the future when effective COVID-19 treatments and/or vaccines are available and we have reached “herd immunity,” companies should start thinking about how consumer needs may shift and how their offerings should evolve in the postpandemic era to provide net rewards to their target groups.
Endnotes

1 At the same time, consumers, especially those in the US, are concerned about having their personal data collected, used, and shared, according to recent research by The Conference Board. While almost a third have changed their privacy settings, and about a fifth have used a brand less or abandoned it for its data practices, the majority accept data practices though reluctantly.

2 Technology and Innovation Solutions Must Lead the Way to COVID-19 Recovery, Solutions Brief, 2020, CED.


5 Daphne Howland, Jeff Bezos to Step Down as Amazon CEO, Retail Dive, February 2, 2021.


13 Marc Bain, Fashion Retailers Are Trapped in a Vicious Cycle, Quartz, February 27, 2019.


16 Jen Barton Packer, “Toy Rental and Toy Sharing Services Parents Can’t Get Enough Of,” Culture Whisper, June 1, 2020


About the Author

Denise Dahlhoff is Senior Researcher, Consumer Research, at The Conference Board and a Senior Fellow at the Wharton School’s Lauder Institute for Management and International Studies. Previously, she was the Research Director of the Wharton School’s Baker Retailing Center and also held positions with Wharton Executive Education, Nielsen’s Marketing Analytics team, and the global pricing consultancy Simon, Kucher & Partners.

Denise’s experience includes quantitative and qualitative marketing-related research for academic and consulting projects, and she has written publications on retail, consumer, and marketing topics for industry and academic audiences.

Denise has taught marketing courses at the University of Pennsylvania, Cornell University, and the Indian School of Business. She holds a PhD in marketing from the University of Jena, Germany; a diploma in business administration from the University of Mainz, Germany; and a Master of Liberal Arts and a Master of Philosophy in Liberal Arts, both from the University of Pennsylvania.

About The Conference Board

The Conference Board is the member-driven think tank that delivers trusted insights for what’s ahead. Founded in 1916, we are a nonpartisan, not-for-profit entity holding 501(c)(3) tax-exempt status in the United States.

For more information, visit www.conference-board.org

Related Resources from The Conference Board

US Consumer Dynamics Report: Q4 2020, February 2021
Category Insights: Home, Technology & Transportation, February 2021
Global Consumer Confidence Report: Q4 2020, January 2021
Consumer Confidence Index® (monthly)