



## VIRTUAL KNOWLEDGE SERIES



Friday 12th June: 3:00pm – 3:45pm CEST

## Implications for Consumer Attitudes and Behaviour

***Solitaire Townsend***, Co-Founder, Futerra; ***Kevin Lee***, COO, China Youthology;  
***Scott McKenzie***, Global Intelligence Leader, Nielsen.  
***Moderator: Wai-Chan Chan***

Wai-Chan kicked off the session by introducing the three speakers and their key roles in advising the industry on consumer behaviour, COVID-19, ethics and sustainability. He highlighted the linkages to the CGF's work and encouraged the audience – CGF members – to interact with the speakers by sending in questions via the webinar app for the Q&A segments. Wai-Chan then handed the floor to the first speaker, Scott McKenzie.

At Nielsen, Scott said, we've been focussed on the implications of COVID-19 on consumers since January. Today we're going to look at how different parts of the world are beginning to calibrate for life beyond COVID, as well as some of the underlying trends as that calibration plays out. I like to think of this in terms of rebound, reboot or reinvent.

What was extraordinary to me as we tracked consumer habits, Scott said, was the nearly perfect side-by-side comparisons that emerged as COVID hit various parts of the world. This is not usually the case as we all behave differently, but with COVID, we saw the world almost putting itself on repeat. There were six cycles that most of the planet went through, from proactive health buying and pantry prep to buying related to quarantined living and living a new normal. These cycles were more tied to news cycles than infection rates.

Consumers were looking for quality and efficacy in products. Whether it be to boost immunity or kill germs, consumers were asking "Are these products living up to their promise as I try to protect family, friends and pets?" We saw a rise of local and of tech catalysts. There was a spike in online adoption, with interest in things like augmented and virtual reality shopping experiences.

We have now calibrated three layers of data across a hundred countries to make predictions across Q3 and Q4 2020 through to Q1 2021, he said. The world is fundamentally recalibrating right now, but I don't think we can use the word 'recovery', which is dependent on true consumer confidence, until we see a solution such as an effective vaccine.



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We see a gravitation toward essentials, along with a demand for transparency and accountability. We are seeing social unrest as people respond to government action or inaction, and other reasons.

We distinguish between insulated spenders, whose income sources have been relatively protected, and constrained spenders, who have become unemployed or furloughed due to the pandemic. We see a rebalancing of wallet and basket across both types, with more cautious spending and more eating at home. There has been a shift in shopping habits, with shoppers turning increasingly to online versus brick-and-mortar, while shopping less frequently, but stocking up more. And about 30% of new online shoppers are staying, enjoying and repeating the experience, he concluded.

Wai-Chan then asked Scott a couple of audience questions:

1. *When it comes to insulated versus constrained spenders, do you see a difference in relation to some countries? For instance, do you have any sense as to the percentage difference between China and the US?*

There is a barbell effect. Even insulated consumers are not spending to their capacity. There are roughly 40 million unemployed people in China according to the official figures, which would be about 6% nationally, compared to about 15% in the US. We must also take the differing environments into account, with a rising middle class in China. What is happening in some countries, such as India, is that a kind of reverse migration is taking place, as citizens gravitate back towards a more traditional environment.

2. *When you look at the data from March versus now, do you see a big difference? Is it comparable to an anaconda eating a sheep?*

This is a global snapshot, which shows a surprising level of consistency in human behaviours. In essence, the data shows that we're behaving like humans no matter where we are on the planet.

Solitaire Townsend then noted that the same analysis can apply to how consumers are seeing sustainability. At Futerra, she has seen very divergent approaches up until very recently, when a striking consistency in consumer behaviour has emerged.

We are in a recalibration age, she said. This massive recalibration has already been happening pre-pandemic. There has been an emerging narrative around the pressures that our supply chains are putting on the planet and an upswing of consumer concerns around plastics and pollution. As consumers, we are looking more and more at the cross-over between the health of our planet and our own health.



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We are also seeing a huge upswing of rage and anger and calls for justice, Solitaire explained. Many brands are addressing topics for the first time, such as Black Lives Matter, the MeToo movement and Women's March. When it comes to this era of recalibration, the pandemic is not the only trigger.

It often takes an outside force to change our behaviours. Many consumers were already concerned about some of their behaviours and using less plastics or using the same amount while feeling bad about it or blaming brands. Many consumers, particularly the 'insulated consumers', are using this moment to attempt to make these changes. Google has noted that during the pandemic, there was a 4550% increase in sustainable lifestyle related searches.

We've got a set of consumers who've been forced into a big change and who are using the opportunity to implement change. They are looking to brands to help them with it. Brands need to look at how they can enable the changes consumers are looking to make, be it exercise routines, cooking help, moving away from meat and dairy towards a more plant-based diet, insulating their home or changing travel, etc. Many consumers do not want to return to the old normal, and they are dissatisfied with the help from brands on living more sustainable lifestyle.

Solitaire then looked at another big topic of consumer interest – that of transparency. Futerra and CGF have a longstanding partnership around the Honest Product, she explained. Is this product good for the environment, good for me and good for the people who made it? Who made my food or personal care product? The lexicon change to essential workers will have a knock-on effect in how interested consumers are in them. We're also seeing this in fashion, with the social impact in Bangladesh as an example. Consumers are keen to know 'What impact does this product have?' This is about honesty, not transparency. Whereas transparency is one-way, honesty is a conversation. Consumers want to ask questions and have them answered.

The final big area we're seeing, she said, is around social justice. Companies must become more comfortable talking about social justice, environment justice, solidarity, diversity inclusion policies. The pandemic is accelerating existing conversations. Younger generations have maintained their interests and concerns; the pandemic has simply reinforced their view that the way the industry interacts with nature has got to change.

Wai-Chan then asked Solitaire a question from the audience:

1. *What difference do you see on these topics across insulated versus constrained consumers? Is there a sort of luxury to being able to demand certain things versus those having to make a trade off to making ends meet?*

There is a deeply held belief that lower-income constrained consumers do not care about environment issues. Studies show they care as much, if not more, because they are often living in



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environmentally degraded areas. It becomes a visceral everyday experience. The premiumisation of purpose creates a certain amount of unhappiness amongst consumers that feel excluded from it. Successful brands will promote value, health, safety and good. They will also address broader issues including social inequity and racial injustice and not make the world any worse. As a brand, Solitaire urged, don't ask your consumer to make a trade off.

Kevin Lee then took the screen. China, he said, was the first in and the first out in this pandemic and a lot of people have thus been trying to learn from China's experience. This goes for handling the pandemic and now, for restarting the economy. One question we frequently get, Kevin said, is how difficult was it for China to get into lockdown and out? And was there a transition toward digital? In truth, China was already digitally migrated long before the pandemic. There was no major digital transformation. The main shifts were from delivery in hand to delivery at door or compound. Delivery also slowed, from one or two hours to one or two days.

Wearing masks is also something that was normalised already before the pandemic, mostly for pollution reasons. Most of us already had boxes of masks, Kevin explained, and you don't get weird looks when wearing a mask. On the contrary, there is certain gratitude as masks signal an intention to keep others healthy. So digital and masks were already China norms. Today, everyone is back to walking outside, going to the office and meeting up. But everyone is wearing masks.

Kevin continued with the second most frequent question that comes in, which relates to how well citizens follow government laws and go into lockdown, as this is perceived as being quite extreme, almost robotic. This has a lot to do with cultural and societal norms, he said. The Chinese believe the needs of the many outweigh the needs of the few, and they are happy to benefit others in the long run even if it means imposing restrictions on themselves. There was this attitude of "let's all suffer together and get out of this thing together".

A key question is what impact this will have on next generation? In the short term, a lot of new policies are coming out, with the government investing a lot of money. There is an effort to help the many younger workers, who lost their jobs, to get them back into the workforce and to be creative in creating jobs. For instance, a long-standing law banning street vending has just been reversed. We are used to seeing transformation in our society, Kevin explained. This is seen as another milestone, another new recreation of our society.

In the medium term, we see changes in spending, Kevin continued. There is a recalibration of spending, he said; those who have money are spending differently. The young generation sees the world changing so fast and chaotically, and they are choosing to spend on things that are important to them or giving them opportunities to create their own future. They are focussing on developing their own skillsets and resources, with spending that is highly targeted and highly strategic, in a bid to create more security for themselves.



Many have moved away from normal consumption habits, realising they were born into a consumer mindset and they don't need so much. They are thinking about how to reuse what they have at home and being more creative and strategic in their consumption. Whether products are made locally or abroad is not the number one issue for them at the moment.

In the long term, we may see a dismantling of things like the value chain. Many Chinese consumers and workers see impacts on the concept of 'workshop of the world,' and are wondering what the future looks like. Will there be a globalisation decoupling? We may be in a new era in which globalisation will recede, rather than continue to grow. Many younger people are examining what this means for their prospects or their plans to study abroad. They may choose to focus on local.

The pandemic has served as a global stress test, Kevin explained. Many in China are looking at rest of world and seeing how different economies are faring, noting that some are faring worse than China, despite having more notice. They are scratching their heads and feeling that staying in China may be a better and more stable option for them.

Wai-Chan then put forward two questions to the panel:

- 1. As part of the CGF agenda, we find new ways to think about sustainability, and CGF members act across a number of areas including human rights, food waste, plastic waste, and more. Based on your insights, are there new things that have come about that retailers and manufactures should get together to try to resolve?*

Scott recommended that CGF members focus on aspirations, noting a different expectation of brands. Brands need to rethink what the attributes are, he said, and change the demand model.

Solitaire urged that CGF members become comfortable with justice. When it comes to climate justice, economic justice, racial justice or health justice, we treat all these issues in silos, she said. What they have in common is fairness and solidarity. There is a new terminology that brands have to get on top of very fast.

For China, Kevin advised companies to support consumers who are trying to create their own sustainable futures. They are looking for brands who are offering them the opportunity to create opportunities for themselves, he said.

- 2. Is there any difference in the ways that disruptor brands versus established brands are handling this?*



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Solitaire highlighted that disruptor brands are rebranding themselves away from disruption – we’ve had enough disruption, she said. They are rebranding themselves into service and solution brands. I think we’re going to see everybody pivoting towards solutions brands and service mindsets, she said.

Scott pointed out that even the local farmer who drops off boxes of vegetables at homes each week is a disruptor. There is an even bigger desire for local products, he said. We’ve all seen this leaning towards wanting to understand where products come from, particularly food products, and this will continue to have consequences, as there is an erosion of that consolidation of basket that large retailers desire, particularly in areas that are high in margin.

Kevin agreed with Scott and Solitaire. We’re talking about local, he said, but not only on the sourcing side – on the context side as well. Is this created for your local context? That’s going to give people a sense of security and an application that’s relevant for them. Whether you are a global or local player, Kevin prompted, are you creating things that are catered for a local context? That’s where the true disruption is today and that’s where the opportunity is.