

Karen's Crystal Ball Predictions

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Agenda

- ◆ Review
- ◆ Amazon Speaks
- ◆ Future Consumer Index
- ◆ Embracing Uncertainties
- ◆ Hodge Podge
- ◆ Q&A





Adapting to Change

Respond – in which a company deals with the present situation and manages continuity

Recover – during which a company learns and emerges stronger

Thrive – where the company prepares for and shapes the “next normal”





Lasting or Transitional

- ◆ Embracing the digital economy is not the new normal it is the “now” normal.
- ◆ If you have money to invest or can access funding this is priority area.





What's changing?

- ◆ In an extensive global Nielsen study on **premiumization**, the product benefit consumers were most willing to pay a premium for were those with high quality assurances and verifiable safety standards. Globally, 49% of consumers said they were highly willing to trade up in price for this benefit.

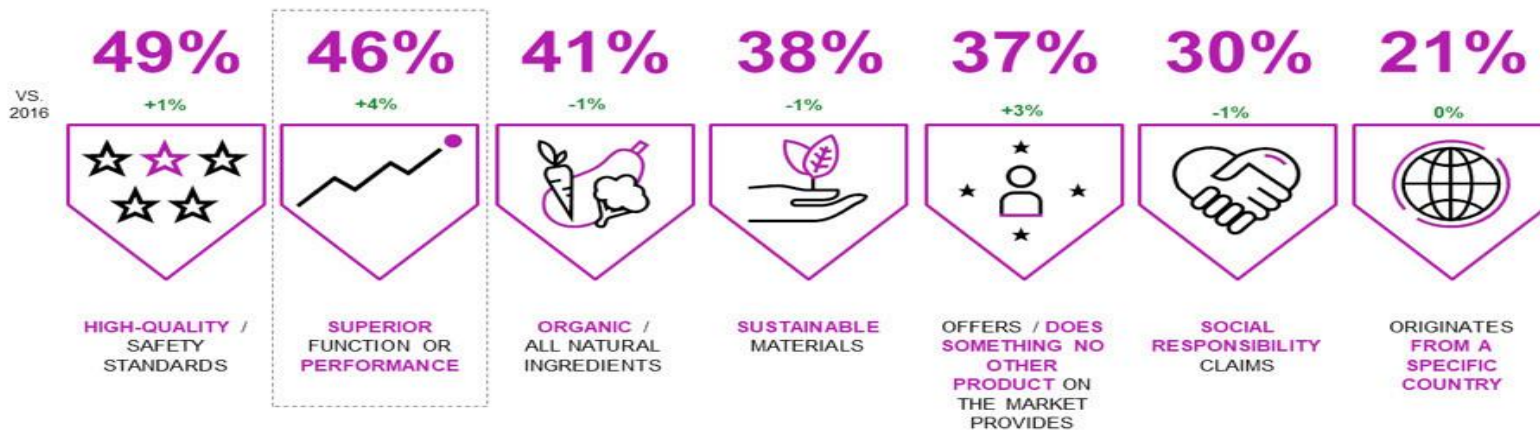
<https://www.nielsen.com/us/en/insights/article/2020/quality-and-efficacy-may-beat-out-price-sensitivities-amid-coronavirus-concerns/> March 20, 2020



Trending – Compelling Values shift



WHAT GLOBAL CONSUMERS WILL PAY MORE FOR



Source: Nielsen Global Premiumization Study (2018)

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#1 PROACTIVE HEALTH- MINDED BUYING

CONSUMER BEHAVIOR SHIFTS

Interest rises in products that support overall maintenance of health and wellness.

COMMON COVID-19 EVENT MARKERS

Minimal localized cases of COVID-19 generally linked to an arrival from another infected country.

#2 REACTIVE HEALTH MANAGEMENT

Prioritize products essential to virus containment, health and public safety. E.g. face masks

Government launches health and safety campaign. Local transmission and / or first COVID-19 related death(s).

#3 PANTRY PREPARATION

Pantry stockpiling of shelf-stable foods and a broader assortment of health-safety products; spike in store visits; growing basket sizes.

Small quarantines begin; borders close more broadly. Often represented by accelerating cases of COVID-19, but not necessarily by deaths.

#4 QUARANTINED LIVING PREPARATION

CONSUMER BEHAVIOR SHIFTS

Increased online shopping, a decline in store visits, rising out-of-stocks, strains on the supply chain.

COMMON COVID-19 EVENT MARKERS

Localized COVID-19 emergency actions. Restrictions against large gatherings; schools and public places close down. Percentage of people diagnosed continues to increase.

#5 RESTRICTED LIVING

Severely restricted shopping trips, online fulfillment is limited, price concerns rise as limited stock availability impacts pricing in some cases.

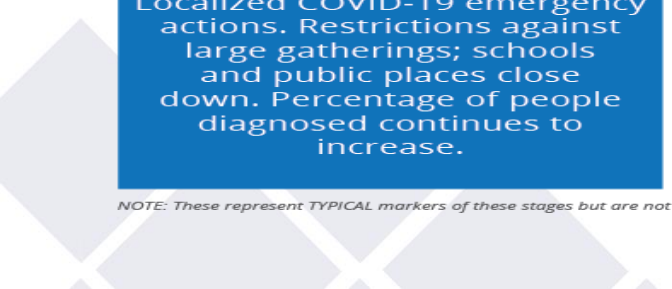
Mass cases of COVID-19. Communities ordered into lockdown. Restaurant closures, restrictions on small gatherings.

#6 LIVING A NEW NORMAL

People return to daily routines (work, school, etc.) but operate with a renewed cautiousness about health. Permanent shifts in supply chain, the use of e-commerce and hygiene practices.

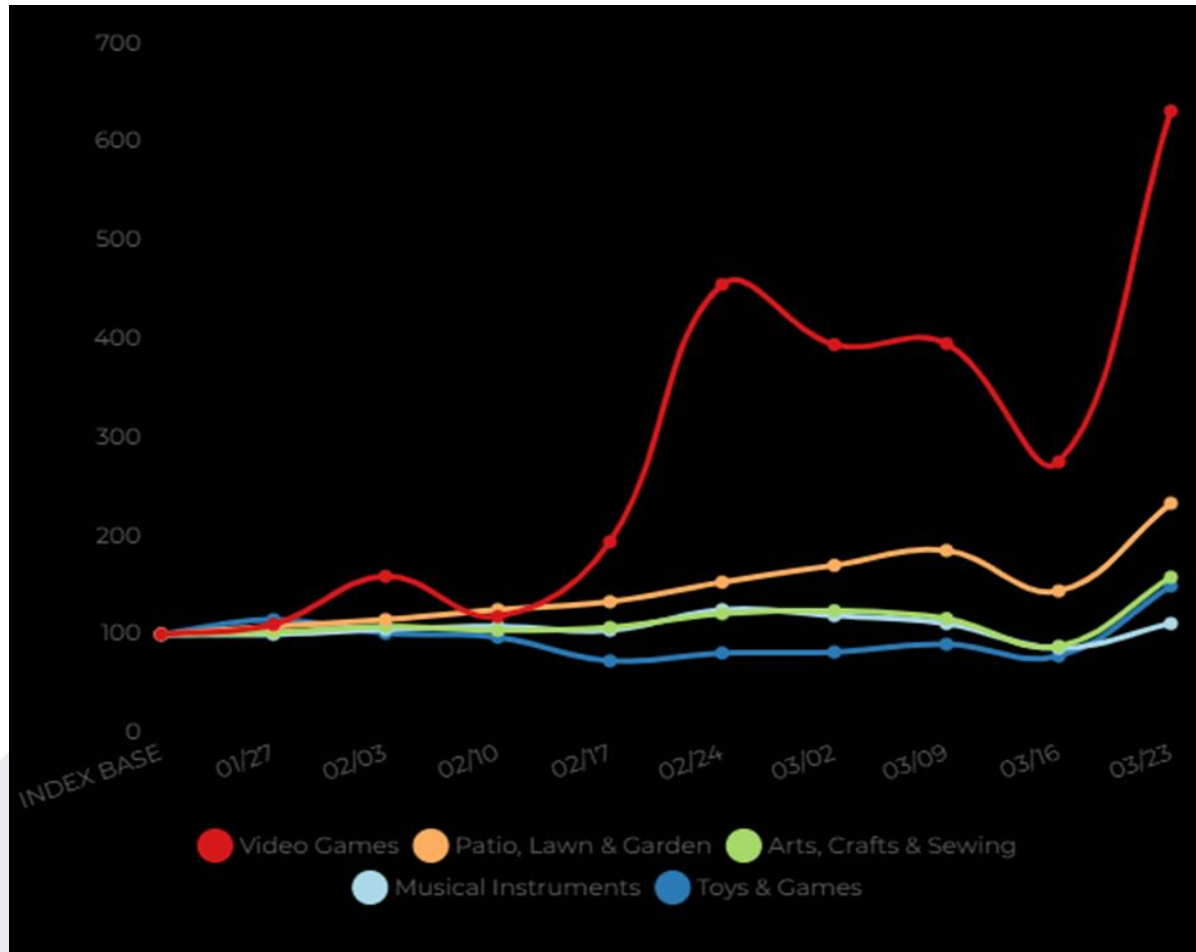
COVID-19 quarantines lift beyond region/country's most-affected hotspots and life starts to return to normal.

NOTE: These represent TYPICAL markers of these stages but are not always consistent, especially with number of cases or deaths.





Straight out of the mouth of Amazon





More Amazon speaks- New and emerging

- ◆ Home Improvement –DIY and Tools
- ◆ Self Care - Beauty





Conspicuous Consumption & Luxury Brands

- ◆ How will luxury brands pivot





Consumer Behavior Trends

- ◆ Four distinct consumer behavior segments, according to a survey of 4,859 people tracking consumer sentiment and behavior across the US, Canada, the UK, France and Germany, conducted over 1 week ending April 23, 2020.
- ◆ “Cut deep” (27.3%) population
- ◆ "Stay calm, carry on" (26.2%)
- ◆ "Save and stockpile" (35.1%)
- ◆ "Hibernate and spend" (11.4%)

**EY Future Consumer Index*, (Ernst&Young)



Cut deep

- ◆ Consumers are mainly more than 45 years old and have seen the biggest impact on their employment status.
- ◆ Almost a quarter have seen their jobs suspended, either temporarily or permanently.
- ◆ Seventy-eight percent of them are shopping less frequently
- ◆ 64% are only buying essentials
- ◆ Thirty-three percent feel that brands are far less important to them in the current climate



Stay calm, carry on

- ◆ These consumers do not feel directly impacted by the pandemic
- ◆ are not changing their spending habits
- ◆ continuing to spend as normal
- ◆ 21% of them are spending more on groceries, compared with 18% that are spending less.





Save and stockpile

- ◆ This segment shows particular concern for their families and the long-term outlook.
- ◆ Feel pessimistic about the future
- ◆ More than a third (36%) are now spending more on groceries
- ◆ Most are spending less on clothing (72%) and leisure (85%).





Hibernate and spend:

- ◆ Primarily aged 18-44, these consumers are most concerned about the impact of the pandemic.
- ◆ 40% of this segment say they are shopping less frequently.
- ◆ 42% say the products they buy have changed significantly
- ◆ 46% of them say brands are **now** more important to them.
- ◆ spending more across the board



Five new Segment may emerge post pandemic

- ◆ "Keep cutting" (13.1%),
- ◆ "Stay frugal" (21.7%)
- ◆ "Get to normal" (31.4%),
- ◆ "Cautiously extravagant" (24.7%)
- ◆ "Back with a bang" (9.1%).





Other insights from this study

- ◆ Attitudes to privacy
- ◆ Who can be trusted?
- ◆ What will they value?





Embracing Uncertainty

Knowing what you know,

Knowing what you don't or can't know

And

Knowing the difference





Consider Uncertainty in different time lines

- ◆ Big picture thinking
- ◆ What does recovery to thrive look like
- ◆ How will business and society be reshaped.





Identify the most important uncertainties

- ◆ Role play
- ◆ Touch points
- ◆ Supply chain disruptions



Use uncertainty to envision multiple different futures

- ◆ Get comfortable with uncertainty
- ◆ Scenario building
- ◆ Expected
- ◆ Unexpected
- ◆ Extreme



Seek Diverse Perspectives

- ◆ Younger generation
- ◆ Outside your industry
- ◆ Differing opinions





Incorporate Scenarios into decision making

- ◆ Required Moves
- ◆ No-regrets Moves
- ◆ Big Bets
- ◆ Contingent Moves
- ◆ Satellite moves





Make Choices and Monitor

- ◆ Keep doing or stop doing certain things
- ◆ Scenarios give to direction to what should be monitored



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Living a new normal- Your customers

- ◆ Sense of cautiousness
- ◆ Product efficacy and quality assurances.
- ◆ Shoppers evaluate purchases and the benefits that they see as the key factors to consider.
- ◆ Transparency
- ◆ Promoting a product's local origins





How Technology can be leveraged

- ◆ THE CRISIS IS A SPRINGBOARD FOR THE DIGITAL UNIVERSE.
- ◆ Nearly one-in-five Canadians (18%) say they have adopted at least one new online behavior
- ◆ (71%) intend to continue at least one of these behaviours in the future..
- ◆ Direct to consumer transactions





Dealing with capacity restrictions

- ◆ To inform your decisions
- ◆ To quantify the pain







A Changed Consumer Landscape

- ◆ Covid 19 hangover
- ◆ Communicate how you will change with them
- ◆ Be Authentic and build trust - Customers will remember how you treated them 3-6 months from now when the pandemic is over. They may not buy today, but they will definitely remember how you treated them when times were tough.



- ◆ Deloitte survey of 1000 Canadian consumers March 16-18, 2020





Resources

- ◆ <https://sellics.com/blog-coronavirus-ecommerce-consumer-shopping-trends-opportunities/>
- ◆ <https://www.treehugger.com/corporate-responsibility/office-over-after-coronavirus.html>
- ◆ <https://www.forbes.com/sites/stephanegirod/2020/04/19/five-inflection-points-that-will-reshape-luxury-with-covid-19/#4a93a69c4eb1>
- ◆ <https://www2.deloitte.com/ca/en/pages/finance/articles/covid-19-orchestrating-recovery-of-organizations-supply-chains.html>



Next Phase

- ◆ Moving from Recovery to Thrive
- ◆ What do you need to do?
- ◆ Who will succeed?







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