

Life After Lockdown:

Lessons for Consumer Strategy

A review of weekly
consumer pulse data from
29 Mar to 1 June 2020

Weekly sample, n=800
Sample to date, n=8,000

From a national state of emergency to recent easing of restrictions, we have observed substantial shifts in consumer behaviour as the events of COVID-19 unfold. Keeping our finger on the pulse of consumer sentiment, it is evident that some of these new behaviours will stick, while others will slip away as Australia moves towards the new normal.

Underpinned by ten weeks of consumer pulse data, and ethnographic learnings from the personal stories of Australians, we have identified four consumer scenarios (behaviour shifts) that provide critical guidance for reorientation of business strategy.

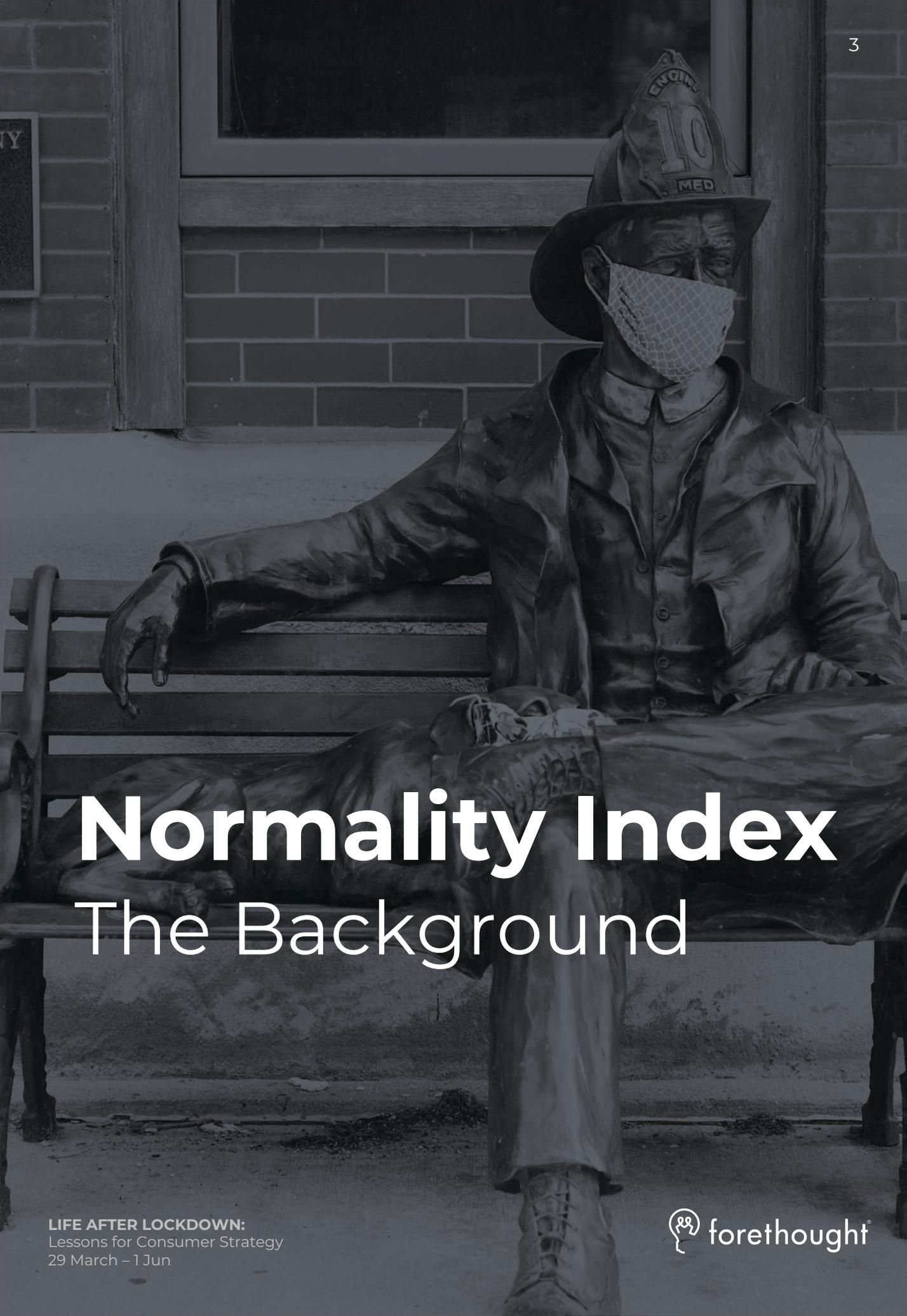
Supporting the Business Rebound

To support business rebound from the economic implications of the COVID-19 crisis, Forethought launched a weekly pulse to understand how Australian consumers were adapting and changing as a result of the virus and the related restrictions on daily life. This is the Australian Normality Index.

Since 29 March 2020, our weekly pulse has asked over 8,000 Australians (n=800 per week) a series of questions to chart emotional and rational shifts which impact their decision making. This data has been calibrated against pre-COVID-19 data to determine real shifts. In a second phase we used online Rapid Ethnography to further explore and validate these findings.

Our aim with this paper is to provide insight and ideas that will support your thinking and help you reorient, rethink and reframe your offer to the market for the new normal.

Forethought would like to thank PureProfile, our field partner in the Australian Normality Index, for their continued support on this important program.



Normality Index

The Background

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The Normality Index

In mid-March 2020 when it was clear that the COVID-19 crisis was not 'just the flu', Forethought set up a continuous tracking survey to provide our clients with some lines in the sand.

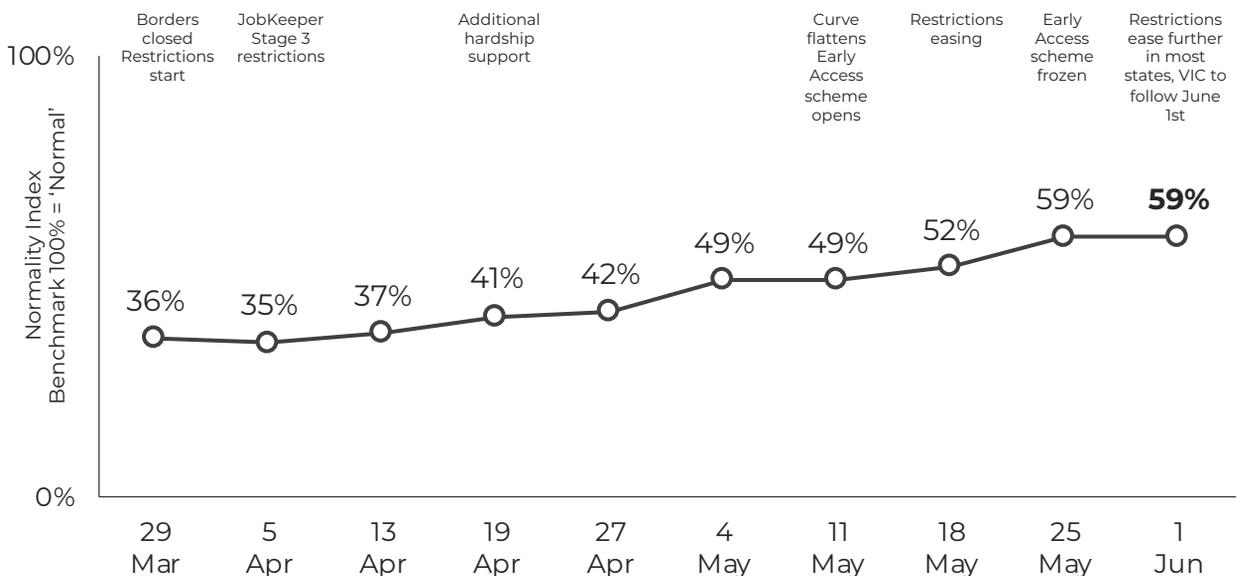
With no precedents to guide any of us, our aims were to deliver a reliable, structured set of consumer data to clients for use in their war rooms as they rushed to understand how to react on a daily basis to the changing landscape, as well as input into their longer term planning as they began to rethink the impacts of the crisis on their business.

In this program we focused on three things:

- **Normality:** What does it mean to feel normal and when will we feel this again? Our approach here was to derive a model of normality that provided not just a measure of how normal we were feeling but also the key drivers of this state. In this way we could identify the lead indicators of normality.
- **Emotions:** How are we individually and collectively feeling? At Forethought we have been tracking consumer emotions for more than eight years. Based on this data we were able to develop a pre-COVID-19 benchmark on the resting state of Australian consumer emotions. This is what we have used to better understand and interpret the significant weekly changes we have been observing.
- **Behaviours:** How do feelings of normality and emotions impact on our buying behaviour? Again, we have been able to use our extensive database to build a series of pre-COVID-19 category benchmarks on consumer loyalty and advocacy.

Though we were looking to do more than report out on what was happening. We were also looking to understand the dynamic between these three streams of data with reference to consumer behaviour. To this end we designed the program to do just that.

Exhibit 1: The Australian Normality Index



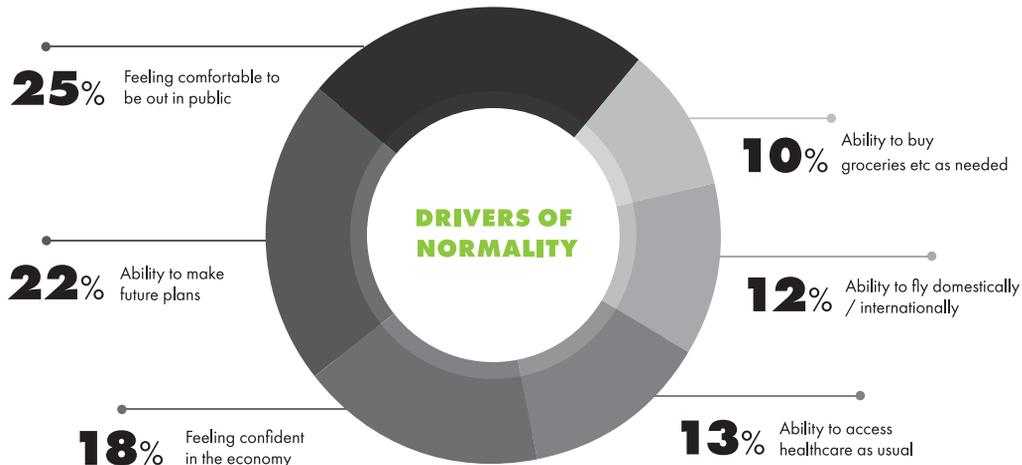
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Where are we now

By the beginning of June we can see that Australians are feeling considerably more normal than we did in March (Exhibit 1) but with still a long way to go until we feel normal again.

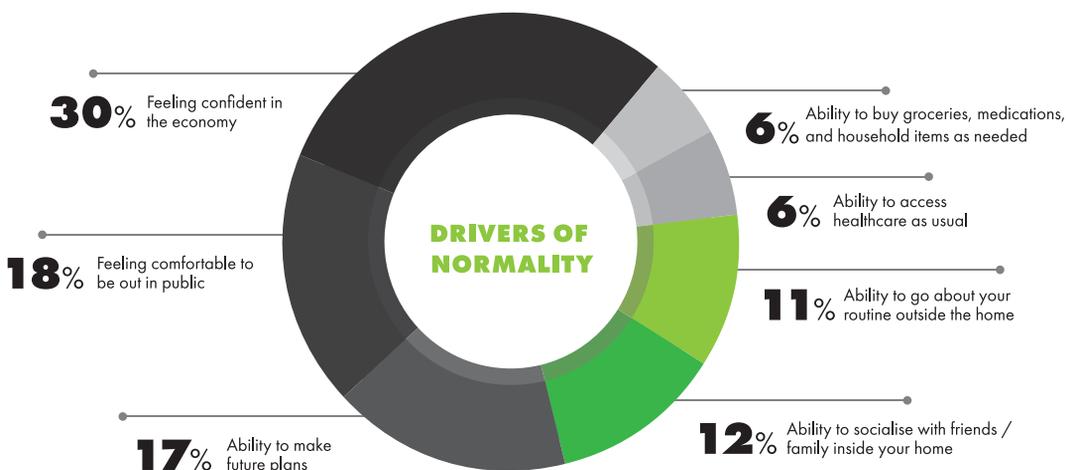
Exhibit 2: Drivers of Normality (March 2020)



The changes in the Normality index can be understood in relation to the degree to which we have '*flattened the curve*' and that lockdown restrictions have been eased. But as these two factors have worked to reassure Australians that life is returning to some form of normal we have seen that the key driver of normality has moved from '*Feeling comfortable to be out in public*' (lead driver for week 1-4) to '*Confidence in the economy*' (lead driver from week 5).

Thus the crisis for everyday Australians has moved from being wholly a health-scare to now being a potentially longer-term economic one.

Exhibit 3: Drivers of Normality (May 2020)



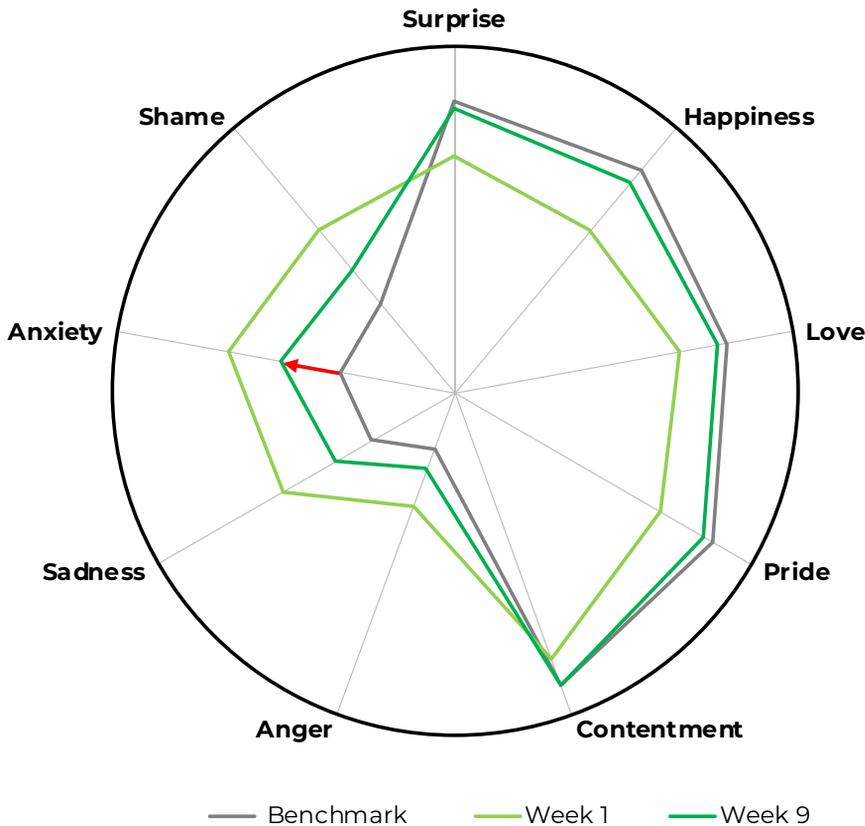
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And Emotions provide a different lens

The initial shock was severe. We saw this manifested in hoarding, fighting over essentials and widespread anxiety.

Exhibit 4: Our Emotional response to COVID-19



But we are recovering quickly, with the positive emotions rebounding strongly by week 4 and almost back at our pre-COVID-19 benchmark by week 10. The recovery was highly correlated with decisive steps by government and business to deal first with the health threat and then with the economic challenge.

Australians became less anxious and troubled and began to adapt and accommodate the new conditions.

However, it should be noted that anxiety has remained high. The focus has shifted from anxiety about health to anxiety about financial wellbeing.

The interim normal

Increasingly we have seen that Australians are not expecting this crisis to be over any time soon. More than 81% of us now report that we think it will be 6 months or more before we return to normal (Exhibit 5), up from 74% in March.

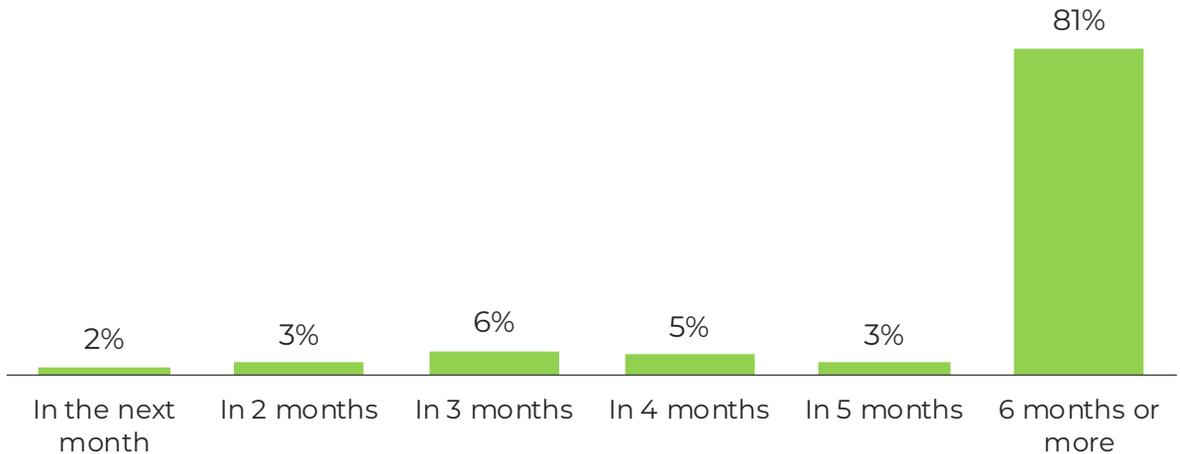
This current period is better understood as an interim normal rather than as a new normal.

And undoubtedly consumer experiences during this interim normal will shape expectations of the new normal.

The key consumer question is what behaviours will endure and what will be transient.

Exhibit 5: How long before life is back to normal? (1 June 2020)

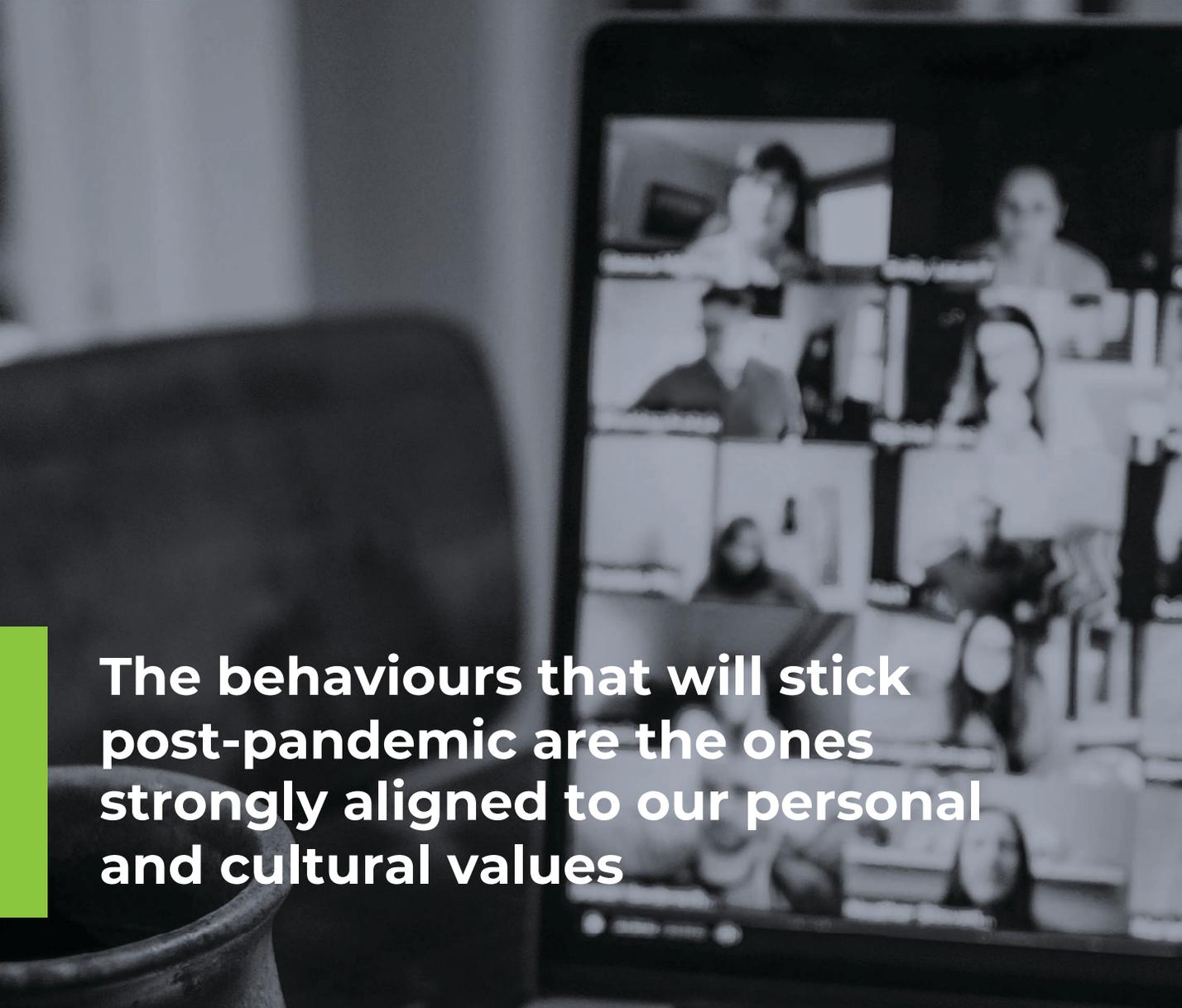
When do you think life (including wider society) will return to normal?



A black and white photograph of several dried leaves hanging from a string, secured by clothespins. The leaves are dark and have a textured, veined appearance. The background is a solid, dark grey color.

The Interim Normal

We are adapting and
normalising but we are
also changing



The behaviours that will stick post-pandemic are the ones strongly aligned to our personal and cultural values

Anthropologists and psychologists have emphasised the importance of values in understanding and driving long-term behavioural change. If our behaviours change as a result of a change in values – personal or cultural – there is a good chance that these new ways of life will stick.

On the other hand, if behaviour change is not grounded in value change then these behavioural changes, momentary new ways of doing things, will be transitory. Once barriers to old behaviours are removed (e.g. when lockdowns are lifted) prior behaviours are likely to ‘Snap-Back’. This is because our values guide the attitudes that inform decision-making and action. They define what is desirable and are key determinants of our behaviour.

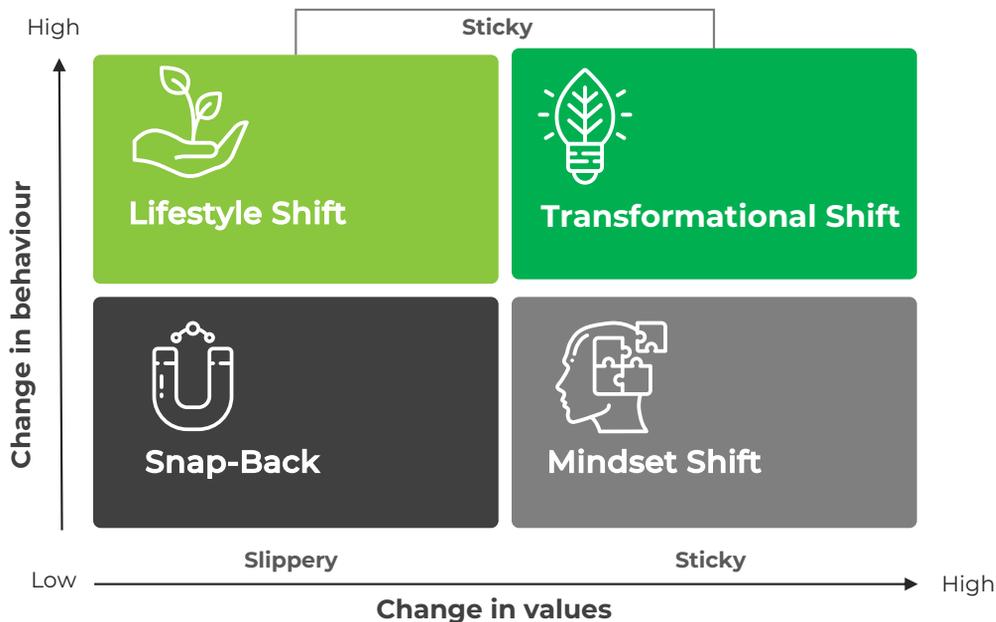
Based on our observations since 29 March 2020 in our weekly pulse and in our rapid ethnography program we have derived a model for understanding the ongoing impact of COVID-19 on potential consumer behaviours. That is what will stick and what will slip.

Consumer Behaviour Change:

A framework for observing and understanding

The Forethought Consumer Behaviour Change Framework outlines the four categories of behavioural shift we have observed. Our observations are based on both quantitative and qualitative methods.

Figure 1: Understanding consumer behaviour change



1. **Transformational Shift** occurs when there is a strong change in both values and behaviours. This situation is rare but the outcomes are likely to be sticky.
2. **Mindset Shift** represents significant changes in our values with smaller behavioural impact. Again, these changes are likely to be sticky.
3. **Lifestyle Shift** is when our behaviours have changed but our values have not. These will also be sticky.
4. **Snap-Back** represents enforced adjustments to a situation. Here we can observe behavioural change but no change in values. Once the status quo is re-established the old behaviour will return.

Inspired by Joel Robbins' work on values and cultural discontinuity (2004, 2005 and 2007) and Marshall Sahlins' work regarding cultural change and continuity (1985, 2004). In the analysis of the ethnographic data we also engaged with the work of Mary Douglas (1966) and Social Psychologist Shalom Schwartz's theory of basic values (2012).

What we have learned so far?



Transformational Shift

Consumers have a greater focus on essentialism. This is a shift in their values and the resultant behavioural change may be different consumption choices. “I no longer need to use it. Why keep it?”

Is your value proposition strong and clear?



Mindset Shift

In ethnographic observations we have witnessed an increasing need for self-direction and security. This is illustrated by young consumers (age 18-24) who show declining brand loyalty and trust in organisations.

Are you prepared for the opportunities and risks associated with increasing switching?



Lifestyle Shift

During the COVID-19 lockdown we have been forced to trial new services, new delivery methods, and new brands. These are functional equivalents. And in many cases we have liked what we are getting. This has been especially true in digital with Australians of all ages now embracing online services.

Is your digital experience up to market expectations?



Snap-Back

Some of the changes we have made since mid-March 2020 will be temporary. In particular, those which have been forced upon us. They will disappear as fast as they arrived.

Are you effectively meeting constrained needs while ensuring that the offer is 'back to normal' as soon as possible?

Reorient & Rebound:

We need a customer-first framework for businesses to respond

How should business respond?

The COVID-19 lockdown has been challenging. It has caused people to examine how they live.

More than ever we are re-evaluating what we buy, who we buy from and how we buy it. And while speculation is rife about what consumer behaviour changes will be temporary versus enduring, our analysis shows evidence of change that will shape the new normal. The emerging values of frugality, conscious decision-making and digital experience will endure.

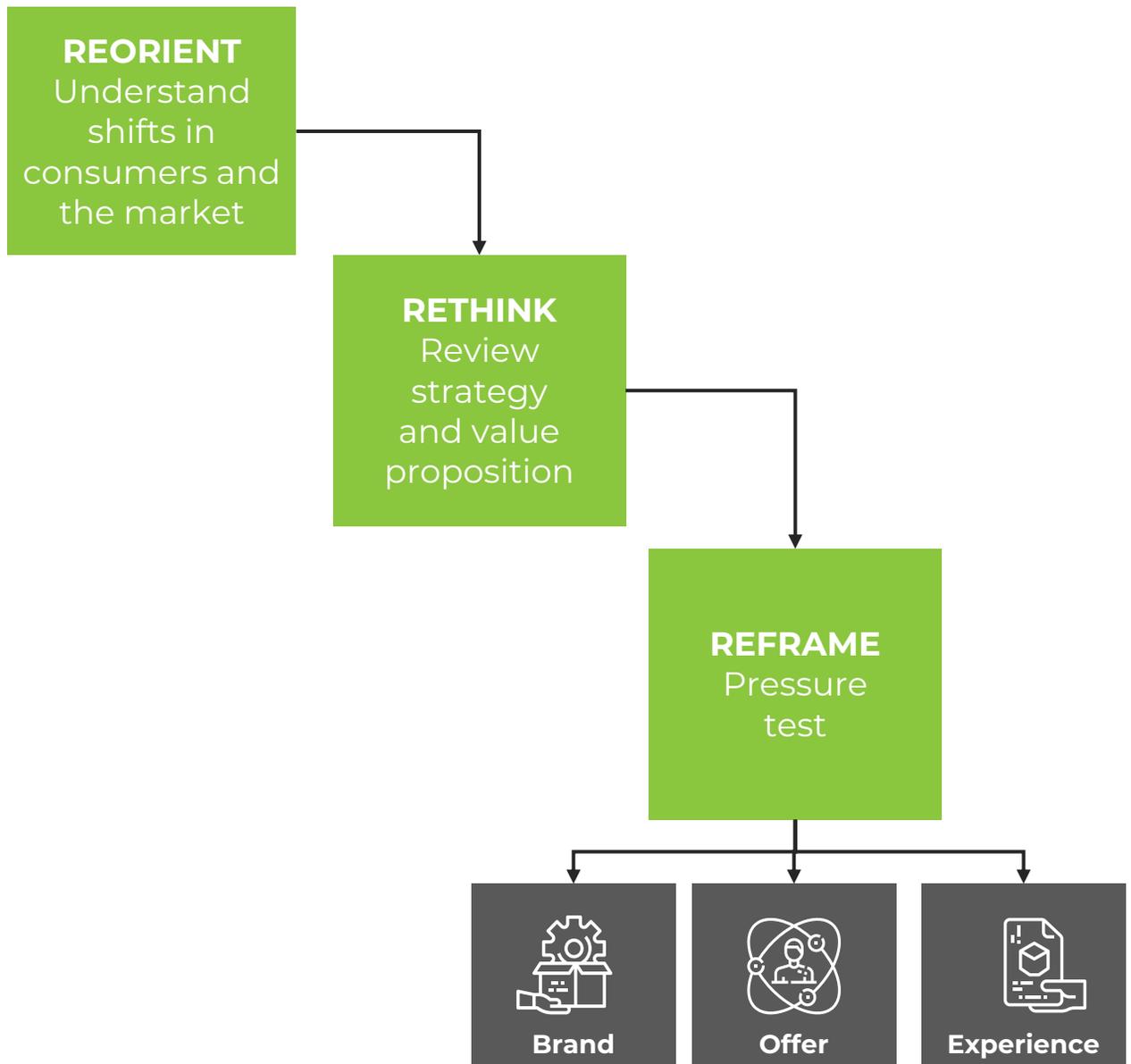
This is a pivotal time for organisations to reorient, rethink and reframe how they go to market. If you are a premium price player, if you know your digital experience is not where it should be, if you do not have a strong grasp of the cohorts in your customer base or a strong listening infrastructure, going back to basics and ensuring the business value proposition aligns to your consumers' values – current and emerging – is critical to rebounding in a strong position post-pandemic.

Reorient Framework: Leading a customer-first rebound

As consumption will be vital in the economic rebuild a customer-first lens is critical.

Leadership needs to revisit what they once understood about their customers' values and behaviours as some of these are changing. And with a contemporary understanding of the market organisations will have the evidence to confidently reorient, rethink and reframe how they go to market.

Figure 2: The Reorient Framework



A Deeper Dive

How are Australian consumers changing?
What does it mean for business?

01

TRANSFORMATIONAL SHIFT

Consumers are placing a greater focus on understanding cost vs benefit. There is an opportunity for businesses to take market share, if they can reorient their offer and communicate a strong value proposition.



TRANSFORMATIONAL SHIFT

As the lockdown restrictions eased our focus turned from our health to the economy. And we continued to check our bank accounts.

Transformational Shifts occur when there is a change in our values.

The most important driver of Normality now (May, 2020) is our confidence in the economy. With this focus on the economy has come increasing emphasis on frugality. This is a shift in values which is triggering behavioural change.

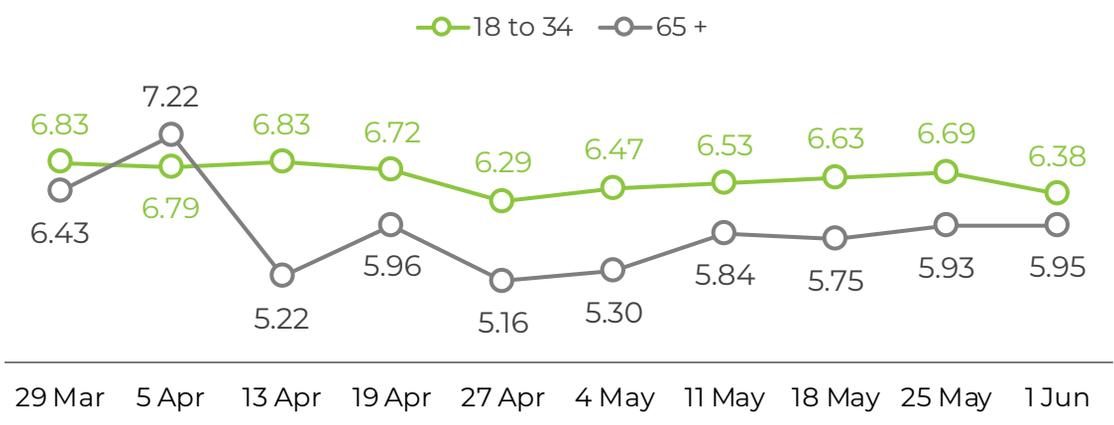
From a consumer behaviour perspective, an example of this shift is an increase in active financial management. Consumers are questioning their spending "I can no longer use it. Why keep it?".



Does our family really need two cars?

Exhibit 6: Young Australians are increasingly likely to review their finances

How likely are you to review your own finances in the next week?





TRANSFORMATIONAL SHIFT

Australians are also expressing a desire to grow savings in case of future financial shocks.



"I dipped into my savings a lot before JobSeeker. I'm going to have to save for a lot longer to get to that threshold I was at, where I was comfortable with extra spending."

Participant in Forethought Normality discussion, May, 2020.

IDEAS FOR BUSINESS

Strategic planning should seek to answer the following question: how can we effectively serve our customers as their budgets tighten?

Transformational Shifts provide opportunities for organisations to win market share if they can address consumers' concerns around value via their offer or messaging. This might include: signalling lower prices*, different inclusions, quicker delivery, better service etc.

It will be vital to pressure test the current offer, customer experience and communications strategies against the high likelihood that this Transformational Shift will affect spending moving forward.

* Please note that the price does not necessarily need to be lowered, but the market's perception of your price needs to be positively managed via mechanics such as messaging, imagery and packaging. Please see Forethought's work on Price Brand for more information.



02

MINDSET SHIFT

There is an increasing need for self-direction. This is illustrated by young consumers who indicate declining loyalty and trust in organisations. Monitor mind and mood of the market and respond accordingly.



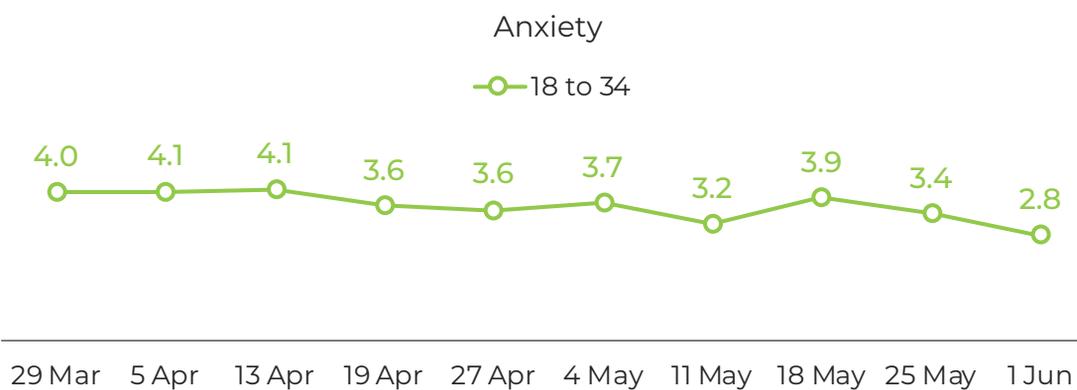
MINDSET SHIFT

Loyalty to brands is being questioned

Mindset Shifts represent significant re-ordering of existing values.

Australian 18 to 34 year-olds are anxious. This may not be a surprise as this cohort has been the most financially impacted by the pandemic to date. They are the most likely to have been stood down or asked to work reduced hours, yet they still have to meet their regular financial obligations, particularly rent payments.

Exhibit 7: Anxiety amongst 18 to 34 year-old Australians remains higher than pre-Covid



With their personal financial situation top of mind and feeling anxious, young Australians are using this time to examine their choices. In our ethnographic work, we noted that they are demonstrating two Mindset Shifts;

- increasing self-direction (e.g. independent thought and action-choosing), and
- an increasing need for security (e.g. search for safety, harmony and stability).



“I’ve cancelled my automatic payments...it helps me understand [my spending] rather than everything just being automated.”

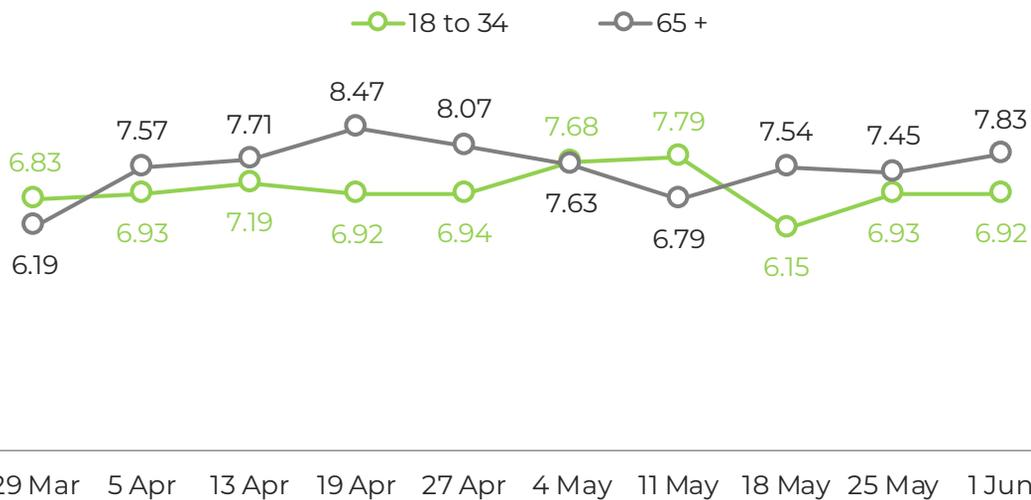
Participant in Forethought Normality discussion,
May, 2020

Perhaps of even more concern is that young consumers are starting to act now. In the Normality Index we saw that 18 to 34 year-olds had an intention to switch suppliers in a number of categories, including Energy (see Exhibit 8), so in our observational sessions with young Australians we explored this further.

We heard evidence that the self-direction Mindset Shift was leading them to take a more active role in consumption decision-making, triggering brand defection and switching behaviour.

And it is important to note the differences between cohorts. It is even more the case now that one size doesn’t fit all.

Exhibit 8: Energy contestable loyalty



IDEAS FOR BUSINESS

The questions raised here relate to how to engage and retain unsettled customers. And to do so across different cohorts in your customer base. Businesses need to be mindful of how changes in the economy and the environment are impacting consumers’ mind and mood, and respond accordingly via a reframed offer and messaging tailored to each segment.

03

LIFESTYLE SHIFT

During lockdown we have been forced to trial new ways of being, and as a result we are adopting new products and services, and reviewing our use of old ones.



LIFESTYLE SHIFT

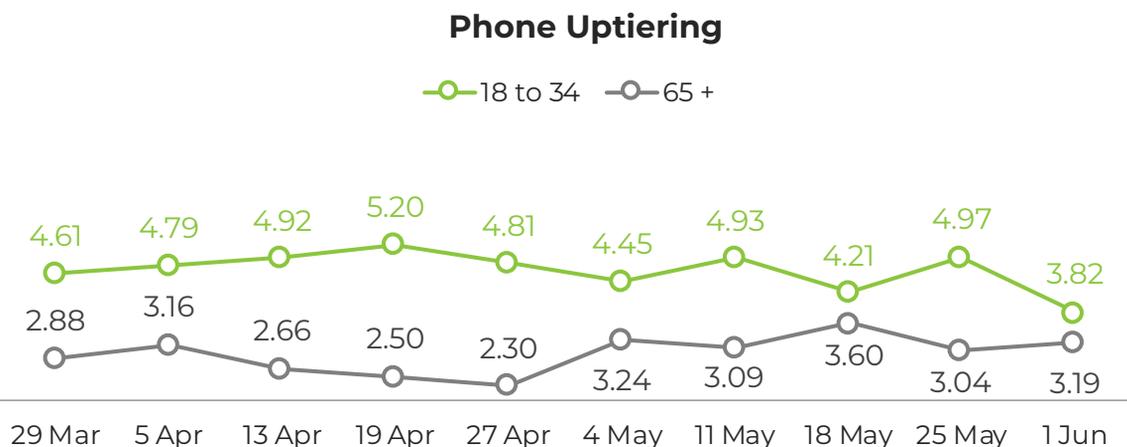
Consumers are trialling new products, services and brands. And they are reviewing old ones.

The third category of behaviours that are likely to stick post-pandemic are Lifestyle Shifts. These are when our behaviours have changed but our values have not.

One Lifestyle Shift that looks to have been integrated into regular patterns of life is digital adoption. We have seen a significant proportion of older Australians adapt to using digital tools and services (internet banking, streaming etc.). As digital is the only viable channel to complete many daily tasks now, this generation of Australians are moving along the life-cycle curve and becoming more comfortable to interact with businesses online.

The chart below provides an interesting illustration. Our anxious younger Australians, mobile phone power users, are becoming less likely to want the bells and whistles on their phone plan. And our 65+ year-old Aussies have entered the digital universe and are now looking to upgrade their phone plan – perhaps to secure new and improved technology, or account for greater use of digital services.

Exhibit 9: Older Australians are looking to uptier their tech



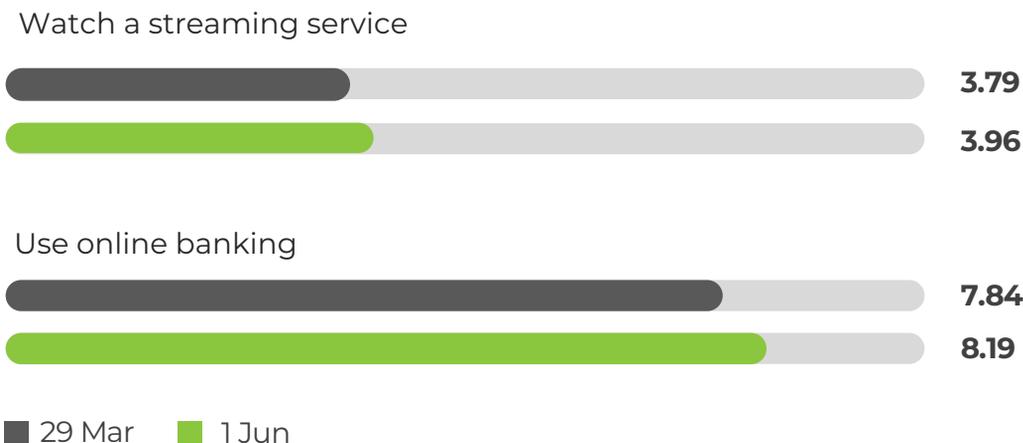


Older Australians are increasingly using internet banking, online shopping and video streaming. They are even running book clubs on Zoom.

Both scenarios highlight that consumers are embracing new behaviours or alternatives to services they had previously relied on. And in many cases they are finding more value in the experience. They will be looking for this to become their new normal.

Exhibit 10: Older Australians are increasingly adopting digital services

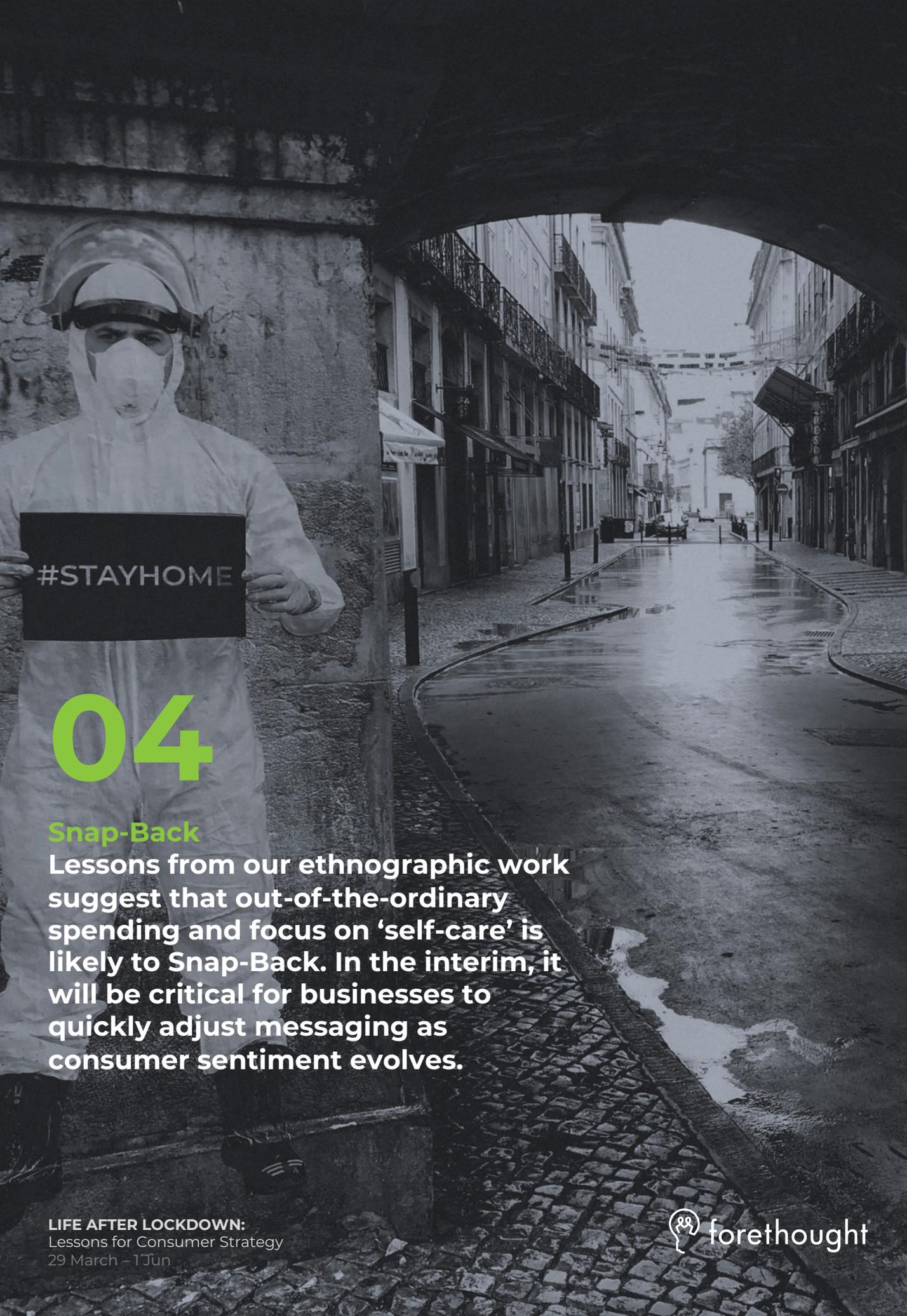
How likely would you be to do the following in the next week? (Age 65+)



IDEAS FOR BUSINESS

With consumer focus shifting and a forced rise in experiencing new modes of service delivery, businesses should review customer touchpoints and journeys to increase engagement with their brand and aid retention.

Is there an opportunity to create a new product or service that addresses these new behaviours? Are there new segments for your brand to market to?



#STAYHOME

04

Snap-Back

Lessons from our ethnographic work suggest that out-of-the-ordinary spending and focus on 'self-care' is likely to Snap-Back. In the interim, it will be critical for businesses to quickly adjust messaging as consumer sentiment evolves.



SNAP BACK

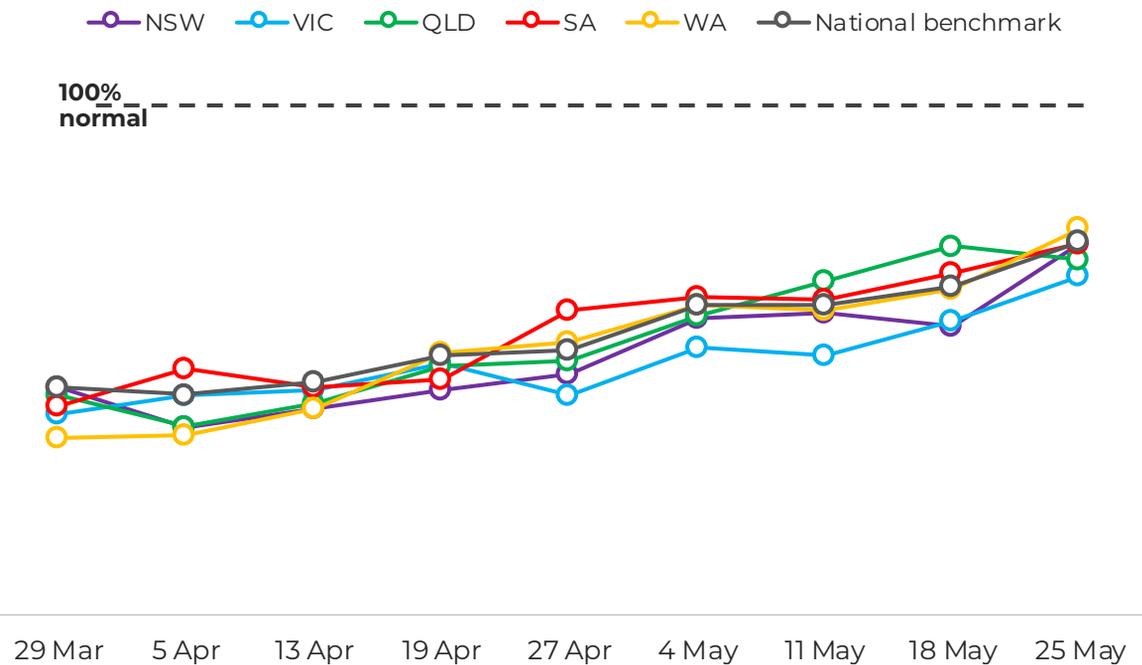
Avoidance of public spaces and increased 'self-care' spending are likely to Snap-Back

Western and South Australia offer lessons in what might become less important as we rebound.

During the last eight weeks, Australians have been forced to trial new ways of doing things, new services and new brands. As we have seen, our experiences over this period of time will play an important role in informing how we make decisions for the future.

To understand the behaviours that are unlikely to stick with us, we have looked to the two states that are moving back to normal at the quickest rate (Exhibit 11). The behaviours of consumers in Western Australia and South Australia offer lessons in what might become less important as we rebound.

Exhibit 11: Consumers living in WA and SA are feeling the most 'normal'





While staying at home has been a key message from both government and businesses throughout the pandemic, this is likely to be the first behaviour that will return to normal. As restrictions on our movement ease, consumers will be keen to get back into public spaces. Looking at Western Australia and South Australia, freedom of movement has shown positive outcomes for supermarkets in particular, which had consciously been avoided in the height of the pandemic.

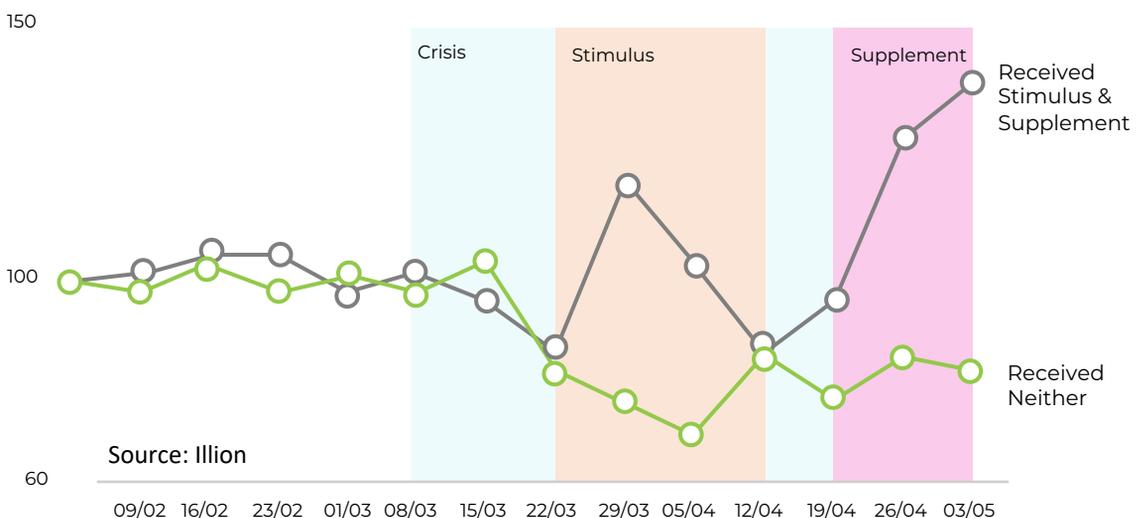
Learning from Australians' personal stories, we also saw that spending on 'self-care' items (e.g. comfortable clothes and home décor) picked up during the pandemic. As we're spending more time at home, it is unsurprising that consumption of these goods is higher. However, this is likely to slip as we return to our places of work or study.

A watchout point for businesses experiencing higher than usual demand – an understanding of the drivers of consumer spending is key to guide decision-making. Third party data highlights that recent surges in spending are driven by supplement recipients (Exhibit 12). With payments such as JobKeeper due to end in October 2020, these spending patterns are unlikely to last past the next few months.

Exhibit 12: Growth in spending has been driven by supplement recipients

May 4-10th: Spending growth entirely driven by supplement recipients

Coronavirus supplement is a \$550 fortnightly additional payment to recipients of unemployment and some other payments. Weekly index of consumption per person, 100 = normal weekly base excluding Xmas



In the interim, managing the response to consumer mind and mood should form the basis of all tactical activity. It will be critical for businesses to adjust their messaging on the fly, as consumer sentiment changes.

29 March to 1 June 2020

Implications for business

What can we learn from behaviours likely to *stick*?

01

Greater focus is being placed on cost vs benefit, bringing opportunity for businesses to take market share... if they can communicate a strong value proposition.

02

Young consumers are at risk of defection as they start to take a much more active role in decision-making. Monitor their mind and mood and respond accordingly.

03

A shift to digital is inevitable. Businesses should look to leverage and optimise these channels to speak directly to consumers.

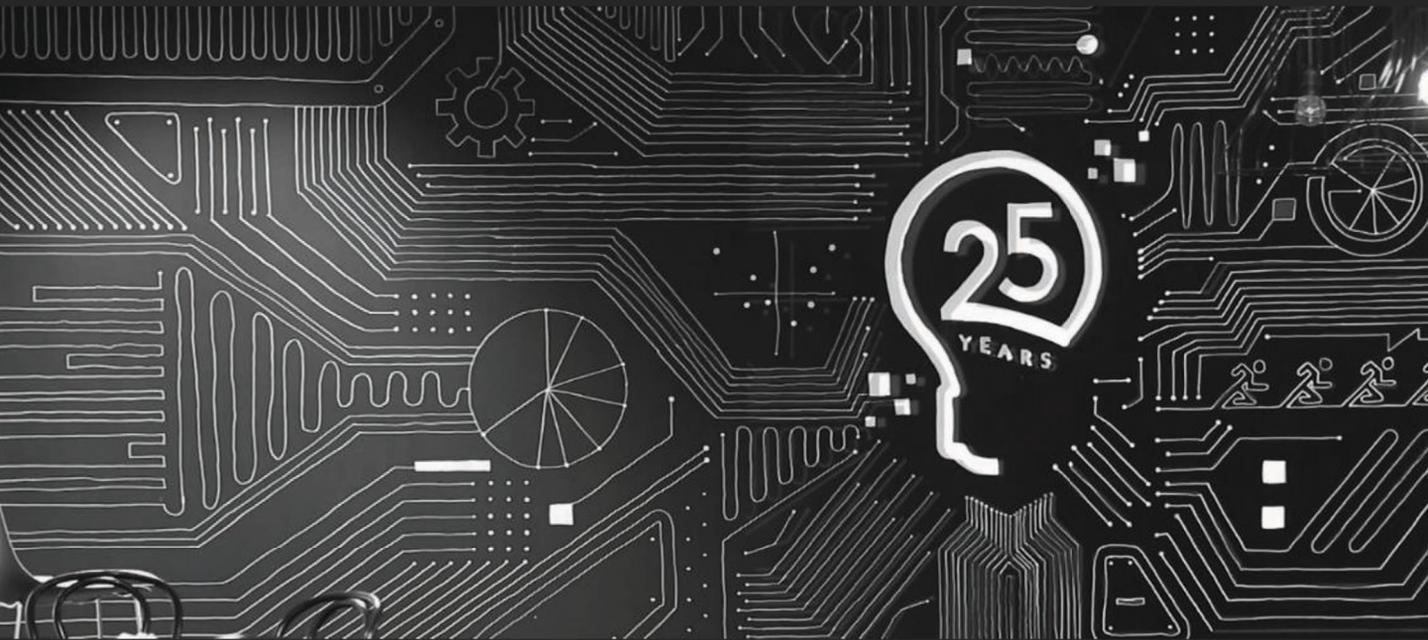
What can we learn from behaviours likely to *slip*?

04

We are likely to reduce discretionary spending and get back into public spaces ASAP. In the interim, it will be critical for businesses to quickly adjust messaging as consumer sentiment evolves.

In summary

This period of reflection has given rise to Australians looking closely at how we manage our money. More than ever before, value is being placed on re-evaluating the businesses that we buy from as well as how we engage with them. With many long-term behavioural shifts emerging during the pandemic, this is a pivotal time for businesses to reorient and innovate. Going back to basics and ensuring that the business value proposition aligns to consumer values is critical to emerging in a stronger position post-pandemic.



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