

# NAVIGATING CONSUMER DEMAND DURING THE CORONAVIRUS

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A PLAYBOOK FOR BRAND MARKETERS  
03.17.20

SCS

# OVERVIEW

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As COVID-19 sweeps the globe, and countries and counties increase their state of lockdown, the economy is being battered as customers radically shift their behavior and investors lose confidence in world markets. How long the impact will last for remains uncertain and will be determined by the world's collective efforts to slow its spread, "flattening the curve" of infection and ultimately distributing a vaccine for the virus to bring it to a halt.

Your customers need reassurance during this time. Research by Global Web Index indicates that most consumers are worried, with 90% of consumers in the US and UK concerned, and that number increasing to 96% for Gen Z.

Brands are facing a number of headwinds as they navigate this situation:

- Decreasing Consumer Confidence and Increasing Anxiety
- Consumer Fear of Shared Spaces (i.e. Retail, Restaurant, Travel)
- Panic Buying of Household Goods (i.e. Sanitizer, Toilet Paper, Dry Goods)
- Bottlenecked Supply Chains
- Internal Organizational Health and Morale Management

This paper outlines steps you can take in managing customer communications for the best possible outcomes for your brand. At the core, it's about doing everything you can to take care of your customers and alleviate their problems. This will pass, and brands who invest in their customers now will benefit in the long run.

Industries are being affected in a range of ways. Brands who have digitalized and moved to direct-to-consumer ecommerce are in one of the strongest positions, for example, demand for delivery services like groceries is increasing as consumers limit their time spent in public spaces. Other industries that will see lifts include home entertainment, home health & fitness, online education, and digital communications services.

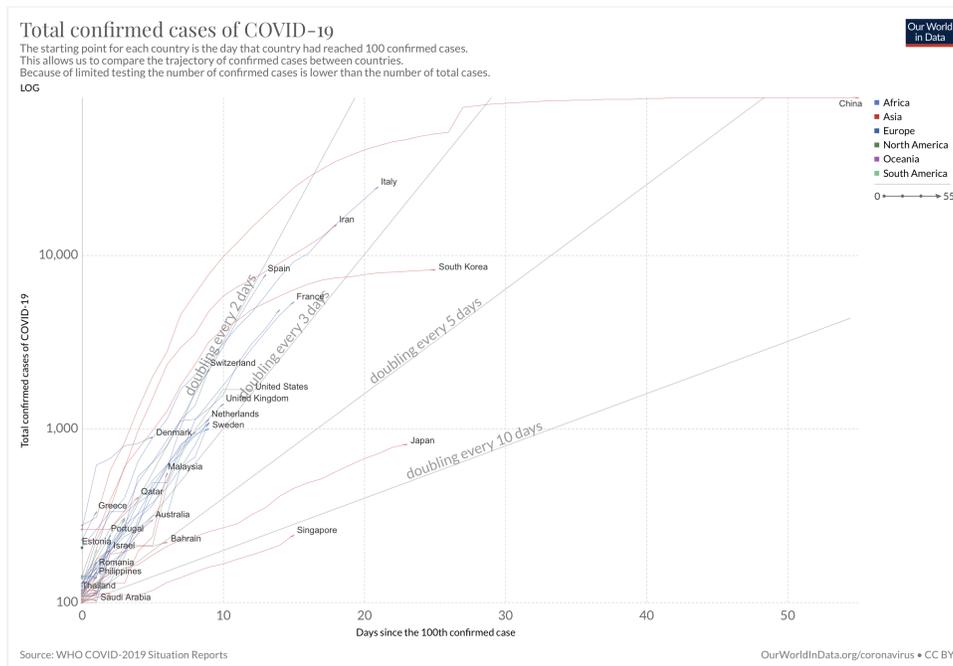
Many more categories are not so lucky, with the travel and tourism industry bearing the initial brunt as routes are cancelled in and out of infected countries. UK Air Carrier Flybe was the first casualty of this, going bankrupt in early March. Cruise lines are cancelling significant numbers of sailings to protect passengers from the inherent danger of spending time with potentially infected passengers. Closing borders and the recent moratorium on travel between the US and Europe especially impacts tourism.

Brick & Mortar retailers, particularly small businesses, will be next to feel the crunch as social distancing, which helped slow the spread of the virus in China and South Korea, decreases visits to retail and restaurant locations dramatically. In Italy, only grocery stores and pharmacies remain open. Some retailers like Apple have taken dramatic preventative steps, closing their retail locations to help limit the spread of the virus.

# THREE ECONOMIC PATHS

On March 9, 2020 McKinsey laid out three potential paths that the global economy might take, a Quick Recovery, a Global Slowdown, and a Global Pandemic and Recession. The third path involved a global spread of the virus creating a demand shock in the economy with impact lasting the duration of the year as public health institutions are overwhelmed in many countries. It suggested that the economy might slip into recession with global GDP growth declining to between -1.5% and +0.5%.

Based on events of since the briefing was issued, it seems increasingly likely that the third case may be the most accurate. The virus is spreading at an exponential rate, particularly so in the US, with a doubling rate every three days.



## PURPOSE OF THIS PAPER

This paper focuses on how to engage customers as we move through this humanitarian and economic crisis. Brands can play a large role in helping customers through these times. It is a time to invest in both caring for them and in DTC ecommerce and other services that make their lives easier, and help keep your business running smoothly.

# ENGAGING CUSTOMERS IN HEAVY WINDS

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## I. DEVELOP A NERVE CENTER

The challenges facing each company are complex and unique, and the situation is evolving rapidly. This requires the ability to rapidly respond at the executive level. Some brands are already adapted for digital commerce, while others rely largely on brick & mortar sales. Some will mainly face supply chain issues, like Purell, while others will face consumer fear of public spaces, like Starbucks.

What is true for every company is that the nerve center for dealing with the crisis must be cross-functional, including members of all key departments to reflect unseen issues and give the team total visibility into ongoing challenges and the authority to act quickly in making major decisions, whether they are related to HR, PR or even legal. As the face of the organization, marketing plays a critical role in this team.

This nerve center should:

- Review and Resolve Emerging Challenges
- Strategize and War Game Scenarios
- Oversee Execution of Programs

## II. APPRECIATE THE EMOTIONS OF YOUR CUSTOMERS

Consumers are rightfully in a heightened state of anxiety, and as the virus continues to spread, this anxiety will only increase. As the crisis becomes more visible and local in North America, it will become more personal.

Nielsen outlines 6 highly insightful **consumer behavioral thresholds** that are moved through during different phases of the crisis.<sup>1</sup>

### “1. Proactive Health-minded Buying

- SHIFT: Interest rises in products that support overall maintenance of health and wellness
- MARKER: Minimal localized cases of COVID-19 generally linked to an arrival from another infected company.

### 2. Reactive Health Management

- SHIFT: Prioritize products essential to virus containment, health and public safety. E.g. face masks.
- MARKER: First local transmission with no link to other location + first COVID-19 related death/s.

### 3. Pantry Preparation

- SHIFT: Pantry stockpiling of shelf-stable foods and a broader assortment of health-safety products; spike in store visits; growing basket sizes.
- MARKER: Multiple cases of local transmission and multiple deaths linked to COVID-19.

### 4. Quarantined Living Preparation

- SHIFT: Increased online shopping, a decline in store visits, rising out-of-stocks, strains on the supply chain.
- MARKER: Localized COVID-19 emergency actions. Percentage of people diagnosed continues to increase.

<sup>1</sup> <https://www.nielsen.com/us/en/insights/article/2020/key-consumer-behavior-thresholds-identified-as-the-coronavirus-outbreak-evolves/>

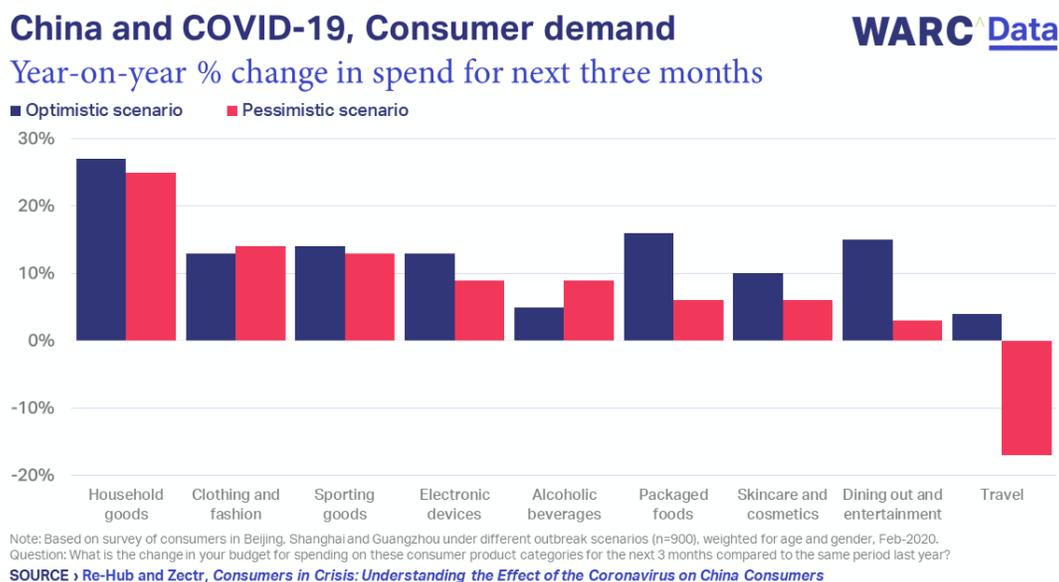
### 5. Restricted Living

- SHIFT: Severely restricted shopping trips, online fulfillment is limited, price concerns rise as limited stock availability impacts pricing in some cases.
- MARKER: Mass cases of COVID-19. Communities ordered into lockdown.

### 5. Living a New Normal

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

As we look to China to see how consumers felt during February, at the height of the outbreak in Wuhan, many Beijing consumers expressed a reasonable level of consumer confidence, with the obvious outlier being decreased spending on travel.



### III. INNOVATE IN HELPING YOUR CUSTOMERS

This is the big one. As consumer anxiety increases, and we're all consumers, we can use all the help we can get. First and foremost make your purpose to help customers in whatever way you can as both a corporate citizen and members of the community. Having an authentic purpose of helping your customers during this time will not only help build your brand equity and deeper bonds with customers, it can energize your own employees and steel-up your culture in finding ways to help.

What does helping mean?

It means getting creative and finding ways to help that are unique to your brand. Helping your customers could mean anything from going the extra mile to get an important shipment delivered in a difficult situation to creating a series of heartwarming stories in social media that they can turn to for a smile.

For a retailer that sells toys, it might be offering special bundles of activity sets for young children to make life easier for parents, as Toys R Us Canada has done. For a mobile carrier it might be waving overages for customers during the time of crisis. The Metropolitan Opera is streaming a different live performance from their archives every night, while Scholastic is offering free online courses for kids to learn from home. NVIDIA is encouraging their user base to donate GPU processing time to help scientists in tackling the virus.

Whatever your category, your brand has ways that it can help alleviate the stress that your customers are feeling and offer them value when they need it most.

### IV. TELL YOUR CUSTOMERS WHAT YOU'RE DOING

It's important that your customers feel confident that your brand is managing the situation. An email to your customer base and messages on social media are ideal ways to get your message out. What steps are you taking internally and externally to address COVID-19?

Now more than ever it's important to be authentic in communications and put a reassuring, human face on your organization.

Don't be afraid to talk about the crisis and how it impacts your business, whether you're communicating how you sanitize your physical locations, the measures you've put in place to help your employees who have been impacted, or the challenges you're facing with supply chain situations that might impact delivered or at-retail inventory levels.

Transparency will reassure customers and help build brand trust that lasts long after the crisis is over.

### V. ADAPT YOUR CREATIVE TONE

As pressure mounts on the daily lives of customers, the last thing they'll respond to is a hard sell. Consider their state of mind in the ongoing situation. Focus on building your brand and relationship with consumers rather than product-focused communications. Now is not the time for a hard sell.

Use positive language and empathy in your creative tone. Find ways to build trust and reassure them in your creative communications. The tone of the situation is rapidly becoming more serious and your communications should reflect the gravity of the crisis.

### VI. UNDERSTAND IMPACT ON MEDIA CONSUMPTION

As consumers spend more time at home and less time out in the world, there is a notable impact on media consumption habits. As an example, according to QuestMobile, Chinese mobile Internet usage rose from 6.1 hours in January to 7.3 hours when self-quarantines occurred.

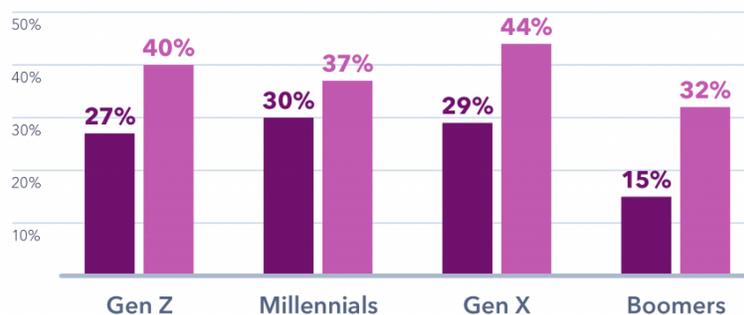
Consumers will spend more time watching television, streaming, and playing video games. They will also increase their Internet usage, particularly as social distancing efforts increase usage of social media, texting, and video calling as social networks remain in touch without physical proximity.

Significant time spent in isolation will lead to consumers craving human contact through channels like video chat, cooperative gaming, and other means that provide a sense of connection.

Time spent with social media and news is already increasing due to the pandemic.

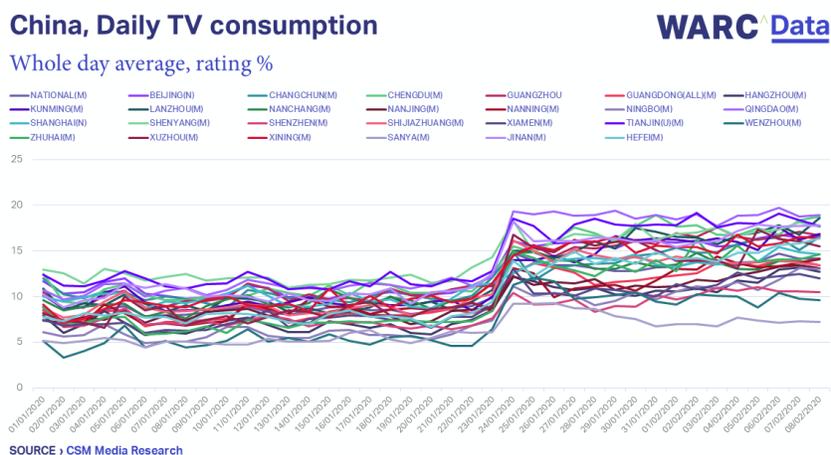
## Which of the following changes, if any, have you made as a result of COVID-19/coronavirus?

- Checking social media more often to keep up-to-date
- Reading the news more often to keep up-to-date



Source: GlobalWebIndex March 2020 Base: 2,310 (U.S.) and 2,229 (UK) internet users aged 16-64

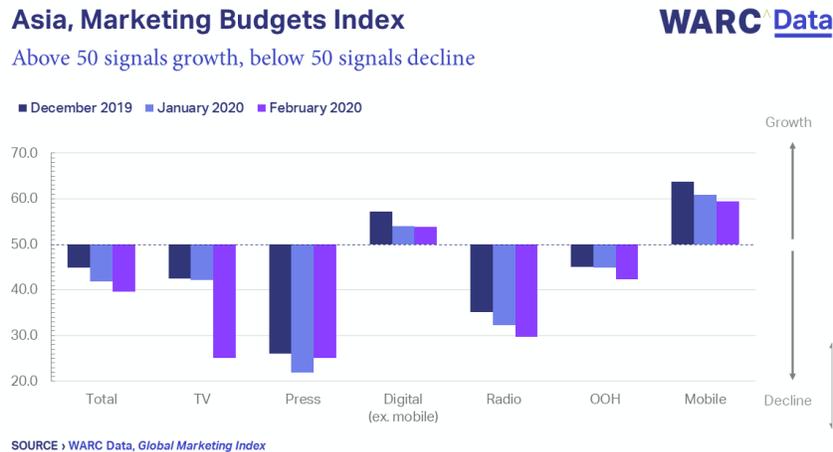
Television as well saw a huge spike in viewing rates in China, as the graph below illustrates.



Less time will be spent with cinema and radio, as most radio is consumed during commuting time.

## VII. MAINTAIN ADVERTISING SPENDING

China saw declines in advertising spending across the board during the peak of the crisis in Wuhan, save for where consumers were heading: web and mobile.



If you can avoid making cuts to your budgets, keep them steady but reallocate them based on emerging consumer media habits.

WARC China Recommends:

- “Minimise: OOH (cinema, airport, railway)
- Increase: Digital (official media, short video, social, news and info sites)
- Maintain: OTT, Online video (news and dramas)”

## VIII. LOOK TO DTC & AMAZON

If you haven’t digitally transformed your business for direct-to-consumer sales through ecommerce, now is the time. Online shopping will increase as consumers avoid or simply can’t go to brick & mortar locations, and this trend will become habit once the dust has settled.

If deploying a complete ecommerce solution is too herculean a task, consider limited tests with a subset of your best-selling products either directly or through Amazon.

Social shopping is another avenue to consider if you have ecommerce enabled, as consumers spend more time on social media, Instagram Shoppable Posts are a perfect way to intercept them.

In search, Google Shopping campaigns provide another avenue to move your products up the funnel as consumers increasingly go online for their purchases.

You can learn more about SCS’s DTC services and experience [here](#).

## IX. GIVE THEM GREAT CONTENT

You can only clean your hands so many times before getting bored in self-quarantine, or even just limiting exposure to crowds. Consumers will be turning to the web and social media for entertaining content that gets them away from the news and the fears of the day.

In China it became clear that this was a good time to gain new followers, between January 20th and February 2nd, 574 accounts on popular video platforms Douyin and Kuaishou each gained between 100k-500k new followers.<sup>2</sup>

Increase your output of branded content, whether its social posts or entertaining apps and games, now is the time to get creative in generating more compelling communications that simply build the brand and create moments of delight. They’ll appreciate it.

<sup>2</sup> <https://www.forbes.com/sites/laurenhallanan/2020/02/12/how-to-adapt-your-china-marketing-efforts-during-the-coronavirus-crisis/#addfa1d65824>

## **X. GIVE THEM WAYS TO USE THEIR TIME**

From polishing your car to working on a DIY renovation project, as people move past their need for the essentials, they'll begin to look for other ways to pass the time. Spending significant amounts of time at home will create the need for activities, both for families to entertain the kids, and for parents to clear their minds.

Look for ways that your product can help satisfy these activity needs and promote these ideas in social media and advertising.

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