What today’s consumer behavior tells us about tomorrow

Since Covid-19 abruptly appeared and changed the lives of many, government-mandated lockdowns have forced a large portion of the global population to stay indoors. Although certain technologies have seen an uptick in demand due to stay-at-home orders, will these behaviors persist when things return to normal?

With most companies working from home (WFH), increased use of video conferencing has taken the place.1 Similarly, home entertainment like streaming services and gaming have benefited as well.2 And as the public adapts to a substantial change in life, there is the obvious direction with respect to retail trends – increased use of online shopping. Leigh Todd, senior investment analyst at Mellon, believes these trends are here to stay.

“Recent shelter-in-place mandates and social distancing guidelines will accelerate the shift away from traditional discovery locations, such as in-store physical locations and in-person interactions,” Todd says.

“Although we anticipate the day we return to a more ‘normal’ environment, certain behavioral changes are likely to be permanent which is why we believe the ease of digital discovery and engagement with brands and products will be here to stay.”

According to Todd, it will be hard for the public to forget how technology came to the rescue, aiding real-time communication through social media and digital shopping, at a time when friendly get-togethers were banned and brick-and-mortar retailers had to shutter doors. Because many have realized that an unforeseen global pandemic can entirely derail life as we know it, some may consider a permanent shift to a more digitally-infused lifestyle. However, it is possible that long-awaited freedom has the opposite effect once lockdowns lift.

“The increase in consumption in some of these venues may subside when we’re able to physically interact, but they should still be a step function above where they were before the crisis began,” she says.

Since greater use of technology had already been taking place prior to stay-at-home orders—areas that have seen spiked demand are likely to see sustained growth afterward, according to Todd. For example, the share of people discovering brands online had increased from 22% to 24% over the past four years.3 As for other areas, with historically less digital penetration—like food, which is estimated to be about 5%, she believes the use of technology and digital discovery will accelerate as changes in consumer behavior last well beyond the current crisis.

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2 The Verge: The entire world is streaming more than ever — and it’s straining the internet. March 27, 2020.
3 Global Web Index: 5 things to know about brand discovery in 2019. January 11, 2019
“These changes will bode well for companies that have invested in digital capabilities, developed strong consumer insights and are capable of utilizing data to develop new products and services as well as identify new potential customers,” Todd says.

What about WFH? Will it continue?

The past few months could indeed lead to an uptick in company dependency on the WFH model. Corporate habits formed today may last beyond the crisis for some—but most likely not for all.

Erik Swords, senior research analyst at Mellon, highlights a recent global CFO survey by research and advisory firm Gartner, which showed 74% of respondents expected at least 5% of their workforce to work from home permanently. According to the same study, due to changing workplace demographics and the shift to Generation Z (the generation below millennials), that figure is projected to grow to 30% by 2030. 4

“The impact of Covid-19 serves as an accelerant for this transition to take place and some benefits associated with more remote workers include: reduced operational expenses, less travel, and in some cases higher productivity and better retention,” he says. “In the near-term we expect enterprises to enable sustainable remote technology capabilities but do not believe it will serve as a full replacement to normal consumer or business behaviors.”

According to Swords, technological capabilities are at the forefront of many recent adjustments companies have made to cater to remote workers. This has caused many to learn firsthand, through real-time crisis management, that their technological infrastructure may not have been well-enough-equipped to handle such a stark change in work life. As a result—from this point forward—companies may begin to prioritize information technology (IT) in an unprecedented way, which could lead to more capital spend on products aimed at increasing work efficiency.

“In the short-term and particularly towards the back half of 2020, we expect to see a significant rebound in technology spending as a result of pent up demand, Swords says.

“What’s more compelling from a long-term perspective is how companies will utilize technology going forward as they look to create further efficiencies in their businesses that have been exposed as a result of the pandemic.”

Beyond near-term WFH adjustments, Swords believes there is also growing interest in other critically-important themes such as Artificial Intelligence, Blockchain and Next Gen Security, among others ready for broad-based adoption.

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