

Thriving in the post-COVID-19 world— key areas of focus

At IQVIA Consumer Health we have identified seven key areas of focus that we believe can help consumer health businesses get into a position to succeed both in the short and long term.



1. Align growth strategies with changing consumer behaviours

It is not surprising that in a recent IQVIA Consumer Health survey of industry executives that 39% said that consumer behaviour was their key business priority right now (see Exhibit 1).

Four key consumer behaviour trends are emerging as some markets come out of the pandemic and others move past their peak (see Exhibit 2).

First declining economic activity due to lock-down and social distancing is keeping people on the edge.

Second, fear of infections and high fatalities have sent consumers on a 12-week emotional roller coaster, which has impacted the third trend—a shift in consumption and shopping habits.

Finally, when consumers are buying goods, they are becoming more focused on price, quality and availability across categories.

Exhibit 1: Greatest Business Priority for Consumer Health Executives as of 18 June 2020¹



Exhibit 2: Key Consumer Behaviour Trends Emerging as a Result of the COVID-19 Pandemic



Globally we are in a COVID-19 induced recession. Advanced economies are expected to be the hardest hit in this current recession, with their economic activity reflecting the strong spread of the pandemic in these economies, and the willingness of these countries to engage in costly social distancing measures to reduce infection and death rates.² Emerging and developing economies are also likely to be hit, but with output contracting less severely than in advanced economies.

As a result, consumer confidence is at its lowest in 8 years and this decline is being felt primarily across lower and middle-income households, with large markets for consumer health such as China, USA, India and EU seeing even bigger confidence declines.²

IQVIA Consumer Health analysis of conversations on social platforms revealed a decrease in worry and an increase in hopefulness after mid-March as users became accustomed to the 'new normal'.

It is an encouraging sign. But this can change rapidly back to fear and worry if infection rates begin to go up. Another lock-down of the scale seen in March and April will likely have a significant negative impact on consumer confidence for the balance of 2020 and well into 2021. Consumer are clearly worried about the future. (see Exhibit 3).

On a practical day-to-day level, shopping behaviors are changing, with consumers making fewer trips to the grocery store and seeking food with a longer shelf life. They are also seeking comfort foods and brands that they trust. They are staying home more and cooking more, thus forgoing on-the-go meals and trendier options (see Exhibit 4).

Furthermore, the big known and trusted consumer brands are seemingly making a comeback, as people shop quickly and go for the brands they know and trust. Coca-Cola Chief Executive Officer (CEO) James Quincey noted at the beverage giant's Q1 results that as consumer adjusted to the stay-at-home lifestyle they were "making fewer shopping trips and filling bigger baskets often oriented to bigger brands". Meanwhile, Coca-Cola's retail customers were "focused on maximising system efficiency by ruthlessly prioritizing... core SKUs and key brands".

Similar trends have been noticed in OTC categories, with bigger and well-known brands doing better than smaller challenger brands. The desire to experiment and seek choice has been replaced by the need for reliable quality and branding.

Looking further ahead, it is also worth considering the experience of previous periods of economic hardship, where consumers largely continued to treat symptoms—which kept volumes stable—but traded down from premium brands to economy brands, private label and generics leading to a loss in terms of value. Implications for manufacturers obviously depends on portfolio: premium brand manufacturers need to emphasise the brand values that justify a premium; for economy brand, generic and private label manufacturers, it may be a question of "seize the moment".

Also, as economic concerns rise as the impact of COVID-19 on the economy becomes clearer, it is worth considering the potential differences between symptom relieving categories/products—consumers may feel they need to treat their symptoms—and aspirational categories, where consumers may feel that while they want to aspire to better health, this may be an area where they can cut back when times are hard.

Exhibit 3: Global Trend of Overall Emotions of COVID-19 – January-May 2020³

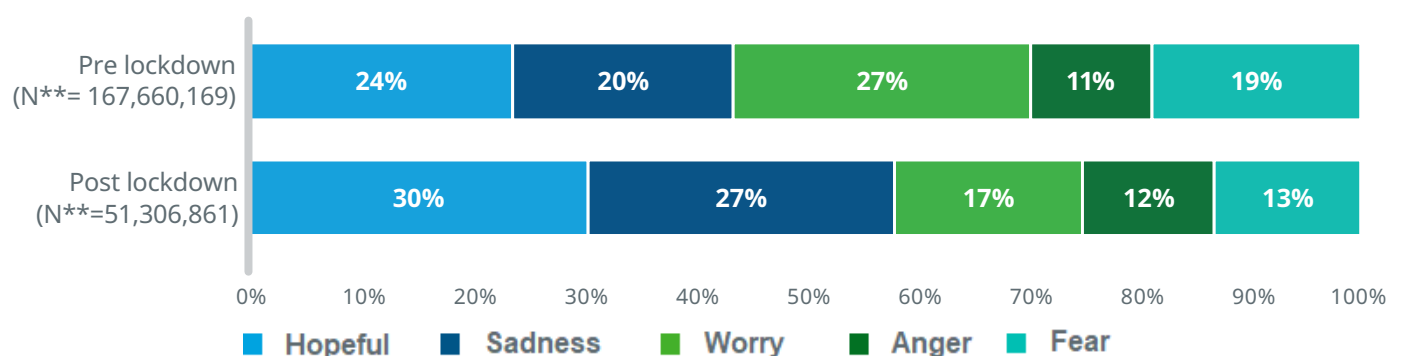
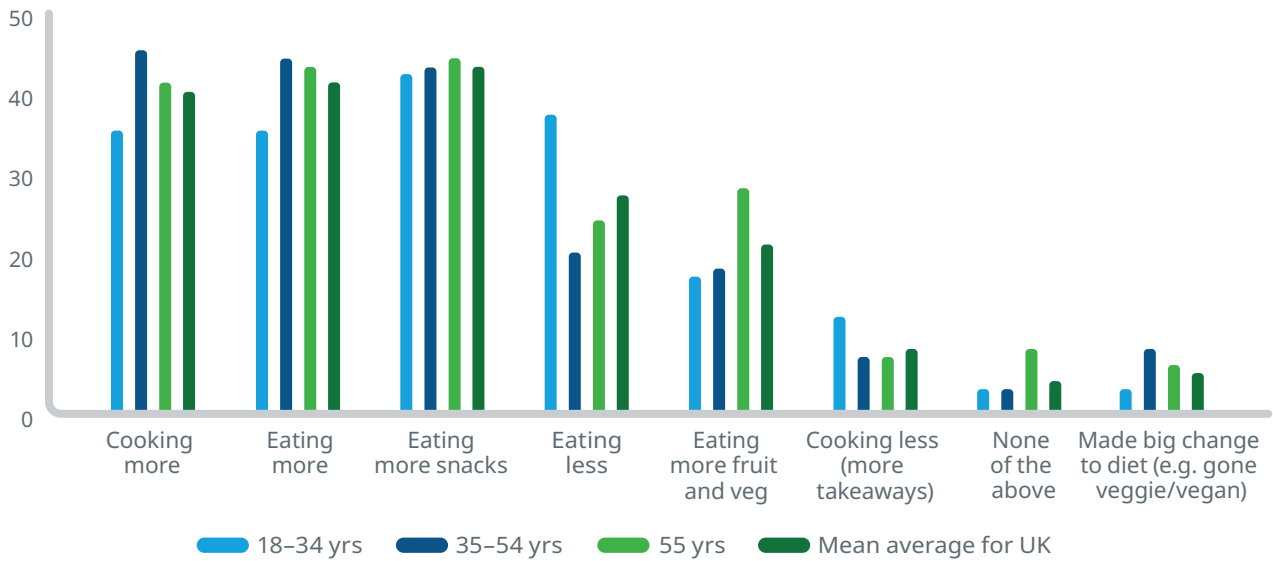


Exhibit 4: Changes in Consumer Eating Habits During COVID-19 Pandemic⁴



HOW TO ADAPT TO THIS CHANGE

In this changing environment, a three-pronged approach based around focusing on established brands, investing in brand health tracking and delivering on the changing needs of consumers is key for post COVID-19 success (see Exhibit 5)

First, focus on fewer established brands. Consumers are seeking trust and reliability in what are uncertain times. So larger and better-known brands will likely win market share and sales growth ahead of smaller challenger brands in your portfolio. Consumers are reluctant to experiment or seek choices, they are not spending time browsing shelves as well.

Second, invest in continuous brand health tracking as the consumer behaviors are evolving every week and their emotional state remains in flux. E-commerce has accelerated in recent months, but it will likely give up some of the gains as physical retail opens-up with easing of restrictions.

Third, formulate the right support model for your brands. Consumers have limited mind space for processing new communications as their top priority remains with their family, health and finances.

Exhibit 5: Three-Pronged Approach to Tackling Changes in Consumer Behaviour Post COVID-19



Focus on established brands within your portfolio

- In times of stress and uncertainty, consumers are seeking quality from trusted brands and retailers
- Large and known brands in each category being searched more and purchased more
- Desire to experiment and seek choice has been replaced by the need for better value



Invest in continuous brand health tracking

- Track changes in traditional consumer journey due to remote working, school closures and lockdowns
- Point of sale shift between in-store and e-Commerce across different categories



Deliver on the changing needs of consumers and shoppers

- Limited mind-space to understand and process new brand messages both at-home and in-store
- Formulate the right support model to reinforce brand loyalty
- Adopt a holistic approach rather than focusing on product benefits

References

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3. IQVIA Social Media Intelligence
4. Qriously