

Elevating the Consumer Experience Report



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Global uncertainty continues to disrupt industries across the board, with vaccine deployments, safety restrictions, limited fiscal and local government support, virtual schooling, negative impacts on economic growth and the lowering of disposable income. The consumer goods sector is marred with rising import and utility costs, poor public infrastructure and a workforce not digitally skilled enough to meet the changing demands of consumers, thanks to the uncertain climate. Today, consumers expect personalised experiences and multichannel engagements. In order for these consumer needs to be addressed, the sector will need to drill down and optimise their supply chain, eliminate process inefficiencies, maximise resources and introduce customisation.

Consumers opted to redirect their savings and government assistance into home improvements. Residential property also had activity, with consumers moving into larger homes far from urban city centres. The pockets of strong consumer spending and the converged business issues felt in the consumer sector introduce opportunity for technology innovation. The question most consumer sector players must ask themselves today is what digital technologies will help address the many challenges faced by the industry, while delivering value?

It's not all doom and gloom in the consumer sector, furniture and home furniture consumption grew by 31% in the first 5 months of 2021.

There are a number of questions consumer goods companies should be asking themselves, including whether they are really focusing on sustainability, and what measures or steps they are taking to ensure that they stay relevant and their products remain profitable.



Understanding South Africa's Consumer Goods sector

The consumer goods sector has like many other industries taken a hit in South Africa which is facing the effects of both the pandemic as well as an unfavourable economic climate. Adding to this is a low-skilled workforce and forever increasing petrol prices which have a domino effect on several, if not all sectors, including retailers and wholesalers. As more people focus on limiting their purchases to essential goods, profitability for most consumer goods companies is diminished.

At the same time, however, many companies have smartly used this period of disruption to make necessary changes and adopt technologies that will improve their work or production. An article by Deloitte states that more than one in three consumer goods companies are upgrading their enterprise technology by investing in Robotics Process Automation (RPA) and AI, and they believe that use of these technologies will increase investments in data privacy and cybersecurity.

The introduction of technologies has the potential to boost the sector and redirect it in a better direction. As more companies make adjustments, upskilling their staff with digital skills, introducing strategies and initiatives that pivot on emerging tech, they will be better poised to understand what their consumers need and when they need it, unlocking value for themselves and the sector at large.



The fast-growing tech industry has seen consumer goods companies turning to technology to solve some of their business problems. Technology is constantly being introduced to further simplify everyday procedures, resulting in the need for businesses to find effective and more efficient ways of conducting their work. This is where emerging technologies fits in.

The digital era is upon us. In a squeezed economy, consumer goods companies are competing for customers. The companies that will thrive in this era are those who will take the time to understand their customer, unlock value for them and turn that value into economic opportunity. This era gives consumer goods companies an opportunity to rise to the challenge of e-connecting with customers, building memorable experiences and renewing the brand experience.

With digital technology and solutions enjoying adoption between 15% and 40% in South Africa, we ask ourselves if going digital is enough to elevate the consumer experience?

Despite the challenging times in the market, there is a silver lining. The global pandemic we find ourselves in has rapidly increased online services, and with the digital wave comes an opportunity to re-establish yourself as a brand of choice with existing and new customers. Progressive consumer brands are looking for new ways to embrace digital offerings for their customers by building on enhanced multichannel experiences using data analytics solutions to engage customers and meet their needs effectively. This includes:

- Being a socially engaging consumer product by leveraging social media interactions to increase customer intimacy
- Offering a digital ecosystem of communities and clubs by leveraging the power of mobile technology to put the consumer first by offering them additional information or value-added services.

The retail sector has speared ahead, where online stores such as Amazon, Shopify, Alibaba and Takealot have developed compelling digital customer experiences.

Adopting a more digital mindset that places digital at the heart of the consumer experience will redefine customer-retailer relationships. By having a truly digital offering, brands can be more engaging, provide personalised experiences across multiple channels, products, and services. By being more digital, brands can mine a wealth of information about their customers across multiple touchpoints to make connections and draw insights that previously remained in silos or were unknown.

Analytics technologies can be used to capture and analyse vast, continuous data streams to develop an intimate experience that will keep existing customers coming back and attract new ones. Knowing and anticipating the kind of relationship customers want from their brands is key to providing the right level of service. Establishing the relative importance of buyer values will be critical to understanding customer feelings, which can be used to create a trusting and emotional bond with every customer.

- 1 The 'New Normal' and authenticity**
- 2 Decision making**
- 3 The digital shift**
- 4 Who are you marketing to anyway?**

Riding the wave of a shifting industry post-pandemic

As mentioned, the COVID-19 pandemic has posed a number of significant challenges to the consumer goods industry, not least of which to mention is a completely overhauled consumer landscape. Based on research conducted, we provide insights into how businesses in the sector can succeed by using effective marketing strategies that account for shifts in consumer behaviour.



1

The 'New Normal' and authenticity

The "New Normal" is a term which has become synonymous with COVID-19 related socioeconomic effects, policy, and lifestyle changes. The "New Normal" is not in fact a new phrase used to describe global changes and has been used before. However, it has become much more infamous through its association with the COVID-19 pandemic, now used extensively in marketing materials to convey messaging mostly directed toward acknowledging and sympathising with people's discomfort, followed closely by messaging directed towards market or economic behaviours. Using the phrase "New Normal" in marketing language as a strategy may present cognitive dissonance for many shoppers. More so, use of the term could potentially be viewed as false sympathy and inauthentic resulting in a negative association with a product or brand experience.



2 Decision making

There is a large body of research illustrating the economic effects of the COVID-19 pandemic; much of which paints a negative picture globally. The findings around this generally allude to consumers “tightening their belts”, indicating that they are less likely to spend especially on impulse and that a scarcity perception has a much larger impact on their decision making. The introduction of powerful scarcity mechanisms into the decision-making process has resulted in consumers displaying not only lower purchase intentions but prioritising safety over quality and popularity when making purchase decisions. Contactless consumption contexts such as online retail reduces these scarcity perceptions.





3 The digital shift

There has been a move towards digital transformation as organisations and corporates further expand and develop their digital footprint. Typologies of consumer behaviour are markedly different when comparing digital searching, browsing and purchasing for products compared to 'brick-and-mortar' searching, browsing and purchase behaviours. In general, consumers search online faster and use different spatial awareness processing skills, and information about products is processed and acted on in completely different ways when digital merchandising is compared to on-shelf merchandising.

As more people move to online shopping, stats indicate an increase of 14.8% and 16% in e-commerce grocery shopping in 2019 and 2020 respectively.

The movement towards online shopping environments/e-commerce is accelerating year-on-year globally. This constant cycle of innovation means that digital and online stores may need to adopt the fast-paced developments which are inherent within the digital world. For example, it is likely digital storefronts will change as VR and AR become more widely available.

Online shopping must be underpinned with an effective strategy that places the user journey at its core. With this mode of shopping, some considerations include:

- There is always a time delay between purchase and obtaining products. This has significantly different patterns of reinforcement in that wait times and delays can have detrimental effects on brand perception
- A hindrance to browsing or reduced ease of product viewing caused by a poor UX/UI structure can lead to sales drop-off
- In South Africa, the majority of online shopping will likely be done from smartphones as opposed to desktops or laptops, thus requiring e-commerce sites that are responsive and mobile friendly

4 Who are you marketing to anyway?

There has been an increased interest in social connection and empathy. As people have begun to realise the value of their social connections and friendships, they have also begun to prioritise their time and direct personal resources towards these valuable social connections. Social conscience, the rise of mental health awareness (in general and amongst organisations) as well as environmental awareness may be further indicative of trends towards more careful considerations in purchase decisions. These may include an increase in the considerations of the possible impacts that purchases may have.

There has been an observed shift in young adults' buying behaviours, specifically the Gen-Z and Millennial age groups who are more likely to explore, are more adaptable as well as more likely to try new brands and products or abandon brand loyalties. While this initially appears counterintuitive given the effects of scarcity perceptions and the increased uncertainty and anxiety as well as general cautiousness in buying/purchase behaviour, these individuals are also leading the way when it comes to adopting e-commerce over brick-and-mortar shopping environments.

The health narrative

The health narrative which focuses on mental and physical health and illness within organisations and communities means people are placing greater emphasis on their personal wellbeing. It indicates that there is a thoughtfulness about how behaviours may impact their livelihoods and wellbeing. In line with this, brands can take more purposeful action towards assessing what they stand for and what values consumers associate with them.

The family narrative

Realisation of the value of family time, friendships and socialisation will likely affect how consumers interact with brands. As lockdown status changes and people begin to socialise more, there may be a move away from non-essential shopping. This may further drive e-commerce solutions as a fast and efficient means of acquiring needed products such as groceries.

The anxiety narrative

The general increase in anxiety means that consumers are shopping on more immediate need; in-store shopping may be more about purchasing premium items (as shoppers move online for general purchases); and although it was initially assumed that brand loyalty would increase under conditions of uncertainty, there have been many reports which have observed brand switching and new brand testing (especially among the Gen-Z and Millennial audience).

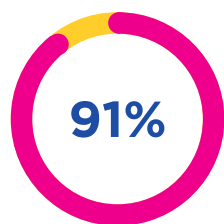




Winning the customer through personalisation

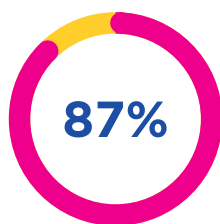
There is a higher demand among consumers for personalised experiences facilitated by the digital landscape.

FOUR MAGIC Rs TO WIN THE SHOPPER



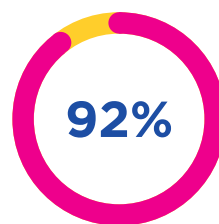
RELEVANCE

Are likely to buy from a brand that sends a relevant and personalised promotions



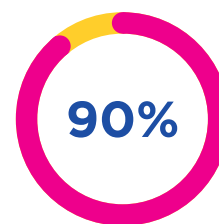
RECOGNISE

Are likely to buy from a brand that recognises them by name



REMEMBER

Are likely to buy from a brand that remembers their purchase history

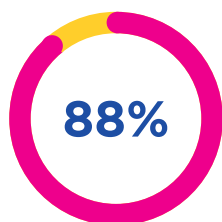


RECOMMEND

Are likely to buy from a brand that recommends product options based on their purchase history

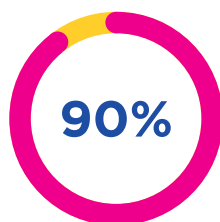
Players in the consumer goods sector should focus on how each consumer engages with their brand when creating a strategic plan on how they can develop personalised marketing and consumer experiences. Incorporating purchase behaviour with survey data will assist manufacturers in providing deeper insight into the consumer experience.

EFFECTIVE USE OF PERSONAL DATA



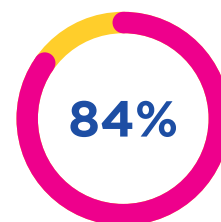
TRANSPARENCY

Are likely to buy from a brand that is transparent about how they use their personal data



CONTROL

Are likely to buy from a brand that allows them to control their data and how it can be used



EXPERIENCE

Are likely to buy from a brand that uses their data to improve their overall experience with the brand

Personalisation within the consumer goods sector allows customers to buy and consume what they want, when they want it. Understanding consumers and all the touchpoints that they have with brands and the reasons behind those interactions will be the key differentiator behind who wins the consumer and who loses the consumer.

Unlocking the power of technology

Virtual Reality and Augmented Reality trends

These two technologies are relatively young within the tech space and have already developed somewhat of a name for themselves, with most businesses looking to include them in their operations to benefit their work and sales. Among their many uses, organisation can leverage AR and VR for teaching and training purposes. Brands have an opportunity to educate the consumer about their products and sometimes even experience them before purchasing them.

A smartphone is shown in the foreground, displaying a virtual grocery list. A cardboard box filled with various groceries, including a loaf of bread, a bottle of wine, a corn cob, a pineapple, and several red tomatoes, is positioned in front of the phone. The background is a solid magenta color.

70% of customers believe that AR will be beneficial to them and most of these users fall into the 16 – 34 age bracket.

In product marketing, AR and VR have the power to offer new ways of marketing products by adding entertainment. As discussed in an article written by HubSpot, AR is soon going to reshape customer service. Assistants will now be able to virtually assist customers on how to use their products and services. This means that not only will customers engage with simulated products pre-purchase, but they will be supported digitally in familiarising themselves with its features. Technologies like VR and AR that are a part of the extended reality family could potentially contribute \$1.5 trillion boost to the world's economy by 2030 according to an economic impact assessment conducted by PwC. This study shows that there will be increased value in areas such as customer experiences, product development and workplace safety.

AR applications are categorised in three particular sections:

1. “Try-On” which is for products that can be worn
2. “Try-Out” which is particularly for products that can be overlaid into users’ environments
3. “Interact” which are products that can be assembled (e.g., a machine assembly)

Artificial Intelligence trends

AI is a technology that has grown rapidly over the past few years and is finding a place in many sectors. Mostly demonstrated through machines and robots, AI machines are programmed to mimic human-like behaviours.

AI can mine data over a period and then use it as a source of reference to better perform its assigned tasks. Referred to as data learning, an AI can collect information, clean it up by grouping it into patterns and use it for tasks like speech recognition, learning, problem solving or as a great prediction tool when provided with the right parameters.

Like many other sectors, the consumer goods sector has started including these technologies in their operations. In an article written by Prescouter they speak to how AI can personalise the whole customer experience: from the moment a consumer lands on the homepage until they checkout their items.

The use of this technology around the consumer goods sector can be found in areas such as manufacturing, logistics and deliveries, and online and in-store advertising. If they don’t already, retailers must look to valuing their data and analytics through AI to keep pace with competitors and truly harness the power of data to create meaningful experiences for their customers

**According to Gartner,
by 2020 it was expected that
85% of customer interaction in
retail will be managed by AI.**

Conclusion

In conclusion, the COVID 19 pandemic has resulted in a number of significant challenges to the consumer goods industry producing multiple new trends and shifts in consumer psychology which the industry will need to consider when moving forward.

To combat these challenges, technologies including AI, AR & VR, as well as others will become game changers for players in the consumer goods sector, offering easier and improved ways to operate and engage with their customers, especially in the face of changing consumer behaviours and demands.

As customers turn to more digital means to do their shopping, the industry must turn to emerging tech to satisfy this need and relevant marketing to appeal to their audiences or risk becoming irrelevant and losing business.

As you think about how you can elevate your consumer experience, COOi can assist in testing the ideas your team comes up with. With limited resources, it can be difficult to evaluate the viability of a solution, hence through our idea validation we are able to rapidly test and jointly pilot an idea with startups, namely Neural Sense and Brandbook, to help you assess the potential return on investment prior to making large financial investment on an idea that may or may not work.



Authors



COOi Studios is an Open Innovation lab that helps enterprises rapidly move from a problem to a tested solution developed by a startup. Our lab uses design thinking methods whilst encouraging the application of emerging technologies; artificial intelligence, machine learning, virtual and augmented reality, 3D printing and internet of things to validate an idea. When it no longer makes sense for your organisation to outsource innovation services, we help organisations build internal innovation capabilities. We are an ecosystem enabler that bridges the gap between start-up solutions and large enterprises.

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Brandbook is a data and analytics platform that allows brands to understand their shoppers a bit better every day. We do this by collecting shopper receipts through our proprietary mobile app as well as allowing our shoppers to take surveys on our platform. Backed by IDF Capital we are uniquely positioned to deliver the intelligence you need to grow your business and your shopper base. Partner up with us and see the magic unfold.

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