

Decoding consumer behavior

How to set up D2C business models in a Covid-19 world

Roland
Berger



Covid-19 is challenging us to redefine the way we live, work, interact and consume. Our homes have become hubs not just for living but also for working and learning. New routines and behaviors have quickly become normal.

At the start of the pandemic, shopping shifted online in a heartbeat, quickly creating digital winners and losers. However, the changes go beyond just how people shop: More time networking and communicating online has altered consumer interaction with brands and products across the entire purchasing funnel.

But will these changes last? And, more importantly for decision makers: Does the actual shopping and behavioral data back up their expectations of how things will develop? Correctly answering these questions will be vital to set up D2C business models for lasting success.

A recent consumer survey conducted by Roland Berger and Potloc reveals how consumer behavior is changing across the world since Covid-19 appeared. By combining these findings with anonymized aggregate shopper data from Salesforce, in addition to information from Salesforce surveys conducted in 2019 and 2020, we have compiled a number of key insights into what these changes mean for retailers, brands and their D2C initiatives.

The new normal

A wave of lockdowns forced people to immediately adapt their daily routines. As the global consumer survey by Roland Berger and Potloc reveals, travel and outdoor activities declined across the world during the first wave of the pandemic, while 40% of people switched to working from home. The combination of more time at home and fewer social interactions led to an increase in media use for information, communication and entertainment purposes. No fewer than 59% of respondents reported an increase in social media use, while the rise in at-home came next, with 44% increasing online streaming and 38% watching more broadcast TV. One third of respondents now invest more time in apps as well as books and literature, while consumption of print magazines is declining globally.

The new normal is being at home and online

% of respondents

59%
increased use of social media



44%
increased use of online streaming

40%
switched their workplaces to their homes

38%
increased use of broadcast TV

Source: Global consumer survey by Roland Berger and Potloc

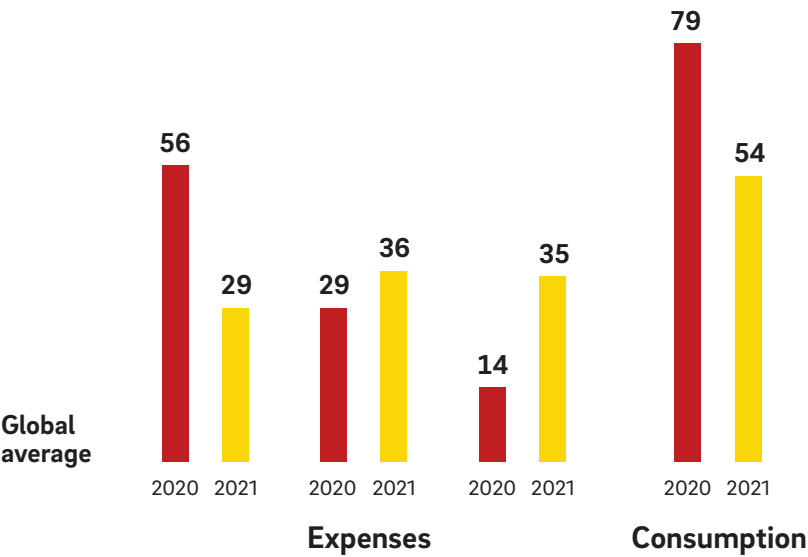
Salesforce data reveals that between May and August of 2020, 83% of global consumers expressed concern about their long-term financial situation, with 77% concerned about their short-term finances. The global consumer survey by Roland Berger and Potloc shows that this has resulted in more cautious spending, with 56% reducing their outgoings (see infographic on p.5). More than three quarters of respondents (79%) intend to reduce their consumption. There are signs of recovery for 2021, but cautious consumption will remain a trend.

Increased saving means shoppers intend to reduce their consumption

% of respondents

How do you expect that you will change your overall monthly expenses compared to before Covid-19?

What will you most likely do to reduce your monthly expenses?



	Expenses				Consumption			
	Reduce		Don't change		Increase		Reduce	
US	64	27	22	29	14	44	81	54
Brazil	69	38	20	28	11	34	78	62
UK	65	30	21	31	14	39	81	56
France	48	22	40	43	12	34	81	63
Italy	60	36	31	42	8	23	71	48
Spain	50	30	42	49	8	21	77	47
Germany	54	17	29	38	16	45	82	41
Saudi Arabia	62	46	9	21	28	33	73	49
UAE	86	45	9	23	5	32	78	61
Japan	50	25	31	44	19	30	80	56
China	28	22	44	36	28	42	84	55

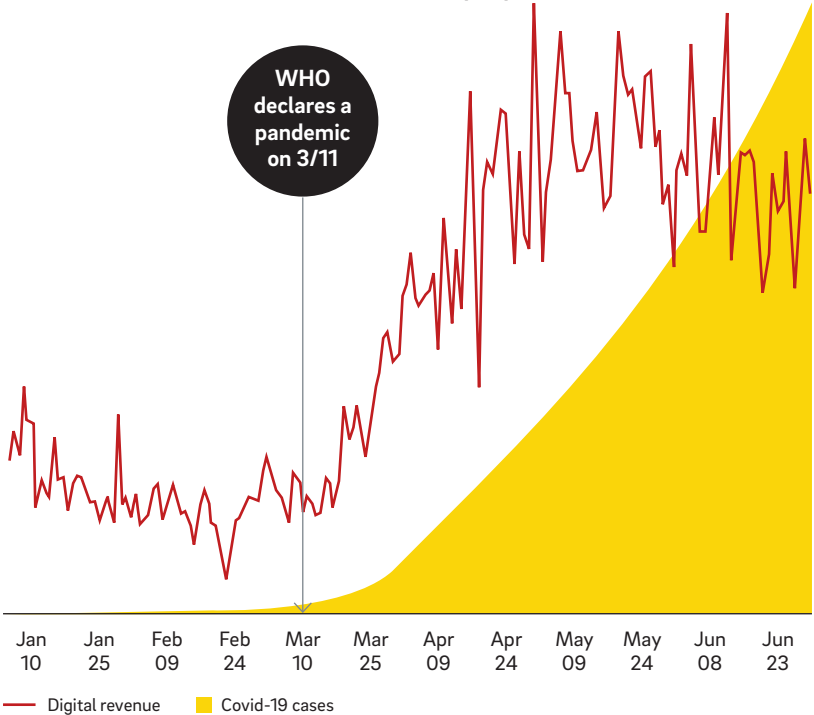
Source: Global consumer survey by Roland Berger and Potloc

Consumers are also changing what they spend their money on, placing greater priority on essentials such as groceries and personal care. This trend will continue, although in 2021 consumers are expected to shift some home-related spending to “micro” activities such as concerts, festivals or theater visits in smaller groups.

Covid-19 has accelerated the shift from offline to the safer and more convenient option of online shopping. As the number of cases rose, so too did e-commerce spend (see infographic below). The global consumer survey results confirm this: 42% of respondents increased their online shopping frequency, while 49% reduced how often they visited physical stores. In the US, 52% of people now shop online more regularly; in France, this figure drops to just 24%. It would be rational to expect digital sales to normalize as physical stores around the world started to reopen in May. However, the Salesforce Shopping Index suggests consumers came to enjoy the convenience of online shopping. In Q2 2020, global digital revenue continued to grow by an unprecedented 71% year on year – a trend with the potential to accelerate through further lockdown waves.

As Covid-19 cases rise, so too does global e-commerce spend

Global 2020 digital revenue & Covid-19 cases by day



Source: Salesforce & Johns Hopkins, January – June 2020

In such abnormal times, these numbers already seem like old news. Combining the expertise of Potloc, Salesforce and Roland Berger, we dug deeper into the data to uncover six key insights and their implications for decision makers in the coming months.

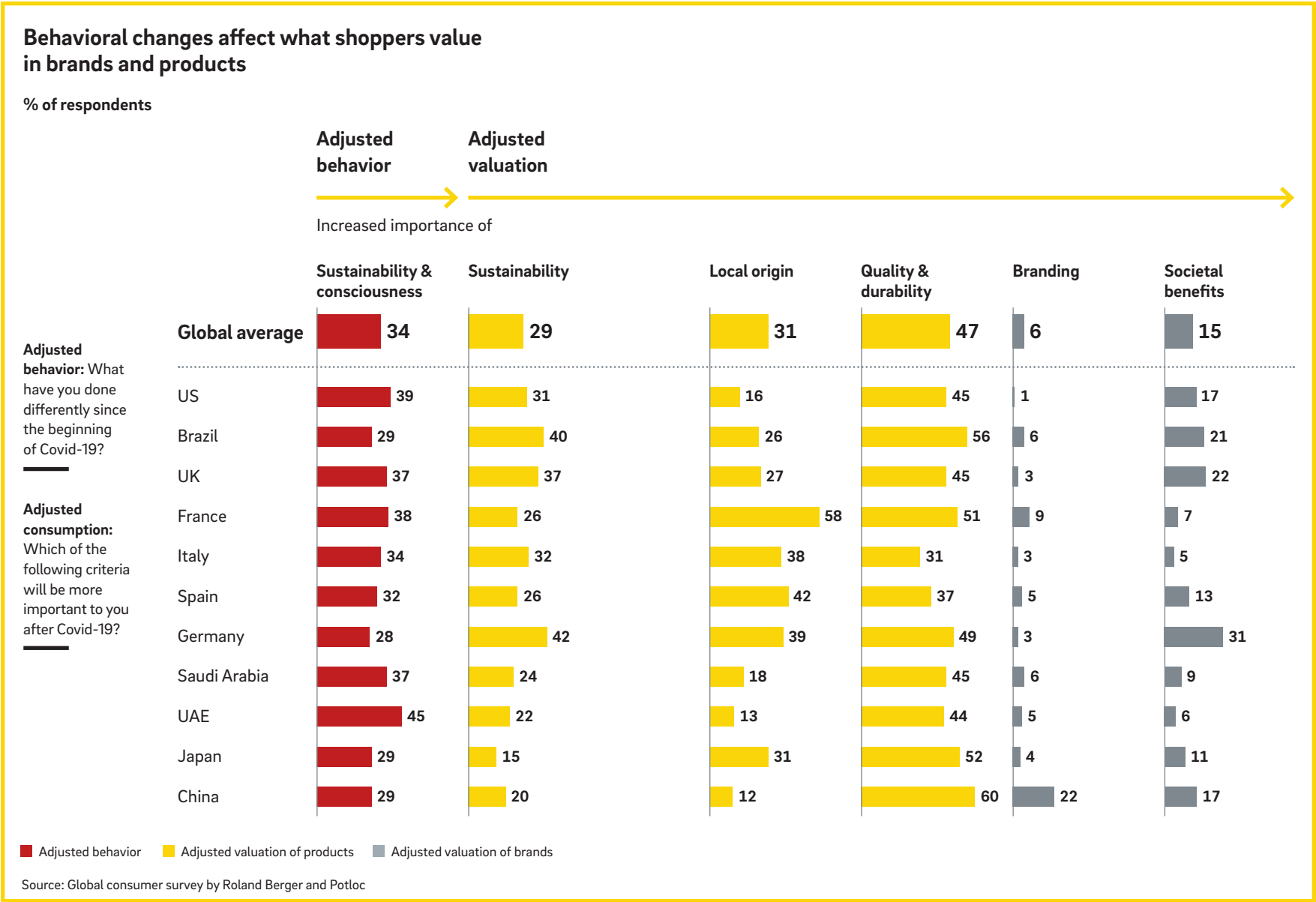
6 key insights

- 1. → "The reason why" is key to consumption
- 2. → Mobile is now a revenue source – even for higher-priced items
- 3. → Value comes from social media
- 4. → Monthly expenses are planned with caution
- 5. → Shopping baskets shift to essentials
- 6. → Surprise and delight with additional benefits

Insight 1: "The reason why" is key to consumption

Covid-19 has accelerated a shift in behavior, with a third of respondents becoming more conscious of what they are buying and shopping more sustainably. This strongly influences consumer opinion of brands and products, which had already started to change even before the pandemic. Consumers are becoming increasingly discerning when it comes to

selecting what they buy. According to pre-pandemic findings from Salesforce, 68% of customers said they wouldn't buy from companies with poor ethics. The uncertainty of Covid-19 has merely accentuated certain consumer habits. Buyers now demand more from companies, their brands and their products. After the first wave of the pandemic, products are increasingly valued for their quality and durability, sustainability and local origin (particularly in Europe). Branding has been growing in relevance for some time, especially in China. Now, consumers expect a clearly communicated reason to purchase, not just functional or emotional messaging.



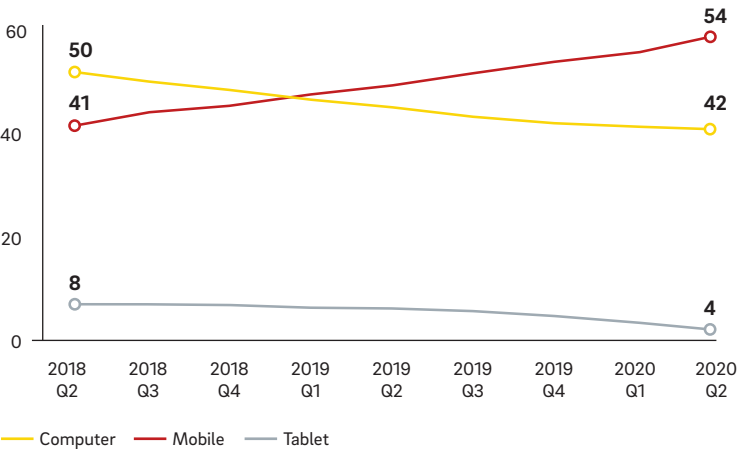
Insight 2: Mobile is now a revenue source – even for higher-priced items

Mobile has long been a way to facilitate product discovery, but consumers are increasingly using mobile devices to place their online orders. In Q2 2020, global mobile traffic grew by 46% compared to Q2 2019. Orders placed via a mobile device grew by 12.5% to 54% of overall order volumes over the same period. These growth rates surpassed those seen over the last nine quarters, as consumers accelerate their shift to digital for both browsing and buying.

Some countries have seen even higher mobile order growth rates, with Canada witnessing a rise of 152% and the United States 145%.

The majority of online shopping is now done on a mobile device

Share of online orders by device over time in %



Source: Salesforce Shopping Index, Q2 2018 – Q2 2020

Even more interesting is the jump in higher-priced product categories like home furnishings. These typically saw a lot of browsing on mobile devices without much buying. During the first wave of the pandemic, however, the mobile order share went from 40% to 54% compared to 2019.

Insight 3: Value comes from social

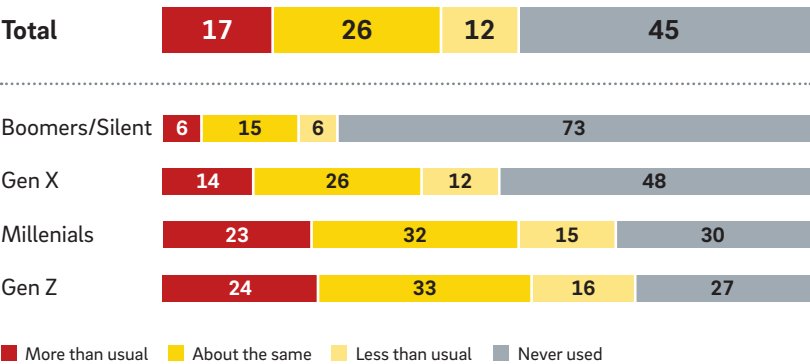
The shift to e-commerce is changing the way consumers interact with their favorite brands and retailers. Digital traffic and conversion rates are increasing at record speed across all devices. As Salesforce data points out, digital traffic grew an impressive 37% year on year, marking the largest non-holiday traffic increase in the last nine quarters. And while increases in traffic used to mean a drop in conversion rates, Covid-19 has changed the game, with average conversions rising a record-breaking 35% year on year.

Fewer opportunities for physical interaction have led to more time on social media, said 59% of those surveyed in the global consumer survey by Roland Berger and Potloc. Interestingly, a growing portion of this time is being used to shop and share recommendations in communities, with a new era of live streaming ahead.

To respond, companies should engage with their shoppers on the platforms and devices they use most – social and mobile. Social media will continue to grow as a shopping source: Salesforce data reveals that 55% of consumers have already made a purchase through social media, with 17% increasing their usage since Covid-19. This trend is especially visible in younger users: Almost three quarters of Gen Z consumers report shopping via social media during the pandemic.

The rise of social media as a shopping channel

% of respondents in total and by age group



Over the past two weeks, to what extent have you used the following shopping methods compared to before Covid-19?

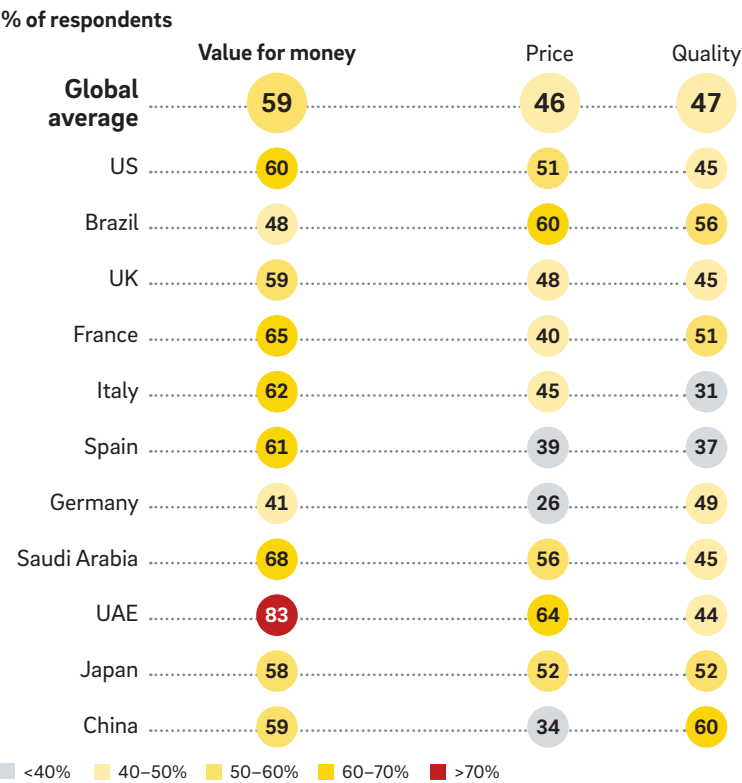
Source: Salesforce Consumer & Workforce Snapshot, May – August 2020

Insight 4: Monthly expenses are planned with caution

Financial uncertainty and job cuts since Covid-19 have caused many consumers around the world to plan their monthly expenses more carefully. The global consumer study by Roland Berger and Potloc shows that expectations for a rebound in 2021 differ: Cities in the US, UK and Germany show more optimism than cities in Italy or Spain. This could reflect longer-term struggles with economic growth.

A global uptick can be seen in how consumers view the relevance of value for money, highlighting the increased importance of product quality as well as price. Most countries give both aspects equal weighting in their decisions, but quality plays a more important role in France, Germany and China, while price is key in Italy and Arabic countries (see infographic below).

More cautious spending leads to increased importance of value for money



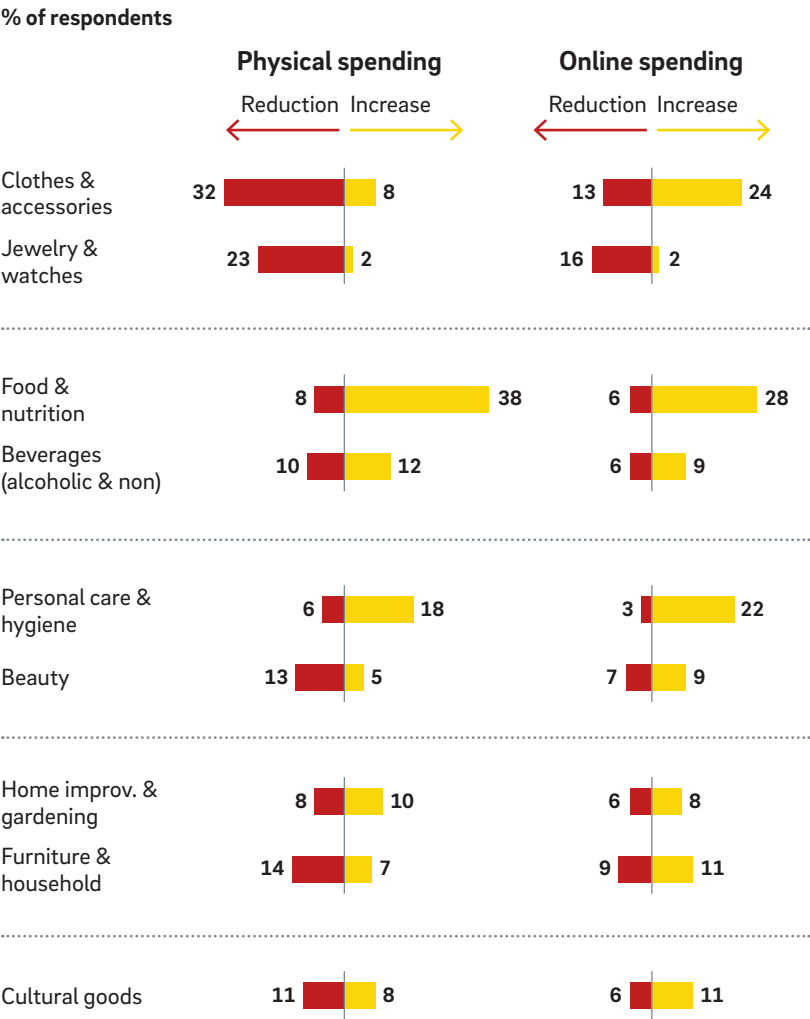
Which of the following criteria will be more important to you after Covid-19?

Source: Global consumer survey by Roland Berger and Potloc

Insight 5: Shopping baskets shift to essentials

During much of 2020, shoppers have changed their consumption habits within categories and purchasing channels. The magnitudes of change vary across channels and countries as the global consumer survey of Roland Berger and Potloc reveals.

Consumers shift spending to focus on essentials like food and personal care



In what categories do you expect to spend more/less in physical stores/online, compared to before Covid-19?

Source: Global consumer survey by Roland Berger and Potloc

Concerned about scarcity, shoppers have shifted their spending to essentials within the consumer goods category, which has also seen a record increase in online spending. The Salesforce Shopping Index confirms the global consumer survey findings: While second-quarter digital shopper spending across all verticals grew 24% year on year during the first wave of the pandemic, some categories grew faster than others. In Q2 2020, consumers spent more online for health and beauty products (+54%) and active apparel in particular (+48%). Spending on general apparel rose 19%, while footwear grew a mere 11%. These findings indicate a shift in consumer priorities as they seek products that will make working from home more comfortable.

Digital shopper spending varies by category

Digital shopper spending increase in %



Source: Salesforce Shopping Index, Q2 2018 – Q2 2020

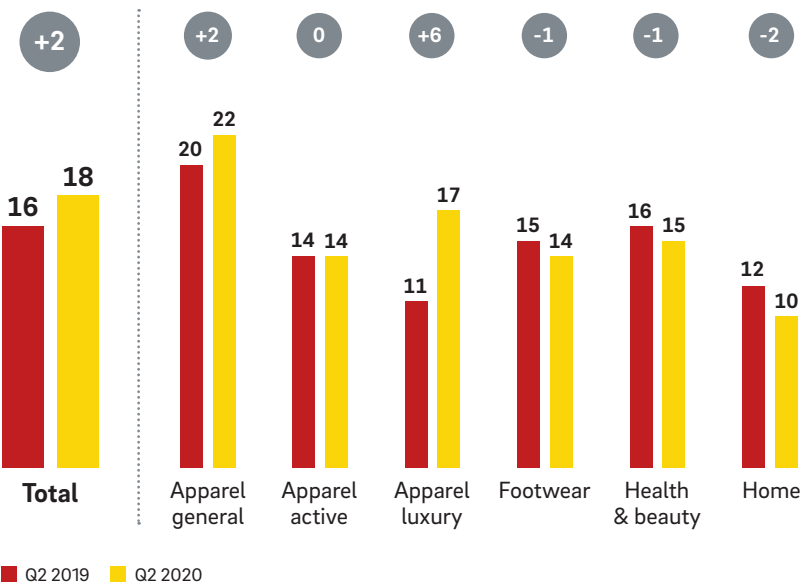
Insight 6: Surprise and delight with additional benefits

Consumers may be spending less and reducing consumption, but they are also looking for a deeper connection to brands and products. Retailers can excel by offering unexpected opportunities that meet these new priorities and create a feeling of special value. The global consumer survey by Roland Berger and Potloc reveals what consumers now value, indicating where companies can respond with surprise and delight moments.

Consumers may be planning their spending more cautiously, but they also prefer not to adjust their shopping routines, if possible. Consequently, a fifth of respondents are looking for promotional offers. An effective surprise and delight response could be as simple as offering a coupon, albeit in a tailored, meaningful way. Salesforce data proves this is a trend that has become more apparent in Q2 2020, with average discount rates rising by two percentage points since Covid-19, particularly in non-essential categories like luxury apparel. Conversely, average discount rates have fallen in high-demand categories like home, and health and beauty (see infographic below).

Increased discounts aim to attract shoppers to non-essential goods

Discount rate in total and by category in %



Source: Salesforce Shopping Index, Q2 2018 – Q2 2020

Additional benefits remain highly valued for the growing population of online shoppers. More than two thirds (67%) would increase their shopping frequency for free online shipping, with 39% swayed by guaranteed delivery times. Improved return processes might also create a surprise and delight moment: Hassle-free services (such as no print-outs) or extended rights of return and cancellation are important.

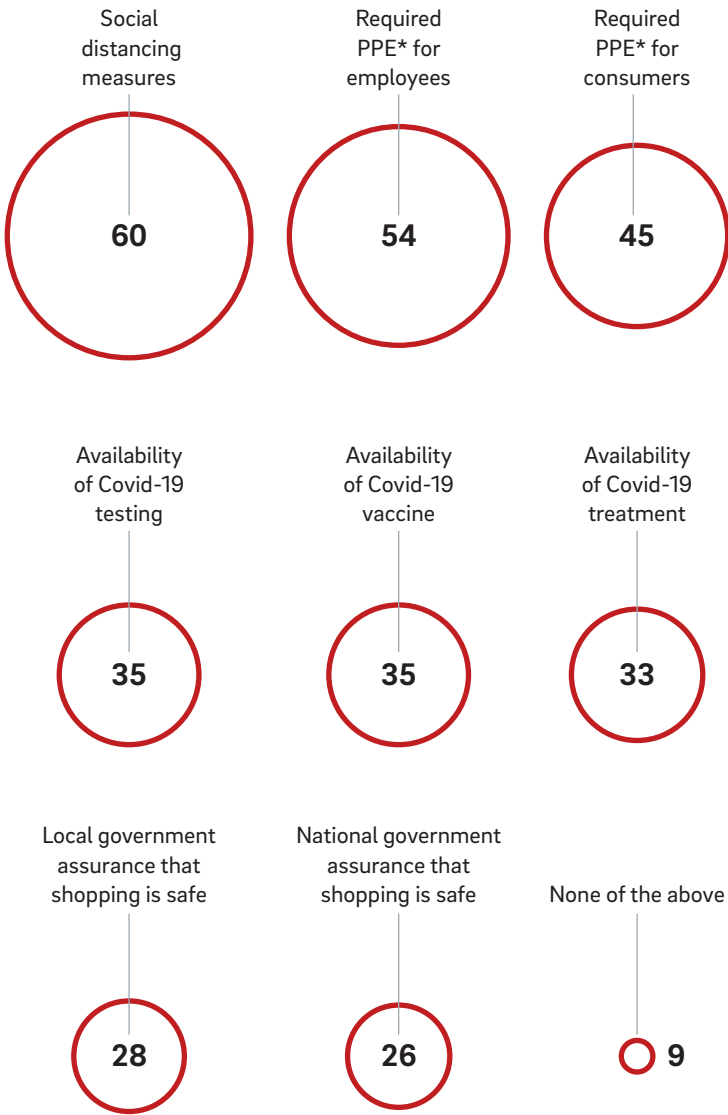
Surprising visitors to physical stores might be the biggest challenge as we face waves of lockdowns. Our global consumer survey reveals that large shopping facilities have fallen out of favor: 54% of respondents intend to reduce their visits to shopping malls. Even in the mid term, the fear of coronavirus is likely to prevent consumers from returning to their previous habits. Attracting shoppers back to stores will require an extensive safety strategy that goes beyond their long list of requirements (see infographic on p. 17). These measures are especially important in the Americas, which recorded the highest reluctance to visit stores.

Covid-19 is accelerating the rethinking of brick-and-mortar stores faster than expected. A complete transformation of store formats will be a longer journey but buy online, pick up in-store (BOPIS) is providing value in the short term. It allows shoppers to realize the benefits of buying online with confidence and collecting with convenience at their local store. Almost a quarter of global consumers now use this method more regularly than before the pandemic. This presents an opportunity for retailers with physical stores to benefit from their existing infrastructure. Transforming unused store space into fulfillment centers can enable more efficient last-mile delivery, which experts predict could run out of capacity this holiday season.

Consumers want comprehensive safety strategies in store

% of respondents

What are your personal requirements in order to return to normal in-store shopping behaviors?



* Personal protective equipment

Source: Salesforce Consumer & Workforce Snapshot, May – August 2020

Facing the new normal:

Key takeaways

Covid-19 has made consumers more conscious of their spending and packed five years of digital transformation into just a few months. So, what does this mean for you?



→ Focus

Focus on a purpose-led strategy, integrate sustainability across all facets (such as culture, brands, value chain) and tell a compelling brand and people story



→ Set clear priorities

Set clear priorities for performance improvements, control costs and reorganize supply chains to achieve more flexibility in business and order planning



→ Invest

Invest in data analytics for a deep consumer understanding to discover trends early, ensuring an ever-evolving, consumer-centric product offering that gains trust



→ Shift

Shift media budgets and storytelling towards mobile and social to keep brands visible and boost D2C to foster increased consumer engagement



→ Build

Build an e-commerce operation that is set up for scale, including flexible extensions in operations



→ Transform

Transform and comprehensively integrate physical stores into the digital universe, setting up safe spaces for social exchange to create unique and meaningful brand experiences and shopping platforms

Consumer data from our global study

Roland Berger conducted a global study in partnership with Potloc, a tech-enabled consumer research company from Montreal that conducts survey sampling through social networks. In this study, city residents from 20 focus cities in 11 countries were asked about their shopping habits before and after the outbreak of the Covid-19 pandemic. The questionnaire contained multiple-choice questions and gave the opportunity to add free text comments. It was conducted via social media from June to August 2020. For each city, answers are weighted for a representative balance in terms of age, gender and income status to provide a comprehensive picture. [*For more details, request free access here.*](#)

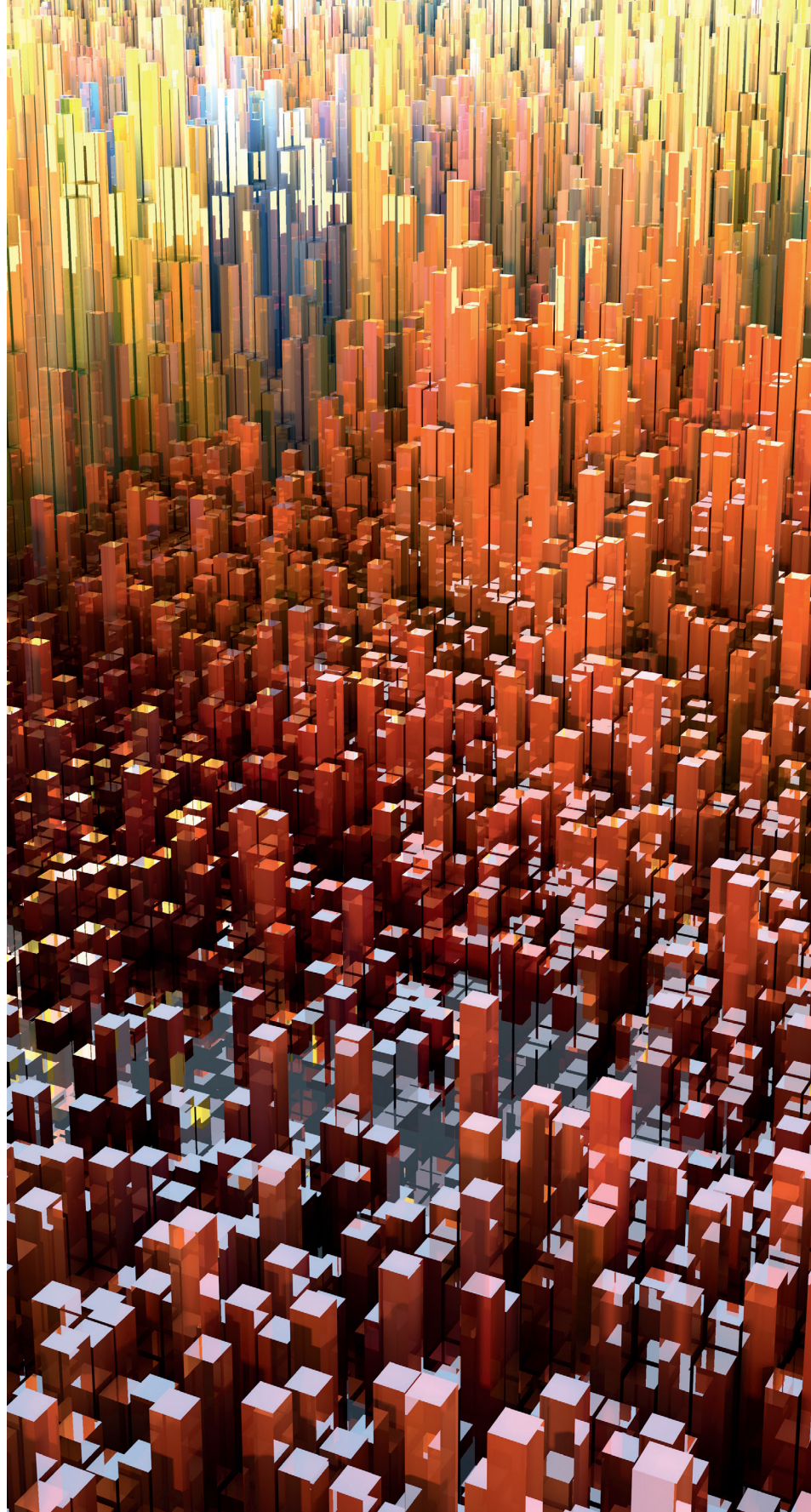
Salesforce shopper data

All Salesforce figures used in the report are extracted from the listed Salesforce sources below.

→ **The Salesforce Shopping Index** is a quarterly publication. This study considers the data from Q2 2018 to Q2 2020 consisting of a curated set of 1,388 digital commerce sites, covering more than a billion shoppers, 2.2 billion visits and 41 countries. [*For more details, click here.*](#)

→ **Salesforce Consumer & Workforce Snapshot** surveys a representative sample of the general population twice a month to understand their ever-changing experiences, expectations and outlooks as consumers and members of the workforce. This study considers the data period from May to August 2020. [*For more details, click here.*](#)

→ **Salesforce State of the Connected Customer**, June 2019. [*For more details, click here.*](#)



Your contacts

Looking for more information or a discussion
about your specific business challenges?
Schedule a video call with one of our experts.

Roland Berger

Thorsten de Boer

Senior Partner

thorsten.deboer@rolandberger.com

Richard Federowski

Partner

richard.federowski@rolandberger.com

Stephanie Bickermann

Consultant

stephanie.bickermann@rolandberger.com

Potloc

Gaspard Delcroix

Consulting Firms Director

gaspard.delcroix@potloc.com

Gabriel Tavoularis

Consumer Insights Manager

gabriel.tavoularis@potloc.com

Thomas Amiot

Research Manager

thomas.amiot@potloc.com

Salesforce.com

Nadine Wolanke

Head of Sales Retail & Consumer

Products Germany

Sandra Ertel

Director Strategic Account Advisor,

Business Value Services

Vinod Kumar

Head of Business Insights & Growth,

Salesforce Commerce Cloud

Contact via Moritz Frieling

Business Development

Representative

mfrieling@salesforce.com

Roland Berger, founded in 1967, is the only leading global consultancy of German heritage and European origin. With 2,400 employees working from 35 countries, we have successful operations in all major international markets. Our 52 offices are located in the key global business hubs. The consultancy is an independent partnership owned exclusively by 250 Partners.

Salesforce.com is the #1 CRM, bringing companies closer to their customers in the digital age. Founded in 1999, Salesforce enables companies of every size and industry to take advantage of powerful technologies – cloud, mobile, social, blockchain, voice and artificial intelligence – to create a 360° view of their customers.

Commerce Cloud is the world's leading B2C and B2B commerce solution. Commerce Cloud is a multi-tenant, cloud-based commerce platform that empowers brands to create intelligent, unified buying experiences across all channels – mobile, social, web, and store.

Potloc is a tech-enabled consumer research company that conducts survey sampling through social networks. With its sampling technology, Potloc can reach any niche audiences or geo-targeted survey respondents to provide businesses and organizations with valuable insights. Leading brands and top consulting firms worldwide leverage this sampling approach to acquire respondents, understand their consumer base, and solve strategic challenges. Headquartered in Montreal and founded in 2014, Potloc has grown to nearly 60 employees, with global offices in North America and Europe.



Looking for more insights about the global survey?
[Request free access here](#)

Publisher

Roland Berger GmbH
Sederanger 1
80538 Munich
Germany
+49 89 9230-0

This publication has been prepared for general guidance only. The reader should not act according to any information provided in this publication without receiving specific professional advice. Roland Berger GmbH shall not be liable for any damages resulting from any use of the information contained in the publication.

© 2020 ROLAND BERGER GMBH. ALL RIGHTS RESERVED.