

INNOVATING IN CHALLENGING TIMES - ISSUE 2

Research during coronavirus for
Services, Durables, and Technology

Supriya Chabria, Barry Zacharias, Read Taylor, and Jo Storry | April 2020

IPSOS VIEWS

GAME CHANGERS





In our previous issue of *Innovating in Challenging Times*, we covered some overarching views on research during a crisis and how it can help contextualize actions that need to be taken now and in the future as some of the changes in attitudes and behaviors become permanent. The data perspective in the previous issue is based on our innovation database for consumer-packaged goods.

In this issue, we dive deeper into the dynamics observed specifically in our *Vantis* database for services, technology and durables, which consists of over 39,000 concept evaluations. Measuring interest in these categories requires a set of metrics mapped to a much more deliberate decision process versus consumer-packaged goods that are bought regularly. Benchmarking for these categories is done against previously tested concepts since identifying consumer defined competition is often complex due to long purchase cycles, often several years.

A crisis such as the current COVID-19 pandemic provides impetus for rapid change in consumer behavior as people cope with the changes in their environment. Any business decisions during this time will depend on many factors including the product category, market considered and intended action (such as launch of a new product). Some categories will thrive while others will see delayed purchases. To help with decision-making, we provide some perspective on interpreting research data for categories that are challenged during the current crisis. The results offer some overarching guidance. The analysis presented in this document is meant as a starting point to determine a course of action.

This document is organized into three sections:

1. The role of services, technology, and durables
2. A data-driven perspective on how a crisis may impact consumer response
3. Future-proofing your business decisions

THE ROLE OF SERVICES, TECHNOLOGY, & DURABLES

As of April 2020, almost a third of the world population is at home¹ and this number is increasing as more countries follow. The confinement in domestic spaces creates new challenges for everyone and many are turning to technology and service-based solutions such as apps and websites to cope with the change. Service-based business models such as subscriptions were already on the rise with many categories being offered as-a-service (software, banking, mobility, security, meals and more). As large eCommerce companies adapt to the sudden surge in orders, people will be forced to seek alternatives. Thus, well timed service-based offerings for consumer-packaged goods will also be positively received. As people are thrust into using technology, they will overcome barriers at a faster pace than ever, resulting in a higher adoption of digital services.

The role your products and services play in this environment is critical. Products that become a part of consumer routines at this time can gain a strong user base that will outlast the current situation. Amid the challenges are opportunities for those willing and able to move fast. However, a lack of empathy or added friction in the consumer experience could also result in less favorable outcomes.

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In China, there has been accelerated development in many categories such as high-tech beauty which was achieved through rapid response to the quickly changing consumer context. While staying at home led to lower use of cosmetics, it also presented the opportunity for consumers to invest more time in skin and personal care.

Lin Qingxuan, a cosmetics company based in China, was forced to close 40% of its stores during the crisis, including all its locations in Wuhan. The company redeployed its 100+ beauty advisors from those stores as online influencers, to engage customers virtually and drive online sales. They achieved sales growth of 200% in Wuhan versus the same time period last year.²

On the services front, large companies like Alibaba, Meituan and JD deployed driverless vehicles to ease delivery logistics pressure and reach zones which were hard hit by the virus.³ This is likely to continue in the future and further influence people's daily lives.

Key learnings from China, applicable to all other countries for their innovation, include:

- **Be Present, Be Digital** – now is **not** the time to cut back on your market presence as consumer attention is focused online and on digital channels
- **Be Relevant, Be Adaptable** – demonstrate initiative and respond to consumer needs. Adapt quickly and aim to be top of mind for consumers
- **Be Positive** – show up with empathy and an eye towards a brighter future

The changing dynamic creates barriers to normal activity and is at the same time rife with opportunity. Looking beyond the obvious and remaining connected to your consumers in a meaningful way is critical. While consumer acceptance during crisis is nuanced by category, this is the time for bold innovations grounded in deep consumer understanding.

A DATA-DRIVEN PERSPECTIVE ON HOW A CRISIS MAY IMPACT CONSUMER RESPONSE

We used the Ipsos Vantis concept testing database of 39,000 concepts across 66 countries to get a better understanding of how a crisis may impact survey results. Specifically, we looked at the last financial crisis that started around 2008-2009, the following years 2010-2012 as well as recent years 2016-19.

While we realize that the current COVID-19 crisis is quite different from the financial crisis, there is still a severe financial impact in addition to the health crisis, so we believe the results provide valuable learning.

WHAT WE FOUND

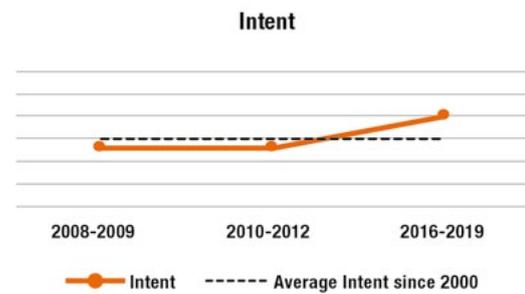
There is a runway as consumer response remains valid for 3-4 years.

As would be expected, consumer willingness to buy a product or service is reflective of their current mindset, likely impacted by insecurities – financial or otherwise. This level of purchase intent persists for 3-4 years afterwards. The stability in willingness to buy or sign-up in the years that follow, even with the financial hardship during the crisis, indicates there is a runway for durables and service innovations. Anything tested now will remain valid for the next 3-4 years for most categories.

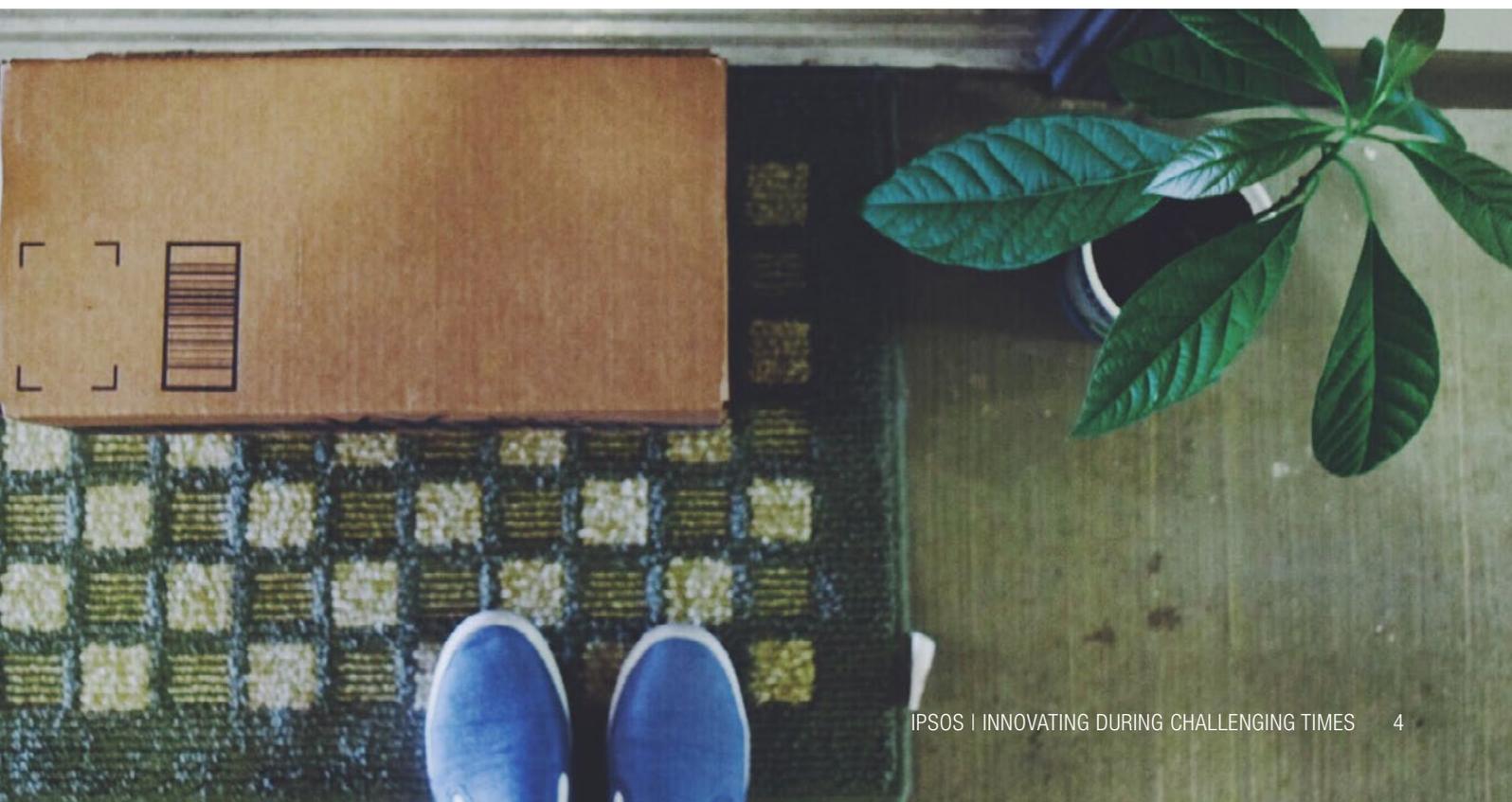
These results are based on the overall database and there are expected nuances by category.

With the focal points of the current crisis being health & wellness and staying at home, we expect heightened interest in at-home health & wellness durables, beauty & personal care durables, kitchen aids, technology equipment for productivity, education and entertainment at home such as computers, printers, smart speakers etc. Digital services such as apps and subscriptions should also expect similar increases.

Figure 1 Intent to buy/sign-up (by time period versus average)



Source: Ipsos Vantis Database



Categories directly related to being out of home such as travel services, ride hailing/sharing, travel credit cards, and others will of course be challenged in the immediate term. People are also likely to delay purchases for discretionary high-ticket categories such as premium appliances, vehicles, investment accounts among others. The runway will be applicable for these categories as intent to buy slowly improves over time.

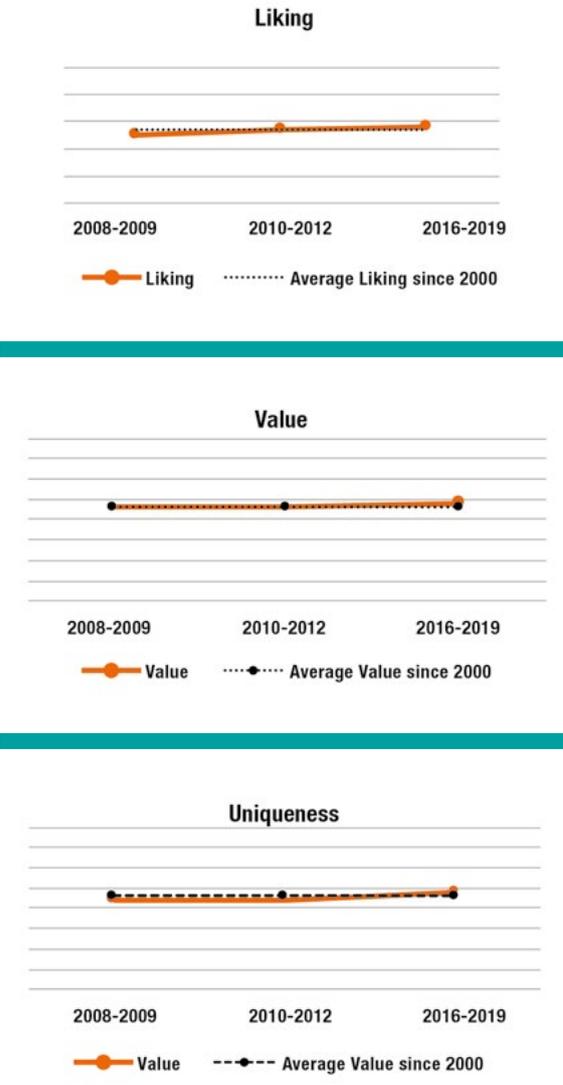
The biggest increases in consumer willingness to buy witnessed in 2016-2019 are fueled by improved economic environment for most markets. While change in behavior during a crisis is rapid, all around growth requires more time.

Furthermore, our data shows that consumers provide a consistent assessment on metrics like value of the offer, liking, and uniqueness. People’s perceptions of what they like or consider new and different do not change based on the environment. The average results on these metrics during a crisis are stable and align almost perfectly to the database average, including recent years.

For product launches planned in the next 3-4 years, concept test results remain valid and reflective of consumer acceptance, even if intent to buy is temporarily depressed for certain categories.

The runway will be applicable for challenged categories as intent to buy slowly improves over time.

Figure 2 Intent to buy/sign-up (by time period versus average)



Source: Ipsos Vantis Database

FUTURE-PROOF YOUR BUSINESS DECISIONS

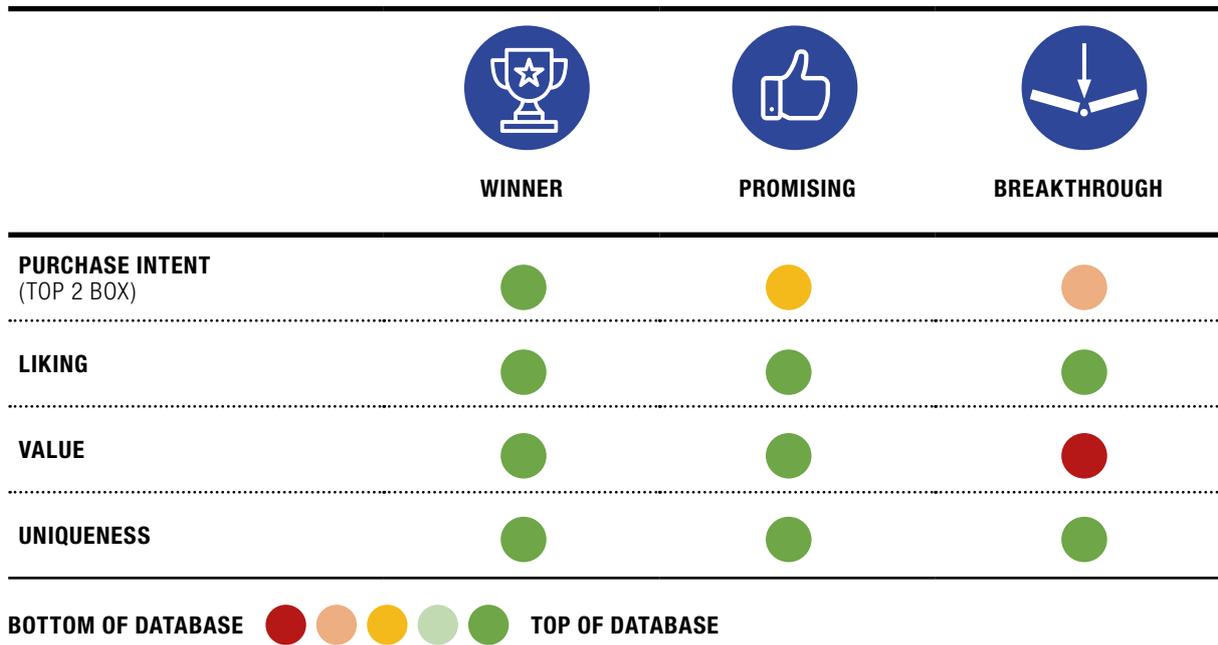
We believe companies can miss opportunities by focusing on concepts with high scores across all metrics. For categories that are challenged, a strong concept may not have all green lights in research results. It is important now more than ever to take a close look at how you interpret research results and re-examine the action standards.

With our Archetypes framework, we can identify various patterns of responses and codify them to reveal the profile of innovation such as Niche, Breakthrough, Premium, and more. A 'Winner' profile is one with strong results across all metrics, which most companies aspire to achieve for their innovation. During a crisis, for certain categories, this profile will show up as 'Promising,' which displays average

intent to buy, but still strong perceptions on liking, value, and uniqueness. These are good ideas, that need strong marketing support and a clear competitive strategy. They can survive a crisis with the right support, resulting in stronger performance as people's willingness to buy returns over time.

A 'Breakthrough' profile is generally identified with below average intent to buy along with weak value perceptions, while liking and uniqueness remain strong. The 'Breakthrough' archetype has been observed for several products that went on to be extremely successful in market - Ultra-thin TV's, LED bulbs, Smart speakers and even the iPad when it first launched. Each of these required time and commitment in order to be nurtured to success.

Figure 3 Identifying the Archetype of Innovation



Source: Ipsos Vantis Database

Archetypes are a point in time read, meaning a 'Promising' opportunity uncovered during a crisis has the potential

to be a 'Winner' in the future as financial situations and confidence improve.

Figure 4 Nurturing the hidden winners



Source: Ipsos Vantis Database

A 'Breakthrough' can be nurtured into a 'Winner' by building value perceptions over time. A 'Niche' archetype with a clearly identified and scalable target can also grow into a 'Winner'. The Fitbit fitness tracker started out with a 'Niche' archetype and strong acceptance among young moms.

Over time, its simple product experience combined with strong communication allowed it to be a widely used, winning product. Is your company committed to the long-term support required by such opportunities in the current circumstances?

KEY POINTS

- 1** The role your products and services play in this environment is critical. Leverage digital channels, consider service models, demonstrate initiative and respond to consumer needs. Being empathetic and creating frictionless experiences is key to gaining a strong user base that will outlast the current environment.
- 2** There is a runway for innovation. Research results for most services, durables, and technology will remain valid for 3-4 years. Expect heightened interest in some categories and depressed in others.
- 3** Future-proof your business decisions by looking for hidden winners. Average performers can become winners with the right support and commitment.

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Author:

Supriya Chabria Global Senior Vice President, Innovation, Ipsos

Contributors:

Barry Zacharias Senior Vice President, Global Modeling Unit, Ipsos

Read Taylor Vice President, Global Modeling Unit, Ipsos

Jo Storry General Manager, UU Global Solutions, Ipsos in China