

AFFLUENT CONSUMERS DURING COVID – HOW BRANDS CAN FULFILL THEIR PENT UP DEMAND

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TAKING ADVANTAGE OF AFFLUENT CONSUMERS' PURCHASE INTENT AND PENT-UP DEMAND

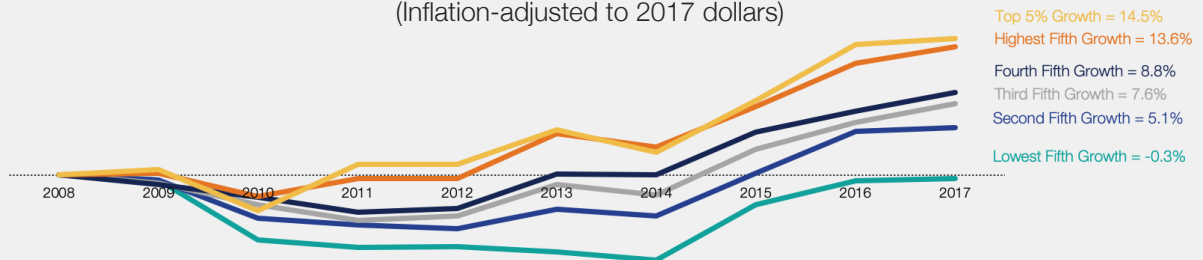
While affluent consumers have sometimes been called “crisis-proof”, they have exhibited anxiety and concern during past crises and again during the current one. In fact, anxiety and worry amongst affluent consumers continued for years after the Great Recession, and declined very slowly over the first years, post-crisis. Yet, data also shows that the Affluent are more insulated from economic crises and are the first to rebound post-crises than non-affluent ones.

So how do you fulfill the needs of this resilient group?

After the Great recession, the affluent took an economic hit, just as the rest of the US population did. However, US Census data over the ensuing years show that this top 20% of consumers were the first to have their income rebound, and they've showed the highest growth since. In addition, the most affluent – the top 5% -- show the highest growth of all. This is likely what leads affluent consumers to be taking a generally more optimistic (or at least less anxious) view of the current crisis than the non-affluent.

REAL MEAN INCOME GROWTH - 2008 TO 2017

(Inflation-adjusted to 2017 dollars)



Over 55% of Affluents say that despite all the changes, they're remaining calm, and that percent climbs with higher household income, with 62% of HHI \$250k+ staying calm, and 78% of HHI \$500k+. The percentage of affluent consumers who view the crisis as extremely serious similarly declines with HHI growth. And an overwhelming majority of Affluents (80%) say they can weather the pandemic/come out unscathed, compared to the just 50% of non-affluent. In addition, Affluents are significantly more likely to describe themselves as cautiously optimistic, well prepared, and less anxious than those with lower incomes.

That is not to say that the Affluent are a monolithic, singular identity group. In fact, we see a distinct duality in their attitudes and anxieties. On the one hand, measures of "now is a bad time to invest" and "a great time to invest" are both up appreciably. Similarly, plans to take on a more conservative AND a more aggressive approach with investments are also both up.

Implications:

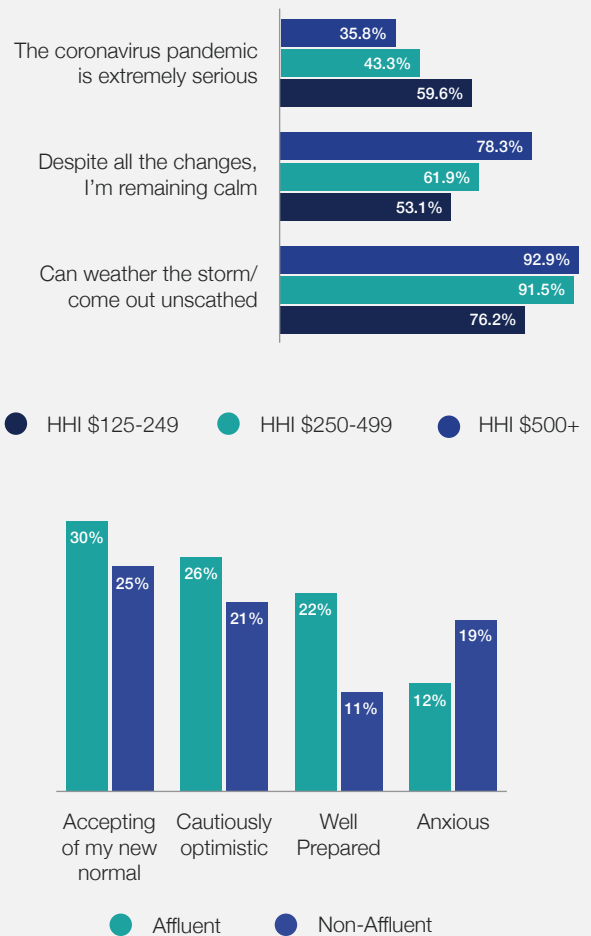
The Affluent audience represents a material opportunity audience for marketers during and immediately after the Coronavirus crisis. However, it's important they truly understand the nuances of the audience and their varied mindsets. Brands need to have solutions and engagement opportunities that fit both the anxious and the calm sides of the affluent audience – and ensure they are targeted as best as possible.

PURCHASE BEHAVIORS CHANGING

Another enormous difference between the current crisis and past economic crises is with regards to purchase behavior. Buying across many categories was severely affected during the Great Recession. The current crisis is significantly different in that it is external circumstances that have initially disrupted the purchase dynamic – in many categories, consumers are literally prevented from buying and many products and services are unavailable. Whether they want to or not, consumers have been forced to put off purchasing.

This is driving up both interest and demand among affluent consumers in many categories. First, data shows what we are calling the "Unattainable Effect" on psychographics. That is, many attitudes that are

AFFLUENT STAYING CALM AND CAN WEATHER THE STORM



associated with categories that are literally off-limits right now are showing noteworthy increases vs. the pre-lockdown period. For example, we see sizable increases in the number of Affluents who agree that they like to go to sporting events, see movies on opening weekends, travel for work, or shop for clothes – all things unavailable to them at the moment.

In addition, we also see meaningful increases in demand across categories. Intent to purchase a new car or truck, home goods and services, apparel and more are showing significant rises vs. before the crisis. This is literally the definition of "pent-up demand" – intent to purchase increasing due to a current inability to buy.

AFFLUENTS' INTENTIONS FOR PURCHASING INCREASING



63%

Plan to or have rescheduled a trip
VS 39% Non-Affluents



34%

Plan to buy/lease a new vehicle during/
post pandemic*
VS 28% Pre-Pandemic



42%

Plan to redecorate/remodel/renovate
home during/post pandemic*
VS 36% Pre-Pandemic



34%

Plan to buy sporting equipment during/
post pandemic*
VS 27% Pre-Pandemic

This leads us to a hypothesis that, unlike past crises, purchasing in many of these categories might take off as soon as restrictions are lifted. For example, while auto buying took some time to rebound in 2009-11, there's a good chance it could return more quickly this time. Same with shopping in malls, going to movies, renovating homes, buying appliances, etc.

This also suggests that purchase journeys for these categories may be condensed or truncated following the lockdown. What will this do to purchase behaviors and how may they change? For one thing, we could expect even more digital/virtual research and shopping than before in all considered purchase categories. In fact, we are already seeing rises on desires to "...keep up with" many categories, like auto, fashion, and travel.



Implications:

Brands and marketers need to understand the new dynamics in the paths to purchase for their categories. It is clear that the digital channel's role in discovery, inspiration and research has only been accelerated during a time where brick-and-mortar channels are closed to consumers – thus brands need to provide more digital shopping tools and experiences that parallel that growth and feed consumers suffering from the "Unattainable Effect." Data also shows the rising importance of social media for all consumers, especially affluent ones. Brands should find ways to leverage it for engagement, recommendations, and influence.

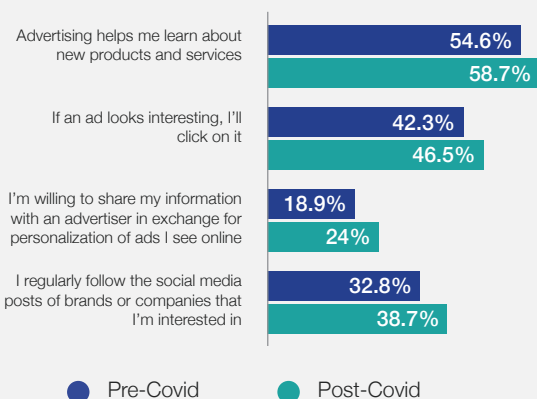
Also remember that many affluent consumers are aching to go back out and shop/visit the mall, as soon as the restrictions are lifted – nearly half of them say they are feeling claustrophobic and cooped up. It's important to leverage an omni-channel approach to transition/link brand relationships from digital to physical channels. In addition, the initial in-store experiences will be critical, as bad ones may accelerate a move away from brick-and-mortar stores.

Finally, brands will need to ensure consumers feel safe visiting their stores upon re-opening them. Sanitization, appropriate distancing and other actions will likely remain important for some time.

AN INVITATION FOR BRANDS

This could be why we're seeing a rising openness to and interest in brands and advertising during the crisis. In the absence of normal outlets for shopping, brands and advertising help inform shoppers more than ever during their purchase path. Nearly $\frac{3}{4}$ of affluent consumers (72%) feel positive towards brands reaching out during the crisis. There's a strong increase in the number of Affluents who say that Advertising helps them learn about new products and services and that they'd click on an ad they view as interesting. And perhaps most interestingly, more affluent consumers say they're willing to share their information with an advertiser in exchange for personalization of ads.

A MORE POSITIVE INTEREST IN ADVERTISING AND BRANDS



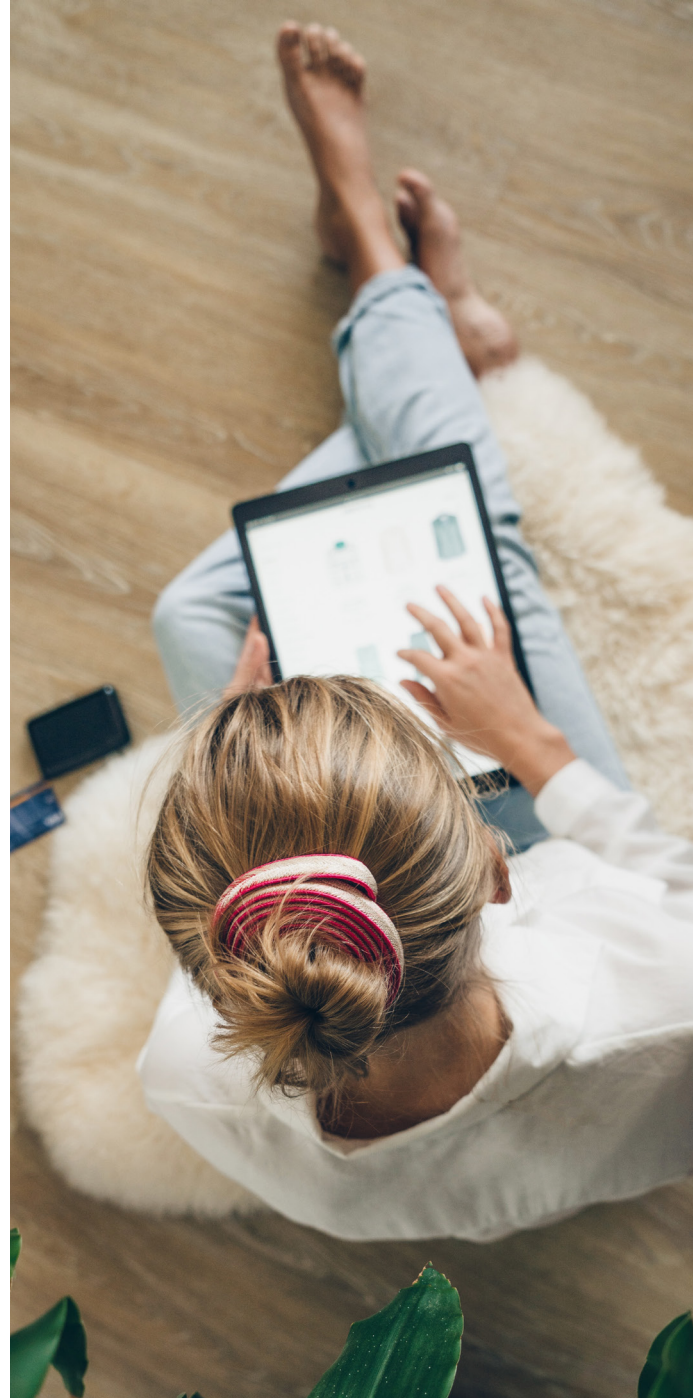
But there is also a concurrent rise in the scrutiny consumers, especially affluent ones, are placing on brands and their corporate behavior. For example, agreement with the phrase “A company’s commitment to corporate and social responsibility is important to me when I buy products or services” is up post-lockdown vs. before. So is “I regularly make the effort to investigate a company’s environmental or social record.” But these aspects, while important, don’t necessarily help consumers make good purchase decisions. So, brands need to pivot to/provide product messaging beyond feel-good corporate messaging – and make that content available to those consumers who are further along in their purchase journey.

Implications:

At the beginning of the crisis, a unified message of “we’re all in this together” may have fit the bill for brand engagement. But consumers are not only varied in their beliefs and attitudes, they’re also varied in where they stand along a particular category purchase path. Brands need to pivot and start to deliver content and engagements that coordinate with the multiple stages of a consumer’s purchase journey. While some consumers may view product-focused advertising during the crisis as “tone-deaf”, there are many others who are hungry for product benefit/information that adds value to their buying motives.

In addition, consumers are currently giving Brands the opportunity to better personalize their messaging. They should leverage digital content to match the signals consumers provide as to their purchase stages.

Finally, it should be noted that affluent consumers are 40% less likely than non-affluent to say that promotional pricing would get them to make a purchase. So, while there is a need for immediacy once restrictions are lifted, brands targeting affluent consumers should be less focused on deals and offers – and more focused on being helpful and adding value.



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