

# WHAT CAN COMPANIES LEARN FROM CONSUMERS NOW?

It would be foolish to claim that all the current **forces** (Climate Change, Social injustice, Civil unrest, digitization, disruption, the list is long...) that demonstrably have an effect on the organization of businesses, do not have an effect on consumers.

I myself can admit that the first Covid-19 induced Lock-Down in Germany had a considerable impact on my personal shopping behavior. For once I decided not to buy books on the internet anymore but rather support the local bookstore. Given, it is a small change on a personal level, but an aggregate analysis reveals that it is a tsunami in the broader perspective.

Now, when we say **forces**, what we really mean is **uncertainty**. Uncertainty about what the future holds in store. Undoubtedly, the current pandemic situation has amplified the perceived uncertainty by manifolds. Corporations are being kept alive artificially, consumers are stockpiling discretionary goods and

an economic downturn is widely claimed to happen soon.

Businesses and decision makers alike, have been studied in high uncertainty environments in the past. Giving rise to concepts like **Effectuation & Causation and self-regulation of business ecosystems**. A simplified view on these theories yields the insight, that

increasing uncertainty may induce different behaviors which change the fundamental structure of the governing system

(Business Ecosystems display the suchbehavior). Or simpler put, in times of uncertainty, we make temporary decisions, which have a lasting effect on how we will behave. This all seems intuitive and yet only few have deemed it worthy, to apply this concept onto the behavior of consumers. Frankly, many hold the somewhat understandable notion that our behavior will return to normal after said uncertainties have passed.

However, we propose the contrary: consumers and businesses will incorporate their pandemic experiences into their behavior and processes for a lasting effect. The question is, how can we detect and utilize these changes successfully in any business machinery.

Fact:

According to a McKinsey study, 70% of the US population have recently, since the outbreak of Covid-19, changed their supplier of discretionary goods, questioning if the traditional pyramid of value (price, quality, loyalty) still holds up.

Consumers continue to spend and even spend more

in comparison to the pre-pandemic world. The rise in consumer disloyalty in connection with higher spending levels begs the question of what values have shifted in their purchase considerations.

A wider perspective of the current events show that consumers have been exposed to a variety of negative images and rising uncertainty:

- Economic forecasts
- Expected insolvencies
- Empty supermarket shelves
- Empty Roads and
- Hospital scenes

Additionally, information is increasingly torn between the official news channels and a market for alternative media and social media information. The divide in information amplifies consumers' longing for dependable suppliers. Apparently, there is a growing distrust or how else would one explain the stockpiling of toilet paper and soap at the beginning of the first lock down, in spite of governments' reassurances. Now, to benefit from the current situation means businesses have to embrace the new consumer sentiment towards

trustability, reliability and quality

to retain old customers and to obtain new segments in times of rising uncertainty:

## THREE FIELDS OF ATTENTION

Quality:

- Improving the footprint of the extended value chain to display long-term orientation
- Highlighting value driven innovation

Reliability:

- Signal stock status and pipelines to attest authentically secure demand spikes
- Messaging of efforts towards sustainable supply

Trustability:

- Give more transparency on the extended value chain to display confidence in own procurement processes
- Give more transparency on the extended ecosystem, partners and dependencies

## 1. COUNTER UNCERTAINTY WITH QUALITY

Sub Point of Quality: Customer sentiment and employee sentiment, for that matter, has noticeably shifted towards long-term driven companies. Starters, on the hunt for jobs, increasingly value companies with dedicated long-term strategies as they apparently counterbalance short-term incentives and curb excessive internal competition. Also, the somewhat rigid structures of “old” giants need to be put into a new light of customer centricity through value-driven innovation.

## 2. COUNTER UNCERTAINTY WITH RELIABILITY

We were all surprised by the fact that a considerable portion of society was not convinced that our economic system would be able to withstand the first lock-down and went on a hunt for toilet paper, soap, yeast. That begs the question whether suppliers did a good job in assuring consumers of their reliability and how it can be believably displayed. We hold the position that simple measures such as the display of stock in any region or the functionality of the supplier pipeline would have been necessary and still should be implemented in current campaigning.

## 3. COUNTER UNCERTAINTY WITH TRUSTABILITY

At last, how can a company make sure any of the aforementioned efforts are believable and are not misconstrued along the way. Generally, there has been a noticeable increase in transparency messaging towards the market and consumers, partly driven by huge scaling efforts and centralized market spaces (e.g., Amazon). We propose that these efforts are to be raised even further for two reasons: 1st Transparency of the value chain allows consumers and the market to detect inadequate profit margins and boosts trustability and 2nd by partially unveiling the value chain and business ecosystem, corporations come a good step closer towards an integrated and sustainable (maybe even circular) organization.

These measures also hold other upside potentials as they are, or should be, in **line with the long-term goals of any enterprise**, namely the **focus on one’s competitive advantage whilst declaring a dedication towards creating a sustainable future**.

If you want to know more about sustainable innovation please get in contact with:

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