Customer Strategy
Amidst the Crisis
COVID-19 and Changed Customer Behavior

April 2020
Introduction

Many companies are currently in the throes of their initial responses to COVID-19. This has focused primarily on the immediate health and safety of employees and customers, including closing physical locations and companies moving to work-from-home models. Companies will soon need to shift to understanding and reacting to how customer behavior will change as we move from initial COVID-19 response to recovery.

The Three Waves of Customer Reaction

We believe there are three “waves” to how companies should think about customer behavior. While the timing may not yet be perfectly clear, and there may be differences by geography and industry, these three waves can help companies define action and provide a path forward.

**RESPOND:**
The first 4-6 weeks when customers are more forgiving and looking to companies for direction and support

**RECOVER:**
The next 2-5 months as we begin to operate in a new world, and customers settle into a new reality

**THRIVE:**
After the crisis, when some customer behaviors, expectations, and priorities have been forever adjusted and others slowly return to as-they-were

This piece focuses on customer behavior as the U.S. begins to transition from Respond to Recover.
Respond

Immediate customer reaction

In the immediate weeks of COVID-19, as both customers and companies have had to make rapid changes to their daily routines, customers have been largely accepting of the challenges they face with companies and the temporarily altered customer experience (CX). Out of stock, delayed delivery, long wait times, short staffed, and adjusted hours are obstacles customers have endured, knowing full-well the forces that companies face. However, after the initial few weeks of COVID-19, we anticipate that customer behavior may change, general acceptance of degraded CX may be exhausted, and any stored goodwill may begin to drain.

Therefore, companies should think ahead about how they will serve customers as they transition from initial response to recovery. This begins with understanding how customers have changed—and how customers’ changed values and behaviors will impact their buying decisions.
Recover
The transition to newly changed customer behavior

It is our hypothesis that what may rise from the crisis is the conscientious customer. This new conscientious behavior may be reflected in most aspects of customers’ lives—across how customers live, engage, work, and spend. The beliefs that will underpin these changes may be rooted in fairness, transparency, and caution.

**FAIRNESS:**
The plight of employees at companies during the crisis may influence how customers perceive the companies. Meaning, those companies which most helped their employees in a time of need may be rewarded by customers post-crisis.

**TRANSPARENCY:**
Customers may place greater value in understanding the facts—from governments, employers, service providers, and retailers. They may want to know the quality measures in place to ensure safety and security, and the supply chain behind their purchases.

**CAUTION:**
Only time will truly heal some of the apprehension customers may be facing. As a result, they will likely proceed cautiously in most aspects of their lives, particularly related to how and where they spend their time, and how much they spend.
These newly prioritized beliefs can translate into customers’ desire for companies to be more authentic—for them to place as much attention on employee well-being (e.g., benefits, paid time off, safety, flexibility) as on driving top-line growth. In the end, this may result in higher prices for customers, who at the same time will face a likely uncertain economy. Therefore, companies who succeed will likely be those that can find the balance between the desire for greater fairness and transparency, with the realities of customers’ cautious spending behaviors.

For companies to know how customers have changed, they should consider how these three beliefs may play in many aspects of customers’ lives. These changes will likely have significant impacts on what offerings and products companies create, and the experience customers expect.

We anticipate that this new values-focus will change what customers prioritize and how they use their time and money, as shown below.

<table>
<thead>
<tr>
<th>How I Live/Engage...</th>
<th>My Employer Should...</th>
<th>When I Spend...</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Possible New Actions</strong></td>
<td>A focus on family and friends, and a focus on “quality time” overall</td>
<td>Employee desire for remote working and reduced travel</td>
</tr>
<tr>
<td></td>
<td>Potential shifts in income and investments</td>
<td>Increase desire for flexible work arrangements experienced during the crisis</td>
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<tr>
<td></td>
<td>Fewer large gatherings and sustained anxiety about large events</td>
<td>Consequences on where spending occurs (shift away from corporate offices and cities), and on what products customers buy (e.g., less on professional attire)</td>
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<tr>
<td></td>
<td>Commitment to the local community</td>
<td>Increase in time and spend on leisure activities</td>
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<tr>
<td><strong>Potential Impacts</strong></td>
<td>More time on social life at home and locally</td>
<td>Expect companies to activate experiences that consider space and safety</td>
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<tr>
<td></td>
<td>Focus on healthy lifestyle and products, as well as preparedness</td>
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<tr>
<td></td>
<td>Greater scrutiny on finances and ‘non-essential’ purchases</td>
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</tbody>
</table>
Future Outlook

Over time, customers may return to their routines they found themselves in pre-crisis. However, we hypothesize that some beliefs and actions of the conscientious customer will stick. In the near-term, companies should identify how the conscientious customers’ changes in how they live, engage, work, and spend will impact their industries and their specific operations.

The companies who come out of this crisis strongest may be those who adjust to and meet these new customer beliefs and actions.

Please contact our team for more information.

Deloitte is a leader in customer strategy, helping companies across industries understand changing customer behavior and its implications.

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Thank you.