



THE ROARING 2020s?

How the Coronavirus Pandemic Will
Shape Consumer Behavior

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History Repeats Itself

Past pandemics set the stage for indulgence

Over the last year, pandemic restrictions have taken their toll on everyone in deep and long-lasting ways. Life as we knew it was put on pause—and not knowing how long that pause was going to last had profound implications on our mental health. Now, with restrictions loosening and vaccine distribution continuing, the weight of COVID-19 is starting to lift. The CDC announced in April that it was safe for vaccinated people to travel. Restaurants are opening up with larger capacities, and people are commingling with friends outside their households.


As companies have tracked consumer spending and behaviors throughout the pandemic, some clear trends have emerged (including a mass switch to online retailers, conscious, issues-based spending, etc.). As we enter into a new, more relaxed phase of the COVID-19 affected world, companies are wondering how consumers are going to respond. *Businesswire* reported that “[f]orecasters have long anticipated that the US economy would grow steadily this year as the Covid-19 vaccine is rolled out. Now many economists predict that a ‘supercharged rebound’ will cause growth to come quicker as ‘pent up’ consumer spending is released into the economy” (“Post-Covid consumer boom to hit US high streets”, 2021). While the economic impact of COVID-19 is undeniable—it has left many people jobless, strapped on funds, and more frugal than ever—a hyper-focus on frugality in the immediate sense will not continue for everyone.

Stages of the Pandemic

The immediate period: feelings of high risk, life is drastically different from how we know it

The intermediate period: psychological and economic effects still take their toll even though the initial threat is minimized

The post-pandemic period: life returns to normalcy, people no longer feel the threat or acute psychological toll of the pandemic



History Repeats Itself

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If history is any indication, people who have not been deeply impacted by the pandemic in a financial sense will be looking to cut loose and splurge on the things that either weren't accessible or necessary during lockdown. The Wall Street Journal noted, "it seems likely that consumption will come back with a vengeance. Periods of plague-driven austerity have often been followed by periods of liberal spending." (The Long Shadow of the Pandemic: 2024 and Beyond, 2021). In the same article, WSJ drew parallels between the Black Death and the Spanish Flu of the early twentieth century, and the following periods of excess that ensued.

“IF THE ROARING TWENTIES FOLLOWING THE 1918 PANDEMIC ARE A GUIDE, THE INCREASED... ABSTEMIOUSNESS OF THE IMMEDIATE AND INTERMEDIATE PERIODS COULD GIVE WAY TO INCREASED... INTEMPERANCE AND JOIE DE VIVRE IN THE POST-PANDEMIC PERIOD.”

While not all sectors will see booms, many such as apparel, travel, and entertainment will. Retail sales were up 5.3% in January, and “economists at Goldman Sachs predict the economy will grow by 6.8% during 2021”. As we roll into summer, it's time to wonder, am I prepared for this jump?



More is More

What the post COVID-19 consumer wants as we return to “normal”

Staying home for the past year has meant more than transitioning to working from home and not seeing loved ones. We traded buying a new dress or pair of pants for our favorite pair of sweatpants that have been in our closet for years. We traded nice dinners out for buying in bulk at grocery stores. When our social lives halted, so did our spending in many ways. So it's unsurprising that, as people become vaccinated and some aspects of our social lives become relevant again, some industries, such as apparel and cosmetics, are starting to recover. But it's also important to note that not everything will snap back to pre-pandemic ways. According to a survey put out by PwC, “83% of office workers would like to have the option to work from home at least once a week even if COVID-19 is no longer a threat to public health. Seventy-two percent of respondents said they'd like to work from home at least two days a week, and 32% said they would prefer never to return to the office.”

“AROUND HALF OF CONSUMERS WHO PLAN TO SPLURGE ARE PANDEMIC-FATIGUED AND INTEND TO SPEND SOON, PARTICULARLY ON DISCRETIONARY CATEGORIES SUCH AS APPAREL, BEAUTY, AND ELECTRONICS. THE OTHER HALF IS WAITING FOR THE PANDEMIC TO FULLY RESOLVE, AND PLAN TO SPLURGE MAINLY IN EXPERIENTIAL CATEGORIES SUCH AS RESTAURANTS AND TRAVEL.” (FORBES, “POST-PANDEMIC CONSUMER BEHAVIOR IS CRYSTALLIZING. WHAT DOES THAT MEAN FOR CPG BRANDS?”. 2020.)

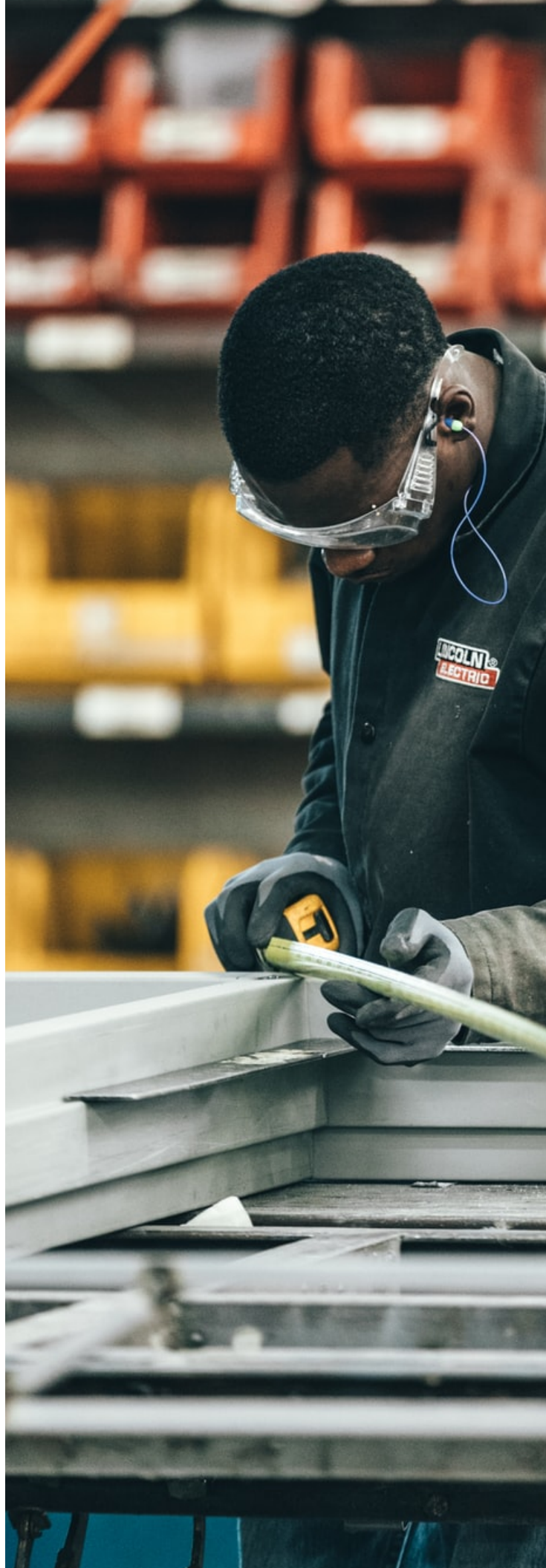
While employees have been expressing for years that they'd like the flexibility to work from home, COVID-19 is what pushed many companies to realize they could maintain normal operations under this model. With many people likely continuing to work from home post-pandemic, the home projects are not projected to stop. In fact, a 2021 McKinsey Survey revealed that “people are still investing in their homes” and “30 percent plan to splurge on items for their home after the pandemic” (McKinsey, “US consumer sentiment during the coronavirus crisis”. 2021.). So it's not just apparel and cosmetic companies that need to be prepared. Homewares and furniture companies, as well as technology companies, also need to ensure they have the supplies necessary to respond to continued increased demand.

Lights, Camera, Excess

In a time of increased demand, will you be ready?

The onset of COVID-19 came suddenly, leaving many companies unprepared for fluctuating consumer demand, causing huge delays and shortages of physical goods. But the road out of the pandemic-stricken world is slower, allowing businesses to adapt to the changing demands once again. According to Harvard Business Review, companies must now “rethink their use of lean manufacturing strategies that involve minimizing the amount of inventory held in their global supply chains”. Wall Street Journal reported how “before the pandemic, the emphasis was on ‘just-in-time’ production, with parts being delivered just when they were needed in the manufacturing process.” Whereas in the months and years to come, the focus “could shift to some extent to ‘just-in-case’ supply chains, emphasizing proximity and certainty of delivery.”

In addition to on-hand inventory, diversifying your suppliers is also recommended. That way, if there’s a shortage at one point in your supply chain, you’re not out of options. While mapping out your supply chain, and addressing risk areas and vulnerabilities is both time-consuming and costly, it’s a process that doesn’t feel necessary until there’s a supply chain disruption that could cost you big time. Why wouldn’t you be prepared?





Lights, Camera, Excess

(Continued)

When you diversify your suppliers and increase stock, the risk is that oftentimes visibility and control within your supply chain decreases, as you have more pieces to manage and track. That's why PwC says it will be even more important for businesses to "deploy supply chain visibility tools that provide line of sight to capacity constraints into first-, second- and third-tier suppliers. By going further into their supply chains, global manufacturers can get a more complete profile of where components are coming from for their sourced sub-assemblies."

Vi3's V Source offers a solution that's integrated in every step of your supply chain, providing unprecedented supply chain visibility, data, and real time tracking. You should never be left guessing how much stock you have left, where your next shipment is in the manufacturing process, and if there are delays. What if you could have that information at your fingertips, without depending on people on the ground in your supplier regions?

"THE OBVIOUS WAY TO ADDRESS HEAVY DEPENDENCE ON ONE MEDIUM- OR HIGH-RISK SOURCE...IS TO ADD MORE SOURCES IN LOCATIONS NOT VULNERABLE TO THE SAME RISKS. THE U.S.-CHINA TRADE WAR HAS MOTIVATED SOME FIRMS TO SHIFT TO A "CHINA PLUS ONE" STRATEGY OF SPREADING PRODUCTION BETWEEN CHINA AND A SOUTHEAST ASIAN COUNTRY SUCH AS VIETNAM, INDONESIA, OR THAILAND" (HARVARD BUSINESS REVIEW, "GLOBAL SUPPLY CHAINS IN A POST-PANDEMIC WORLD", 2021.).

Global, multibillion dollar brands rely on V Source intelligence solution to achieve unmatched efficiencies in sourcing, logistics, inventory and controls. Vi3's customers have direct access to their data, allowing them to make smarter decisions regarding their operations and logistics, field service, supply chain integrity, procurement and sourcing.

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