

Significant Behavioral Shifts among Consumers and Actions to Take Accordingly by Consumer-Goods Companies and Retailers Enabling their Real-Time Collaboration

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Abstract

There is a real need to better understand consumers within the disruptive shift in the value chains caused by shifts in consumer's behavior and the adaptation of all the parties involved in the value chains. Consumer-goods companies and retailers are challenged to enabling their real-time collaboration in order to right answering to consumers' evolving needs and preferences, considering the present imperatives at the intersection of technology and psychology. Product manufacturers and retailers are increasingly aware of the strong link between product and packaging, and between packaging and consumer purchasing behavior, and of the challenge of capturing today's visual consumer who is in a true state of discovery, engagement, shopping and creating content, being always on their smartphones and tablets.

Keywords: Consumer behavior, consumer-goods companies, retailers, packaging, visual commerce

JEL Classification: L81, M31

The natural and logical consequences resulting from the current shifts

In September last year, two representatives of Deloitte's US Retail and Distribution practice spoke about how they explored consumers' shopping process and decision-making criteria (through in-depth interviews and employing motivational research's laddering technique, the insights resulted from the in-depth interviews being combined with secondary research that added context), concluding that the key to understanding consumers may be hold by *research* (within the context of the proliferation of digital technology), *recommendations* (and reviews), and *returns* (which become a normal part of the shopping process and business as usual for retailers), these so-called "*Three Rs*" toppling traditional shopping and empowering consumers at each phase of their purchase process. They noted that: "*Reasons drive choices, but feelings drive fondness*". (Kenney Paul & Hogan, 2016) In December 2015, in Amsterdam, the Board of "The Consumer Goods Forum" (that comprise the 50 CEO's of the largest retail and consumer goods companies in the world) discussed the disruptive forces at work in the industry, concluding that these disruptive forces will cause a significant and rapid value chain transformation and the adoption of new forms of collaboration. (Jacobs, 2015)

At the beginning of this year, we noted that a representative of Capgemini (one of the world's foremost providers of consulting, technology, outsourcing services and local professional services) reiterated the disruptive shift in the value chains caused by shifts in consumer's behavior, and the adaptation of all the parties involved in the value chains facing the no longer linearly and sequentially flow of products and information from supplier to manufacturer to retailer to consumer. (Jacobs, 2016) While a senior director of global consumer strategy at Daymon Worldwide highlighted, in the same period of time, that consumers: “products, assortments, services can actually revolve or be switched out according to shoppers’ preferences,” and “with the rise of social media, retailers and brands are under the microscope, and can easily be made, or broken, in just one day”. (Zackiewicz, 2016) In the middle of the same month, on the occasion US National Retail Federation (NRF) Retail’s Big Show 2016 (105th Annual Convention & EXPO, January 15-20, 2016, New York City), the EVP of TOBE argued that *retailers should be prepared to see the following shifts: passion* (consumers’ need for authenticity among all the noise); *slouch* (consumers’ need for relieving stress); *memory* (consumers’ relying more and more on technology to be their memory, appreciating things that don’t need to last); *uniform* (consumers’ new kind of uniformity because of the sharing economy, customization and feeling special being all the rage, but combined for some with the one-size-fits-all mentality). (Overstreet, 2016) There is no doubt that 2016 will be a year of transformation, retailers being challenged to *continue to serve the connected customer demands of “anything, anytime, anywhere, anyhow”, being more agile and adopting a continuous improvement methodology while working to achieve a consistent omni-channel customer experience*. (dminc.com/blog) And as retail is all about people, in order to touch connected and active 24x7 people in a memorable way retailers need end-to-end digitization across the enterprise, according to the global general manager of consumer industries at SAP. Acting on this way, retailers will “*eliminate silos, improve workforce engagement, enable real-time collaboration with business partners, increase customer engagement, and turn data into new revenue streams*”. (Trite, 2016)

Consumer-goods companies need to understand that there are no shortcuts to right facing the new challenges created by behavioral shifts among consumers and retail consolidation, there is only a real need of right direction and meaning, while getting change and fresh proper ideas. These companies need to better anticipate, understand and respond to the above mentioned behavioral shifts, assuming the difficult task to earn consumers trust via product quality and safety, and ensuring the necessary collaboration in relation with the new retail information strategy within the framework of the new marketing normal. The recent published findings of McKinsey’s global survey (Magni, Martinez, and Motiwala) of more than 22000 consumers show significant changes in consumers’ buying decisions (more conscientious and deliberative consumers, taking serious care in making decisions or choices, making cautious financial decisions, in general) in accordance with their evolving needs and preferences. The natural and logical consequences resulting from these underlined changes are: the new challenge for consumer-goods companies; the important implications for retailers; the strategic alliance

between the both parties involved in right answering to consumers' evolving needs and preferences.

McKinsey's representatives took into account both consumers' feelings about their financial prospects, and their buying behavior affected by their feelings, summarizing *broad global trends* (beyond the differences of consumer attitudes and behaviors across markets), such as: *proactively searching for savings; being brand-loyal if the price is right; not going back once they "trade down"* (one part of the story: buying cheaper brands or private-label products instead of their preferred brands, 45% of these down-traders opted for private-label products); *being selective splurgers* (the other part of the story: upgrading their purchases in certain categories – this way resulting a “rebalancing the portfolio” of the world's consumers in aggregate; trade-up rates varying by geographic region and by category); *shopping across channels* (the growth in spending toward online and discount channels continues).

In the opinion of these valuable economic analysts from McKinsey, consumer-goods companies and retailers must *consider* (beyond the differences from the point of view of execution across markets in relation with the specific shifting behaviors) *the following imperatives: thinking “value for money” at every price point* (by communicating a clear distinctive value proposition); *investing in advanced revenue growth management (RGM) capabilities* (considering the role played in the assortment by each brand and each SKU, and the differences of this role by channel and by geographic region, and devising accordingly granular strategies for companies' brands, portfolio, pricing, and promotions, as well as refining these strategies for each channel, customer segment, and geographic region); *being crystal clear about who the target consumer is* (by better understanding of the factors that drive buying behavior in each of the various consumer segments and microsegments - thanks to advanced analytics of data gathered from multiple sources - and developing tailored value propositions for each of the identified target segments); *bifurcating company's portfolio, and avoiding getting “stuck in the middle”* (by stretching companies' brands upward, downward, or in both directions, and achieving profitable growth by using a design-to-value approach, as well as skillful management of portfolio complexity); *ensuring product availability and pricing consistency across channels* (based on a comprehensive channel strategy that maximizes reach and minimizes channel conflict, including the adequate investments and partnerships, and the development of a robust digital play, while ensuring that company's prices for identical SKUs are consistent across channels). It is worth mentioning that in this last case it was underlined the need of designing and implementing of containment strategies, such as *differentiated packaging for each channel*. What reminded us of an academic debate from 1997 (within the framework of the Bucharest University of Economic Studies, and to which we shall refer later) that anticipated actual challenges of the economics of packaging. Allow us to also mention that speaking about personal care products, the Country Manager of Beauty Care Division Henkel Romania stated in an interview for “Progressive Magazine” that he noticed consumers' willingness to purchase products in large packs and multi-buy packages

(especially shower gels and shampoos), one hand, and on the other hand that: “*Benefits, ingredients and innovations prevail the price*”. (Tănase, 2016)

Smart Packaging at the intersection of technology and psychology

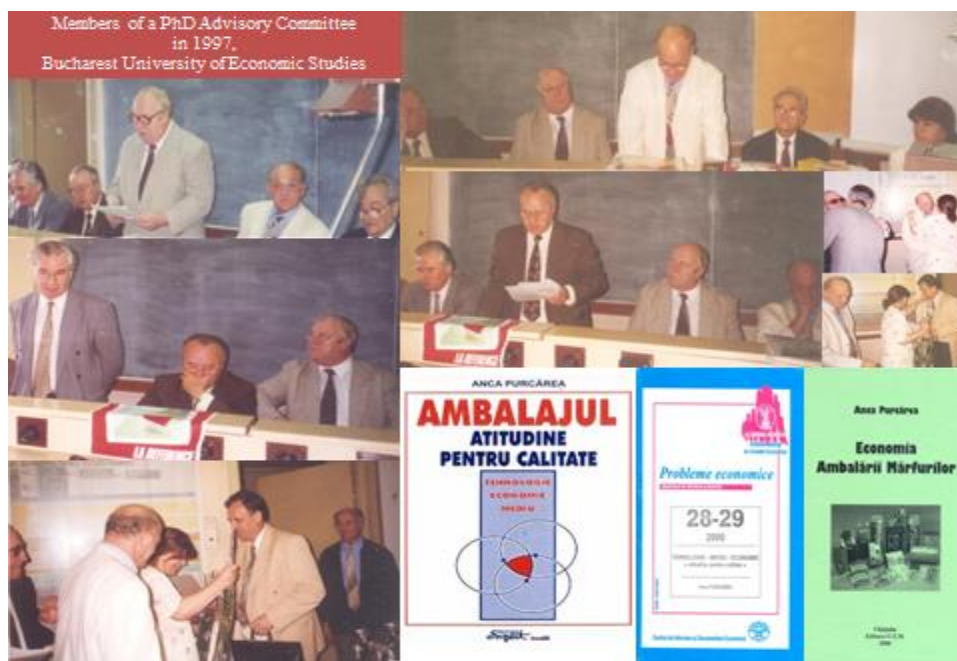
There is a better understanding of the art and science of how companies do create the products that people use every day, and build services customers love, the key to delighting and retaining customers today lying at *the intersection of technology and psychology*. (Bye and Eyal) Let us take two examples from the so-called “packaging technologies world”:

- “*The Packaging Conference 2016*” (February 8-10, Green Valley Ranch, Henderson, Las Vegas, Nevada), where was discussed, for instance: the newly-introduced by Sonoco “TruVue™ Can”, an innovative alternative to the traditional metal can; Sonoco’s patented “FUSION Freshlock Technology™”, a highly engineered, multilayer plastic substrate; (thepackagingconference.com)
- the clear evidence of continuous preoccupation with active and intelligent packaging technologies and how these kind of packaging technologies may be applied to add value, strengthen brands, improve product and brand security, improve consumer appeal and deliver a more positive consumer experience, the brand new international conference “*Smart Packaging*” (September 20-21, 2016, Cologne, organised by Applied Market Information Ltd.), for example, confirming all these things, by bringing together at the same table, and at the same time, brand owners, retailers, packaging producers, plastics and additive suppliers, active and intelligent technology developers, and processing machinery experts. (amiplastics-na.com)

On the other hand, let us remember that *both product manufacturers and retailers are increasingly aware of the strong link between product and packaging* (the last one being “the silent seller”), of the role played by packaging in brand perception, product trial and repeat purchase, of the strong link between packaging and consumer purchasing behavior, of the impact of packaging on product satisfaction and consumer purchasing behavior and so on. Product manufacturers and retailers are also becoming step by step more aware of some universal truths (beyond the subjective influence of aesthetics from one person to another) in regards to color, shape, practicality and messaging. The first above mentioned element, for example, is one of the most studied elements of any design, being well-known that colors evoke an intrinsic emotional response, that is why brands used and are continuing to use certain colors to their advantage. (Sullivan, 2016) No wonder the continuous preoccupation with the application and psychology of color in food packaging design, for example. (Zhang, 2015)

On the occasion of the above mentioned academic debate from 1997 that anticipated actual challenges of the economics of packaging, we noted that if quality is an attitude, and attitude is everything, let’s consider an example of attitude for quality. The quality and consistency determined by the common attitude of the members of a PhD Advisory Committee in 1997 influenced the title of a book published more than a year later by “Expert” Publishing

House, Bucharest, under a title that is still current: “Packaging. Attitude for quality”, author Anca Purcarea, the Bucharest University of Economic Studies (ASE Bucharest). This book was followed in time by other publications (Anca Purcarea – Technology – Environment – Economy, Center for Economical Information and Documentation, INCE, Romanian Academy; Anca Purcarea – Packaging Economics, Technical University of Moldavia Publishing House, Chisinau, 2006).



The distinguished Professors who were members of this PhD Advisory Committee in 1997 at the Faculty of Commerce (today Faculty of Business and Tourism), ASE Bucharest, were: Gheorghe ZAMAN, Viorel PETRESCU, Iacob CATOIU, Aurel VAINER, Alexandru REDES (the last one being the PhD Coordinator). They stimulated a very open discussion about the economics of packaging, the invitees (such as: the Honorary Member of the Romanian Distribution Committee, Benjamin COTIGARU - on April 3, 2013, on the special occasion of the celebration of the centennial of ASE Bucharest, the Romanian Ministry of National Education awarded the Diploma of Honor to venerable Professor Benjamin Cotigaru for his significant contribution to the development of education and scientific research in the field of Commodity Science, in honor of his outstanding performance; former President of the Association for Consumer Protection in Romania, Ion LEANCA; Director of the ECR Department of the Romanian Distribution Committee, Virgil POPA; the current President of the Association for Consumer Protection in Romania, Costel STANCIU etc.) being also involved. In the context of the PhD thesis debate, the spontaneous discussion widened a number of issues such as: the market landscape at that time and what could change in perspective thanks to the key drivers behind the market changes; business expectations at the level of small and medium-sized companies compared to the large ones; efficiencies across current packaging formats, and main drivers of packaging costs; the influence of rapidly improving technologies and the rising

environmental awareness; demand evolution for lightweight and sustainable packaging products; improvements perspective in consumer recycling patterns of both householders and businesses, the role of incentive schemes in better dealing with packaging at the end of its life so as to ensure better environmental and natural resources outcomes; the partnership between the local authorities and the waste management companies in the collection of packaging; as packaging adds value and has a strong environmental impact, the perspective of sustainability approach in order to use the life cycle management of packaging and of product to market packaging; the evolution of the partnership between producers, retailers and consumers in the prevention of food losses and waste etc.

Living in the era of the visual commerce: the challenge of capturing today's visual consumer

According to *Curalate* (the leading visual commerce platform, connecting pictures, people and products, and helping nearly 800 brands tell their stories through imagery in order to drive engagement, build awareness, and form stronger, more meaningful relationships with consumers), (curalate.com) there are *three clear trends* today: *consumers are communicating visually* (and channels and brands have to follow suit); *branded images have evolved* (brands are concerned in using authentic images that emphasize experiences, not just the sold stuff); *the boom of buy buttons* (there is a real need of moving social downstream by providing a one-tap payment solution for today's consumers expecting to be able to buy whatever they want, whenever they want, wherever they are). (Curalate, 2016) As consumers are not only in this perpetual state of discovery, engagement and shopping, but they are also creating content, there is a clear emerging need for marketers to measure and understand how images engage and convert consumers at every point of the purchase funnel, Curalate recommends within this context to connect the entire breadth of visual content about company's products to commerce in ways that feel native, contextual and authentic.

This kind of approach appears to be the more natural given that a recent study conducted by GfK (commissioned by Facebook IQ), found that the convenience and flexibility of smartphones and tablets make them the preferred devices among most people shopping online and even while in brick-and-mortar stores. Respondents were asked to research and shop for various items using multiple channels including mobile devices, desktops or laptops, and in-store. (Duffy, 2016)

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