

COLUMNS

## 3 likely shifts in consumer behavior after COVID-19

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With most businesses worldwide in massive chaos, the grave economic impact of the COVID-19 coronavirus is being felt across sectors such as tourism, airlines, entertainment, education, cruises, automotive, food and fashion.

Marketers across industries are trying to redesign their business models. The luxury sector is no exception.

### Paradigm shift

Per recent research by Italian luxury trade association Altgamma in association with the Boston Consulting Group, it is predicted that the COVID-19 coronavirus can bring down global luxury sales by 30 billion to 40 billion.

With store closures and customers locked down in their homes, luxury markets have been severely hit. Major parts of the world, from China and Japan to Europe and the United States are struggling with weakening demand and disrupted value chains.

This crisis has resulted in a paradigm shift in consumer behavior.

From being reluctant to using masks and hand sanitizers to buying them at any cost, from shopping in-store to going digital, from enjoying classroom learnings to attending online sessions, from physical meetings to making decisions through videoconferencing, from attending glamorous fashion events to viewing live-streaming on digital platforms: these changes in behavior may become the way of life and the new normal for consumers.

It is known from history that each crisis leaves a long-term impact and the deadly coronavirus is no exception to the rule.

The Great Depression impelled a "waste not, want not" attitude that dictated consumption patterns for years.

Likewise, the outbreak of COVID-19 may move luxury consumers to assess things from a different outlook. It may alter the key motivational factors for luxury goods consumption. The beliefs, values and attitude of luxury consumers may drastically evolve, leading to changing consumption patterns.

Let us look at the three major changes that this crisis will bring in luxury consumer behavior in the long-term and its

consequences on luxury brands and retailers:

Consumers may be driven to buy luxury for conscientious value rather than conspicuous value. In longer term, because of this crisis, people may be willing to spend more on sustainable brands that reflect their own values and beliefs.

Buyers will show increased concern towards fair-trade product consumption. They will put more emphasis on benevolent values, which may result in ethical decision making.

Affluent consumers will rethink and re-prioritize their fashion consumption to make it less conspicuous and more responsive toward the society as well as the environment.

There will be transformation from "what you wear" to "who you are" within conscious luxury consumers, leading to rising consumer demands for product traceability, supply chain standards, product legitimacy and quality.

This is great opportunity for luxury brands to redefine their business models and create products that are authentic and responsible. They must think deeper beyond loud logo strategy.

Consumers may indulge in hedonistic purchases that make them feel better in this stressful period. This has been termed as "revenge" or "retaliatory spending." They will buy luxury products for ego-centered values, that is, personal values such as health and well-being, hedonism and superior quality.

Marketers should make efforts to provide comforting experiences to the consumers to help them cope with irrational fears. They must provide offerings that convey emotional values rather than ostentatious symbol of status and affluence.

This is the right time for marketers to go much deeper to unravel what their brand stands for now and what it can mean in future. They must re-think how they can serve the needs of affluent consumers purposefully and create meaningful content to inspire, engage and entice consumers.

Fear of infection has hard hit luxury shopping malls. Consumers are staying home and buying products online rather than physically going to crowded locations. In the long term, this may lead to permanent change in behavior of consumers and online luxury buying may become a new norm.

Just like after demonetization episode in India, consumers who were most reluctant are also gradually embracing digital mode of payments. Therefore, retailers should provide more meaningful online experiences to connect with the consumers.

Online luxury buying will become more attractive in future. This slowdown is the right time for luxury brands to equip themselves to digitize the processes and upgrade their systems and technology. This will enable them to develop operational efficiencies and provide personalized experiences to the customers.

The luxury business remains hopeful to bounce back to previous consumption levels after the pandemic ends.

This is the perfect time for luxury brands to prepare themselves for the future by identifying the gaps, turning their weaknesses into strengths and strengths into distinctive competences.

This pandemic may bring a major change in the consumers' mindset and the value system that underpins their luxury buying decisions. The brands that work to understand this and adapt accordingly will surely turn out to be the new champions.

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