

So Your Customers Tried a Competitor During Quarantine—What Now?

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Key insights:

As U.S. consumers transitioned from the panic-buying to hoarding phases of product acquisition during the coronavirus pandemic, longstanding consumer habits and brand loyalty took a backseat to availability and circumstance.

In fact, a recent study from media and marketing services company Mindshare found 69% of consumers said they're likely to buy or have bought new brands since the outbreak began.

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—Simon Poulton, vp of digital intelligence, Wpromote

For some brands, like bamboo toilet paper No. 2, it's an opportunity to distinguish themselves in a sea of bigger, better-capitalized competitors.

But does a one-time customer switch translate to long-term brand loyalty?

According to Mindshare, 67% of consumers said they'd miss the brands they used to buy, but 66% were likely to continue buying those new brands after the pandemic is over.

Challenger brands' opportunity to shine

Such stats should certainly be music to the ears of challenger brands everywhere.

Simon Poulton, vice president of digital intelligence at digital marketing agency Wpromote, agreed there's an opportunity for smaller brands to steal market share now.

For starters, there's lower overall acquisition and retention costs than prior to Covid-19, as Facebook CPMs and Google CPCs are down significantly year-over-year.

But, he said, challenger brands also have an opportunity to retain new customers by adapting their products and delivery services to align with new consumer behaviors. That includes bars offering cocktails to go and craft breweries pivoting to contactless delivery. (It also likely includes PepsiCo's launch of Snacks.com as a direct-to-consumer sales channel and the development of products like Taco Bell's At-Home Taco Bar, although we'd have to loosen the definition of "challenger brands" significantly to include PepsiCo and Taco Bell here.)

"Challengers are taking innovative steps to serve their customers where they are and overcoming the friction that is typically associated with trying a novel product, in this case at home," Poulton added.

Established brands have to communicate

But that's not to say supply issues during a global pandemic will devastate familiar household brands.

Instead, Jeff Malmad, executive director of Shop+, a Mindshare unit focused on retail and ecommerce media, said these brands have to rethink their media buys.

"You don't want to just turn off all your advertising. Because when your products do go back into store or online, you want your brand to stay top of mind for consumers."

—Jeff Malmad, executive director, Shop+

"On the one hand, you don't want direct response messaging leading to retail sites where your product isn't available—that's just going to frustrate consumers," he said.

"But at the same time, you don't want to just turn off all

your advertising. Because when your products do go back into store or online, you want your brand to stay top of mind for consumers.”

This, Malmad said, means leaning into upper-funnel tactics, like video, display and sponsored content to generate awareness. It also includes incorporating geo-location into campaigns so your target audience sees appropriate messaging based on supply or where states are re-opening. And, of course, expect to see media buys renegotiated where appropriate.

“Whether they’re searching online or just going to the store, you still need to have brand equity so that they’re not just switching to a competitor’s products in the long term,” Malmad said.

Everyone is consuming more at home

While product scarcity was certainly an issue for major brands—and an opportunity for challengers early in quarantine—some say supply has largely recovered.

According to K.K. Davey, president of strategic analytics at market research company IRI Worldwide, said IRI’s CPG clients are focused on getting products on store shelves and are prioritizing popular items while reducing assortment complexity in high out-of-stock categories like hand sanitizers and wipes. And, Davey said, while there may have been some brand substitutions in March due to availability, he estimates 80 to 85% of supply is now available.

Meanwhile, he said, brands are seeing “unprecedented” demand due to an increase in at-home consumption—with lift of as much as 25 to 35% for CPG overall.

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