

Asia-Pacific Practice

Behind the trend lines: What 12 Australian families can teach us about changing consumers

A closer look at the people affected by the pandemic provides insight into how businesses can thrive in the decades to come.

by Jenny Child, Dan Feldman, and Thomas Rüdiger Smith



© Louise Beaumont/Getty Images

Toward the end of 2020, we spent time with 12 Australian families to understand how COVID-19 was impacting their lives. Here are some of their insights.

Living short term: One response to continued uncertainty

Despite signs of increased optimism, Australians are not confident in a return to their previous 'normal.' Economic uncertainty (which continues to outrank public health as the primary concern for Australians) and ongoing shifts in restrictions have forced Australians to adopt new cycles of both planning and dreaming. Daily and weekly planning cycles have become the main focus, while monthly (or beyond) cycles remain within the purview of aspiration only. Yearly cycles are nearly gone. The implications of this shift mean a lower likelihood of making impulsive choices today that bank on the expectation of a future benefit (for example, a pay rise, vacation, or new job). Instead, people are focusing their decision making on how it impacts

the short term while maximising options for an uncertain future. The last thing anybody wants is to be underprepared for whatever may come next. These changes to mindsets have developed over the course of a year and will continue to affect behaviour for months, if not years, to come.



Vignette

Live for today; prepare (but don't plan)
for the future

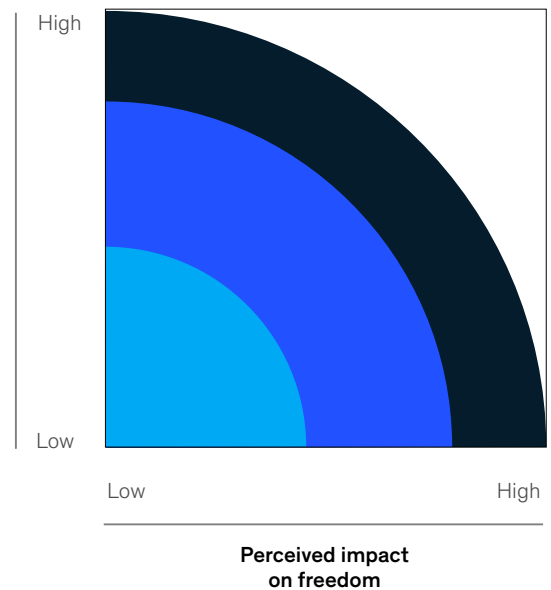
Helen, a 57-year-old woman from Sydney, worked in the tourism industry for 30 years, leading groups of international students and helping settle them into life in Australia. She always had the year ahead planned, knowing where her income was coming from and when she would be able to have the time to enjoy it. With a regular rhythm, she had lived today, expecting money tomorrow—spending large and enjoying the finer things in life. This year, all the income she budgeted for was lost. Not only was her livelihood taken for the year, but the prospect of it coming back remains quite uncertain. She has had to mourn the loss of a career and lifestyle that she loved for a half of her life while figuring out how to survive in this new reality.

Exhibit

Consumer behaviors shift depending on the degree of impact on their freedom and income.

Consumers in the lower left corner of the matrix may have been able to work from home and expect life to return to normal soon, while those closer to the upper right corner are more likely to have lost a job and a sense of purpose.

Impact on income



Vignette cont.

'I used to spend everything I made. To be honest, I would spend on the expectation of what I would make; I was forecasting ahead. Now I realise it's the money in the bank that matters. I feel like I finally grew up ...'

Helen has become a frugal budgeter and planner. She has cut back in almost every aspect of her life. Instead of meeting friends for dinner and drinks, they go for walks or sit in her garden. For the first time in nearly 50 years, she is not buying a new Christmas dress.

'I asked myself, "Do I really need one when I have so many in my closet?" It's been a tradition for so long, but I realised it was one I didn't need.'

For now, she's weathering the storm and preparing for when it clears, cutting back on nonessentials (coffees, chocolates, or new clothes) and finding new ways to feel fulfilled.

Having had an early glimpse of retirement, she's determined to stay busy, which has led her to spend time acquiring new and relevant digital and project-management skills to remain employable moving forward.

'While I want to enjoy the now, I know that, if I want to be secure, I need to work and prepare to do things differently.'

Active resetting of lifestyles and habits

At the start of 2020, many of us relied on the pace of our lifestyles to stimulate and excite us. Life had become habitual but frenetic.

By the middle of 2020, we were forced out of our routines (some more than others) in a way that made us reconsider that freneticism and the physical and emotional toll that it was taking: We migrated to online shopping; we reappraised

Heading into 2021, these shifting norms influence a wider set of decisions, as some Australians realise that life as they knew it is not their only path—nor even their preferred one. Experiencing life in a smaller radius, without the previous distractions, has given people the opportunity to take a step back and think about how they will choose to live going forward.



Some are born balanced, some achieve balance, and some find balance thrust upon them

dinners, networking events, multiple gym memberships, and a 'semiproblematic shopping habit'. Early in 2020, she was still hanging on to the life she knew, trying to find stand-in experiences for the ones she missed. A year later, she's discovered she actually prefers a life closer to home with family and doesn't see herself going back.

Getting into a nice rhythm of shopping online, Julie wasn't tempted to drop by shops on her way to and from running errands, and she has seen her impulse-shopping habits change.

Staying in more often, not paying for gym memberships or babysitters, and shopping less led the family to accrue significant savings throughout the year, which they put directly into paying off their house.

As normalcy returns, Julie is now taking steps to maintain these changes by securing an agreement to work from home three days a week, creating a neighbourhood potluck to replace her weekly dinners out, and building up a home gym—with equipment for the kids, too.

Becoming more mindful of need versus want

The pandemic forced new levels of mindfulness on routine aspects of life. Early in 2020, everyday activities such as grocery shopping required thoughtful preparation to avoid added risk and to get what was needed from sparse shelves. Now, a year later, this mindful behaviour has spread to other aspects of life.

The extent to which this more strategic mindset will continue in consumer behaviour appears linked to how deeply COVID-19 has impacted individual lives this year. Looking across consumers, we've identified two key factors that are linked to lasting behavioural shifts: how much their (actual) livelihoods were impacted and how much their (perceived) lifestyles were impacted. For some, a shift was driven by a loss of income (current or expected). For others, staying home showed them the positive impact of savings, paying down debt, or spending money on things that matter to them.

While an altered income determines many behaviour shifts, impact to freedom affects the intensity of those shifts. Those who experienced extended lockdowns or lost access to important activities for long periods found their behaviours and mindsets shifted more significantly than those who didn't feel the consequences of the pandemic as pointedly.

Regardless of the catalyst, people have survived—and even thrived—living without many of the things they would have previously called vital to their happiness, such as restaurants, entertainment events, or travel. While the personal-value equation is different for everyone, this equation has changed for almost everyone in the past year.



Vignette

Hotel Amit: Making a resort of your living room

Amit is a 29-year-old cybersecurity engineer living in Brisbane. His life used to revolve around anticipating travel. He and his wife traveled seven times a year. The rest of life was just time in between trips when he would subconsciously go through the motions of life while losing himself in planning and anticipation. With travel restrictions brought on by COVID-19, he was forced to live in the present. This shift in mindset was profound for Amit.

'This has forced me to live my life here not expecting something else. I'm more in my reality, not living in the expectation that, in a few months, I'll escape to a different country for a while. The only way to escape my reality now is to improve my reality and make it one that I can enjoy.'

Vignette cont.

Instead of dreaming of what was to come, he began investing in what was in front of him. Amit found he became more in tune with his needs and wants. While some people have cut back on purchasing nonessentials, Amit and his wife went in a different direction. They moved to a bigger apartment, took on home improvement projects, and replaced trip planning with lifestyle planning, acquiring things to make daily life more comfortable and to satisfy their newfound appreciation for the finer things.

That doesn't mean he has begun throwing money away. Seeing the impact of the pandemic on others' livelihoods has also made him much more aware of finances. He's begun budgeting and has started more closely scrutinising service contracts, changing his energy provider, cellular service provider, and bank to get the most out of them—breaking decadelong relationships, in some cases.

'Previously, I would not have paid attention to the money coming in and out. Now, I have calculated every scenario. If I lose my job, if my wife loses hers, if we both lose our jobs—I know how long we can survive.'

Amit had never considered buying a house before. It felt like an anchor restricting his freedom of movement. Now that they've learned to enjoy being in one place, the idea has newfound appeal, and he and his wife have started saving.

'This year, we have realised how much we need nice things and to be in a nice space. I've begun to budget every month. We're planning on investing in a home—but also put extra to fulfill the need for things we don't need.'



Vignette

Maturing ten years in ten months

Dan, a 23-year-old student living in Melbourne, lived a typical Gen Z lifestyle: working a part-time job, going to uni, frequenting social media, and spending every penny he earned on clothes and going out. Dan never paid much attention to his finances or spending, expecting to eventually have to 'grow up' but seeing it as an abstract concept for the future. COVID-19 changed everything. When he lost his job, Dan had to live off his savings for months of lockdown, which led to fierce budgeting across the board. He couldn't exercise and he put on lots of weight. At first, he lived what he thought was a dream: being inside playing video games all day. But it soon turned into a nightmare of boredom and feeling useless and unproductive.

'I used to live to travel or party. When those options were no longer available to me, I had to take a look at what else my life was made up of and start putting explicit effort into those things. It was a big change.'

Vignette cont.

Emerging from lockdown, Dan changed everything about his life. He began to exercise religiously. He secured a job, which he cherishes, and is working diligently on his degree. He is active in managing his finances—living within his budget, putting money into a neobank to capture the best interest rate, and dropping his old bank (because it invests in fossil fuels) for one focused on responsible lending. He has also swapped his cellular service and dropped his private health insurance because he believes they are not delivering value for money.

Despite a tight budget, Dan spends extra on quality food and products, with a focus on sustainability. His budgeting in other places empowers him to spend where it matters to him. He describes the experience in terms of a memento mori: he had to face the reality of his economic mortality. Assumptions about life that he took for granted—his health, freedom, and ability to earn money—were shattered, and he was forced to live a very different life for months of lockdown in Melbourne. He has emerged a completely different person, one who has grown up and doesn't suffer the trappings of other people his age. He budgets, he plans, he takes responsibility for his place in society, and he is grateful that his eyes were opened by this event.

'COVID introduced me to mortality. You don't think about mortality until lots of people start dying. I genuinely don't know what's coming; I have to expect and plan for the worst so I can adapt to whatever ends up happening. Similarly, I used to live my life not thinking about my impact on the world. I wasn't as conscious about it before, but now, it's changed everything about how I make decisions.'

What is the implication for Australian businesses?

Our insights have already looked at segmental impacts from 2020. But what all of these stories highlight is that, within those segments, the experiences of this year have been unique and deeply personal to the individual.

At the highest level, as we showed in our last article, there are four large segments centred around two key factors: how challenging 2020 was on people's economic situations and how it affected the way they lived their lives. For this event, the distribution of behavioural impact does not run along lines of traditional demographic segmentation; people of all ages, genders, ethnicities, and family structures felt the effects of COVID-19. The factors that drove your segmentation in the past may not be the right ones to drive your future.

There are layers underneath the headline figures, and as a consumer-facing business, you need—now more than ever—to understand what has changed in your customers' mindsets. This will affect marketing and branding, go-to-market strategies, growth strategies, and product development. These vignettes from our 12 Australian families tell us that the realities are, unsurprisingly, much more nuanced. 2020 was traumatic, even if the injury was not lasting for many—and trauma inevitably changes individuals in a variety of ways over time.

The future remains uncertain. The ground is still shifting and has yet to settle back into a new form. There are early signs that suggest some aspects of life will return to normal, while other trends may last or continue to change for years to come:

- **Mindful and savvy consumers.** More people will see their livelihoods change in unexpected ways. These shocks to people's senses of security are showing up as shifts in mindsets, not just

survival behaviours, which could lead to a cohort of more financially mindful and savvy consumers.

- **Restructured priorities.** Several profound shifts—realising what matters, appreciating the simple things, and investing in making them more central to life—do not appear flights of fancy. Whether it's spending more time with family, nesting at home, or self-care, these new priorities will likely take time to change again.
- **Digital adoption.** Pandemic restrictions forced many people who were averse to a shift to digital to make the change. While there are signs that some people may return to physical channels, exposure and positive experience were enough to make digital the preferred channel for an increasing number of people and occasions. While we believe that digital adoption will normalise, signs indicate that usage will remain higher than it was before COVID-19.

- **Travel rush.** While many cities are once again allowing increasingly large gatherings, there's a continuously growing eagerness for a return to normalcy—exemplified, for many, by travel. Whether driven by a desire to see family abroad or simply to feel unstuck in the world, travel is top of mind for many who are primed at the gate to get overseas.

One thing is clear: your approach to understanding your customers needs a fresh look. Differences in experience—and how people internalised those experiences—will determine the lasting changes going forward. Uncovering those means looking at your customers through different lenses and staying one step ahead to meet their emerging needs. Now is the time to embody the words of computing pioneer Alan Kay: 'The best way to predict the future is to invent it.'

Jenny Child is a partner in McKinsey's Sydney office, where **Thomas Rüdiger Smith** is an associate partner; **Dan Feldman** is a design director with McKinsey Design.

The authors wish to thank Cameron Hinkley and Karthikeyan Swaminathan for their contributions to this article.

Designed by McKinsey Global Publishing
Copyright © 2021 McKinsey & Company. All rights reserved.