



## EMERGING TRENDS OF 2020 BY EFFECTUS STRATEGY

In this month's edition of our *Ecosystem of Product*, we take a closer look at some of 2020's emerging trends and what we can glean from them in preparation for 2021.

For many, the events of this year were a wake-up call, and we can expect many learnings to have a residual impact on the future of the consumer decision-making process. In other instances, hobbies that were once considered cornerstones of 'family time' (prior to the introduction of video games and other electronics) have been given a second chance to make a comeback.

Today, we continue to see businesses and consumers realize new value by way of innovative technology solutions. One technological advancement is often the driving force in a chain reaction of trailing innovations; however, the timing of those changes is typically very unpredictable. The stressors of business continuity have in many ways acted as a catalyst and expedited the adaptation process thus breeding a '*survival of the fittest*' mentality in our ecosystem of product, as well as other industries such as the restaurant and food service industry.

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## I. SELF-CARE & WELLNESS

In the midst of uncertainty over the last several months, Americans have been challenged with health concerns in unique and unprecedented ways. As such, taking precautions to protect themselves and others with creating and maintaining healthy habits has been at the forefront of everyone's minds.

Not only have many businesses and corporations made strides towards creating a safe environment for their employees and customers, but consumers themselves have also been more intentional about preventative actions that allow them to insulate from exposure. A direct impact has been a surge in demand for personal hygiene items such as hand sanitizer and faces masks (of all different shapes and sizes). In turn, this also sparked consumer creativity for homemade sanitizer and masks made from everyday household supplies. It is impossible to say when the mask phase will end, but the longer consumers use them, the less that the experience will be perceived as "inconvenient" or "uncomfortable."

On the front-end of rising health concerns, the theme of 'Sustainability' had taken a backseat. Due to urgency, the unexpected nature of the outbreak and the unknown variables at play, most respiratory

masks put on the market were disposable. Between these masks, plastic gloves and other single-use products, there was a considerable upswing in waste levels – however, this allowed for players to enter the reusable mask market allowing for consumers to be conscientious of both the environment and their own health needs. According to Grand View Research, the global disposable face mask market size was estimated at \$0.79 billion in 2019 and is expected to reach \$166.44 billion in 2020, growing at a compounded annual growth rate of 53% from 2020 to 2027. Based on this report, it seems that reusable masks were not included in this study, but we can expect that to make up a sizeable amount of the face protection market especially as sustainability continues to trend up.

Another aspect of self-care and wellness that has found a home in emerging trends of 2020 is 'At Home Fitness.' Double-clicking into the category, at-home fitness equipment and digital applications for on-demand workout classes from the comfort of your home have become increasingly popular in 2020.

While home gym equipment has been around for many years, gym closures during the early stages of the pandemic created an opportunity for innovative companies like Peloton to address the gaps in the market. Peloton, for example, offers a holistic approach to training that goes beyond guided-cycling or running and gives users access to digital content virtually anywhere in the world. Although the equipment itself has a high price tag, it allows customers to decrease (if not eliminate) their dependency on gyms, gym memberships and personal trainers.

Regarded as one of the fastest growing industries, Health and Fitness is led by four

main players: Apple, Peloton, Nike and Lululemon (who recently acquired Mirror fitness). What do all of these brands have in common? They are all giant companies that have gone beyond just selling products, and also started offering services that allow them to play a larger role in the consumer's everyday life (e.g. monthly workout subscription services that integrate seamlessly with their products).

In fact, according to NPD, 87 million people (or 1 in 4 Americans) are using Health and Fitness apps, up 27% this year – and given the high cost of goods that these brands offer (e.g. peloton cycling bikes), consumers are holding themselves accountable for getting the most out of it.



## II. CONNECTING WITH OTHERS THROUGH NATURE

While shelter-in-place was in full effect, travel was restricted, and vacations were postponed, a major theme of this year's summer became 'recreating your own backyard adventure.' With the unknown risks of flying, and the decreased cost of fuel, many Americans planned road trips and camping excursions to be compliant with social distancing while also breaking up the monotony of living every aspect of their lives from home.

With outdoor activities gaining traction, demand for consumer products that enabled and supported those activities gained traction as well. In fact, according to the 2020 North American Camping Report, "Spending time outdoors" is now more important to 43% of leisure travelers in a post-COVID world. In the same report, a survey gauging what travelers looked forward to most when returning to travel found that 29% of all leisure travelers are looking forward to spending time with family outdoors, and 12% were more broadly looking forward to outdoor activities and recreation.

Aside from road tripping and camping equipment, outdoor activities like hiking, kayaking and nature watching have also become a means of getting away from home. With more free time while confined to their homes, many consumers have gotten back to their roots with gardening, and others are tackling long overdue items on their honey-do lists with DIY projects.

Technology continues to play a major role in our lives. In fact, according to eMarketer, the average time spent on smartphones in the US in 2020 has increased by 13.9%. However, although excessive use of smartphones has been critiqued in the past, these products and other internet-enabled devices were the ones to thank, as they made staying connected possible during isolation.

In order to offset the feeling of loneliness, less predictable this year was the popularity of cookouts and picnics as Americans were ready to rekindle those in-person connections and spend more time entertaining guests at home. With less "eating out" dining available, BBQs and picnics have become an avenue for

reconnecting with friends, family and neighbors, thus prompting a high demand for products like grills, lawn chairs and backyard games.



### III. CONSUMER-CENTRIC INNOVATION

Despite all of the things that have changed over the last year, one that has held constant is the fact consumers dislike the feeling of being sold things (e.g. products, services, etc.). As such, the new challenge for businesses is not just creating great products, but creating great products that actually capture the essence of the consumers' needs and desires.

One way to do this, and perhaps the best way, is by simply asking them. According to a survey conducted by Accenture, 63% of consumer goods executives believe ecosystem participation (including consumers) supports innovation. Consumer insights are a means of creating a structured dialogue to get the answers that your innovation team needs in order to take products through the innovation pipeline, onto shelves and into the hands of consumers (who immediately became more invested in your business as soon as they felt their opinions and voice mattered). Roughly 15% of consumer goods CMOs and CEOs actually think of end-consumers as a

vital collaborator in the ecosystem.

The same survey said 70% of industry CMOs need "reality checkers" (outsiders) to feed insights into the company to drive growth. This recommendation means that market inputs (e.g. consumers) can provide sanity checks and are invaluable to internal stakeholders, who know their market inside and out. A collaborative effort will not only give your projects a fresh perspective, but it will give your business a competitive edge as compared to those who innovate without enough inputs for a meaningful and successful output. Fashion companies like Zara have unlocked many successful opportunities due to their ability to take inputs from what consumers find fashionable in the market and quickly putting the right merchandise into production before trends change, styles fade and a key opportunity to move product in their category has passed.



### IV. CONSUMER FLYING HABITS IMPACT AIRFREIGHT

It is no secret that the disappearance of passengers from the commercial airlines' sales funnel has created many struggles for the aviation industry, but these struggles have extended to manufacturers and distributors in our ecosystem of product as well.

Since March, passenger enplanements have been down compared to the same months in 2019. According to data from the Bureau of Transportation Statistics, the period with the largest year-over-year decline in passenger presence was this past April with a negative 96.1% delta. Since April, these changes have been less drastic with preliminary July 2020 data trending at a 73% decline.

In light of these trends, the aviation industry has made changes to their airfreight solutions, which can be seen in those logistics costs to manufacturers and distributors. Approximately 40-50% of airfreight is transported by companies like UPS, FedEx and DHL, while the remaining 50-60% is typically transported in the bowels of planes beneath passenger seating.

Over the course of the last several months, commercial airlines have battled to stay afloat with cargo transportation being the most stable aspect of their business. Despite fuel prices being so low, the savings are unable to offset the financial cushion provided by fully booked flights. As a result of fewer booked flights, airfreight costs have increased significantly. According to WorldACD, a data provider that processes freight data for the aviation industry, the global average cost of airfreight was \$3.63 per kilogram which is more than 65% higher than the average cost in the months leading up to it.

With consumers embracing alternative means of transportation for vacations and getaways, and businesses learning to do more while traveling less, there is a lot of uncertainty on when this industry will return to pre-COVID levels. Despite air travel trending down compared to last year,

players in the industry have taken strides to regain the trust of their patrons. This is seen in the month-over-month passenger airline utilization data which indicates a gradual rebound that will hopefully lighten the financial burden of airfreight across the supply chain system.

