

# Consumer-Driven Innovation in 2021

CapTech®

*Consumer Expectations are Shifting and  
Opportunities for Innovation Abound*



It's a brave new world out there. Or is it? That's what we endeavored to find out through our Consumer-Driven Innovation Survey, which was designed to provide both a better understanding of, and insights into, how consumer purchasing behaviors, perceptions, and needs have evolved over the past year. We also wanted to explore the impact that technology, incentives, and innovation have had, and are having, on people's decisions to choose one retailer or purchasing method over another.

Since this is our second study in as many years, a good place to start this year's conversation is with last year's "[Consumer-Driven Innovation in 2020](#)" report. In that report, we observed that "COVID-19 continues to be a dominating feature, significantly impacting individuals and the economy as a whole. With no clear end to the pandemic in sight, consumers and companies alike are proceeding cautiously, navigating the ups and downs of new outbreaks, remote working, lockdown orders – even everyday activities."

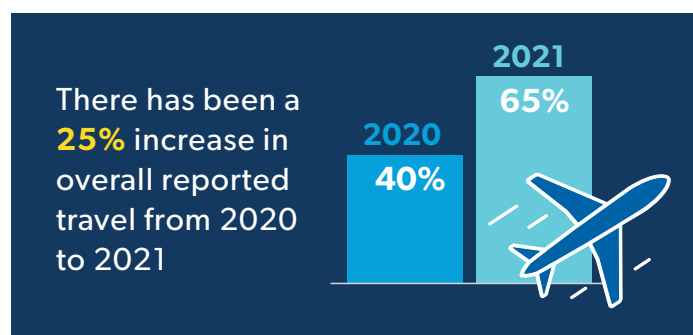
So, what has (and has not) changed between Fall 2020 and Fall 2021? In September of last year, unemployment was over 10%. Today, it is less than 5%. Roughly 188 million Americans have received the vaccine and yet, "more people worldwide have died of COVID-19 so far this year than during all of last year." <sup>(1)</sup> As for the economy, S&P provides these September 2021 observations: "While still running hot, the U.S. economy has cooled

as summer ends. Supply disruptions remain the leading suspect slowing the world's biggest economy, and the delta variant is now an additional drag."<sup>(2)</sup>

Given that, how much of a return to normal have we experienced in 2021 and how are consumers responding to it? Our findings show how consumer expectations have shifted. These are shifts that, if leveraged properly, can provide companies with both present and future opportunities.

### **SPENDING IS BACK, BUT WITH AN EYE TOWARD THE FUTURE AND A FOCUS ON ESSENTIALS**

Consumers want to prioritize saving money, however, with no increase in salaries, saving efforts have remained stagnant. On the bright side, non-essential spending is on the rise, signaling increasing consumer confidence. The number of consumers spending more on purchases such as fashion, home décor, and electronics has increased from 22% in 2020 to 29% in 2021. In addition, 65% of our consumers told us that they had traveled in the past six months.



This is encouraging; nevertheless, non-essential spending faces strong headwinds with uncertainty about the continuing impact of COVID-19, fewer Americans working, incomes significantly impacted, and the rising cost of goods. It is likely that essential purchases will continue to represent the lion's share of consumer spending until deeper into the recovery.

### **BEING ACCESSIBLE AND INCLUSIVE HAS A SIGNIFICANT INFLUENCE ON PURCHASING**

In 2020, we learned that good service mattered most to consumers' purchasing decisions, but how

businesses responded to COVID-19 with safety measures, discounts, convenience, employee protections, and helping the local community were new and very important differentiators.

In 2021, with diminished emphasis on COVID-19 health standards, good customer service remained very important, while accessibility and inclusivity have become ever more important influencers.



Sixty-four percent of consumers ranked a business being inclusive and accessible as a key factor in doing business with them, and 44% of consumers have tried new brands based on their inclusivity and accessibility. Accessibility and inclusivity has become an important purchasing factor for many, but especially to those in the Gen Z age group.

### THE PRICE MUST BE RIGHT, BUT AVAILABILITY AND TRUSTED BRANDS ARE ALSO VALUED

Last year, consumers were exploring alternate shopping methods and tech solutions for everyday activities. Discounts and conveniences that prioritized safety like free shipping, curbside pickup, and physical store modifications also had big impacts on purchasing behaviors. As a result, buying by brand suffered as availability and cost, driven by disrupted supply chains, became key factors.

This year, consumers continue to use alternative shopping methods and tech solutions for everyday activities. Price is the most important factor in choosing a new product or service, as noted by 83% of respondents. Availability and convenience are also critical for consumers, at 54%, with many trying new brands as a result. Nevertheless, trusted brands are still a consideration for many consumers with 55% of respondents looking at brand as an influencer when selecting a new product or service.

### Cost, availability & accessibility/inclusivity influence purchasing decisions most heavily

**68%** tried new brands due to **lower costs**



**61%** tried new brands due to **availability**

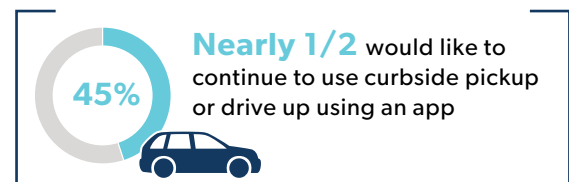


**44%** tried new brands due to **availability/inclusivity**



### DIGITAL SAVVINESS AND CONSUMPTION ARE HERE TO STAY

In 2020, consumers were spending more time online and at home: browsing social media, streaming entertainment, virtual officing, and shopping online. Today, our study showed that even with 51% of consumers having returned to onsite work, daily habits and behaviors that consumers developed during the pandemic have continued to influence everyday life. Behavior such as streaming entertainment, using online chat, making virtual appointments, ordering online, and paying with a smart device, among others, show no signs of slowing – and are likely here to stay.



In fact, consumers that paid for products or services using a smart device in a physical business increased by 12%, from 28% in 2020 to 40% in 2021. And many respondents plan to continue using mobile apps: 25% for mobile pay, 20% to navigate product offerings and solutions, 20% to scan QR codes, and 17% for boarding passes and hotel keys.

### INNOVATIVE TECHNOLOGIES CONTINUE TO MEET CHANGING NEEDS

Consumers have tried new and different technologies to meet the changing environment and want to continue to do so in the future. Our study revealed that consumers who scheduled an appointment or joined a waitlist online before arriving at their destination has increased from 20%

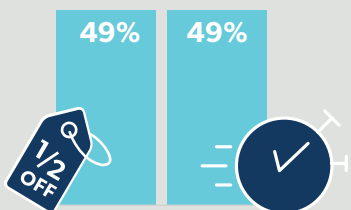
in 2020 to 39% in 2021. Almost half of consumers attended virtual appointments in the last six months. And consumers intend to continue to use these technologies, with the majority planning to attend virtual appointments, and schedule appointments or join waitlists online.

Online chat is also on the rise, with 29% very interested in continuing to communicate via online chat. Whether a mega financial institution or your local restaurant, the standard for quality customer service remains extraordinarily high, yet the way that customer service is delivered has changed. Faced with staffing and cost issues, businesses are turning to customer service technology platforms that don't involve live human conversation — text messaging and self-service portals, just to name a few. Goodbye human interaction, hello chatbot.

## PERSONALIZATION AND CONVENIENCE DRIVE DATA SHARING

For years, the well-publicized data breaches that exposed millions of individuals to identity theft fueled a reticence on the part of consumers to share personal data in exchange for convenience. With the pandemic shift to an online economy, consumers have been compelled to trade data for transactions — from making mobile check deposits to buying toilet paper.

### Half of consumers are willing to share data in exchange for discounts, perks, & convenience



Discounts/perks and convenience both have the greatest affect (**49%**) on why consumers would decide to share their personal information

Our research revealed that in 2021, consumers have a new comfort with exchanging data. Indeed, half of consumers are willing to share data in exchange for discounts, perks, and convenience. Forty-five percent have used personalized correspondence, sales, ads, and product recommendations when making a purchasing decision.

## CONSUMER SENTIMENT MARKERS: 2020 TO 2021



### 18% INCREASE IN LIKELIHOOD TO GET HELP VIA ONLINE CHAT

**Consumers are getting increasingly comfortable with bots**

Communication with a company using online chat has increased 18%, from 28% in 2020 to 46% in 2021.



### 12% INCREASE IN PAYING WITH A SMART DEVICE

**Smart device payments is the future ... and present**

Consumers that paid for products or services using a smart device in a physical business increased by 12%, from 28% in 2020 to 40% in 2021.



### 19% INCREASE IN SCHEDULING APPTS AND JOINING WAITLISTS ONLINE

**Going online versus standing in line**

Consumers that scheduled an appointment or joined a waitlist online before arriving at their destination has increased by 19%, from 20% in 2020 to 39% in 2021.



### 7% INCREASE IN NON-ESSENTIAL SPENDING

**Purse strings loosen (a bit)**

The number of consumers spending more on non-essentials such as fashion, home décor, and electronics, has increased slightly from 22% in 2020 to 29% in 2021.



### 25% INCREASE IN TRAVELING

**Travel increases as Americans hit the road to recovery**

Travel has increased from 40% travel in 2020 to 65% in 2021.

## HAS CONSUMER BEHAVIOR RETURNED TO “PRE-COVID-19” NORMS?

While there are some indicators that consumers are “returning to normal,” many behaviors, habits, and trends that were witnessed during the COVID-19 pandemic remain consistent today. And many of those might be here to stay – indicating a “new normal.”



Consumers appear to be bouncing back to prior levels of in-person purchasing but are also reporting increased hybrid in-person and online purchasing, especially for over-the-counter medications, groceries, and self-care products.



While non-essential spending has seen a slight increase, consumer focus remains on essential items.



Factors that influence purchases continue to be in alignment with basic economic drivers: price and availability.



While many consumers are still not traveling — and when they do, choosing driving over flying — there has been an increase in overall travel, especially domestically. There has been an increase in overall travel, indicating a return to previous comfort levels for many.

### The Opportunity: Keeping Pace with Consumers

As consumer behaviors continue to transform post pandemic, businesses must do the same. Personalization, accessibility, inclusivity, and innovation, based on what we have learned, are key purchasing influencers as we approach 2022. While safety precautions will continue to be a consideration, how much of one and for how long is uncertain.

We do know that consumers have adopted new behaviors made possible by technology and that these behaviors will continue to impact businesses in the long term. Those who leverage these new tech-driven behaviors in the products that they sell and the services that they offer will thrive, evolving right along with their existing and potential consumers.

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#### Methodology

*Our survey was conducted in September 2021 and used a statistically significant national census-based population sample that is representative of the general U.S. population.*

1Tin, Alexander, “More COVID-19 deaths have already been reported in 2021 than in all of 2020,” June 11, 2021, Retrieved from <https://www.cbsnews.com/news/covid-19-more-deaths-2021-than-2020>

2 S&P Global Ratings, “Economic Outlook U.S. Q4 2021: The Rocket Is Leveling Off,” September 23, 2021, Retrieved from <https://www.spglobal.com/ratings/en/research/articles/210923-economic-outlook-u-s-q4-2021-the-rocket-is-leveling-off-12120697>







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