

NRI Group Urgent Proposals Regarding Measures for Covid-19 No. 22

May 19, 2020

# Impact on ICT Media/Services Industry of Consumer Behavioral Changes Caused by Spread of Covid-19, Policies in Response (Summary) —Turning These Changes into Opportunities to Achieve Digital Transformation (DX) —

Yoichiro Miyake, ICT Media Services Industry Consulting Division  
Nomura Research Institute, Ltd.

## ■ Summary

- In April 2020, Nomura Research Institute conducted an internet survey in order to ascertain Japanese consumer behavior changes resulting from the spread of Covid-19; on the basis of the results of this survey, we have analyzed the impact of Covid-19 on 12 industries connected with the ICT media/services industry (telecommunications, media, retail/consumer products, service industry, etc.) in Japan.
- The spread of Covid-19 has forced many people to spend the majority of their time at home, resulting in changes in consumer behavior and exerting significant effects on ICT media/services industries. These effects vary by industry, but broadly share three characteristics: "1. From Real to Digital Services"; "2. From Individual Consumption to Family Consumption"; and "3. From Unilateral Business-to-Consumer Service Provision Relationships to Co-Creation Relationships".
- These changes in consumer behavior appear likely to become the new normal, and the above-described changes to the ICT media/services industry are expected to continue going forward. In addition, transformations created by digital technology are advancing rapidly, specifically through: "1. The Rapid Spread of 5G etc. and ICT Infrastructure Such as Cashless Transactions"; "2. Increasing Provision of 'Soft' Commodities such as Skills and Knowledge Over the Internet, and a Shift to Models of Work and Employment Premised on Remote Work"; and "3. Increase in D2C (Direct to Consumer)".
- The current economic situation is challenging, but can also be an opportunity for companies to reform their practices. The key point for seizing on this opportunity will be utilization of customer information

obtained from the digital services whose use is rapidly advancing. Our aim must be to embrace these transformations proactively and bring about a digital transformation (DX).

## ■ Impact on ICT Media/Services Industry of Consumer Behavior Changes Caused by Covid-19

The spread of Covid-19 has forced many people to spend the majority of their time at home, resulting in changes in consumer behavior and exerting significant effects on ICT media/services industries. These effects vary by industry, but broadly share the following characteristics.

### 1. From Real to Digital Services

- Most people cannot go outside, and are therefore using digital services from home in lieu of going outside.
- A representative example is the new “nest-dweller consumption” style of shopping, in which consumers shop on e-commerce sites instead of in stores, and use food delivery services instead of eating in restaurants.
- Furthermore, digitalization for at-home use of video, games, manga, books and other content is rapidly accelerating (sale of video games for download, use of e-books). A style of enjoying live entertainment at home, such as through online events, has also taken root.

### 2. From Individual Consumption to Family Consumption

- As many people spend more time at home with family, the unit of consumption is shifting from the individual to the family.
- A representative example is “family viewing” of television. The number of people saying they consume video media together with family has risen, and the amount of time these people spend watching broadcast programming has also risen. The people for whom family viewing has risen are characterized, in comparison to other consumers, by greater viewing of variety shows and dramas in addition to news, information, and infotainment TV shows (“wide shows”).
- Men’s attention to involvement in housework and childrearing is also on the rise. In connection with this, men are becoming proactively involved in the use of services related to housework and childrearing, and as a result, the model consumer base for associated products is shifting from “wife alone” to “husband and wife”.

### 3. From Unilateral Business-to-Consumer Service Provision Relationships to Co-Creation Relationships

- Many businesses have been impacted by consumers staying at home, and actions by consumers to support the survival of these businesses are becoming widespread. This can be seen as a movement to co-create business between consumers and business operators.
- A representative example is found in live events such as sporting events and musical and theatrical

performances. Approximately half of fans are willing to provide monetary support for these activities, and online services have begun utilizing the energy of these fans to ensure business continuity.

- People also have a strong desire to support their favorite restaurants, salons and other preferred stores, indicating a need for online services that make it possible to support stores without visiting them.

## ■ The Revolution in the ICT Media/Services Industry Is an Opportunity for the Digital Transformation of Companies

In response to the spread of Covid-19, consumer behavior patterns have changed significantly, and these changes appear unlikely to revert to old paradigms and poised to become a new normal. In connection with this, as the above-described changes to the ICT media/services industry continue into the future, the following transformations produced by digital technology will arrive rapidly on the scene, spurred forward by the pandemic.

### 1. The Rapid Spread of 5G etc. and ICT Infrastructure Such as Cashless Transactions

- The current lifestyle changes occasioned by the spread of Covid-19 have accelerated the rise of telecommuting, online learning, and other “new modes of living”. These new modes of living will likely remain in place to some extent after the spread of Covid-19, and the expansion of ICT infrastructures to support their realization is accelerating.
- A representative example is telecommunication services. Once the stay-at-home order gets lifted, demand is expected to increase for high-volume communication “anywhere and everywhere” on mobile phone accounts. In connection with this, the mainstream expansion of 5G unlimited data plans appears likely. These developments will result in an acceleration of telecommuting in places other than the home and workplace, consumption of video distribution services while moving around, and use of online learning.
- In addition, cashless payment will become even more common going forward, as a result of increasing hygiene-consciousness and web shopping. The use of cashless payment can be expected to expand further going forward, because such payment is highly convenient and offers many economic advantages such as reward points. Support for cashless payment among stores can be expected to expand to include small-to-medium-scale operations. In connection with this, the spread of marketing that utilizes purchase data, and of new payment services, should continue to advance as well.

### 2. Increasing Provision of ‘Soft’ Commodities such as Skills and Knowledge Over the Internet, and a Shift to Models of Work and Employment Premised on Remote Work

- Up to now, the commodities distributed over e-commerce sites and sharing economy services have been mainly “hard” commodities such as actual things and spaces, but with the spread of Covid-19,

these services have expanded to include “soft” commodities such as housekeeping, childrearing, nursing, other care services, business skills, education, and knowledge. Typical examples include tutoring services, childcare consultation services, and English online learning support services. In addition, in the beauty and health fields, the online availability of professional services, such as fitness services from instructors and counseling services from estheticians who had previously operated in stores, will continue to increase.

- These trends will continue to have an effect on modes of work and employment. As people become able to earn income by applying their skills remotely, new approaches to work, including working from home and reduced-hours work, will become commonplace. Even major corporations are now putting their support behind implementation of remote work, and growing demand can be seen for the accommodation of diverse modes of work. In connection with this, modes of employment can be expected to shift towards results-based pay directly linked to end results, and by extension, to task-based employment (mode of employment in which job roles, place of work, work hours and the like are clearly specified). Moreover, needs related to residences/real estate can also be expected to change in accordance with these new modes of work/employment.

### 3. Increase in D2C (Direct to Consumer)

- Unlike shopping in brick-and-mortar stores, Internet shopping is not bound by physical limitations, and therefore offers an expanding range of vendor options in comparison to buying in actual stores. Of these, the D2C (direct to consumer) model, in which products are purchased directly from manufacturers or brands, is on a steady rise. A representative example is the direct purchase of vegetables or flowers from farms experiencing lagging sales.
- D2C can be used not only for physical products, but for creative content or the above-detailed skills, knowledge, etc. In the media industry, for example, there has been a move among journalists towards delivering information directly to ordinary citizens, without going through broadcasting etc.
- Providing services directly frees manufacturers and brands of the need to go through retailers or distributors; this has the advantage of making it easier to offer products at low cost, while also making it possible to ascertain consumer needs directly, develop new products tailored to customers, and otherwise create value that existing retailers and distributors cannot offer. In the apparel industry, for example, suits and other made-to-order personalized services that make use of digital technology have already appeared on the scene.
- Once a consumer has experienced the satisfaction that comes with D2C, he/she is likely to continue using it in the future. At the same time, these changes have tended to cut retail and distribution out of the sale chain, leading many to question the value of retail and distribution. There is growing need for a business revolution aimed at providing experiences distinctive to each company’s stores and services, and at achieving online integration and other values demanded by customers.

These transformations can be either a crisis or an opportunity for companies, and a key point for

turning the current moment into an opportunity will be the utilization of customer information. Digital advancements have continued to move forward in many industries as a result of the spread of Covid-19; digital services allow businesses to secure direct interactions with customers via the internet, thereby enabling them to obtain customer information swiftly and systematically. There is a strong need to ascertain customer needs accurately, and to swiftly utilize such information in marketing and service development.

The current economic situation is challenging, but the spread of Covid-19 is gradually subsiding. Our aim should be to turn the inevitability of business changes to our advantage, proactively embrace these transformations, and utilize the data and digital technology obtained through services to reform products, services and business – in other words, to bring about a digital transformation (DX).

#### ■ Transformations in Individual Industries, Suggestions for the Post-Coronavirus Era

In April 2020, in order to ascertain consumer behavioral changes resulting from the spread of Covid-19, we conducted an internet survey of men and women across the country aged 15 to 69 (for details, see "Reference" below). On the basis of the results of this survey, we have analyzed the effects of the spread of Covid-19 on the following industries connected with the ICT media/services industry, and have proposed measures for each such industry.

- (1) Telecommunications: For mobile phone providers, accommodation of increasing demand for high-volume communication "anytime and anywhere", and optimization of procedure/inquiry handling channels, will be desired.
- (2) Broadcasting/Media: Change in role of TV broadcasting – less emphasis on being an information source, return to family media
- (3) Content: Changes in individual behavior and understanding vis a vis video games, VR, manga, books – do not miss out on the opportunity offered by renewed growth in the after-coronavirus content market
- (4) Live Events: Accelerating trend towards online live events – swift expansion needed of online services responsive to expectations of the approximately half of fans willing to provide monetary support
- (5) Retail/Distribution: Turn the new modes of consumer behavior ("nest-dweller consumption", "recreational consumption", and "contactless") into opportunities to revolutionize retail companies
- (6) Sharing Economy Services: Rise of skill sharing – the sharing economy as a safety net
- (7) Housekeeping/Childcare Services: Changing service needs in households with children – men's growing involvement in housekeeping and childrearing demands services that can be easily employed from a man's perspective and services that a husband and wife can use together
- (8) Human Resources Services: Transformed needs regarding job changes – Values in job changing are shifting towards a priority on flexible work styles and specialization, and this means that the

diversification of employment modes and the responsiveness of systems pose new challenges for the hiring companies. Transformed needs regarding job changes – Values in job changing are shifting towards a priority on flexible work styles and specialization, and this means that the diversification of employment modes and the responsiveness of systems pose new challenges for the hiring companies

- (9) Beauty/Health Services: Taking advantage of the widespread in-home use of professional services, make efforts to expand our market base, including the development of new services
- (10) Food and Drink: The State of Restaurants in the Age of Telecommuting and Remote Work: Given increased opportunities for people to dine at home, a transition from traditional modes of business relying on stores to a more efficient style of business using digital technology is necessary
- (11) Real Estate Brokerage Services: Digitalization of all real estate brokerage services across the whole industry, and creation of uniquely online services utilizing VR etc. are necessary
- (12) Apparel: Sharp Decline in Apparel Consumption and the Fate of Each Company: Viability depends on breaking away from a high-risk, mass-production and sales model and switching to a low-risk, high-speed manufacturing and sales model
- (13) Cashless: Cashless Payments on the Rise: What each of us need to do to prevent the spread of infection and to achieve economic recovery

## ■ Reference

Overview of implementation of “Investigations on the Effects of the Spread of Covid-19 Infection on Lifestyle”

- Survey method: Internet survey (conducted on two separate occasions)
- Survey subjects: Men and women aged 15-69 across the country (demographically weighted)
- Number of valid respondents: First Survey – 3,098 people; Second Survey – 2,064 people
- Survey period: First Survey – April 18 to 19, 2020; Second Survey – April 22 to 24, 2020

NRI Group Urgent Proposals Regarding Measures for Covid-19

<https://www.nri.com/en/keyword/proposal>

Inquiries about the proposals:

Center for Strategic Management & Innovation

Nomura Research Institute, Ltd.

E-mail: miraisouhatsu@nri.co.jp

Media Inquiries:

Corporate Communication Department

Nomura Research Institute, Ltd.

TEL: +81-3-5877-7100

E-mail: [kouhou@nri.co.jp](mailto:kouhou@nri.co.jp)